

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidated Financial Statements and
Supplementary Information
February 28, 2019 and 2018
(With Independent Auditors' Report Thereon)

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Delaware Opportunities, Inc.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Delaware Opportunities, Inc. and Affiliates (collectively, the Organization) (a nonprofit organization), which comprise the consolidated statements of financial position as of February 28, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 financial position of Delaware Opportunities, Inc. and Affiliates as of February 28, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information included in Schedules 1 through 3 is presented for analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards (Schedule 4), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated November 15, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 15, 2019

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidated Statements of Financial Position
February 28, 2019 and 2018

| <u>Assets</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------|--------------|-------------|
| Current assets: | | |
| Cash | \$ 1,805,986 | 3,494,071 |
| Receivables | 1,482,773 | 1,337,329 |
| Prepaid expenses | 148,915 | 73,052 |
| Inventories, at cost | 35,379 | 35,379 |
| Total current assets | 3,473,053 | 4,939,831 |
| Investments, at fair value | 2,509,405 | 738,134 |
| Property and equipment, at cost | 5,361,805 | 5,221,668 |
| Less accumulated depreciation | (3,487,420) | (3,227,697) |
| Net property and equipment | 1,874,385 | 1,993,971 |
| Total assets | \$ 7,856,843 | 7,671,936 |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | 212,305 | 288,206 |
| Accrued payroll and payroll taxes | 342,484 | 344,909 |
| Accrued expenses | 501,173 | 610,768 |
| Deferred revenue | 230,853 | 208,092 |
| Total current liabilities | 1,286,815 | 1,451,975 |
| Net assets: | | |
| Without donor restrictions | 5,982,551 | 5,612,361 |
| With donor restrictions | 587,477 | 607,600 |
| Total net assets | 6,570,028 | 6,219,961 |
| Contingency (note 11) | | |
| Total liabilities and net assets | \$ 7,856,843 | 7,671,936 |

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidated Statements of Activities
Years ended February 28, 2019 and 2018

| | Without donor <u>restrictions</u> | With donor <u>restrictions</u> | <u>Total</u> | |
|---|---|--------------------------------------|-------------------|-------------------|
| | | | <u>2019</u> | <u>2018</u> |
| Support and revenue: | | | | |
| Fees and grants from governmental agencies | \$ 11,701,165 | 15,239 | 11,716,404 | 12,482,368 |
| WIC food instruments and commodities | 560,637 | - | 560,637 | 546,347 |
| In-kind support | 114,720 | - | 114,720 | 112,812 |
| Program revenue | 159,849 | - | 159,849 | 193,783 |
| Equipment rentals | 2,125 | - | 2,125 | - |
| Contributions | 9,122 | 35,258 | 44,380 | 48,863 |
| Interest | 31,068 | - | 31,068 | 11,080 |
| Miscellaneous | 358,773 | 3,754 | 362,527 | 102,917 |
| Net assets released from restrictions through satisfaction of program restrictions | <u>74,374</u> | <u>(74,374)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue | <u>13,011,833</u> | <u>(20,123)</u> | <u>12,991,710</u> | <u>13,498,170</u> |
| Expenses: | | | | |
| Program services | 11,888,949 | - | 11,888,949 | 11,913,274 |
| Management and general | <u>763,823</u> | <u>-</u> | <u>763,823</u> | <u>957,732</u> |
| Total expenses | <u>12,652,772</u> | <u>-</u> | <u>12,652,772</u> | <u>12,871,006</u> |
| Change in net assets before other income (loss) | <u>359,061</u> | <u>(20,123)</u> | <u>338,938</u> | <u>627,164</u> |
| Other income (loss): | | | | |
| Gain on disposal of assets | - | - | - | 5,376 |
| Realized gain on investments | 1,559 | - | 1,559 | - |
| Unrealized gain (loss) on investments | <u>9,570</u> | <u>-</u> | <u>9,570</u> | <u>(6,862)</u> |
| Total other income (loss) | <u>11,129</u> | <u>-</u> | <u>11,129</u> | <u>(1,486)</u> |
| Change in net assets | 370,190 | (20,123) | 350,067 | 625,678 |
| Net assets at beginning of year | <u>5,612,361</u> | <u>607,600</u> | <u>6,219,961</u> | <u>5,594,283</u> |
| Net assets at end of year | <u>\$ 5,982,551</u> | <u>587,477</u> | <u>6,570,028</u> | <u>6,219,961</u> |

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidated Statement of Functional Expenses
Year ended February 28, 2019
with comparative totals for 2018

