DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE (DCRAC ECONOMIC DEVELOPMENT FUND, LLC)

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Cover & Rossiter
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Community Reinvestment Action Council and Affiliate
600 South Harrison Street
Wilmington, DE 19805

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Delaware Community Reinvestment Action Council, Inc. and Affiliate (collectively, "the Council"), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council, as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the note to the consolidated financial statements, the Council adopted the new accounting guidance required from Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* and changed its classification of net assets and enhanced its disclosures about net assets, expenses, and liquidity. The change in accounting principles has been applied retrospectively to the prior period presented. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental June 30, 2019 consolidating statements is presented on pages 16 and 17 for purposes of additional analysis and is not a required part of the combined financial statements. The information has been subjected to auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the June 30, 2019 combined financial statements as a whole.

Carver & Rossiter

Certified Public Accountants

November 22, 2019

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 183,097	$ 187,070
Grants receivable	8,064	63,833
Prepaid expenses	5,849	-
Total current assets	197,010	250,903
OTHER ASSETS		
Loans receivable, net	937,291	-
Investments	14,341	14,039
Property and equipment, net	574,754	605,493
TOTAL ASSETS	**$ 1,723,396**	**$ 870,435**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 9,178	$ 7,525
Payroll liabilities	200	200
Accrued expenses	-	2,292
Total current liabilities	9,378	10,017
NET ASSETS		
Without donor restrictions	1,590,685	747,085
With donor restrictions	123,333	113,333
Total net assets	1,714,018	860,418
TOTAL LIABILITIES AND NET ASSETS	**$ 1,723,396**	**$ 870,435**

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants						
Internal Revenue Service	$ 75,000	$ -	$ 75,000	$ 72,500	$ -	$ 72,500
Delaware Grant in Aid	5,000	-	5,000	4,000	-	4,000
Delaware State Housing Authority	21,142	-	21,142	22,853	-	22,853
New Castle County	-	-	-	500	-	500
Sussex County	1,000	-	1,000	1,000	-	1,000
City of Wilmington	10,385	-	10,385	11,043	-	11,043
AFR1	5,000	-	5,000	2,400	-	2,400
AFR2	-	-	-	2,400	-	2,400
National Community Reinvestment Coalition	-	-	-	4,814	-	4,814
Christ Church Christiana Hundred	-	-	-	2,000	-	2,000
FLEF - Delaware	-	-	-	18,000	-	18,000
Bank of America	40,000	-	40,000	40,000	-	40,000
Building Block Grant	-	-	-	-	50,000	50,000
Discover Bank	104,500	-	104,500	22,500	-	22,500
HSBC	5,000	-	5,000	5,000	-	5,000
Wells Fargo	10,000	-	10,000	-	-	-
Fulton Bank	5,000	-	5,000	-	-	-
WSFS	-	-	-	-	20,000	20,000
TD Bank	30,000	-	30,000	30,000	-	30,000
Barclay's Bank	25,000	-	25,000	60,000	-	60,000
Delaware Bar	-	-	-	-	75,000	75,000
Capital One Bank	50,500	-	50,500	50,500	-	50,500
BHA	-	10,000	10,000	-	-	-
CFA	877	-	877	-	-	-
Catholic Campaign for Human Development	-	-	-	70,000	-	70,000
Longwood Foundation	-	100,000	100,000	-	-	-
NCRC	10,233	-	10,233	-	-	-
United Way	32	-	32	-	-	-
Other contributions	17,399	-	17,399	14,843	-	14,843
Celebrating CRA and other fundraisers	25,078	-	25,078	45,200	-	45,200
Discover loan transfer	1,056,008	-	1,056,008	-	-	-
Rental income	2,500	-	2,500	-	-	-
Miscellaneous income	1,034	-	1,034	5	-	5
Donated services	300,000	-	300,000	300,000	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	100,000	(100,000)	-	31,667	(31,667)	-
Total support and revenue	1,900,688	10,000	1,910,688	811,225	113,333	924,558
OPERATING EXPENSES						
Program services:						
Credit Clinic	215,652	-	215,652	216,642	-	216,642
Tax Clinic	220,011	-	220,011	220,762	-	220,762
Housing Clinic	237,448	-	237,448	237,248	-	237,248
Economic Justice	293,398	-	293,398	206,278	-	206,278
	966,509	-	966,509	880,930	-	880,930
Management and general	81,703	-	81,703	79,983	-	79,983
Fundraising	9,663	-	9,663	16,984	-	16,984
	91,366	-	91,366	96,967	-	96,967
Total operating expenses	1,057,875	-	1,057,875	977,897	-	977,897
Change in net assets - Operating	842,813	10,000	852,813	(166,672)	113,333	(53,339)
Non-Operating Activities						
Investment performance	787	-	787	1,328	-	1,328
Change in Net Assets - Non-Operating	787	-	787	1,328	-	1,328
CHANGE IN NET ASSETS	843,600	10,000	853,600	(165,344)	113,333	(52,011)
NET ASSETS AT BEGINNING OF YEAR	747,085	113,333	860,418	912,429	-	912,429
NET ASSETS AT END OF YEAR	$ 1,590,685	$ 123,333	$ 1,714,018	$ 747,085	$ 113,333	$ 860,418

