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**THE FOUNDATION FOR DELAWARE COUNTY**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

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THE FOUNDATION FOR DELAWARE COUNTY

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## INDEPENDENT AUDITOR'S REPORT

November 22, 2019

To the Board of Directors  
The Foundation for Delaware County  
Media, Pennsylvania

We have audited the accompanying financial statements of The Foundation for Delaware County, a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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

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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.

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 The Foundation for Delaware County as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

As discussed in Note B to the financial statements, during the year ended June 30, 2019, The Foundation for Delaware County adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-14. Our opinion is not modified with respect to this matter.

### Report on Summarized Comparative Information

We have previously audited The Foundation for Delaware County's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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"), is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing

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procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2019, on our consideration of The Foundation for Delaware County'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 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 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 Foundation for Delaware County's internal control over financial reporting and compliance.

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

**THE FOUNDATION FOR DELAWARE COUNTY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 2,178,684	\$ 2,337,991
Cash equivalents	75,000	75,000
Cash surrender value of life insurance	204,510	221,665
Pledges receivable, net	51,866	149,799
Grants receivable	511,764	1,017,134
Prepaid expenses	106,259	117,657
Other current assets	5,100	5,100
Total Current Assets	3,133,183	3,924,346
<b>NONCURRENT ASSETS:</b>		
Investments	58,789,811	55,356,893
Beneficial interest in perpetual trusts	1,795,399	2,078,230
Property and equipment, net	64,838	67,707
Total Noncurrent Assets	60,650,048	57,502,830
<b>TOTAL ASSETS</b>	<b>\$ 63,783,231</b>	<b>\$ 61,427,176</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 420,614	\$ 317,138
Grants payable	256,000	115,000
Accrued payroll	66,508	60,232
Annuities payable, current	20,797	20,797
Environmental liabilities, current	30,000	30,000
Total Current Liabilities	793,919	543,167
<b>NONCURRENT LIABILITIES:</b>		
Annuities payable, noncurrent	172,881	178,641
Environmental liabilities, noncurrent	178,908	209,808
Accrued paid time off	124,423	118,056
Insurance liabilities	256,561	269,111
Total Noncurrent Liabilities	732,773	775,616
<b>NET ASSETS</b>		
Without donor restriction:		
Equity in property and equipment	64,838	67,707
Undesignated funds	55,589,846	53,235,973
Total Without Donor Restriction	55,654,684	53,303,680
With donor restriction	6,601,855	6,804,713
<b>TOTAL NET ASSETS</b>	<b>62,256,539</b>	<b>60,108,393</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 63,783,231</b>	<b>\$ 61,427,176</b>

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

**THE FOUNDATION FOR DELAWARE COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019  
(With Summarized Comparative Information for the Year Ended June 30, 2018)**

	Without Donor Restriction	With Donor Restriction	Totals	
	2019	2018	2019	2018
<b>PUBLIC SUPPORT AND REVENUES</b>				
Public support:				
Contributions from public	\$ 191,175	\$ 312,793	\$ 503,968	\$ 794,335
Grants from government agencies	4,391,526	-	4,391,526	3,838,580
Other revenue:				
Special events, net of expenses of \$107,924 and \$76,954, respectively	35,832	65,631	101,463	164,680
Miscellaneous income	21,876	-	21,876	155,785
Changes in value of trusts	64,052	(47,253)	16,799	90,184
Investment income	3,451,013	265,781	3,716,794	2,828,418
Release of restrictions	3,572,773	284,159	3,856,932	3,239,067
	799,810	(799,810)	-	-
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>8,955,284</b>	<b>(202,858)</b>	<b>8,752,426</b>	<b>7,871,982</b>
<b>EXPENSES</b>				
Program services	6,117,143	-	6,117,143	4,924,208
Management and general:				
Administration	780,841	-	780,841	1,010,645
Development	360,478	-	360,478	313,085
Transition costs	308,310	-	308,310	155,984
<b>TOTAL EXPENSES</b>	<b>7,566,772</b>	<b>-</b>	<b>7,566,772</b>	<b>6,403,922</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>1,388,512</b>	<b>(202,858)</b>	<b>1,185,654</b>	<b>1,468,060</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Contributions from Crozer-Keystone Health Systems	962,492	-	962,492	23,361,553
Loss on disposition of property and equipment	-	-	-	(13,044)
<b>CHANGE IN NET ASSETS</b>	<b>2,351,004</b>	<b>(202,858)</b>	<b>2,148,146</b>	<b>24,816,569</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>53,303,680</b>	<b>6,804,713</b>	<b>60,108,393</b>	<b>35,291,824</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 55,654,684</b>	<b>\$ 6,601,855</b>	<b>\$ 62,256,539</b>	<b>\$ 60,108,393</b>

