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

CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

WITH
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

Cover & Rossiter
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Delaware Community Reinvestment Action Council, Inc. 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, 2020 and 2019, 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 consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council, as of June 30, 2020 and 2019, 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 notes to the consolidated financial statements, the Council adopted the new accounting guidance required by generally accepted accounting principles. Accounting Standards Codification (ASC) Section 606, *Revenues from Contracts with Customers*, establishes a five-step approach for the recognition of revenue. In addition, ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* provides clarification on the accounting for contributions. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental June 30, 2020 consolidating statements are presented on pages 17 and 18 for purposes of additional analysis and is not a required part of the consolidated financial statements. The information has been subjected to auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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, 2020 consolidated financial statements as a whole.

Certified Public Accountants

January 21, 2021
Wilmington, Delaware

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 739,786	$ 183,097
Grants receivable	-	8,064
Prepaid expenses	5,849	5,849
Total current assets	745,635	197,010
OTHER ASSETS		
Loans receivable, net	681,920	937,291
Investments	14,283	14,341
Property and equipment, net	547,977	574,754
TOTAL ASSETS	**$ 1,989,815**	**$ 1,723,396**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 3,532	$ 9,178
Payroll liabilities	200	200
Paycheck Protection Program loan	21,202	-
Total current liabilities	24,934	9,378
NET ASSETS		
Without donor restrictions	1,681,548	1,590,685
With donor restrictions	283,333	123,333
Total net assets	1,964,881	1,714,018
TOTAL LIABILITIES AND NET ASSETS	**$ 1,989,815**	**$ 1,723,396**

The accompanying notes are an integral part of these consolidated financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions and grants						
Internal Revenue Service	$ 87,500	$ -	$ 87,500	$ 75,000	$ -	$ 75,000
Delaware Grant in Aid	21,500	-	21,500	5,000	-	5,000
Delaware State Housing Authority	1,736	-	1,736	21,142	-	21,142
New Castle County	2,250	-	2,250	-	-	-
Sussex County	1,350	-	1,350	1,000	-	1,000
City of Wilmington	3,550	-	3,550	10,385	-	10,385
AFR1	-	-	-	5,000	-	5,000
Christ Church Christiana Hundred	3,000	-	3,000	-	-	-
FLEF - Delaware	21,250	-	21,250	-	-	-
Bank of America	50,000	-	50,000	40,000	-	40,000
Discover Bank	80,000	-	80,000	104,500	-	104,500
HSBC	-	-	-	5,000	-	5,000
Wells Fargo	35,000	-	35,000	10,000	-	10,000
Fulton Bank	2,500	-	2,500	5,000	-	5,000
TD Bank	70,000	-	70,000	30,000	-	30,000
Barclay's Bank	30,000	-	30,000	25,000	-	25,000
Capital One Bank	70,000	-	70,000	50,500	-	50,500
BHA	-	-	-	-	10,000	10,000
CFA	-	-	-	877	-	877
Christiana Care	30,000	-	30,000	-	-	-
Crystal Trust	-	100,000	100,000	-	-	-
PNC	2,000	-	2,000	-	-	-
Principal Foundation	10,000	-	10,000	-	-	-
Raskob Foundation	12,570	-	12,570	-	-	-
Welfare Foundation	-	60,000	60,000	-	-	-
Longwood Foundation	-	-	-	-	100,000	100,000
NCRC	-	-	-	10,233	-	10,233
Delaware Community Foundation	2,500	-	2,500	-	-	-
United Way	-	-	-	32	-	32
Other contributions	15,168	-	15,168	17,399	-	17,399
Celebrating CRA and other fundraisers	32,056	-	32,056	25,078	-	25,078
Discover loan transfer	140,129	-	140,129	1,056,008	-	1,056,008
Estimated PPP Forgiveness	61,433	-	61,433	-	-	-
Rental income	4,200	-	4,200	2,500	-	2,500
Miscellaneous income	3,238	-	3,238	1,034	-	1,034
Donated services	300,000	-	300,000	300,000	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	-	100,000	(100,000)	-
Total support and revenue	$ 1,092,930	$ 160,000	$ 1,252,930	$ 1,900,688	$ 10,000	$ 1,910,688
OPERATING EXPENSES						
Program services:						
Money School	$ 219,406	$ -	$ 219,406	$ 215,652	$ -	$ 215,652
Tax Clinic	223,667	-	223,667	220,011	-	220,011
DCRAC Law	240,709	-	240,709	237,448	-	237,448
Economic Justice	275,271	-	275,271	293,398	-	293,398
	959,053	-	959,053	966,509	-	966,509
Management and general	81,707	-	81,707	81,703	-	81,703
Fundraising	9,142	-	9,142	9,663	-	9,663
	90,849	-	90,849	91,366	-	91,366
Total operating expenses	$ 1,049,902	$ -	$ 1,049,902	$ 1,057,875	$ -	$ 1,057,875
Change in net assets - Operating	43,028	160,000	203,028	842,813	10,000	852,813
Non-Operating Activities						
Interest income on Discover loan	47,229	-	47,229	-	-	-
Investment performance	606	-	606	787	-	787
Change in Net Assets - Non-Operating	47,835	-	47,835	787	-	787
CHANGE IN NET ASSETS	90,863	160,000	250,863	843,600	10,000	853,600
NET ASSETS AT BEGINNING OF YEAR	1,590,685	123,333	1,714,018	747,085	113,333	860,418
NET ASSETS AT END OF YEAR	**$ 1,681,548**	**$ 283,333**	**$ 1,964,881**	**$ 1,590,685**	**$ 123,333**	**$ 1,714,018**

