



**DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
DOVER, DELAWARE**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST

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INDEPENDENT AUDITOR'S REPORT

November 13, 2018

To the Board of Directors
Diamond State C.L.T., Inc.
dba Diamond State Community Land Trust
Dover, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of Diamond State C.L.T., Inc., dba Diamond State Community Land Trust ("Diamond State"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities 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 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 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.

To the Board of Directors
Diamond State C.L.T., Inc.
dba Diamond State Community Land Trust

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 financial position of Diamond State C.L.T., Inc., dba Diamond State Community Land Trust, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 264,242	\$ 425,353
Accounts receivable	61,570	252,308
Security deposit	512	512
Prepaid rent	714	714
Prepaid expenses	150	-
Total Current Assets	327,188	678,887
NONCURRENT ASSETS:		
Land	116,866	-
Real property	140,000	136,000
Affordable housing held for sale	681,831	456,721
Investment	34,283	27,893
Total Noncurrent Assets	972,980	620,614
TOTAL ASSETS	\$ 1,300,168	\$ 1,299,501
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 8,566	\$ 15,538
Accrued payroll and withholdings	4,455	2,640
Note payable	393,790	336,367
Total Current Liabilities	406,811	354,545
NONCURRENT LIABILITIES:		
Note payable	2,681	-
Payable to local governments	159,350	159,350
Total Noncurrent Liabilities	162,031	159,350
TOTAL LIABILITIES	568,842	513,895
NET ASSETS:		
Unrestricted	340,204	218,137
Unrestricted - designated	375,000	474,000
Total Unrestricted	715,204	692,137
Temporarily restricted	16,122	93,469
Total Net Assets	731,326	785,606
TOTAL LIABILITIES AND NET ASSETS	\$ 1,300,168	\$ 1,299,501

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

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CHANGE IN UNRESTRICTED NET ASSETS		
REVENUE, SUPPORT, AND GAINS:		
Contributions	\$ 176,020	\$ 191,975
Government grants	66,099	170,578
Ground lease income	13,740	12,700
Stewardship fees	-	15,000
Investment income	4,471	3,441
Miscellaneous	6,410	6,521
Unrealized gain on investment	1,299	2,653
Net assets released from restriction	80,400	30,000
TOTAL REVENUE, SUPPORT, AND GAINS	348,439	432,868
EXPENSES:		
Advertising	550	707
Insurance	2,802	2,329
Interest expense	22,206	19,959
Legal	-	1,096
Membership dues and meetings	5,901	4,543
Office expenses	6,249	4,340
Other	18,501	5,088
Payroll	141,093	71,117
Payroll taxes	10,794	5,438
Postage and printing	2,009	2,641
Professional fees	27,332	68,119
Rent	8,568	4,617
Travel expenses	8,469	3,215
TOTAL EXPENSES	254,474	193,209
LOSSES:		
Loss on sales of affordable housing held for sale (See Note 2)	70,898	187,752
TOTAL LOSSES	70,898	187,752
TOTAL EXPENSES AND LOSSES	325,372	380,961
CHANGE IN UNRESTRICTED NET ASSETS	23,067	51,907
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions	3,053	8,469
Net assets released from restriction	(80,400)	(30,000)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(77,347)	(21,531)
TOTAL CHANGE IN NET ASSETS	(54,280)	30,376
NET ASSETS, BEGINNING OF YEAR	785,606	755,230
NET ASSETS, END OF YEAR	\$ 731,326	\$ 785,606