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

**THE FOUNDATION FOR DELAWARE COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019  
(With Summarized Comparative Information for the Year Ended June 30, 2018)**

	Program Services	Management and General			Total	Totals	
		Administration	Development	Transition Costs		2019	2018
Salaries	\$ 2,666,278	\$ 164,899	\$ 274,201	\$ -	\$ 439,100	\$ 3,105,378	\$ 2,746,724
Employee benefits and taxes	862,130	26,988	53,903	-	80,891	943,021	878,330
Total Salaries and Related Expenses	<u>3,528,408</u>	<u>191,887</u>	<u>328,104</u>	<u>-</u>	<u>519,991</u>	<u>4,048,399</u>	<u>3,625,054</u>
Bad debt expense	-	46,485	-	-	46,485	46,485	45,587
Bank and other fees	-	19,692	-	5,458	25,150	25,150	67,554
Board expenses	-	2,122	-	-	2,122	2,122	3,388
Depreciation	9,433	11,128	-	-	11,128	20,561	20,787
Development expenses	13,521	3,811	1,125	-	4,936	18,457	3,419
Dues and memberships	11,408	9,118	3,176	-	12,294	23,702	18,821
Equipment leases	8,449	2,359	-	-	2,359	10,808	13,750
Grants and charitable assistance	1,498,717	900	-	-	900	1,499,617	630,294
Insurance	-	35,817	-	35,921	71,738	71,738	53,029
Miscellaneous expenses	4,330	62	829	-	891	5,221	5,287
Occupancy	305,046	69,067	-	-	69,067	374,113	384,117
Postage	5,116	2,061	3,370	84	5,515	10,631	8,663
Printing and advertising	73,336	6,505	381	-	6,886	80,222	239,330
Professional services	307,949	320,511	6,577	101,282	428,370	736,319	565,166
Program costs	122,747	2,647	865	-	3,512	126,259	425,710
Repairs and maintenance	12,450	207	-	500	707	13,157	14,499
Staff development	62,537	5,500	3,562	-	9,062	71,599	61,334
Supplies	39,829	4,136	-	65	4,201	44,030	58,129
Taxes paid under Transitional Agreement	-	-	-	165,000	165,000	165,000	-
Telephone and IT expenses	47,695	46,305	11,803	-	58,108	105,803	105,188
Travel and meals	66,172	521	686	-	1,207	67,379	54,487
Vehicles	-	-	-	-	-	-	329
<b>TOTAL EXPENSES</b>	<u>\$ 6,117,143</u>	<u>\$ 780,841</u>	<u>\$ 360,478</u>	<u>\$ 308,310</u>	<u>\$ 1,449,629</u>	<u>\$ 7,566,772</u>	<u>\$ 6,403,922</u>

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



**THE FOUNDATION FOR DELAWARE COUNTY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 2,148,146	\$ 24,816,569
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,561	20,787
Bad debt expense	46,485	45,587
Loss on disposition of property and equipment	-	(13,044)
Unrealized gains on investments	(1,446,910)	(1,045,214)
(Increase) Decrease in:		
Cash surrender value of life insurance	17,155	(22,745)
Pledges receivable	97,933	74,524
Grants receivable	505,370	(113,082)
Other receivables	-	484,603
Prepaid expenses	11,398	(5,253)
Increase (Decrease) in:		
Accounts payable and accrued expenses	103,476	(279,093)
Grants payable	141,000	115,000
Accrued payroll	6,276	7,952
Deferred revenue	-	(4,391)
Annuities payable	(5,760)	13,122
Accrued paid time off	6,367	118,056
Insurance liabilities	12,550	(69,111)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,664,047</b>	<b>24,144,267</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of investments	(30,029,172)	(63,609,551)
Sales of investments	28,223,510	37,578,397
Purchase of property and equipment	(17,692)	(16,249)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(1,823,354)</b>	<b>(26,047,403)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(159,307)	(1,903,136)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>2,412,991</b>	<b>4,316,127</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,253,684</b>	<b>\$ 2,412,991</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 2,178,684	\$ 2,337,991
Cash equivalents	75,000	75,000
	<b>\$ 2,253,684</b>	<b>\$ 2,412,991</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -

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

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A THE FOUNDATION

The Foundation for Delaware County (“the Foundation”) is an independent public foundation under 501(c)(3) of the Internal Revenue Code. The Foundation was created on July 1, 2016 with the merger of the former Crozer-Chester Foundation and the Delco Memorial Foundation, and was funded with the proceeds from the sale of Crozer-Keystone Health System (“CKHS”) to Prospect Medical Holdings. The purpose of the Foundation is to serve as Delaware County’s community foundation, encouraging philanthropy by creating efficient giving vehicles for donors, making grants to improve the health of Delaware County, and operating high quality community health programs.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

In accordance with the section of the Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) regarding financial statements of not-for-profit organizations, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restriction and net assets without donor restriction. In addition, the Foundation is required to present a statement of cash flows.

Cash Equivalents

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

Investments

In accordance with the FASB ASC, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Fair values are estimated based on quoted market prices or other inputs, as described in Note D. Purchases are recorded on the trade date. Realized gains and losses are determined on the basis of first in, first out. All unrealized gains and losses arising from fluctuations in market values, sales, or other disposition of assets are accounted for in the class of net assets that owns the assets. Donated securities also are reported at fair market value as of the date of receipt.

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Contributions

In accordance with the section of the FASB ASC regarding accounting for contributions received and contributions made, contributions received are recorded as support with or without donor restriction, depending on the existence and/or nature of any donor restrictions.

Pledges and Other Receivables

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Promises to make contributions which are expected to be paid over a period in excess of one year are discounted and recorded at their present value. Conditional promises to make contributions are recorded as support in the period the condition is met. Pledges are evaluated for collectability based on payment history and known information about the pledgor. Promises to give are charged to the allowance for uncollectible accounts when determined to be uncollectible by management.

Management's estimate of the allowance for uncollectible accounts receivable is based on historical collection rates and an analysis of the collectability of individual receivables. Management anticipates that all amounts are collectible and, therefore, has not recorded an allowance for uncollectible accounts as of June 30, 2019.

Recognition of Donor Restrictions

Donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Tax-Exempt Status

No provision has been made for income taxes since the Foundation qualifies as a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3), and its activities do not result in any income tax liability. In accordance with the FASB ASC section regarding accounting for uncertainty in income taxes, the Foundation is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will not be sustained upon examination. The Foundation has no uncertain tax positions that qualify for recognition in the financial statements.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Foundation's tax returns will not be challenged by the taxing authorities and that the Foundation will not be subject to additional tax penalties and interest as a result of such challenge.

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Property and Equipment and Depreciation

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Expenditures for maintenance, repairs, minor renewals, and betterments which do not improve or extend the useful life of the respective asset are expensed. Equipment is stated at cost if purchased. Donated equipment is recorded at its fair market value 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 gains or losses on such disposition are recognized in the statement of activities.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Furniture and equipment are depreciated over their estimated useful lives of five to ten years, and property is depreciated over its useful life of ten to twenty years. Depreciation expense for the year ended June 30, 2019 totaled \$20,561. Accumulated depreciation as of June 30, 2019 totaled \$347,366.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related costs have been allocated based on time studies. Shared occupancy costs have been allocated based on square footage. Professional services have been allocated based on the nature of the service provided.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with the FASB ASC 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 income and expenses during the reporting period. Actual results may differ from those estimates.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Implementation of FASB ASU 2016-14

During the year ended June 30, 2019, the Foundation implemented Financial Accounting Standards Board Accounting Standards Update ("FASB ASU") 2016-14. FASB ASU 2016-14 provides new and expanded guidance for financial reporting for not-for-profit entities. The implementation of FASB ASU 2016-14 has resulted in multiple changes to the Foundation's financial reporting. Net assets are now categorized in two categories; net assets with donor restriction and net assets without donor restriction. The Foundation has added additional disclosures related to its financial liquidity and the availability of financial assets for general expenditure within one year from each balance sheet date. This accounting guidance has been implemented retrospectively; however, the implementation of this guidance did not require restatement of prior accounting period balances.