| | Program services | | | | | | | | | Supporting services | Total | |
|--|--|------------------------------|------------------|----------------|------------------|---------------------------|----------------------|----------------|-------------------|------------------------|-------------------|-------------------|
| | Early childhood and family development | Crime victims and prevention | Education | Community | Housing | Economic self-sufficiency | Health and nutrition | Other | Total | Management and general | 2019 | 2018 |
| Labor and benefits: | | | | | | | | | | | | |
| Personnel | \$ 875,041 | 322,249 | 1,176,227 | 408,244 | 611,340 | 178,045 | 1,481,076 | 56,477 | 5,108,699 | 471,727 | 5,580,426 | 5,627,956 |
| Employee benefits and taxes | 269,031 | 90,900 | 323,617 | 122,292 | 204,304 | 54,370 | 435,324 | - | 1,499,838 | 159,590 | 1,659,428 | 1,684,063 |
| Total labor and benefits | <u>1,144,072</u> | <u>413,149</u> | <u>1,499,844</u> | <u>530,536</u> | <u>815,644</u> | <u>232,415</u> | <u>1,916,400</u> | <u>56,477</u> | <u>6,608,537</u> | <u>631,317</u> | <u>7,239,854</u> | <u>7,312,019</u> |
| Expenses: | | | | | | | | | | | | |
| Payments for benefits of individuals | 133,073 | 24 | 2,195 | 182,877 | 2,406,183 | 99,841 | 12,771 | - | 2,836,964 | - | 2,836,964 | 3,287,574 |
| Other direct expenses | 12,957 | 3,708 | 26,257 | 9,198 | 27,291 | 814 | 18,316 | - | 98,541 | 24,395 | 122,936 | 127,952 |
| Travel | 35,137 | 5,371 | 83,468 | 21,112 | 35,442 | 47,253 | 209,013 | 879 | 437,675 | - | 437,675 | 421,570 |
| Supplies | 20,844 | 19,606 | 156,860 | 33,282 | 220,421 | 3,318 | 422,777 | 7,759 | 884,867 | 4,215 | 889,082 | 703,286 |
| Contractual and consultants | 6,511 | 4,037 | 14,445 | 13,373 | 23,167 | 1,484 | 8,839 | 20,599 | 92,455 | 26,332 | 118,787 | 106,607 |
| Insurance | 16,430 | 8,242 | 23,209 | 10,099 | 23,798 | 7,156 | 29,469 | 575 | 118,978 | 10,154 | 129,132 | 117,047 |
| Occupancy | 27,185 | 28,921 | 117,953 | 26,062 | 61,740 | 8,303 | 137,048 | 22,726 | 429,938 | 65,363 | 495,301 | 412,224 |
| Donated items, services and facilities | - | 8,914 | 95,584 | 10,222 | - | - | - | - | 114,720 | - | 114,720 | 112,812 |
| Other | 867 | - | - | - | 5,684 | - | - | - | 6,551 | 2,047 | 8,598 | 13,755 |
| Total expenses | <u>253,004</u> | <u>78,823</u> | <u>519,971</u> | <u>306,225</u> | <u>2,803,726</u> | <u>168,169</u> | <u>838,233</u> | <u>52,538</u> | <u>5,020,689</u> | <u>132,506</u> | <u>5,153,195</u> | <u>5,302,827</u> |
| Depreciation | - | - | - | - | - | - | 224,331 | 35,392 | 259,723 | - | 259,723 | 246,160 |
| Total functional expenses | <u>\$ 1,397,076</u> | <u>491,972</u> | <u>2,019,815</u> | <u>836,761</u> | <u>3,619,370</u> | <u>400,584</u> | <u>2,978,964</u> | <u>144,407</u> | <u>11,888,949</u> | <u>763,823</u> | <u>12,652,772</u> | <u>12,861,006</u> |

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidated Statements of Cash Flows
Years ended February 28, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 350,067 | 625,678 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 259,723 | 246,160 |
| Gain on disposal of assets | - | (5,376) |
| Unrealized (gain) loss on investments | (9,570) | 6,862 |
| Changes in: | | |
| Receivables | (145,444) | 213,266 |
| Prepaid expenses | (75,863) | 13,993 |
| Inventories, at cost | - | 635 |
| Accounts payable | (75,901) | 101,196 |
| Accrued payroll and payroll taxes | (2,425) | 35,221 |
| Accrued expenses | (109,595) | (78,102) |
| Deferred revenue | 22,761 | (33,899) |
| Net cash provided by operating activities | <u>213,753</u> | <u>1,125,634</u> |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (140,137) | (313,486) |
| Proceeds from sale of property and equipment | - | 5,902 |
| Purchase of investments, net | (1,811,701) | (744,996) |
| Withdrawal of investments | 50,000 | - |
| Net cash used in investing activities | <u>(1,901,838)</u> | <u>(1,052,580)</u> |
| Net change in cash | (1,688,085) | 73,054 |
| Cash at beginning of year | <u>3,494,071</u> | <u>3,421,017</u> |
| Cash at end of year | <u>\$ 1,805,986</u> | <u>3,494,071</u> |
| Supplemental schedule of cash flow information - disposal of fully depreciated property and equipment | <u>\$ -</u> | <u>82,716</u> |

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Notes to Consolidated Financial Statements
February 28, 2019 and 2018

(1) Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

(a) Nature of Activities

Delaware Opportunities, Inc.

Delaware Opportunities, Inc. (Delaware) is a nonprofit organization incorporated under the laws of the State of New York in January 1966. The Organization provides comprehensive services to people in need in Delaware County, New York (the County). As a community action agency, it administers programs designed to help people become self sufficient and/or obtain a better quality of life. Services are directed to the entire needy population. These services include advocacy to assure that needy persons receive services they require, program development to assure that services are available, public information to assure that the public is aware of ways in which their needs can be met, coordination and collaboration with other service providers to assure that service delivery is maximized and made as efficient as possible, and the operation of programs which meet the daily needs of the citizenry.

Advance Delaware Opportunities Objectives, Inc.

Advance Delaware Opportunities Objectives, Inc. (ADOO) is a nonprofit corporation that was formed for the purpose of managing and maintaining equipment for the benefit of Delaware.

Housing Company for Delaware County, Inc.

Housing Company for Delaware County, Inc. (HCOD) is a corporation formed to be a general partner of Sidney Housing Recovery, L.P., a low-income housing project. HCOD's sole member is Delaware Opportunities, Inc.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Delaware, ADOO and HCOD (collectively known as the Organization). All significant intercompany accounts and transactions have been eliminated.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization's Board of Directors.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions and/or the passage of time and net assets restricted in perpetuity.

(e) Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Cash

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, including overnight repurchase agreements, to be cash equivalents.

