THE FOUNDATION FOR DELAWARE COUNTY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2018
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INDEPENDENT AUDITOR’S REPORT

October 23, 2018

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 (formerly Crozer-Keystone Community Foundation), which comprise the statement of financial position as of June 30, 2018, 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 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.
To the Board of Directors  
The Foundation for Delaware County

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited The Foundation for Delaware County’s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 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 October 23, 2018, 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.
## ASSETS

### CURRENT ASSETS:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$2,337,991</td>
<td>$2,752,006</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>75,000</td>
<td>1,564,121</td>
</tr>
<tr>
<td>Cash surrender value of life insurance</td>
<td>221,665</td>
<td>198,920</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>149,799</td>
<td>224,323</td>
</tr>
<tr>
<td>Grants receivable</td>
<td>1,017,134</td>
<td>904,052</td>
</tr>
<tr>
<td>Other receivables</td>
<td>-</td>
<td>484,603</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>117,657</td>
<td>112,404</td>
</tr>
<tr>
<td>Other current assets</td>
<td>5,100</td>
<td>5,100</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>3,924,346</strong></td>
<td><strong>6,245,529</strong></td>
</tr>
</tbody>
</table>

### NONCURRENT ASSETS:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>55,356,893</td>
<td>28,213,807</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts</td>
<td>2,078,230</td>
<td>2,056,225</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>67,707</td>
<td>85,289</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td><strong>57,502,830</strong></td>
<td><strong>30,355,321</strong></td>
</tr>
</tbody>
</table>

### TOTAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$61,427,176</strong></td>
<td><strong>$36,600,850</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES AND NET ASSETS

### LIABILITIES

#### CURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$317,138</td>
<td>$596,231</td>
</tr>
<tr>
<td>Grants payable</td>
<td>115,000</td>
<td>-</td>
</tr>
<tr>
<td>Accrued payroll</td>
<td>60,232</td>
<td>52,280</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>-</td>
<td>4,391</td>
</tr>
<tr>
<td>Annuities payable, current</td>
<td>20,797</td>
<td>20,798</td>
</tr>
<tr>
<td>Environmental liabilities, current</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>543,167</strong></td>
<td><strong>703,700</strong></td>
</tr>
</tbody>
</table>

#### NONCURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annuities payable, noncurrent</td>
<td>178,641</td>
<td>165,518</td>
</tr>
<tr>
<td>Environmental liabilities, noncurrent</td>
<td>209,808</td>
<td>239,808</td>
</tr>
<tr>
<td>Accrued paid time off</td>
<td>118,056</td>
<td>-</td>
</tr>
<tr>
<td>Insurance liabilities</td>
<td>269,111</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td><strong>775,616</strong></td>
<td><strong>605,326</strong></td>
</tr>
</tbody>
</table>

### NET ASSETS

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>53,303,680</td>
<td>28,742,959</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>6,804,713</td>
<td>6,548,865</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td><strong>60,108,393</strong></td>
<td><strong>35,291,824</strong></td>
</tr>
</tbody>
</table>

### TOTAL LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td><strong>$61,427,176</strong></td>
<td><strong>$36,600,850</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## UNRESTRICTED PUBLIC SUPPORT, REVENUES, AND GAINS

**Public support:**
- Contributions from public
  - 2018: $185,969
  - 2017: $608,366
  - Total: $794,335
- Grants from government agencies
  - 2018: $3,838,580
  - 2017: $3,838,580
  - Total: $4,013,725

**Other revenue:**
- Gift shops, net of cost of sales of $0 and $86,328, respectively
  - 2018: -
  - 2017: -
  - Total: 84,923
- Special events, net of expenses of $76,954 and $29,246, respectively
  - 2018: $63,316
  - 2017: $101,364
  - Total: $164,680
- Miscellaneous income
  - 2018: $155,785
  - 2017: -
  - Total: $155,785
- Changes in value of trusts
  - 2018: -
  - 2017: $90,184
  - Total: $90,184
- Investment income
  - 2018: $2,571,659
  - 2017: $256,759
  - Total: $2,828,418
- Release of restrictions
  - 2018: $800,825
  - 2017: -
  - Total: $800,825