The accompanying notes are an integral part of these consolidated financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC.
AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Service					Supporting Service			2020
	Money School	Tax Clinic	DCRAC Law	Economic Justice	Total	Management & General	Fundraising	Total	Total Expenses
Salaries	$ 70,695	$ 74,623	$ 90,333	$ 109,970	$ 345,621	$ 47,130	$ -	$ 47,130	$ 392,751
Payroll taxes	5,514	5,820	7,045	8,577	26,956	3,676	-	3,676	30,632
Employee Benefits	485	512	619	754	2,370	323	-	323	2,693
Advertising and promotion	17,765	17,765	17,765	6,345	59,640	3,805	-	3,805	63,445
Building occupancy	4,327	4,327	4,327	1,546	14,527	928	-	928	15,455
Credit Union program	-	-	-	105,000	105,000	-	-	-	105,000
Depreciation and amortization	8,847	8,847	8,847	3,159	29,700	1,895	-	1,895	31,595
Fundraiser	-	-	-	-	-	-	9,142	9,142	9,142
Insurance	4,887	4,887	4,887	1,746	16,407	1,046	-	1,046	17,453
Meetings	1,269	1,269	1,269	453	4,260	271	-	271	4,531
Miscellaneous	1,753	1,753	1,753	626	5,885	377	-	377	6,262
Office supplies	3,497	3,497	3,497	1,249	11,740	749	-	749	12,489
Professional fees	87,220	87,220	87,220	31,150	292,810	18,690	-	18,690	311,500
Telecommunications	7,378	7,378	7,378	2,635	24,769	1,582	-	1,582	26,351
Television	609	609	609	218	2,045	130	-	130	2,175
Travel	3,262	3,262	3,262	1,165	10,951	700	-	700	11,651
Utilities	1,898	1,898	1,898	678	6,372	405	-	405	6,777
TOTAL EXPENSES	**$ 219,406**	**$ 223,667**	**$ 240,709**	**$ 275,271**	**$ 959,053**	**$ 81,707**	**$ 9,142**	**$ 90,849**	**$ 1,049,902**

The accompanying notes are an integral part of these consolidated 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
	Money School	Tax Clinic	DCRAC Law	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 consolidated financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions and grants	$ 723,176	$ 582,871
Cash paid to suppliers and employees	(723,953)	(729,674)
Cash received from loan portfolio	442,729	118,717
Cash received from special events	32,056	25,078
Cash received from interest and dividends	638	442
Cash received from rental	4,200	2,500
Net cash provided (used) by operating activities	478,846	(66)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from investments	26	43
Purchase of equipment	(4,818)	(3,950)
Net cash used by investing activities	(4,792)	(3,907)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	82,635	-
Net cash provided by financing activities	82,635	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	556,689	(3,973)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	183,097	187,070
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 739,786**	**$ 183,097**
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 consolidated financial statements

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

ORGANIZATION

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 consolidated 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Council is a nonprofit in the business of transforming lives for Delawareans through advocacy, banking, law and education. Its mission is to ensure equitable treatment and equal access to credit and capital. We believe EVERYONE deserves a chance to succeed and we offer guidance and support to do so. We serve Delaware families working hard to escape poverty and build a better life for themselves and their families. The Council's four direct programs are the Money School, DCRAC Law, the Low Income Tax Clinic, and Stepping Stones Community Federal Credit Union.