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Service					Supporting Service			2019
	Credit Clinic	Tax Clinic	Housing Clinic	Economic Justice	Total	Management & General	Fundraising	Total	Total Expenses
Salaries	$ 72,801	$ 76,845	$ 93,023	$ 113,245	$ 355,914	$ 48,534	$ -	$ 48,534	$ 404,448
Payroll taxes	5,665	5,980	7,239	8,812	27,696	3,777	-	3,777	31,473
Advertising and promotion	7,020	7,020	7,020	2,507	23,567	1,504	-	1,504	25,071
Building occupancy	4,405	4,405	4,405	1,573	14,788	944	-	944	15,732
Credit Union program	-	-	-	122,345	122,345	-	-	-	122,345
Depreciation and amortization	9,713	9,713	9,713	3,468	32,607	2,082	-	2,082	34,689
Fundraiser	-	-	-	-	-	-	9,663	9,663	9,663
Insurance	3,546	3,546	3,546	1,267	11,905	760	-	760	12,665
Meetings	977	977	977	349	3,280	208	-	208	3,488
Miscellaneous	4,283	4,283	4,283	1,530	14,379	916	-	916	15,295
Office supplies	4,348	4,348	4,348	1,553	14,597	932	-	932	15,529
Professional fees	87,289	87,289	87,289	31,175	293,042	18,704	-	18,704	311,746
Telecommunications	5,552	5,552	5,552	1,983	18,639	1,189	-	1,189	19,828
Television	882	882	882	315	2,961	189	-	189	3,150
Travel	6,016	6,016	6,016	2,149	20,197	1,289	-	1,289	21,486
Utilities	3,155	3,155	3,155	1,127	10,592	675	-	675	11,267
TOTAL EXPENSES	$ 215,652	$ 220,011	$ 237,448	$ 293,398	$ 966,509	$ 81,703	$ 9,663	$ 91,366	$ 1,057,875

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Service					Supporting Service			2018
	Credit Clinic	Tax Clinic	Housing Clinic	Economic Justice	Total	Management & General	Fundraising	Total	Total Expenses
Salaries	$ 68,828	$ 72,651	$ 87,946	$ 107,065	$ 336,490	$ 45,885	$ -	$ 45,885	$ 382,375
Payroll taxes	5,358	5,655	6,846	8,334	26,193	3,572	-	3,572	29,765
Advertising and promotion	5,217	5,217	5,217	1,863	17,514	1,118	-	1,118	18,632
Bank and credit card fees	49	49	49	18	165	10	-	10	175
Building occupancy	11,098	11,098	11,098	3,964	37,258	2,379	-	2,379	39,637
Credit Union program	-	-	-	40,000	40,000	-	-	-	40,000
Depreciation and amortization	9,492	9,492	9,492	3,390	31,866	2,034	-	2,034	33,900
Fundraiser	-	-	-	-	-	-	16,984	16,984	16,984
Insurance	2,190	2,190	2,190	783	7,353	470	-	470	7,823
Meetings	973	973	973	348	3,267	209	-	209	3,476
Miscellaneous	4,117	4,117	4,117	1,470	13,821	883	-	883	14,704
Office supplies	4,061	4,061	4,061	1,450	13,633	869	-	869	14,502
Professional fees	92,050	92,050	92,050	32,875	309,025	19,724	-	19,724	328,749
Telecommunications	2,897	2,897	2,897	1,035	9,726	619	-	619	10,345
Television	1,386	1,386	1,386	495	4,653	297	-	297	4,950
Travel	6,159	6,159	6,159	2,200	20,677	1,321	-	1,321	21,998
Utilities	2,767	2,767	2,767	988	9,289	593	-	593	9,882
TOTAL EXPENSES	**$ 216,642**	**$ 220,762**	**$ 237,248**	**$ 206,278**	**$ 880,930**	**$ 79,983**	**$ 16,984**	**$ 96,967**	**$ 977,898**