**TOTAL PUBLIC SUPPORT, REVENUES, AND GAINS**
- 2018: $7,616,134
- 2017: $255,848
- Total: $7,871,982
- Total: $6,366,219

## EXPENSES

**Program services**
- 2018: $4,924,208
- 2017: -
- Total: $4,924,208

**Management and general**
- Administration
  - 2018: $1,010,645
  - 2017: -
  - Total: $1,010,645
- Development
  - 2018: $313,085
  - 2017: -
  - Total: $313,085
- Transition costs
  - 2018: $155,984
  - 2017: -
  - Total: $155,984

**TOTAL EXPENSES**
- 2018: $6,403,922
- 2017: $6,403,922
- Total: $6,813,389

## CHANGE IN NET ASSETS FROM OPERATIONS
- 2018: $1,212,212
- 2017: $255,848
- Total: $1,468,060
- Total: $(447,170)

## NONOPERATING REVENUES (EXPENSES)

**Contributions from Crozer-Keystone Health Systems (See Note H)**
- 2018: $23,361,553
- 2017: -
- Total: $23,361,553
- Total: $12,930,000

**Assets reverted to Crozer-Keystone Health Systems**
- 2018: -
- 2017: -
- Total: -
- Total: $(18,993,340)

**Liabilities assumed from Crozer-Keystone Health Systems**
- 2018: -
- 2017: -
- Total: -
- Total: $(11,500,000)

**Loss on disposition of property and equipment**
- 2018: $(13,044)
- 2017: -
- Total: $(13,044)
- Total: -

**CHANGE IN NET ASSETS**
- 2018: $24,560,721
- 2017: $255,848
- Total: $24,816,569
- Total: $(18,010,510)

## NET ASSETS, BEGINNING OF YEAR
- 2018: $28,742,999
- 2017: $6,548,865
- Total: $35,291,824
- Total: $53,302,334

## NET ASSETS, END OF YEAR
- 2018: $53,303,680
- 2017: $6,804,713
- Total: $60,108,393
- Total: $35,291,824

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, 2018

(With Summarized Comparative Information for the Year Ended June 30, 2017)