NOTE C CONTRACTS AND GRANTS FROM GOVERNMENTAL AGENCIES

The Foundation, in the normal course of business, receives grants and enters into contracts for the performance of specific activities within certain budgetary constraints. Such projects are subject to various stipulations as to operating compliance and financial reporting. For substantially all of these programs, the expenditures are subject to review, audit, and final approval by the contracting agency.

NOTE D FAIR VALUE MEASUREMENTS

FASB ASC 820, Fair Value Measurement, defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. An asset's fair value is defined as the price at which the asset could be exchanged in an orderly transaction between market participants at the balance sheet date. A liability's fair value is defined as the amount that would be paid to transfer the liability to a market participant, not the amount that would be paid to settle the liability with the creditor. Fair value measurements are applied based on the unit of account, which determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated). In determining fair value, when practicable, the Foundation uses the market approach which utilizes prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

The Foundation's financial instruments carried at fair value have been classified based upon the fair value hierarchy as defined by FASB ASC 820. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets

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NOTES TO FINANCIAL STATEMENTS

NOTE D FAIR VALUE MEASUREMENTS (cont'd)

and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with significant unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The levels of the fair value hierarchy are as follows:

Level 1 – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value of assets measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 519,576	\$ 519,576	\$ -	\$ -
Certificates of deposit	75,000	75,000	-	-
Mutual funds:				
Fixed income	19,769,813	19,769,813	-	-
Equities	38,039,804	38,039,804	-	-
Joint venture	460,618	-	-	460,618
Beneficial interest in perpetual trusts	<u>1,795,399</u>	<u>-</u>	<u>1,795,399</u>	<u>-</u>
	<u>\$ 60,660,210</u>	<u>\$ 58,404,193</u>	<u>\$ 1,795,399</u>	<u>\$ 460,618</u>

Fair value of liabilities measured on a recurring basis at June 30, 2019 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Annuities payable	<u>\$ 193,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,678</u>
	<u>\$ 193,678</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,678</u>

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D FAIR VALUE MEASUREMENTS (cont'd)

On an annual basis, the Foundation assesses the fair value hierarchy for each asset or liability measured at fair value. From time to time, assets or liabilities will be transferred within the fair value hierarchy as a result of changes in, among other things, inputs used, liquidity, or valuation methodologies. During the year ended June 30, 2019, there were no transfers in classification within the fair value hierarchy.

Investment income for the year ended June 30, 2019 consisted of the following:

Interest and dividends	\$ 1,465,935
Realized gains	821,104
Unrealized gains	1,446,910
Change in value of life insurance policies	<u>(17,155)</u>
Total	<u>\$ 3,716,794</u>

The Foundation's life insurance policy is valued based on the cash surrender value of the policy. Changes in the cash surrender value of life insurance for the year ended June 30, 2019 are as follows:

Beginning balance	\$ 221,665
Change in value	<u>(17,155)</u>
Ending balance	<u>\$ 204,510</u>

The Foundation's Life insurance policy is considered a Level 3 asset on the fair value hierarchy.

The Foundation estimates fair value of annuities payable based on the present value of expected future cash flows. Changes in the beneficial interest in perpetual trusts for the year ended June 30, 2019 are as follows:

Beginning balance	\$ 199,438
Payments made	(30,174)
Change in present value of future cash flows	<u>24,414</u>
Ending balance	<u>\$ 193,678</u>

These interests are considered Level 3 assets on the fair value hierarchy.

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2019, certain assets were donor restricted for the following purposes:

Time restricted - beneficial interest in perpetual trusts	\$ 1,795,399
Purpose restricted - program services	<u>4,806,456</u>
	<u>\$ 6,601,855</u>

NOTE F LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside by the Board of Directors that could be drawn upon if the governing board approves that action.