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

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (54,280)	\$ 30,376
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Unrealized gain on investment	(1,299)	(2,653)
Loss on sales of affordable housing held for sale	70,898	187,752
Decrease (increase) in accounts receivable	190,738	(226,377)
Increase in security deposit	-	(175)
Increase in prepaid expense	(150)	-
Increase in prepaid rent	-	(714)
(Decrease) increase in accounts payable	(6,972)	6,221
Increase in accrued payroll and withholdings	1,815	2,024
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>200,750</u>	<u>(3,546)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from the sale of affordable housing held for sale	286,126	390,544
Purchase of real property and affordable housing held for sale	(703,000)	(475,205)
Purchase of investment	(5,091)	(5,213)
NET CASH USED BY INVESTING ACTIVITIES	<u>(421,965)</u>	<u>(89,874)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	396,443	383,582
Repayment of note payable	(336,339)	(445,797)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>60,104</u>	<u>(62,215)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(161,111)	(155,635)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>425,353</u>	<u>580,988</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 264,242</u>	<u>\$ 425,353</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 22,206</u>	<u>\$ 19,959</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
NONCASH INVESTING AND FINANCING ACTIVITY:		
Affordable housing held for sale aquired through funding provided by the financing agent	<u>\$ -</u>	<u>\$ 159,350</u>

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

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 1 THE ORGANIZATION

Diamond State C.L.T., Inc., dba Diamond State Community Land Trust ("Diamond State"), was formed on January 6, 2006 with the mission "to strengthen Delaware communities by creating and stewarding forever affordable housing while promoting the sustainable use of the land." To further this mission, Diamond State works:

- To create and preserve housing that is permanently affordable by removing the land from the market.
- To hold this land in trust for the community throughout the State of Delaware, for current and future low-income residents of New Castle, Kent, and Sussex Counties.
- To provide housing opportunities that are safe, decent, and permanently affordable to households with incomes below 80 percent of area median income.
- To build an organization that is controlled by the residents on a long-term basis.
- To strengthen communities by preserving the quality and affordability of housing by the development, rehabilitation, and preservation of the quality and affordability of housing; by promoting economic opportunities for low or moderate-income residents of the area; by making land available for projects and activities that improve the quality of life in the area; and by assisting residents of the area in improving the safety and well-being of their communities.
- To practice sustainable use of the land.

Revenue and support come primarily from individual donors' contributions; government; and foundations, stewardship fees, and land rent.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Diamond State 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, Diamond State 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, Diamond State is required to present a statement of cash flows.

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

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

Investments

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

Fair Value Measurements

Diamond State's investments are 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. Diamond State uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

Accounts Receivable

Accounts receivable are stated at net realizable value. Accounts receivable are considered impaired if full payments are not received in accordance with the contractual terms. Management's estimate of the allowance for uncollectible accounts is based on an analysis of the collectability of individual receivables. Accounts receivable are written off as a charge to the allowance for uncollectible accounts when, in management's estimation, it is probable that the receivable is worthless. Management has determined that all accounts receivable are collectible and, therefore, an allowance for uncollectible accounts has not been recorded as of June 30, 2018 and 2017.

Land, Equipment, and Depreciation

Land and equipment are stated at cost, if purchased. Donated facilities and equipment are recorded at their fair market values at the date of receipt. When such assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from their respective accounts, and any gain or loss on such disposition is recognized in the statement of activities. Diamond State capitalizes items with a cost equal to or greater than \$1,000 and a useful life of greater than one year.

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Equipment is depreciated over five years.

Real Property

Real property consists of leased land owned by Diamond State and is valued at the net present value of the future cash flows to be received under the lease.

Affordable Housing Held for Sale

Affordable housing held for sale is valued at the lower of cost or market.

Revenue and Cost Recognition for Affordable Housing Held for Sale

Costs that clearly relate to development projects are capitalized. Costs are allocated to project components by the specific identification method. In accordance with the section of the FASB ASC related to accounting for sales of real estate, Diamond State recognizes revenue on real estate sales when a minimum of 10 percent of the sales price has been received in cash; the legal recision period has expired; collectability of the receivable representing the remainder of the sales price is reasonably assured; and Diamond State has completed substantially all of its obligations with respect to any development related to the real estate sold.