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	$ 582,871	$ 522,965
Cash paid to suppliers and employees	(729,674)	(659,766)
Cash received from loan portfolio	118,717	-
Cash received from special events	25,078	45,200
Cash received from interest and dividends	442	693
Cash received from rental	2,500	-
Net cash used by operating activities	(66)	(90,908)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from investments	43	77
Purchase of equipment	(3,950)	(20,856)
Net cash used by investing activities	(3,907)	(20,779)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,973)	(111,687)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	187,070	298,757
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 183,097**	**$ 187,070**
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Change in net assets	$ 853,600	$ (52,011)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	34,689	33,900
Non-cash investment performance	(345)	(635)
(Increase) decrease in operating assets:		
Grants receivable	55,769	(56,393)
Prepaid expenses	(5,849)	-
Loans receivable	(937,291)	-
Increase (decrease) in operating liabilities:		
Accounts payable	1,653	(18,061)
Payroll liabilities	-	-
Accrued expenses	(2,292)	2,292
NET CASH USED BY OPERATING ACTIVITIES	**$ (66)**	**$ (90,908)**
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Contributed services	$ 300,000	$ 300,000
Contributed loan portfolio	$ 1,007,395	$ -

The accompanying notes are an integral part of these financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Delaware Community Reinvestment Action Council, Inc. and Affiliate (collectively, "the Council") is presented to assist in understanding the Council's financial statements. The consolidated financial statements and notes are representations of the Council's management who is responsible for their integrity and objectivity. These accounting policies conform to the accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

Nature of Activities

The Council is a tax-exempt charitable not-for-profit corporation which was formed in 1987 for the purpose of ensuring equitable treatment and equal access to credit and capital for underserved populations and communities in Delaware. The Council provides ALL of its services AT NO COST and without regard to race, color, national origin, religion, sex, familial status, disability, age, creed, source of income, marital status, or sexual orientation. The Council's four direct programs are the Credit Clinic, the Housing Clinic, the Low Income Tax Clinic, and Stepping Stones Community Federal Credit Union.

- The Credit Clinic builds the ability and opportunity for clients to make smart financial decisions - often new territory for Council's clients.

- The Housing Clinic focuses on foreclosure prevention and on assisting first-time homebuyers in exploring home ownership opportunities and responsibilities.

- The Low Income Tax Clinic provides expert representation and information for those experiencing difficulties with the IRS and other taxing authorities.

- In 2011, the National Credit Union Administration chartered only one credit union in the United States – Stepping Stones Community Federal Credit Union sponsored by the Council. Its mission is to provide members with access to credit with need-appropriate financial services, education, and individualized approaches to money matters so they are aware of all of their financial choices.

Many professionals volunteer their services for the Council's programs, including attorneys providing representation to low-income clients and senior management from financial institutions who teach money management to low-income clients in shelters.

Accounting Method

The Council's policy is to use the accrual basis of accounting.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for support of the Council's programs and general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Grants and other contributions of cash and other assets are reported as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a with donor restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gain and losses on investments are reported as increases and decreases within net assets class to which they relate.

Cash, Cash Equivalents, and Credit Risk

Cash and cash equivalents include cash balances with net assets without donor restrictions that are available for current use. Cash equivalents include any unrestricted highly liquid investments with an initial maturity of three months or less, except for cash or money market positions held within endowment accounts. The bank balances are insured up to $250,000 by either the Federal Deposit Insurance Corporation or the National Credit Union Administration. From time to time, in the normal course of business, the Council's balances may exceed this amount. Management believes the risk of loss is remote.