(g) Investments

Investments are presented in the financial statements at fair market value. Realized and unrealized gains and losses are recorded in the statements of activities and changes in net assets. Fair value measurements are discussed in greater detail in note 4.

(h) Accounts Receivable

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(i) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities.

Donations of property are reflected in the accompanying statements at their estimated fair market value at the date of receipt. The Organization's policy is to imply a time restriction on donated property. Donated property is recorded as net assets with donor restrictions and the restriction expires over the useful life of property. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions.

(j) Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Organization compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At February 28, 2019 and 2018, no impairment in value has been recognized.

(k) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the consolidated statements of financial position as deferred revenue. Contributions that are received and expended in the same year are recorded net assets without donor restrictions for financial statement purposes.

(l) Donated Materials, Food, Supplies and Personal Services

The Organization receives unrestricted donations from outside parties. The donations include, but are not limited to, equipment, clothing, services, and food. All donations are not restricted and are used to support and further the Organization's objectives. The donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt. In addition, many individuals have contributed significant amounts of time to the activities of the Organization without compensation to satisfy cost sharing requirements of certain grants. The Organization assigns values to such services based on rates commensurate with the type of volunteer hours performed. Contributed services with an assigned value of \$724,861 and \$638,396 for the years ended February 28, 2019 and 2018, respectively, have been recorded as donated services.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) Donated Materials, Food, Supplies and Personal Services, Continued

However, for the purposes of financial presentation, and in accordance with generally accepted accounting principles, only professional services of \$114,720 and \$112,812, respectively, are recognized and presented in the consolidated statements of financial position.

(m) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(n) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated on the basis of level of effort or square footage.

(o) Subsequent Events

The Organization has evaluated subsequent events through the date of the report which is the date the consolidated financial statements were available to be issued.

(p) Income Taxes

Delaware and ADOO are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the consolidated financial statements. Delaware and ADOO have been classified as publicly supported organizations that are not private foundations under Section 509(a) of the Code. The Organization discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Organization has taken no uncertain tax positions that require adjustment in the consolidated financial statements. U.S. Forms 990 filed by Delaware and the Affiliates are subject to examination by taxing authorities.

HCOD is a corporation subject to income taxes. The corporation presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the corporation has taken no uncertain tax positions that require adjustment in its consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(q) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.” ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, and a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis. This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

(2) Liquidity

The Organization has \$2,701,282 of financial assets available within one year of the statement of financial position date consisting of \$1,218,509 cash and \$1,482,773 of gross receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position date. Additionally, the Organization has available \$2,509,405 in investments at February 28, 2019, however use of the investments for operating purposes is subject to approval by the Board of Directors.

(3) Concentrations of Credit Risk

(a) Cash

Custodial credit risk of deposits is the risk that the Organization’s deposits may not be returned in the event of a bank failure. At February 28, 2019, the Organization’s bank balance of \$1,556,872 was exposed to custodial credit risk. A balance of \$500,985 was covered by the FDIC limit of \$250,000 at each bank. The remaining \$1,055,887 is exposed to custodial credit risks.

(b) Revenue and Receivables

The Organization provides social services throughout the County. A substantial portion of the Organization’s receivables are due from Federal and New York State governmental agencies.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(4) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at February 28, 2019.

- Certificates of deposit, corporate and U.S. Treasury bonds, mutual funds and common stock - Valued at the closing price reported on the active market on which the certificates of deposit, individual bonds, funds and stocks are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(4) Fair Value Measurements, Continued

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of February 28, 2019 and 2018:

| | <u>Assets at Fair Value as of February 28, 2019</u> | | | |
|----------------------------|---|----------------|----------------|------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Certificates of deposit | \$ 1,922,086 | - | - | 1,922,086 |
| U.S. Treasury bonds | 139,501 | - | - | 139,501 |
| Corporate bonds | - | 192,846 | - | 192,846 |
| Mutual funds | 132,824 | - | - | 132,824 |
| Common stock | <u>122,148</u> | <u>-</u> | <u>-</u> | <u>122,148</u> |
| Total assets at fair value | \$ <u>2,316,559</u> | <u>192,846</u> | <u>-</u> | <u>2,509,405</u> |

| | <u>Assets at Fair Value as of February 28, 2018</u> | | | |
|----------------------------|---|----------------|----------------|----------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Certificates of deposit | \$ 211,787 | - | - | 211,787 |
| U.S. Treasury bonds | 89,197 | - | - | 89,197 |
| Corporate bonds | - | 192,437 | - | 192,437 |
| Mutual funds | 134,243 | - | - | 134,243 |
| Common stock | <u>110,470</u> | <u>-</u> | <u>-</u> | <u>110,470</u> |
| Total assets at fair value | \$ <u>545,697</u> | <u>192,437</u> | <u>-</u> | <u>738,134</u> |

(5) Certificates of Deposit

Certificates of deposit at February 28, 2019 and 2018 are considered to be level 1 assets as described in note 4 consist of the following:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|-------------|-------------|
| 2.60% due October 18, 2024 | \$ 24,299 | 24,647 |
| 2.45% due October 15, 2024 | 24,105 | 24,418 |
| 2.45% due October 13, 2023 | 24,352 | 24,564 |
| 3.40% due October 3, 2023 | 50,739 | - |
| 3.50% due November 7, 2023 | 203,817 | - |
| 3.35% due November 9, 2022 | 100,772 | - |
| 3.35% due November 7, 2022 | 101,383 | - |
| 3.15% due September 14, 2022 | 50,139 | - |
| 2.40% due September 13, 2022 | 19,646 | 19,754 |
| 2.30% due July 28, 2022 | 19,537 | 19,572 |