Diamond State experiences normal annual losses relating to the sale of affordable housing that it develops because the cost to develop exceeds the price at which the property can be sold. Subsidies from third parties typically fill the gap between development cost and sales price. For the years ended June 30, 2018 and 2017, the "loss on sales of affordable housing held for sale" figure noted in the statement of activities in the amount of \$70,898 and \$187,752, respectively, excludes development subsidies and is reflected as such as is required by the FASB ASC. Subsidies received for real estate development in the current fiscal period are noted in the line items "contributions" and "government grants."

Development losses experienced are primarily a result of timing discrepancies relative to the receipt of subsidies and the date on which the property is sold at settlement.

Contributions

In accordance with the section of the FASB ASC 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.

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recognition of Donor Restrictions

Support that is restricted by the donor 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.

Income Taxes

Diamond State 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 Diamond State's tax-exempt purpose may be subject to taxation as unrelated business income.

The FASB ASC prescribes rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in Diamond State's tax returns. Management has determined that Diamond State 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 Diamond State's tax returns will not be challenged by the taxing authorities and that Diamond State will not be subject to additional tax, penalties, and interest as a result of such challenge.

Advertising

Diamond State expenses the production cost of advertising when incurred.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements 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.

NOTE 3 INVESTMENT AND FAIR VALUE MEASUREMENT

Diamond State's investments at June 30, 2018 and 2017 consisted of funds with the Delaware Community Foundation Investment Pool in the amount of \$34,283 and \$27,893, respectively.

Diamond State's investments with the Delaware Community Foundation are valued using Level 2 inputs. Diamond State's portion of the investment pool is valued by the Delaware Community

DIAMOND STATE C.L.T., INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 3 INVESTMENT AND FAIR VALUE MEASUREMENT (cont'd)

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 4 AFFORDABLE HOUSING HELD FOR SALE

Under agreements with Kent County and the City of Dover (collectively referred to as "the Local Governments"), Diamond State purchases homes that have been foreclosed or are in distress. The funds to purchase these homes are provided by the Local Governments via the Neighborhood Stabilization Program ("NSP") administered by the U.S. Department of Housing and Urban Development. Major rehabilitation work, if necessary, is managed and paid for by the Local Governments. Diamond State's main activity is to find eligible homeowners to purchase the homes and is reimbursed by the Local Governments for holding costs (e.g. minor maintenance, lawn care, utilities) incurred by Diamond State until the homes are sold. Once the homes are sold, the net sales proceeds are returned to the Local Governments. Diamond State is not responsible for any deficiency between the funds advanced by the Local Governments and the net sales proceeds. As of June 30, 2018 and 2017, affordable housing held for sale and the payable to the Local Governments amounted to \$159,350.

Diamond State has acquired and started new construction of additional properties utilizing the notes payable disclosed in Note 6. As of June 30, 2018 and 2017, these assets amounted to \$522,481 and \$297,371, respectively, and are included in the line item "affordable housing held for sale."

NOTE 5 REAL PROPERTY

As disclosed in Note 4, Diamond State acquires homes that have been foreclosed or distressed and sells the homes to eligible homeowners. Diamond State retains title to the land and enters a ground lease agreement with the new homeowner for 99 years with an option to extend for an additional 99 years. The ground lease gives the homeowner long-term rights to exclusive use of the land and full responsibility for the property. The homeowner typically pays Diamond State \$40 per month in ground lease income for the use of the land.

As of June 30, 2018 and 2017, Diamond State held title to 35 and 34 leased lots, respectively. The carrying values for the years ended June 30, 2018 and 2017 were \$140,000 and \$136,000, respectively. Each lot has been valued at \$4,000, an estimate of original cost, determined by discounting the net present value of the future cash flows under the 99-year lease. The discount rate used was 12 percent.