Contributions

Contributions received are recorded as increases in net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Fair value for equity securities is readily determinable if sales prices or bid-and-asked quotations are currently available on recognized security exchanges. Gains or losses on sales are reported in the statement of activities as investment performance.

Fair Value Hierarchy

The Council has adopted FASB ASC 820-10, which establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

DCRAC Economic Development Fund, LLC and Principles of Consolidation

The Council formed a wholly owned subsidiary DCRAC Economic Development Fund, LLC ("the LLC") during the year ended June 30, 2019. The LLC was formed to house certain loans gifted by Discover Bank. Since the LLC is wholly owned by the Council, these financial statements have been presented on a consolidated basis with the activities, assets, and liabilities being combined. All activity between the two entities (consisting of $70,000 in funds "granted" from the LLC to the Council) has been eliminated. See supplemental consolidating statements on pages 16 and 17 for the details.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at acquisition cost if purchased, or fair value at date of donation if acquired by gift. Donated property and equipment received without donor-imposed stipulations restricting use of the property is recorded as an increase in unrestricted net assets. Expenditures for property and equipment in excess of $1,500 are capitalized.

Property and equipment consisted of the following at June 30:

	2019	2018
Office Equipment and Software	25,909	44,637
Building and Improvement	595,322	591,372
Automobile	85,700	85,700
Land	6,500	6,500
	713,431	728,209
Less: Accumulated Depreciation	(138,677)	(122,716)
	$ 574,754	$ 605,493

Depreciation of property and equipment is provided using the straight line method based on the following estimated useful lives:

Buildings and improvements	Up to 39 years
Office equipment	5 – 7 years

Depreciation expense for the years ended June 30, 2019 and 2018 was $34,689 and $33,900, respectively.

Income Tax Status

The Council is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a publicly supported organization under Section 509(a)(1), contributions to the Council are deductible for the donor.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The Council allocates its expenses on a functional basis across its programs and supporting services. Expenses that can be identified to a specific program or supporting service are allocated directly to that program or supporting service. All other expenses are allocated using management's best estimates based on time expended or among the programs and supporting services benefited.

Change in Accounting Principle

The Council has adopted the new accounting guidance required by Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, and has changed its classification of net assets and enhanced its disclosures about net assets, expenses, and liquidity. The change in accounting principle has been applied retrospectively to where prior period information is presented.

Grants Receivable

Grants receivable represent unconditional promises to give made by foundations or governmental entities and are recorded at net realizable value. Grants receivable as of June 30, 2019 and 2018 were $8,064 and $63,833, respectively. $6,666 of grants receivable at June 30, 2019 are expected to be received by June 30, 2020. All other grants receivable at June 30, 2019, and all grants receivable at June 30, 2018, were expected to be received within one year. No allowance for uncollectible grants receivable has been recorded as management believes that all grants receivable are fully collectible.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred during the years ended June 30, 2019 and 2018 were $1,389 and $9,397, respectively.

Donated Services

The Council estimates that 1,000 hours of legal assistance were rendered to its clients in support of the Council's programs. These hours have been valued at $300,000 and qualify for financial statement recognition under FASB ASC 958-720 since they are professional in nature and the Council would otherwise need to pay for the provision of the services. This amount has been reflected as both contribution income and expense on the statement of activities, for the years ended June 30, 2019 and 2018.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through November 22, 2019, the date the financial statements were available to be issued.

LOANS RECEIVABLE

During the year ended June 30, 2019, the council received as a contribution from Discover Bank, a portfolio of 36 mortgage loans with a total face value of $2,259,722. The loans are diverse in terms of their history and the potential for collections. The Council has adopted the following policy with respect to recognition of the contributions:

- Recognize loans with a steady payment history and regular remittances to the Council at full face value.
- Recognize all other loans only as payments are received.

The Council recognized the value of the initial gift of the loans at $1,007,395. Additional amounts of $48,613 were recognized as collections on loans not initially recognized as discussed above. During the period from when the loans were gifted and June 30, 2019, $70,857 of loans receivable were paid to the Council, leaving a balance of $937,291 as the recognized receivable balance. The total remaining face value of the loan portfolio is estimated to be $2,140,252. The Council believes that $937,291 is a conservative estimate of amounts expected to be collected.