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

- DCRAC Law 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Method

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

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. Gains 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

Delaware Community Reinvestment Action Council, Inc. ("DCRAC") 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 DCRAC, 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 $240,000 in funds "granted" from the LLC to DCRAC) has been eliminated. See supplemental consolidating statements on pages 17 and 18 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:

	2020	2019
Office Equipment and Software	$ 25,909	$ 25,909
Building and Improvement	600,140	595,322
Automobile	85,700	85,700
Land	6,500	6,500
	718,249	713,431
Less: Accumulated Depreciation	(170,272)	(138,677)
	$ 547,977	$ 574,754

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, 2020 and 2019 was $31,595 and $34,689, 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 issued in Accounting Standards Codification (ASC) Section 606, Revenues from Contracts with Customers. This guidance establishes a five-step approach for the recognition of revenue. The implementation of this guidance resulted in no changes in the way the Council recognizes revenue.

The Council also adopted AS 2018-08, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. Key provisions in this guidance include clarification of accounting for grants and contracts as exchange transactions or contributions, and improved guidance to distinguish between conditional and unconditional contributions. The implementation of this guidance resulted in no changes in the way the Council recognizes contributions and grant revenue.

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, 2020 and 2019 were $0 and $8,064, respectively.

Advertising Costs

Advertising costs are charged to expense as incurred. Advertising costs incurred during the years ended June 30, 2020 and 2019 were $7,504 and $1,389, 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, 2020 and 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

Management has evaluated subsequent events through January 21, 2021, the date the consolidated financial statements were available to be issued.

LIQUIDITY AND AVAILABILITY

The Council has the following liquid assets available for use in operations at June 30, 2020:

Cash and cash equivalents	$ 739,786
Investments	14,283
Total	$ 754,069

The Council routinely receives funding without donor restrictions from contributors to use on program expenses. $591,368 was received during the year ended June 30, 2020 which is consistent with prior years.

The Council now receives payments on a loan portfolio which are available for general operations. The Council expects approximately $75,000 will be received from that source for the year ending June 30, 2021.

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, 2020.

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 consolidated 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 $275,251 and $293,448 for the years ended June 30, 2020 and 2019, respectively.

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.

During the year ended June 30, 2020, $255,371 of loans receivable were paid to the Council, leaving a balance of $681,920 as the recognized receivable balance. The Council also received $140,129 and $48,613 in 2020 and 2019, respectively, recognized as revenue from collections on loans not initially recognized. The total remaining face value of the loan portfolio is estimated to be $1,648,127. The Council believes that $681,920 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.

COMMITMENTS

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, 2020 consolidated financial statements. The total amount of additional support to the Stepping Stones cannot exceed $70,000 during the fiscal year ending June 30, 2021, and $30,000 additional during the year ending June 30, 2022.

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 consolidated 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 $14,283 and $14,341 at June 30, 2020 and 2019, respectively.

The fund consists of invested gifts, appreciation and related income net of administrative and investment charges. The Council recognizes distributions from the Foundation (when they occur) as a liquidation of an investment and not 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, 2020 and 2019.

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, 2020.

Net assets with donor restrictions subject to specified purposes	Balance at July 1, 2019	Restricted revenue recognized	Releases from restriction	Balance at June 30, 2020
Legal programs	$ 100,000	$ -	$ -	$ 100,000
Capital campaign	23,333	160,000	-	183,333
Totals net assets with donor restrictions	$ 123,333	$ 160,000	$ -	$ 283,333

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, 2020. 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.

PAYCHECK PROTECTION PROGRAM

The Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The Council applied and was approved for a loan under the Paycheck Protection Program ("PPP") provision of the CARES Act. The proceeds of this loan in the amount of $82,635 were received on May 7, 2020.

Under the provisions of the PPP, the loan may be forgiven in whole or in part by expending the funds for qualifying expenses which include payroll (with certain qualifications) and other expenses.

The Council expects that substantially all of the loan will be forgiven. Under current guidance, management has elected to account for the loan (and forgiveness) as a conditional contribution under Accounting Standards Codification Subtopic 958-605. As a conditional contribution, the PPP Loan will not be recognized as revenue until the terms of the forgiveness have either been substantially met or specifically waived. From the date the proceeds were received through June 30, 2020, management estimates that qualifying expenses of $61,433 were paid and that the terms of the forgiveness have been substantially met for that amount. As of June 30, 2020, management has recorded revenue of $61,433 leaving a remaining liability of $21,202.

The CARES Act and PPP program have been amended by subsequent legislation, and may be amended again subsequent to the date of these consolidated financial statements. Under its current provisions, the forgiveness of the loan must be applied for and approved by the financial institution through which it was obtained with no further review. Management can foresee no significant obstacle to approval of the forgiveness. If any portion of the loan is not forgiven, it must be repaid over 5 years at a 1% interest rate.