DIAMOND STATE C.L.T., INC.
dba DIAMOND STATE COMMUNITY LAND TRUST
NOTES TO FINANCIAL STATEMENTS

NOTE 6 NOTES PAYABLE

In February 2016, Diamond State entered a note agreement with NCALL Research, Inc. for an amount up to \$575,000 to be used for the development of several affordable housing properties known as Ingram Village. This agreement supersedes the previous agreement dated August 2014 for a loan of up to \$400,000. The note requires interest-only payments through March 1, 2018 (final maturity) and accrues interest at a rate of five percent. This note is collateralized by the Ingram Village properties. As of June 30, 2018 and 2017, the balance of this note was \$0 and \$144,485, respectively.

In April 2017, Diamond State entered into a note agreement with NCALL Research, Inc. for an amount up to \$115,800 for the acquisition and redevelopment of an affordable housing property (302 Stone Brook). The note requires interest-only payments through September 1, 2017 (final maturity) and accrues interest at a rate of five percent. This note is collateralized by the affordable housing property. As of June 30, 2018 and 2017, the balance of this note was \$0 and \$65,741, respectively.

In June 2017, Diamond State entered into a note agreement with Natural Council on Agricultural Life and Labor Research, Inc. ("NCALL Research, Inc.") for an amount up to \$154,000 for the acquisition and redevelopment of an affordable housing property (240 Trafalgar). The note requires interest-only payments through May 1, 2018 (final maturity) and accrues interest at a rate of five percent. This note is collateralized by the affordable housing property. As of June 30, 2018 and 2017, the balance of this note was \$0 and \$126,141, respectively.

In August 2017, Diamond State entered into a note agreement with NCALL Research, Inc. for an amount up to \$110,000 for the acquisition and redevelopment of an affordable housing property (211 Richard Bassett). The note requires interest-only payments through September 1, 2018 (final maturity) and accrues interest at a rate of five and one half percent. This note is collateralized by the affordable housing property. As of June 30, 2018, the balance of this note was \$70,696.

In February 2018, Diamond State entered into a note agreement with NCALL Research, Inc. for an amount up to \$160,000 for the acquisition and redevelopment of an affordable housing property (724 Marian Drive). The note requires interest-only payments through March 1, 2019 (final maturity) and accrues interest at a rate of five and one half percent. This note is collateralized by the affordable housing property. As of June 30, 2018, the balance of this note was \$142,082.

In April 2018, Diamond State entered a note agreement with NCALL Research, Inc. for an amount up to \$115,000 for the acquisition and redevelopment of an affordable housing property (1460 John Clark Drive). The note requires interest-only payments through July 1, 2019 (final maturity) and accrues interest at a rate of five and one quarter percent. This note is collateralized by the affordable housing property. As of June 30, 2018, the balance of this note was \$2,681.

DIAMOND STATE C.L.T., INC.
 dba DIAMOND STATE COMMUNITY LAND TRUST
 NOTES TO FINANCIAL STATEMENTS

NOTE 6 NOTES PAYABLE (cont'd)

In December 2017, Diamond State entered a note agreement with NCALL Research, Inc. for an amount up to \$625,000 to be used for the development of several affordable housing properties known as Ingram Village (Phase 2). The note requires interest-only payments through December 31, 2018 (final maturity) and accrues interest at a rate of five and one quarter percent. This note is collateralized by the Ingram Village properties. As of June 30, 2018, the balance of this note was \$181,012.

The maturity of the long-term debt is as follows:

<u>Year Ending June 30</u>	
2019	\$ 393,790
2020	<u>2,681</u>
	<u>\$ 396,471</u>

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2018 and 2017, temporarily restricted net assets are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Community Revitalization	\$ -	\$ 3,000
Rodney Village	-	75,000
Matched Savings Program	<u>16,122</u>	<u>15,469</u>
Temporarily Restricted Net Assets	<u>\$ 16,122</u>	<u>\$ 93,469</u>

NOTE 8 BOARD-DESIGNATED NET ASSETS

As of June 30, 2018 and 2017, Board-designated net assets were set aside for the following purposes:

	<u>2018</u>	<u>2017</u>
Sussex County Development Fund	\$ 325,000	\$ 400,000
Property Maintenance Reserve	<u>50,000</u>	<u>74,000</u>
Board-designated Net Assets	<u>\$ 375,000</u>	<u>\$ 474,000</u>

DIAMOND STATE C.L.T., INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 9 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.