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(5) Certificates of Deposit, Continued

| | <u>2019</u> | <u>2018</u> |
|------------------------------|---------------------|----------------|
| 3.00% due April 21, 2022 | \$ 50,192 | - |
| 3.15% due November 8, 2021 | 100,889 | - |
| 3.20% due November 8, 2021 | 101,017 | - |
| 3.10% due October 5, 2021 | 25,194 | - |
| 2.10% due September 20, 2021 | 19,592 | 19,561 |
| 3.00% due September 14, 2021 | 50,267 | - |
| 2.05% due July 26, 2021 | 19,670 | 19,689 |
| 2.80% due March 15, 2021 | 50,092 | - |
| 3.05% due November 9, 2020 | 100,671 | - |
| 3.00% due November 9, 2020 | 25,146 | - |
| 3.00% due November 9, 2020 | 100,584 | - |
| 2.00% due November 9, 2020 | 19,788 | 19,766 |
| 2.02% due October 16, 2020 | 250,000 | - |
| 2.75% due September 21, 2020 | 50,098 | - |
| 2.55% due March 20, 2020 | 50,012 | - |
| 2.10% due December 23, 2019 | 19,945 | 19,928 |
| 2.65% due November 7, 2019 | 100,162 | - |
| 2.40% due September 17, 2019 | 50,003 | - |
| 1.70% due July 19, 2019 | 19,954 | 19,888 |
| 2.40% due July 9, 2019 | <u>100,021</u> | <u>-</u> |
| | <u>\$ 1,922,086</u> | <u>211,787</u> |

(6) Property and Equipment

Property and equipment at February 28, 2019 and 2018 are summarized as follows:

| | <u>2019</u> | | |
|-------------------------------|------------------------------------|------------------|--------------------|
| | Delaware Opportunities, Inc. | <u>ADOO</u> | <u>Total</u> |
| Land | \$ 138,089 | - | 138,089 |
| Building and improvements | 2,732,025 | - | 2,732,025 |
| Equipment | 498,312 | 99,495 | 597,807 |
| Vehicles | <u>1,478,851</u> | <u>415,033</u> | <u>1,893,884</u> |
| | 4,847,277 | 514,528 | 5,361,805 |
| Less accumulated depreciation | <u>(3,032,262)</u> | <u>(455,158)</u> | <u>(3,487,420)</u> |
| | <u>\$ 1,815,015</u> | <u>59,370</u> | <u>1,874,385</u> |

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(6) Property and Equipment, Continued

| | 2018 | | |
|-------------------------------|---|------------------|--------------------|
| | Delaware Opportunities, <u>Inc.</u> | <u>ADOO</u> | <u>Total</u> |
| Land | \$ 138,089 | - | 138,089 |
| Building and improvements | 2,732,025 | - | 2,732,025 |
| Equipment | 476,483 | 87,321 | 563,804 |
| Vehicles | <u>1,422,083</u> | <u>365,667</u> | <u>1,787,750</u> |
| | 4,768,680 | 452,988 | 5,221,668 |
| Less accumulated depreciation | <u>(2,798,936)</u> | <u>(428,761)</u> | <u>(3,227,697)</u> |
| | <u>\$ 1,969,744</u> | <u>24,227</u> | <u>1,993,971</u> |

(7) Compensated Absences

Included in accrued expenses is the Organization's liability for future payments of accrued vested vacation wages which amounted to \$260,059 and \$283,070 at February 28, 2019 and 2018, respectively. Under the terms of the existing personnel manual, the Organization's employees receive annual vacation leave. The number of days allowed is dependent upon the employees' years of service. Vacation leave represents the only leave paid to employees upon termination.

(8) Deferred Revenue

Deferred revenue amounted to \$230,853 and \$208,092 at February 28, 2019 and 2018, respectively. This amount represents cash provided to the Organization in advance of the period to be benefited in order to provide working capital for the operation of various programs.

(9) Pension Plan

The Organization maintains a qualified contributory defined contribution retirement plan established under Section 403(b) of the Code for all employees meeting minimum age and length of service requirements. The Organization is not obligated to match the eligible participants' contribution to the plan. The Organization recorded expense relating to the plan amounting to \$323,089 and \$334,962 for the years ended February 28, 2019 and 2018, respectively.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Consolidated Financial Statements, Continued

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions amounting to \$587,477 and \$607,600 at February 28, 2019 and 2018, respectively, are restricted for use in various programs as specified by the respective donors. Net assets of \$74,374 and \$1,371,319 were released from donor restrictions during the years ended February 28, 2019 and 2018, respectively, through the satisfaction of donor stipulations.

(11) Contingency

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidating Statement of Financial Position
February 28, 2019