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
YEAR ENDED JUNE 30, 2020

	DCRAC	DCRAC Economic Development Fund, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$ 489,096	$ 250,690	$ -	$ 739,786
Prepaid expenses	5,849	-	-	5,849
Total current assets	494,945	250,690	-	745,635
OTHER ASSETS				
Loans receivable	-	681,920	-	681,920
Investments	14,283	-	-	14,283
Property and equpment, net	547,977	-	-	547,977
TOTAL ASSETS	**$ 1,057,205**	**$ 932,610**	**$ -**	**$ 1,989,815**
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	$ 3,532	$ -	$ -	$ 3,532
Payroll liabilities	200	-	-	200
PPP Note Payable	21,202	-	-	21,202
Total current liabilities	24,934	-	-	24,934
NET ASSETS				
Without donor restrictions	748,938	932,610	-	1,681,548
With donor restrictions	283,333	-	-	283,333
Total net assets	1,032,271	932,610	-	1,964,881
TOTAL LIABILITIES AND NET ASSETS	**$ 1,057,205**	**$ 932,610**	**$ -**	**$ 1,989,815**

DELAWARE COMMUNITY REINVESTMENT ACTION COUNCIL, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2020

	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	$ 87,500	$ -	$ 87,500	$ -	$ -	$ 87,500
Delaware Grant in Aid	21,500	-	21,500	-	-	21,500
Delaware State Housing Authority	1,736	-	1,736	-	-	1,736
New Castle County	2,250	-	2,250	-	-	2,250
Sussex County	1,350	-	1,350	-	-	1,350
City of Wilmington	3,550	-	3,550	-	-	3,550
Christ Church Christiana Hundred	3,000	-	3,000	-	-	3,000
FLEF - Delaware	21,250	-	21,250	-	-	21,250
Bank of America	50,000	-	50,000	-	-	50,000
Discover Bank	80,000	-	80,000	-	-	80,000
PNC	2,000	-	2,000	-	-	2,000
Wells Fargo	35,000	-	35,000	-	-	35,000
Fulton Bank	2,500	-	2,500	-	-	2,500
TD Bank	70,000	-	70,000	-	-	70,000
Barclay's Bank	30,000	-	30,000	-	-	30,000
Capital One Bank	70,000	-	70,000	-	-	70,000
Raskob Foundation	12,570	-	12,570	-	-	12,570
Christiana Care	30,000	-	30,000	-	-	30,000
Welfare Foundation	-	60,000	60,000	-	-	60,000
Crystal Trust	-	100,000	100,000	-	-	100,000
Principal Foundation	10,000	-	10,000	-	-	10,000
DCRAC EDF, LLC	240,000	-	240,000	-	(240,000)	-
Delaware Community Foundation	2,500	-	2,500	-	-	2,500
Other contributions	15,168	-	15,168	-	-	15,168
Celebrating CRA and other fundraisers	32,056	-	32,056	-	-	32,056
Discover loan transfer	-	-	-	140,129	-	140,129
Estimated PPP Forgiveness	61,433	-	61,433	-	-	61,433
Rental income	4,200	-	4,200	-	-	4,200
Miscellaneous income	3,238	-	3,238	-	-	3,238
Donated services	300,000	-	300,000	-	-	300,000
Net assets released from restrictions:						
Satisfaction of program restrictions	-	-	-	-	-	-
Total support and revenue	$ 1,192,801	$ 160,000	$ 1,352,801	$ 140,129	$ (240,000)	$ 1,252,930
OPERATING EXPENSES						
Program services:						
Money School	$ 219,406	$ -	$ 219,406	$ -	$ -	$ 219,406
Tax Clinic	223,667	-	223,667	-	-	223,667
DCRAC Law	240,709	-	240,709	-	-	240,709
Economic Justice	275,271	-	275,271	240,000	(240,000)	275,271
	959,053	-	959,053	240,000	(240,000)	959,053
Management and general	81,141	-	81,141	566		81,707
Fundraising	9,142	-	9,142	-	-	9,142
	90,283	-	90,283	566	-	90,849
Total operating expenses	$ 1,049,336	$ -	$ 1,049,336	$ 240,566	$ (240,000)	$ 1,049,902
Change in Net Assets - Operating	143,465	160,000	303,465	(100,437)	-	203,028
Non-Operating Activities						
Investment performance	606	-	606	47,229	-	47,835
Change in Net Assets - Non-Operating	606	-	606	47,229	-	47,835
CHANGE IN NET ASSETS	144,071	160,000	304,071	(53,208)	-	250,863
NET ASSETS AT BEGINNING OF YEAR	604,867	123,333	728,200	985,818	-	1,714,018
NET ASSETS AT END OF YEAR	**$ 748,938**	**$ 283,333**	**$ 1,032,271**	**$ 932,610**	**$ -**	**$ 1,964,881**