Financial assets, at year-end	\$61,811,635
Less those unavailable for general expenditures within one year due to:	
Program services	4,806,456
Restricted in perpetual trusts	<u>1,795,399</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$55,209,780</u>

The Foundation's financial assets consist of cash and cash equivalents, the cash surrender value of life insurance, pledges receivable, grants receivable, and investments.

The Foundation has a goal to maintain financial assets on hand to meet 30 days of normal operating expenses excluding depreciation.

NOTE G BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation is a beneficiary of 11 trust agreements whereby bequeathed assets are held in trust by banks. These trusts are measured at fair value based on the fair value of the underlying assets which approximates the present value of expected cash flows. Income from the trust is to be paid to charitable organizations, including the Foundation. The fair market value of the Foundation's interest in the perpetual trusts was \$1,795,399 at June 30, 2019.



THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H CONCENTRATION OF CREDIT RISK

The Foundation maintains some of its cash in a bank deposit account with banks which, at times, may exceed the federally insured limit of \$250,000. As of June 30, 2019, the carrying amount of the Foundation's deposits in excess of the federally insured limits was \$1,843,023. The Foundation's remaining cash and its investments are unsecured and are managed by professional advisors subject to the Foundation's investment policy. The Foundation has not experienced any losses in such accounts.

NOTE I AGREEMENT WITH CROZER-KEYSTONE HEALTH SYSTEM

Prior to July 1, 2016, the Crozer-Chester Foundation (the predecessor foundation) was a subsidiary of CKHS. Effective July 1, 2016, CKHS sold substantially all the assets and certain liabilities of CKHS to Prospect Crozer, LLC. Under the terms of the asset purchase agreement, certain assets held by the Foundation reverted ownership to CKHS. Additionally, the Foundation absorbed certain liabilities previously held by CKHS.

Under the terms of the asset purchase agreement, net proceeds from the purchase price and any other net cash and investments are to be contributed to the Foundation. Because the net proceeds cannot be known until all transactions are finalized, these proceeds are considered a conditional contribution until received by the Foundation or final amounts to be contributed are known. As of June 30, 2019, the conditions had not been met to determine the amount which will be received from CKHS by the Foundation.

On November 6, 2017, CKHS informed the Foundation that arbitration between CKHS and Prospect Crozer, LLC was complete and, as a result of the arbitrator's determination, CKHS was awarded additional proceeds. The Foundation received \$962,492 from CKHS during the year ended June 30, 2019 and does not anticipate any additional proceeds.

NOTE J INSURANCE PROGRAM

As part of the asset purchase agreement between CKHS and Prospect Crozer, LLC (see Note I), the Foundation assumed certain outstanding insurance claims liabilities previously held by CKHS. The outstanding balance as of June 30, 2019 of \$256,561 represents management's estimate of the likely value of outstanding claims, including claims incurred but not reported.

NOTE K ENVIRONMENTAL LIABILITIES

As part of the asset purchase agreement between CKHS and Prospect Crozer, LLC (see Note I), the Foundation assumed responsibility for environmental monitoring on property sold to

THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE K ENVIRONMENTAL LIABILITIES (cont'd)

Prospect Crozer, LLC. Monitoring is to continue until environmental concerns are considered fully abated or Prospect Crozer, LLC develops the property. The outstanding balance of \$208,908 represents management's estimate of future monitoring costs.

NOTE L SUBSEQUENT EVENTS

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

**THE FOUNDATION FOR DELAWARE COUNTY**  
**SINGLE AUDIT SUPPLEMENT**



INDEPENDENT AUDITOR'S 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

November 22, 2019

To the Board of Directors  
The Foundation for Delaware County  
Media, Pennsylvania

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 financial statements of The Foundation for Delaware County ("the Foundation"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 Foundation's 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.

To the Board of Directors  
The Foundation for Delaware County

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's 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*.

#### 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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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



INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE

November 22, 2019

To the Board of Directors  
The Foundation for Delaware County  
Media, Pennsylvania

Report on Compliance for the Major Federal Program

We have audited The Foundation for Delaware County's ("the Foundation") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Foundation's major federal program for the year ended June 30, 2019.