| <u>Assets</u> | Delaware Opportunities, <u>Inc.</u> | <u>ADOO</u> | <u>HCOD</u> | <u>Eliminations</u> | <u>Total</u> |
|--|---|------------------|-------------|---------------------|--------------------|
| Current assets: | | | | | |
| Cash | \$ 1,387,805 | 417,530 | 651 | - | 1,805,986 |
| Receivables | 1,482,773 | 51,528 | - | (51,528) | 1,482,773 |
| Current portion of loans receivable | - | 52,510 | - | (52,510) | - |
| Prepaid expenses | 148,915 | - | - | - | 148,915 |
| Inventories, at cost | <u>35,379</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>35,379</u> |
| Total current assets | <u>3,054,872</u> | <u>521,568</u> | <u>651</u> | <u>(104,038)</u> | <u>3,473,053</u> |
| Investments, at fair value | <u>1,500,089</u> | <u>1,009,316</u> | <u>-</u> | <u>-</u> | <u>2,509,405</u> |
| Loans receivable, net of current portion | <u>-</u> | <u>140,827</u> | <u>-</u> | <u>(140,827)</u> | <u>-</u> |
| Property and equipment, at cost | 4,847,277 | 514,528 | - | - | 5,361,805 |
| Less accumulated depreciation | <u>(3,032,262)</u> | <u>(455,158)</u> | <u>-</u> | <u>-</u> | <u>(3,487,420)</u> |
| Net property and equipment | <u>1,815,015</u> | <u>59,370</u> | <u>-</u> | <u>-</u> | <u>1,874,385</u> |
| Total assets | <u>\$ 6,369,976</u> | <u>1,731,081</u> | <u>651</u> | <u>(244,865)</u> | <u>7,856,843</u> |
| <u>Liabilities and Net Assets</u> | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 263,833 | - | - | (51,528) | 212,305 |
| Accrued payroll and payroll taxes | 342,484 | - | - | - | 342,484 |
| Accrued expenses | 501,173 | - | - | - | 501,173 |
| Deferred revenue | 230,853 | - | - | - | 230,853 |
| Current portion of long-term debt | <u>52,510</u> | <u>-</u> | <u>-</u> | <u>(52,510)</u> | <u>-</u> |
| Total current liabilities | <u>1,390,853</u> | <u>-</u> | <u>-</u> | <u>(104,038)</u> | <u>1,286,815</u> |
| Long-term debt, net of current portion | <u>140,827</u> | <u>-</u> | <u>-</u> | <u>(140,827)</u> | <u>-</u> |
| Total liabilities | <u>1,531,680</u> | <u>-</u> | <u>-</u> | <u>(244,865)</u> | <u>1,286,815</u> |
| Net assets: | | | | | |
| Without donor restrictions | 4,250,819 | 1,731,081 | 651 | - | 5,982,551 |
| With donor restrictions | <u>587,477</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>587,477</u> |
| Total net assets | <u>4,838,296</u> | <u>1,731,081</u> | <u>651</u> | <u>-</u> | <u>6,570,028</u> |
| Total liabilities and net assets | <u>\$ 6,369,976</u> | <u>1,731,081</u> | <u>651</u> | <u>(244,865)</u> | <u>7,856,843</u> |

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Consolidating Statement of Activities
Year ended February 28, 2019

| | Delaware Opportunities, <u>Inc.</u> | <u>ADOO</u> | <u>HCOD</u> | <u>Eliminations</u> | <u>Total</u> |
|---|---|------------------|--------------|---------------------|-------------------|
| Support and revenue: | | | | | |
| Fees and grants from governmental agencies | \$ 11,716,404 | - | - | - | 11,716,404 |
| WIC food instruments and commodities | 560,637 | - | - | - | 560,637 |
| In-kind support | 114,720 | - | - | - | 114,720 |
| Program revenue | 159,849 | - | - | - | 159,849 |
| Lease income | - | 22,197 | - | (22,197) | - |
| Equipment rentals | - | 114,592 | - | (112,467) | 2,125 |
| Contributions | 44,380 | - | - | - | 44,380 |
| Interest | 23,224 | 7,844 | - | - | 31,068 |
| Miscellaneous | 362,527 | - | - | - | 362,527 |
| Total support and revenue | <u>12,981,741</u> | <u>144,633</u> | <u>-</u> | <u>(134,664)</u> | <u>12,991,710</u> |
| Expenses: | | | | | |
| Personnel | 5,580,426 | - | - | - | 5,580,426 |
| Employee benefits and taxes | 1,659,428 | - | - | - | 1,659,428 |
| Payments for benefits of individuals | 2,836,964 | - | - | - | 2,836,964 |
| Other direct expenses | 140,327 | 6,491 | 334 | (24,216) | 122,936 |
| Travel | 475,432 | 72,691 | - | (110,448) | 437,675 |
| Supplies | 888,155 | 927 | - | - | 889,082 |
| Contractual and consultants | 118,787 | - | - | - | 118,787 |
| Insurance | 129,132 | - | - | - | 129,132 |
| Occupancy | 495,301 | - | - | - | 495,301 |
| Donated items, services and facilities | 114,720 | - | - | - | 114,720 |
| Other | 8,598 | - | - | - | 8,598 |
| Depreciation | 233,326 | 26,397 | - | - | 259,723 |
| Total expenses | <u>12,680,596</u> | <u>106,506</u> | <u>334</u> | <u>(134,664)</u> | <u>12,652,772</u> |
| Change in net assets before other income (loss) | <u>301,145</u> | <u>38,127</u> | <u>(334)</u> | <u>-</u> | <u>338,938</u> |
| Other income (loss): | | | | | |
| Realized gain (loss) on investments | 2,986 | (1,427) | - | - | 1,559 |
| Unrealized gain on investments | 254 | 9,316 | - | - | 9,570 |
| Total other income | <u>3,240</u> | <u>7,889</u> | <u>-</u> | <u>-</u> | <u>11,129</u> |
| Change in net assets | 304,385 | 46,016 | (334) | - | 350,067 |
| Net assets at beginning of year | <u>4,533,911</u> | <u>1,685,065</u> | <u>985</u> | <u>-</u> | <u>6,219,961</u> |
| Net assets at end of year | <u>\$ 4,838,296</u> | <u>1,731,081</u> | <u>651</u> | <u>-</u> | <u>6,570,028</u> |

