



**DELAWARE HOUSING COALITION, INC.
DOVER, DELAWARE**

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

JUNE 30, 2016

DELAWARE HOUSING COALITION, INC.

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INDEPENDENT AUDITOR'S REPORT

November 30, 2016

To the Board of Directors
Delaware Housing Coalition, Inc.
Dover, Delaware

We have audited the accompanying financial statements of Delaware Housing Coalition, Inc. ("the Organization," a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 Organization'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 Organization'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.

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

To the Board of Directors
Delaware Housing Coalition, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Housing Coalition, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

DELAWARE HOUSING COALITION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 152,557	\$ 137,644
Restricted cash	5,270	14,563
Investment	19,644	15,659
Accounts receivable	6,000	30
Prepaid expenses	-	2,336
Security deposit	337	337
Total Current Assets	183,808	170,569
Furniture and equipment	3,349	6,774
Less: Accumulated depreciation	(2,959)	(6,125)
Furniture and Equipment - Net	390	649
TOTAL ASSETS	\$ 184,198	\$ 171,218
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,747	\$ 315
Accrued expenses	5,775	2,410
Total Current Liabilities	9,522	2,725
 NET ASSETS:		
Unrestricted	169,406	153,930
Temporarily restricted	5,270	14,563
Total Net Assets	174,676	168,493
TOTAL LIABILITIES AND NET ASSETS	\$ 184,198	\$ 171,218

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

DELAWARE HOUSING COALITION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2016</u>	<u>2015</u>
PUBLIC SUPPORT, REVENUE, AND GAINS				
Public support:				
Government grants	\$ 39,300	\$ 1,500	\$ 40,800	\$ 41,050
Fees income and contributions	12,792	31,000	43,792	33,162
Contributions - banks and bank foundations	59,500	3,000	62,500	47,500
Contributions - other foundations	15,000	-	15,000	5,508
Donated services	-	-	-	2,495
Total Public Support	<u>126,592</u>	<u>35,500</u>	<u>162,092</u>	<u>129,715</u>
Revenue and gains:				
Membership dues	1,268	-	1,268	2,485
Interest	204	-	204	213
Unrealized gains on investment	30	-	30	21
Reimbursements	756	-	756	756
Miscellaneous	41	-	41	1,062
Total Revenue and Gains	<u>2,299</u>	<u>-</u>	<u>2,299</u>	<u>4,537</u>
Net assets released from restriction:				
Satisfaction of program restrictions	44,793	(44,793)	-	-
TOTAL PUBLIC SUPPORT, REVENUE, AND GAINS	<u>173,684</u>	<u>(9,293)</u>	<u>164,391</u>	<u>134,252</u>
 EXPENSES				
Program services	144,516	-	144,516	134,689
Administrative and general	13,692	-	13,692	11,633
TOTAL EXPENSES	<u>158,208</u>	<u>-</u>	<u>158,208</u>	<u>146,322</u>
 CHANGE IN NET ASSETS	15,476	(9,293)	6,183	(12,070)
 NET ASSETS, BEGINNING OF YEAR	<u>153,930</u>	<u>14,563</u>	<u>168,493</u>	<u>180,563</u>
 NET ASSETS, END OF YEAR	<u>\$ 169,406</u>	<u>\$ 5,270</u>	<u>\$ 174,676</u>	<u>\$ 168,493</u>

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

DELAWARE HOUSING COALITION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Totals for 2015)