Although, each of the loans is collateralized by real estate, it is not possible to estimate the value or the costs that would be incurred in collection efforts and the collateral has not been considered as a factor in estimating the value of the loans. Since this is a subjective estimate, the loans receivable balance is considered to be at Level 3 in the fair value hierarchy.

FAIR VALUE MEASUREMENTS

The following methods and assumptions were used by the Council in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The Council's investment values are reported using Level 2 inputs, which are based on values computed and published on a monthly basis.

INVESTMENT ASSETS HELD BY THE DELAWARE COMMUNITY FOUNDATION

The Council is the beneficiary of an endowment fund held by the Delaware Community Foundation (the "Foundation"). The fund was gifted to the Foundation by the Council for its own benefit through an agreement that states that the endowment is owned and held by the Foundation. The Foundation possesses variance power over the assets that were gifted. In accordance with FASB ASC 958-605-15, these assets are recorded on the Council's financial statements. The agreement states that future gifts will be invested and held by the Foundation, and that a portion of the invested gifts and related income will be distributed periodically to the Council. The total market value of assets in this fund was $14,341 and $14,039 at June 30, 2019 and 2018, respectively.

The fund consists of invested gifts, appreciation and related income net of administrative and investment charges. The Council recognizes the distributions from the Foundation (when they occur) as contribution or grant revenue on the statement of activities. The Council did not receive any distributions from the Foundation during the years ended June 30, 2019 and 2018.

RELATED PARTY ACTIVITY

Stepping Stones Community Federal Credit Union ("Stepping Stones") is chartered by the NCUA and is maintained as a separate organization. The assets, liabilities, and activities of Stepping Stones are not reflected in the Council's financial statements. Council employees serve in various roles for Stepping Stones and the costs of those services, as well as other direct and allocated indirect costs, are reflected on the statement of functional expenses under the "Economic Justice" program which totaled $293,398 and $206,278 for the years ended June 30, 2019 and 2018, respectively.

NET ASSETS WITH DONOR RESTRICTIONS

The Council receipt and release of restricted funds are shown in the table below for the year ended June 30, 2019.

Net assets with donor restrictions subject to specified purposes	Balance at July 1, 2018	Restricted revenue recognized	Releases from restriction	Balance at June 30, 2019
Legal programs	$ 75,000	$ 100,000	$ (75,000)	$ 100,000
Mobile banking	25,000	-	(25,000)	-
Capital campaign	13,333	10,000	-	23,333
Totals net assets with donor restrictions	$ 113,333	$ 110,000	$ (100,000)	$ 123,333

LINE OF CREDIT AVAILABLE

The Council has a signed line of credit agreement with a local bank enabling the Council to draw up to $250,000 to support its operations. No amounts had been drawn as of June 30, 2019. The line of credit has a fixed rate of 4.9% on any amount drawn and is collateralized by the Council's 600 Harrison Street property. The line of credit agreement will expire in June 2021. Interest only payments will be due on amounts drawn until the line of credit expires at which time all interest and principal are due and payable.

COMMITMENT TO SUPPORT STEPPING STONES CREDIT UNION

The Council has signed a letter of commitment agreeing to financially support Stepping Stones. The amount is uncertain and no liabilities have been accrued in the June 30, 2019 financial statements. The total amount of additional support to the Stepping Stones cannot exceed $100,000 during the fiscal year ending June 30, 2020; $70,000 additional during the fiscal year ending June 30, 2021, and $30,000 additional during the year ending June 30, 2022.

LIQUIDITY AND AVAILABILITY

The Council has the following liquid assets available for use in operations at June 30, 2019:

Cash and cash equivalents	$ 183,097
Grants receivable	8,064
Investments	14,341
Total	$ 205,502

The Council routinely receives funding without donor restrictions from contributors to use on program expenses. $444,680 was received during the year ended June 30, 2019 which is consistent with prior years.

The Council now receives payments on a loan portfolio which are available for general operations. The Council expects at least $75,000 will be received from that source for the year ending June 30, 2020.