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 the Foundation's major federal program 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 for 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 the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors  
The Foundation for Delaware County

We believe that our audit provides a reasonable basis for our opinion on compliance for the Foundation's major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

#### Opinion on Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

#### Report on Internal Control Over Compliance

Management of the Foundation 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 the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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 the Foundation's 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 that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

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

**THE FOUNDATION FOR DELAWARE COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-through Grantor Program or Cluster Title	Source Code	Federal CFDA Number	Pass-through Entity Identifying Number	Total Received For Year	Accrued Revenue 07/01/2018	Revenue Recognized	Federal Expenditures	Accrued Revenue 6/30/2019	Passed Through to Sub-recipients
<b>U.S. Department of Agriculture</b>									
Passed through Commonwealth of Pennsylvania Department of Health									
Special Supplemental Nutrition Program for Women, Infants, and Children	I	10.557	4100067466	\$ 809,152	\$ 329,237	\$ 479,915	\$ 479,915	\$ -	\$ -
Special Supplemental Nutrition Program for Women, Infants, and Children	I	10.557	4100077915	991,634	-	1,308,735	1,308,735	317,101	-
Total CFDA #10.557 (Total WIC Cluster)				1,800,786	329,237	1,788,650	1,788,650	317,101	-
Passed through Commonwealth of Pennsylvania Department of Agriculture									
WIC Farmers' Market Nutrition Program	I	10.572	N/A	11,676	-	11,676	11,676	-	-
<b>Total U.S. Department of Agriculture</b>				1,812,462	329,237	1,800,326	1,800,326	317,101	-
<b>U.S. Department of Health and Human Services</b>									
Drug-Free Communities Support Program Grants									
Chester Drug Free Communities Mentoring Project	D	93.276	N/A	125,000	125,000	-	-	-	-
Total CFDA #93.276	D	93.276	N/A	80,566	15,913	64,653	64,653	-	-
				205,566	140,913	64,653	64,653	-	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance - STEP-UP Chester, PA - Phase 2									
Healthy Start Initiative - Healthy Start	D	93.243	N/A	63,778	33,766	37,562	37,562	7,550	-
Healthy Start Initiative - Healthy Start	D	93.926	N/A	1,272,847	373,918	898,929	898,929	-	-
Total CFDA #93.926	D	93.926	N/A	175,000	-	246,334	246,334	71,334	-
				1,447,847	373,918	1,145,263	1,145,263	71,334	-
Passed through the Commonwealth of Pennsylvania Department of Human Services									
Maternal, Infant, and Early Childhood Home Visiting Program	I	93.505	4100070302	235,281	37,840	263,355	263,355	65,914	-
Passed through the Commonwealth of Pennsylvania Department of Health									
Maternal and Child Health Services Block Grant	I	93.994	N/A	13,416	-	13,416	13,416	-	-
<b>Total U.S. Department of Health and Human Services</b>				1,965,888	586,437	1,524,249	1,524,249	144,798	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 3,778,350</b>	<b>\$ 915,674</b>	<b>\$ 3,324,575</b>	<b>\$ 3,324,575</b>	<b>\$ 461,899</b>	<b>\$ -</b>

Source Codes:

- D = Direct Funding
- I = Indirect Funding



THE FOUNDATION FOR DELAWARE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A BASIS OF ACCOUNTING

All expenditures included in the schedule of expenditures of federal awards are presented on the basis that expenditures are reported to the respective federal grantor agencies. Accordingly, expenditures are recorded when the federal obligation is determined.

NOTE B FEDERAL EXPENDITURES

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE C INDIRECT COST RATES

The Foundation has elected not to use the 10 percent de minimis indirect cost rate.

**THE FOUNDATION FOR DELAWARE COUNTY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

THE FOUNDATION FOR DELAWARE COUNTY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART A - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

Yes  No

Identification of major program:

CFDA Number  
93.926

Name of Federal Program or Cluster  
Healthy Start Initiative – Healthy Start

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes  No

THE FOUNDATION FOR DELAWARE COUNTY

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

**PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**PART C - FINDINGS RELATED TO FEDERAL AWARDS**

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.