	Program Services	Support Services Administrative and General	Totals	
			2016	2015
Salaries	\$ 61,030	\$ 9,743	\$ 70,773	\$ 67,479
Payroll taxes and benefits	10,573	1,347	11,920	13,165
Total Payroll-related Expenses	<u>71,603</u>	<u>11,090</u>	<u>82,693</u>	<u>80,644</u>
Consumables	286	32	318	268
Contract services	49,495	-	49,495	40,709
Copying/printing	468	52	520	580
Depreciation	233	26	259	431
Development and training	621	69	690	1,217
Insurance	2,912	324	3,236	847
Memberships and registrations	961	107	1,068	717
Miscellaneous	1,283	142	1,425	286
Postage	258	29	287	401
Professional services	5,580	620	6,200	6,000
Rent	3,640	404	4,044	4,049
Repairs and maintenance	107	12	119	-
Subscriptions and publications	954	106	1,060	1,419
Telephone	2,428	270	2,698	5,098
Travel	2,443	271	2,714	2,786
Workshops and events	<u>1,244</u>	<u>138</u>	<u>1,382</u>	<u>870</u>
TOTAL EXPENSES	<u><u>\$ 144,516</u></u>	<u><u>\$ 13,692</u></u>	<u><u>\$ 158,208</u></u>	<u><u>\$ 146,322</u></u>

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

DELAWARE HOUSING COALITION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,183	\$ (12,070)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	259	431
Unrealized gains on investment	(30)	(21)
Increase in accounts receivable	(5,970)	(30)
Decrease (Increase) in prepaid expenses	2,336	(1,662)
Increase (Decrease) in accounts payable	3,432	(1,333)
Increase in accrued expenses	3,365	2,126
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	9,575	(12,559)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment	(3,955)	(5,560)
NET CASH USED BY INVESTING ACTIVITIES	(3,955)	(5,560)
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,620	(18,119)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	152,207	170,326
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 157,827	\$ 152,207
 <u>SUPPLEMENTAL DISCLOSURES</u>		
Cash and Cash Equivalents:		
Unrestricted	\$ 152,557	\$ 137,644
Restricted	5,270	14,563
	\$ 157,827	\$ 152,207
 Taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

DELAWARE HOUSING COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A THE ORGANIZATION

Founded in 1983, Delaware Housing Coalition, Inc. ("the Organization") is a not-for-profit organization governed by a volunteer board which oversees the activities of the Organization. The mission of the Organization is to promote the empowerment and transformation of communities to ensure equitable and sustainable housing for all Delawareans. The vision is for Delaware to become a state where communities flourish and everyone's housing need is met.

The Organization advocates for more and better affordable housing opportunities and the rights of low and moderate-income tenants and homeowners. Programs focus on affordable housing advocacy, education, public policy, and research. The annual release of Who Can Afford to Live in Delaware is a valuable tool used by nonprofits, advocates, elected officials, and Community Reinvestment Act (CRA) officers for fundraising, advocacy, policy, and annual self-assessments. The Organization publishes the Housing Journal and Realities of Poverty and studies such as Community Impact: The Effects of Assisted Rental Housing in Delaware; Community and Choice: Housing Needs of People with Disabilities in Delaware; and Housing Delaware's Extremely Low Income Households. The Good Neighborhood Project, Why Not in My Backyard and the Sussex Housing Group are strategies employed to increase affordable housing opportunities and to limit development in distressed areas. In 2014, Community Development was added to the programs, and a new mission was adopted that stresses the importance of locating affordable housing in areas of opportunity.

The Organization helped create the state's housing trust fund and first statewide housing code; worked to obtain multi-million dollar bank commitments for targeted neighborhoods around the state; coordinated state-wide planning and education on homelessness; provided technical assistance to public and assisted housing resident councils in Delaware; and provided leadership in and partnership with a state-wide community land trust, creating an inventory of perpetually affordable housing in Delaware.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") regarding financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

DELAWARE HOUSING COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contributions

In accordance with the FASB ASC section regarding accounting for contributions received and contributions made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

In accordance with the FASB ASC, investments are reported at market value. Donated securities also are reported at fair market value as of the date of receipt. All realized and unrealized gains and losses arising from fluctuations in market values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets.