DELAWARE OPPORTUNITIES, INC.
 AND AFFILIATES
 New York State Division of Housing and Community Renewal -
 Rural Preservation Program
 Schedule of Expenses
 For the year ended June 30, 2018 and the eight months ended February 28, 2019

| | <u>July 1, 2017 - February 28, 2018</u> | <u>March 1, 2018 - June 30, 2018</u> | <u>Total</u> | <u>July 1, 2018 - February 28, 2019</u> |
|------------------------------------|---|--|---------------|---|
| Revenue | \$ 38,191 | 44,508 | 82,699 | 39,858 |
| Expenses: | | | | |
| Salaries | 24,132 | 26,603 | 50,735 | 24,280 |
| Fringe benefits | 7,604 | 7,762 | 15,366 | 8,050 |
| Insurance/bonding | - | 671 | 671 | 138 |
| Professional services | - | 275 | 275 | 17 |
| Rent/mortgage/utilities | 679 | 1,632 | 2,311 | 708 |
| Telephone | 664 | 215 | 879 | 388 |
| Office supplies | 1,087 | 2,688 | 3,775 | 1,559 |
| Printing/postage | 1,797 | 1,478 | 3,275 | 1,765 |
| Travel | 513 | 1,043 | 1,556 | 561 |
| Staff development/training | 72 | 28 | 100 | 811 |
| Service agreements and maintenance | 1,156 | 1,942 | 3,098 | 1,390 |
| Advertising and bids | - | 114 | 114 | 86 |
| Other | 487 | 57 | 544 | 105 |
| Total expenses | <u>\$ 38,191</u> | <u>44,508</u> | <u>82,699</u> | <u>39,858</u> |

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Schedule of Expenditures of Federal Awards
Year ended February 28, 2019

| <u>Program title</u> | <u>Federal CFDA number</u> | <u>Agency or pass-through grantor's number</u> | <u>Federal expenditures</u> | <u>Expenditures to subrecipients</u> |
|---|------------------------------------|--|---------------------------------|--|
| U.S. Department of Agriculture - pass-through New York | | | | |
| State Department of Health: | | | | |
| Special Supplemental Nutrition Program: | | | | |
| Women, Infants and Children | 10.557 | Food instruments | \$ 488,391 | - |
| Women, Infants and Children | 10.557 | C-025742-17 | 242,942 | - |
| Women, Infants and Children | 10.557 | C-025742-18 | 144,240 | - |
| Child and Adult Care Food Program - Head Start | 10.558 | 2053 | 136,363 | - |
| Child and Adult Care Food Program - Family Day Care | 10.558 | 2070 | 130,108 | - |
| Total U.S. Department of Agriculture | | | <u>1,142,044</u> | <u>-</u> |
| U.S. Department of Housing and Urban Development: | | | | |
| Pass-through City of Oneonta Community Development | | | | |
| Block Grants/States Program | 14.228 | | 45,967 | - |
| Pass-through New York State Housing Trust Fund | | | | |
| Corporation - Community Services Block Grant | 14.239 | | 156,094 | - |
| Total U.S. Department of Housing and Urban Development | | | <u>202,061</u> | <u>-</u> |
| U.S. Department of Justice - pass-through New York State | | | | |
| Office of Victim Services: | | | | |
| Case manager | 16.575 | | 26,548 | - |
| Domestic Violence | 16.575 | C-100253-17 | 79,740 | - |
| Domestic Violence | 16.575 | C-100253-18 | 54,916 | - |
| Sexual Assault | 16.575 | C-100362-17 | 58,763 | - |
| Sexual Assault | 16.575 | C-100362-18 | 27,744 | - |
| Total U.S. Department of Justice | | | <u>247,711</u> | <u>-</u> |
| U.S. Department of Energy - pass-through New York State | | | | |
| Division of Housing and Community Renewal: | | | | |
| Weatherization Assistance Program | 81.042 | C093250-17 | 55,054 | - |
| Weatherization Assistance Program | 81.042 | C093250-18 | 286,551 | - |
| Total U.S. Department of Energy | | | <u>341,605</u> | <u>-</u> |
| U.S. Department of Health and Human Services: | | | | |
| Pass-through Delaware County Office of the Aging: | | | | |
| Special Programs for the Aging Title III Part C | | | | |
| Nutrition Services | 93.045 | | 170,594 | - |
| Nutrition Services Incentive Program | 93.053 | | 61,744 | - |

(Continued)

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Schedule of Expenditures of Federal Awards, Continued

| <u>Program title</u> | <u>Federal CFDA number</u> | <u>Agency or pass-through grantor's number</u> | <u>Federal expenditures</u> | <u>Expenditures to subrecipients</u> |
|---|------------------------------------|--|---------------------------------|--|
| U.S. Department of Health and Human Services, Continued: | | | | |
| Pass-through New York State Division of Housing and Community Renewal: | | | | |
| Low Income Home Energy Assistance | 93.568 | C93250-17 | \$ 245,088 | - |
| Low Income Home Energy Assistance | 93.568 | C93250-18 | 425,732 | - |
| Pass-through Delaware County Department of Social Services: | | | | |
| Low Income Home Energy Assistance - WRAP | 93.568 | | 125,239 | - |
| Temporary Assistance to Needy Families - Healthy Families | 93.558 | 2017 | 127,999 | - |
| Temporary Assistance to Needy Families - Healthy Families | 93.558 | 2018 | 119,645 | - |
| Temporary Assistance to Needy Families - Employment and Training | 93.558 | | 267,595 | - |
| Temporary Assistance to Needy Families - Domestic Violence | 93.558 | | 25,000 | - |
| Child Care and Development Block Grant - Day Care Registration | 93.575 | | 90,746 | - |
| Child Care and Development Block Grant - Development and Assistance | 93.575 | | 123,599 | - |
| Social Services Block Grant - Parent Education | 93.667 | | 232,973 | - |
| Social Services Block Grant - Transportation | 93.667 | | 341 | - |
| Social Services Block Grant - Non Res and Res DV | 93.667 | | 87,782 | - |
| Social Services Block Grant - ADFH - FR - Preventive - (FRILS) | 93.667 | | 294,630 | - |
| Chafee Foster Care Independence Program | 93.674 | | 35,377 | - |
| Pass-through New York State Department of State: | | | | |
| Community Services Block Grant | 93.569 | CSBG-Tech-C-100756 | 22,471 | - |
| Community Services Block Grant | 93.569 | C-1000756-17 | 161,270 | - |
| Community Services Block Grant | 93.569 | C-100756-18 | 54,253 | - |
| Community Services Block Grant | 93.569 | | 44,972 | - |
| Head Start | 93.600 | 02CH010330-01 | 2,049,019 | - |
| Pass-through New York State Child and Family Services - Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States | | | | |
| | 93.671 | C-027490 | 29,137 | - |
| Total U.S. Department of Health and Human Services | | | 4,795,206 | - |
| U.S. Department of Homeland Security - Emergency Food and Shelter National Board Program | | | | |
| | 97.024 | | 20,059 | - |
| Total federal expenditures | | | \$ 6,748,686 | - |