A member of Diamond State's Board of Directors served on Housing Alliance Delaware's Board of Directors.

Diamond State and Housing Alliance Delaware were parties to a joint lease agreement for the year ended June 30, 2017. The monthly rent was \$674 through September 30, 2016 with each party paying \$337 of the rent. Effective October 1, 2016, the monthly rent increased to \$714, with each party paying \$357 of the rent. The joint lease agreement ended on June 30, 2017.

A member of Diamond State's Board of Directors is on the Board of Directors of NCALL Research, Inc.

During the years ended June 30, 2018 and 2017, Diamond State obtained multiple notes from NCALL Research, Inc. for the acquisition and redevelopment of affordable housing. (See Note 6 for further details.) For the years ended June 30, 2018 and 2017, these loans generated origination fees of \$1,000 for NCALL Research, Inc. In addition, interest expense incurred on these loans during the years ended June 30, 2018 and 2017 amounted to \$22,206 and \$19,959, respectively.

During the years ended June 30, 2018 and 2017, Diamond State received contributions of \$75,000 from Discover Bank. A member of Diamond State's Board of Directors is employed by Discover Bank.

NOTE 10 CONCENTRATION OF CREDIT RISK

Diamond State maintains its checking and money market accounts at two commercial banks. As of June 30, 2018 and 2017, the aggregate balance of these accounts exceeded federally insured limits by \$22,707 and \$62,220, respectively. Accounts are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Diamond State has not experienced any losses in such accounts.

NOTE 11 LEASE COMMITMENT

Diamond State leases office space in Dover, Delaware. Rent payments were \$337 per month through September 30, 2016, \$357 per month effective October 1, 2016, and \$714 per month effective July 1, 2017. The current lease expires June 30, 2019. Rent expense for the years

DIAMOND STATE C.L.T., INC.
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NOTES TO FINANCIAL STATEMENTS

NOTE 11 LEASE COMMITMENT (cont'd)

ended June 30, 2018 and 2017 was \$8,568 and \$4,617, respectively. The total commitment under this lease is \$8,568 for the year ended June 30, 2019.

NOTE 12 CLASSIFICATION OF EXPENSES

The statement of activities discloses expenses by natural classification. The classification of expenses by function for the year ended June 30, 2018 is as follows:

Program services	\$ 231,883
Support services	<u>22,591</u>
Total Expenses	<u>\$ 254,474</u>

The classification of expenses by function for the year ended June 30, 2017 is as follows:

Program services	\$ 177,675
Support services	<u>15,534</u>
Total Expenses	<u>\$ 193,209</u>

NOTE 13 CONCENTRATION OF REVENUE

For the years ended June 30, 2018 and 2017, Diamond State received four and thirteen percent, respectively, of its revenue and support from Kent County; one and twelve percent, respectively, of its revenue and support from the City of Dover; zero and twenty-five percent, respectively, of its revenue and support from Federal Home Loan Bank of Pittsburgh; zero and fifteen percent, respectively, of its revenue and support from Delaware State Housing Authority; twenty-eight and eighteen percent, respectively, of its revenue and support from Discover Bank; twenty-four and zero percent for its revenue and support from Catholic Campaign for Human Development; and eighteen and zero percent, respectively, of its revenue and support from New Castle County. The continued operation of Diamond State may be dependent upon the continuation of these relationships. Most support is associated with particular development projects and is not recurring when these projects are not active.

NOTE 14 SUBSEQUENT EVENTS

Diamond State has evaluated all subsequent events through November 13, 2018, the date the financial statements were available to be issued.