The Council may draw on a $250,000 working capital line of credit which was established for liquidity purposes. No amounts had been drawn as of June 30, 2019.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2019

	DCRAC	DCRAC Economic Development Fund, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 134,570	$ 48,527	$ -	$ 183,097
Grants receivable	8,064	-	-	8,064
Prepaid expenses	5,849	-	-	5,849
Total current assets	148,483	48,527	-	197,010
OTHER ASSETS				
Loans receivable	-	937,291	-	937,291
Investments	14,341	-	-	14,341
Property and equpment, net	574,754	-	-	574,754
TOTAL ASSETS	**$ 737,578**	**$ 985,818**	**$ -**	**$ 1,723,396**
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 9,178	$ -	$ -	$ 9,178
Payroll liabilities	200	-	-	200
Total current liabilities	9,378	-	-	9,378
NET ASSETS				
Without donor restrictions	604,867	985,818	-	1,590,685
With donor restrictions	123,333	-	-	123,333
Total net assets	728,200	985,818	-	1,714,018
TOTAL LIABILITIES AND NET ASSETS	**$ 737,578**	**$ 985,818**	**$ -**	**$ 1,723,396**

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2019

	DCRAC			DCRAC Economic Development Fund, LLC		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total
SUPPORT AND REVENUE						
Contributions and grants						
Internal Revenue Service	$ 75,000	$ -	$ 75,000	$ -	$ -	$ 75,000
Delaware Grant in Aid	5,000	-	5,000	-	-	5,000
Delaware State Housing Authority	21,142	-	21,142	-	-	21,142
Sussex County	1,000	-	1,000	-	-	1,000
City of Wilmington	10,385	-	10,385	-	-	10,385
AFR1	5,000	-	5,000	-	-	5,000
Bank of America	40,000	-	40,000	-	-	40,000
Discover Bank	104,500	-	104,500	-	-	104,500
HSBC	5,000	-	5,000	-	-	5,000
Wells Fargo	10,000	-	10,000	-	-	10,000
Fulton Bank	5,000	-	5,000	-	-	5,000
TD Bank	30,000	-	30,000	-	-	30,000
Barclay's Bank	25,000	-	25,000	-	-	25,000
Capital One Bank	50,500	-	50,500	-	-	50,500
BHA	-	10,000	10,000	-	-	10,000
CFA	877	-	877	-	-	877
Longwood Foundation	-	100,000	100,000	-	-	100,000
NCRC	10,233	-	10,233	-	-	10,233
DCRAC EDF	70,000	-	70,000	-	(70,000)	-
United Way	32	-	32	-	-	32
Other contributions	17,399	-	17,399	-	-	17,399
Celebrating CRA and other fundraisers	25,078	-	25,078	-	-	25,078
Discover loan transfer	-	-	-	1,056,008	-	1,056,008
Rental income	2,500	-	2,500	-	-	2,500
Miscellaneous income	1,034	-	1,034	-	-	1,034
Donated services	300,000	-	300,000	-	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	100,000	(100,000)	-	-	-	-
Total support and revenue	914,680	10,000	924,680	1,056,008	(70,000)	1,910,688
OPERATING EXPENSES						
Program services:						
Credit Clinic	215,652	-	215,652	-	-	215,652
Tax Clinic	220,011	-	220,011	-	-	220,011
Housing Clinic	237,448	-	237,448	-	-	237,448
Economic Justice	293,398	-	293,398	70,000	(70,000)	293,398
	966,509	-	966,509	70,000	(70,000)	966,509
Management and general	81,513	-	81,513	190	-	81,703
Fundraising	9,663	-	9,663	-	-	9,663
	91,176	-	91,176	190	-	91,366
Total operating expenses	1,057,685	-	1,057,685	70,190	(70,000)	1,057,875
Change in Net Assets - Operating	(143,005)	10,000	(133,005)	985,818	-	852,813
Non-Operating Activities						
Investment performance	787	-	787	-	-	787
Change in Net Assets - Non-Operating	787	-	787	-	-	787
CHANGE IN NET ASSETS	(142,218)	10,000	(132,218)	985,818	-	853,600
NET ASSETS AT BEGINNING OF YEAR	747,085	113,333	860,418	-	-	860,418
NET ASSETS AT END OF YEAR	$ 604,867	$ 123,333	$ 728,200	$ 985,818	$ -	$ 1,714,018