See accompanying notes to schedule of expenditures of federal awards.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Notes to Schedule of Expenditures of Federal Awards
February 28, 2019

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all the Federal award programs of the Organization. All financial awards received directly from Federal agencies as well as financial awards passed through other governmental agencies or nonprofit organizations are included on the schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting and in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to Federal funding agencies due to those reports being submitted on either the cash or modified accrual basis accounting.

(3) Relationship to Basic Financial Statements

Federal award expenditures are reported on the consolidated statements of functional expenses as program services and any related allowable general and administrative expenses under the category of management and general expenses. In certain programs, the expenditures reported in the financial statements may differ from the expenditures reported in the Schedule of Expenditures of Federal Awards due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

(4) Indirect Costs

Indirect costs are included in the reported expenditures to the extent such costs are included in the federal financial reports used as the source for the data presented. The Organization does not use the 10% de minimis election.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Delaware Opportunities, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Delaware Opportunities, Inc. and Affiliates (collectively, the Organization), which comprise the consolidated statement of financial position as of February 28, 2019, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Delaware Opportunities, Inc. and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware Opportunities, Inc. and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware Opportunities, Inc. and Affiliates' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Organization's Responses to Findings

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 15, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Delaware Opportunities, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Delaware Opportunities, Inc. and Affiliates' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Delaware Opportunities, Inc. and Affiliates' major federal programs for the year ended February 28, 2019. Delaware Opportunities, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Delaware Opportunities, Inc. and Affiliates' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Delaware Opportunities, Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Delaware Opportunities, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Delaware Opportunities, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2019.

Report on Internal Control Over Compliance

Management of Delaware Opportunities, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Delaware Opportunities, Inc. and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Delaware Opportunities, Inc. and Affiliates' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
November 15, 2019

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Schedule of Findings and Questioned Costs
Year ended February 28, 2019

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- | | | |
|---|---|---|
| 1. Material weakness(es) identified? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |
| 3. Noncompliance material to financial statements noted? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

Federal Awards:

Internal control over major programs:

- | | | |
|---|------------------------------|---|
| 4. Material weakness(es) identified? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

- | | | |
|--|------------------------------|--|
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
|--|------------------------------|--|

7. The Organization's major programs audited were:

Name of Federal Programs

CFDA Number

| | |
|-----------------------------------|--------|
| Weatherization Assistance Program | 81.042 |
| Head Start | 93.600 |
| Low-Income Home Energy Assistance | 93.568 |

| | |
|---|-----------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs. | \$750,000 |
|---|-----------|

| | | |
|---|---|-----------------------------|
| 9. Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|---|-----------------------------|

Part II - FINANCIAL STATEMENT FINDINGS SECTION

See pages 28 and 29.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Schedule of Findings and Questioned Costs, Continued

(2019-001) Material Adjustments

Criteria - Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting and for preparing its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition - The financial statements of the Organization at February 28, 2019 required significant adjusting journal entries in order to bring the Organization's consolidated financial statements to proper balances.

Effect of Condition - Total adjustments to the consolidated statement of financial position approximated \$1,400,000 to total assets and \$191,000 to total liabilities. Total adjustments to the consolidated statement of activities approximated \$765,000 to total revenue and \$449,000 to total expenses. Additionally, \$353,000 was reclassified between total revenue and total expenses.

Recommendation - We recommend the Organization formalize its accounting procedures and ensure that all accounts are properly reconciled to subsidiary schedules and supporting documentation and approved on a monthly basis. Additionally, we recommend reviewing ending account balances in comparison with previous years for obvious misstatements.

Management's Response - We agree with this finding and have acknowledged the need to revamp internal procedures and processes as it relates to year-end. We will be working closely with GMS, our accounting program, to integrate new modules in our process and have them (GMS) on-site to work beside us (for the close of this fiscal year we are discussing and for the next fiscal year) to ensure accurate closeout of all elements. We have already taken steps in the current fiscal year, once discovering this had occurred, to ensure that all elements are closed out properly and appropriate adjustments are made in a timely manner and prior to the end of the fiscal year. Additionally, we have spoken in length to our auditors about the need to close out all elements to either accounts receivable or deferred revenue at the end of the year (in essence zeroing them out) for the purposes of the audit, which would then be reversed at the start of the new year). This is one of the items that GMS will assist us with for the next fiscal year closeout.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Schedule of Findings and Questioned Costs, Continued

(2019-002) Schedule of Federal Expenditures (SEFA)

Criteria - The Organization is to accurately present its schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Condition - The schedule of expenditures of federal awards required significant adjustments in order to accurately present expenditures based on grant agreements and revenue and expenditure reports through February 28, 2019. A contributing factor with regards to this condition was recording revenue and expenses on a cash basis rather than the accrual basis as required by generally accepted accounting principles. Additionally, the Organization included federal programs that should not have been reported on the SEFA and excluded federal programs that were required to be reported.