Fair Value Measurements

The Organization's investment is reported at fair value in the accompanying statement of financial position. In accordance with the FASB ASC section regarding fair value measurements, a fair value hierarchy is established that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 is based on observable market factors not included in Level 1, and Level 3 is based on unobservable inputs such as those that are internally developed. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Furniture and Equipment, and Depreciation

Furniture and equipment are stated at cost if purchased. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from their respective accounts, and any gains or losses on such disposition are recognized in the statement of activities. It is the policy of the Organization to capitalize items with an initial cost equal to or greater than \$1,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

DELAWARE HOUSING COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The following is a schedule of the estimated useful lives:

Furniture and equipment	5 years
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Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Generally accepted accounting principles prescribe rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates in the Preparation of Financial Statements

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

DELAWARE HOUSING COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

NOTE C RESTRICTED CASH

Certain cash is restricted by the donors for specific purposes. Restricted cash as of June 30, 2016 amounted to \$5,270.

NOTE D INVESTMENT

The Organization's investment at June 30, 2016 consisted of funds with the Delaware Community Foundation Investment Pool in the amount of \$19,644.

The Organization's investment with the Delaware Community Foundation is valued using Level 2 inputs. The Organization's portion of the investment pool is valued by the Delaware Community Foundation on a monthly basis. The investments in the pool are actively traded and valued using quoted market prices. However, since the investments are pooled funds, they are designated as Level 2 investments.

NOTE E COMPENSATED ABSENCES

In accordance with the provisions of the FASB ASC regarding compensated absences, the Organization has recorded a vacation accrual in the financial statements as of June 30, 2016 in the amount of \$3,124. This amount is included in accrued expenses in the statement of financial position.

NOTE F RESTRICTIONS ON NET ASSETS

As of June 30, 2016, temporarily restricted net assets are as follows:

Nonprofit Housing Agenda	\$ 1,000
Pinetown	3,000
Affordable Housing work	<u>1,270</u>
	<u>\$ 5,270</u>

DELAWARE HOUSING COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE G RETIREMENT PLAN

The Organization has a 403(b) tax-deferred annuity plan ("the Plan") covering all employees upon hire who elect to participate in the Plan. Per the Plan document, the Organization may contribute to the Plan at amounts determined by the Organization. The Organization did not make contributions to the Plan for employees for the year ended June 30, 2016. Enrollment in the Plan is at the discretion of the employee.

NOTE H CONCENTRATIONS

The Organization received 24 percent of its public support, revenues, and gains from the State of Delaware's Grant-in-Aid program for the year ended June 30, 2016. The Organization received 18 percent of its public support, revenues, and gains from Discover Bank for the year ended June 30, 2016. The continued operation of the Organization may be dependent upon the continuation of these relationships.

NOTE I CONCENTRATION OF CREDIT RISK

The Organization maintains its checking account and money market account with M&T Bank, which is covered under the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2016, The Organization had no uninsured cash balances with M&T Bank.

NOTE J RELATED PARTY TRANSACTIONS

Each year, the Board of Directors conducts a formal, public process of discerning, disclosing, and monitoring potential conflicts of interest within its members. This same process extends to its staff and contractors.

Two members of The Organization's Board of Directors serve on the Board of Directors for Diamond State Community Land Trust, Inc. ("Diamond State").

Effective October 1, 2013, The Organization and Diamond State entered into a joint lease agreement with a third party for office space. The monthly rent is \$674, with each party paying \$337 of the rent. The lease expired June 30, 2016 and currently is being paid on a month-to-month basis. The Organization's expense under this lease was \$4,044 for the year ended June 30, 2016.

For the year ended June 30, 2016, Diamond State reimbursed the Organization \$756 for shared office expenses such as Internet and copying.

For the year ended June 30, 2016, the Organization received a contribution of \$30,000 from Discover Bank. A member of the Organization's Board of Directors is employed by Discover Bank.

DELAWARE HOUSING COALITION, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE K SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through November 30, 2016, the date the financial statements were available to be issued.