Effect of Condition - Total net adjustments to the schedule of expenditures of federal awards approximated \$112,000. CFDA number 14.239 related to the Community Service Block Grant in the amount of \$156,000 was excluded from the originally provided SEFA. CFDA numbers 14.169 related to Housing Council Assistance Program and 14.231 related to Solutions to End Homelessness with a combined total of \$156,000 were removed from the originally provided SEFA. Eleven other grants changed approximately \$112,000 from the amounts originally provided.

Recommendation - We recommend the Organization establish procedures to track federal grant activity by individual Catalog of Federal Domestic Assistance (CFDA) number in accordance with grant agreements on the accrual basis of accounting.

Management's Response - We agree with this finding and will work with our funders/contracts to ensure we are coding federal dollars correctly in our accounting system, attached to the appropriate CFDA. The federal dollars that pass through the state caused some confusion this year (and I believe in the past) and we will be working to ensure that only the appropriate federal programs are documented on the SEFA. We also now have contacts with specific contractors that we will work with, in preparation for the audit next year (instead of during), that will confirm appropriate expenditures as it relates to various CFDA numbers. In regard to the concern about cash method versus accrual method, we believe the Organization has been recording revenue based on a cash method for a long time. We will work closely with GMS and our fiscal training to provide training and support to ensure everyone understands the accrual method and to discuss how this will impact internal processes for recording revenue and expenses.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Corrective Action Plan

Year ended February 28, 2019

Name of Auditee: Delaware Opportunities, Inc. and Affiliates

Name of Audit Firm: EFPR Group, CPAs, PLLC

Period Covered by the Audit: February 28, 2019

CAP Prepared by: Shelly Bartow, Executive Director

Phone: (607) 746-1601

(A) Current Finding on the Schedule of Findings and Questioned Costs and Recommendations

(1) Finding 2019-001

- (a) Comments on the finding and recommendation: The Organization agrees with the finding. The Organization also agrees with the recommendation, please see below for action taken.
- (b) Action taken: Several actions have already been put into motion to address this finding.
1. All Program Directors, the Fiscal Officer and her team, and the Executive Director met to provide a training on fiscal processes. Additionally, the Fiscal Officer and/or Executive Director are reviewing all revenue and expenditure reports closely each month, noting any discrepancies, identifying elements that need to be adjusted to close them out, etc. The Executive Director and Fiscal Officer then are meeting with Program Directors to discuss that closeout and to ensure all expenses and revenues have been recorded and processed and prepare for any adjustments that may need to be made.
 2. Prior to a couple of months ago, the Organization did not have all of the necessary modules in GMS to adequately close out elements within the accounting system and were instead relying on spreadsheets and handwritten ledgers. Since the auditors visited in May, the Organization has purchased many new modules in GMS. One of which is the accounts receivable module, which will assist throughout the year and at year end in more appropriately tracking accounts receivable.
 3. A representative from GMS (our accounting software) will be onsite December 9, 10, 16, and 17th of 2019 working with the Executive Director, Fiscal Officer and fiscal staff. She will be assisting in rolling back and making the auditor's adjustments as well as ensuring nothing goes awry when we then roll back into the current year. She will also be working with the team to address concerns, discuss closing out elements, setting up the newly purchased modules, and providing training for staff on any and all modules to ensure we are using them correctly and to their fullest capabilities. She has also committed to return in the early spring to assist with fiscal year end close to ensure that everything has been done in the system correctly. With a new Fiscal Officer of six months, there is no one on site who has closed out the fiscal year in GMS correctly and with a full understanding of each of the steps. She will assist us with this.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES

Corrective Action Plan, Continued

(A) Current Finding on the Schedule of Findings and Questioned Costs and Recommendations,
Continued

(1) Finding 2019-001, Continued

4. One of the modules purchased was an audit preparation tools modules that will also assist us in preparation for the audit.

(2) Finding 2019-002

- (a) Comments on the finding and recommendation: The Organization agrees with the finding. The Organization also agrees with the recommendation, please see below for action taken.
- (b) Action taken: There is some confusion created by state contracts we have that are supported by federal dollars. To alleviate that confusion, the Fiscal Officer and Executive Director will work with all contractors/funders to correctly identify by CFDA number the federal programs that should be identified on the SEFA and will then code them as such in GMS. Some have previously been incorrectly coded as state when they should have been federal or vice versa. We are in the process of working on this now and will have it corrected prior to the end of the next fiscal year. We have recently purchased a module in GMS specifically focused on SEFA preparation.

Additionally, when reviewing the finding above about cash versus accrual basis, I do agree that we have been recording revenue incorrectly. In the past we were recording revenue when it was earned but on a handwritten ledger, instead of in our accounting system, which did not occur until after the cash had been received. This is something that we have been doing for longer than just this current fiscal year. This will be one of the items we speak to GMS about when they come in December to have them assist us in changing our internal processes to accurately record revenue on an accrual basis, and not on a cash basis. We will be eliminating all handwritten ledgers.

DELAWARE OPPORTUNITIES, INC.
AND AFFILIATES
Status of Prior Year Audit Findings
February 28, 2019

There were no findings with regard to the prior year consolidated financial statements (February 28, 2018).