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program</td>
<td>Management</td>
<td>General</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>Administration</td>
<td>Development</td>
<td>Transition Costs</td>
<td>Total Expenses</td>
<td>Total Expenses</td>
</tr>
<tr>
<td>Salaries</td>
<td>$2,333,634</td>
<td>$169,308</td>
<td>$243,782</td>
<td>$ -</td>
<td>$413,090</td>
<td>$2,746,724</td>
</tr>
<tr>
<td>Employee benefits and taxes</td>
<td>799,733</td>
<td>29,045</td>
<td>49,552</td>
<td>$ -</td>
<td>78,597</td>
<td>878,330</td>
</tr>
<tr>
<td>Purchased staffing</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$ -</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Salaries and Related Expenses</td>
<td>3,133,367</td>
<td>198,353</td>
<td>293,334</td>
<td>$ -</td>
<td>491,687</td>
<td>3,625,054</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>-</td>
<td>45,587</td>
<td>-</td>
<td>-</td>
<td>45,587</td>
<td>45,587</td>
</tr>
<tr>
<td>Bank and other fees</td>
<td>1,816</td>
<td>55,768</td>
<td>-</td>
<td>9,970</td>
<td>65,738</td>
<td>67,554</td>
</tr>
<tr>
<td>Board expenses</td>
<td>1,084</td>
<td>2,259</td>
<td>45</td>
<td>-</td>
<td>2,304</td>
<td>3,388</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,755</td>
<td>14,032</td>
<td>-</td>
<td>-</td>
<td>14,032</td>
<td>20,787</td>
</tr>
<tr>
<td>Development expenses</td>
<td>-</td>
<td>602</td>
<td>2,817</td>
<td>-</td>
<td>3,419</td>
<td>3,419</td>
</tr>
<tr>
<td>Dues and memberships</td>
<td>10,667</td>
<td>7,804</td>
<td>350</td>
<td>-</td>
<td>8,154</td>
<td>18,821</td>
</tr>
<tr>
<td>Equipment leases</td>
<td>12,206</td>
<td>1,054</td>
<td>-</td>
<td>-</td>
<td>1,544</td>
<td>13,750</td>
</tr>
<tr>
<td>Grants and charitable assistance</td>
<td>630,174</td>
<td>120</td>
<td>-</td>
<td>-</td>
<td>120</td>
<td>630,294</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>38,029</td>
<td>-</td>
<td>15,000</td>
<td>53,029</td>
<td>53,029</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>2,472</td>
<td>2,716</td>
<td>99</td>
<td>-</td>
<td>2,815</td>
<td>5,287</td>
</tr>
<tr>
<td>Occupancy</td>
<td>314,750</td>
<td>67,425</td>
<td>1,942</td>
<td>-</td>
<td>69,367</td>
<td>384,117</td>
</tr>
<tr>
<td>Postage</td>
<td>3,248</td>
<td>3,649</td>
<td>1,766</td>
<td>-</td>
<td>5,415</td>
<td>8,663</td>
</tr>
<tr>
<td>Printing and advertising</td>
<td>121,197</td>
<td>111,508</td>
<td>5,318</td>
<td>1,307</td>
<td>118,133</td>
<td>239,330</td>
</tr>
<tr>
<td>Professional services</td>
<td>54,549</td>
<td>387,740</td>
<td>-</td>
<td>122,877</td>
<td>510,617</td>
<td>565,166</td>
</tr>
<tr>
<td>Program costs</td>
<td>422,929</td>
<td>2,634</td>
<td>147</td>
<td>-</td>
<td>2,781</td>
<td>425,710</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>14,368</td>
<td>-</td>
<td>-</td>
<td>131</td>
<td>131</td>
<td>14,499</td>
</tr>
<tr>
<td>Service contracts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Staff development</td>
<td>43,538</td>
<td>16,132</td>
<td>1,664</td>
<td>-</td>
<td>17,796</td>
<td>61,334</td>
</tr>
<tr>
<td>Supplies</td>
<td>49,825</td>
<td>8,304</td>
<td>-</td>
<td>-</td>
<td>8,304</td>
<td>58,129</td>
</tr>
<tr>
<td>Telephone and IT expenses</td>
<td>49,545</td>
<td>44,050</td>
<td>6,836</td>
<td>4,757</td>
<td>55,643</td>
<td>105,188</td>
</tr>
<tr>
<td>Travel and meals</td>
<td>51,389</td>
<td>2,389</td>
<td>709</td>
<td>-</td>
<td>3,098</td>
<td>54,487</td>
</tr>
<tr>
<td>Vehicles</td>
<td>329</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>329</td>
<td>329</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$4,924,208</td>
<td>$1,010,645</td>
<td>$313,085</td>
<td>$155,984</td>
<td>$1,479,714</td>
<td>$6,403,922</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets $ 24,816,569  $(18,010,510)

Adjustments to reconcile change in net assets to net cash used by operating activities:

Depreciation 20,787  57,878
Bad debt expense 45,587  -
Loss on disposition of property and equipment (13,044)  -
Unrealized gains on investments (1,045,214)  (1,776,926)

(Increase) Decrease in:
Cash surrender value of life insurance (22,745)  (198,920)
Pledges receivable 74,524  (224,323)
Grants receivable (113,082)  (904,052)
Other receivables 484,603  (181,603)
Prepaid expenses (5,253)  (104,404)
Other current assets -  74,900

Increase (Decrease) in:
Accounts payable and accrued expenses (279,093)  510,511
Grants payable 115,000  -
Accrued payroll 7,952  -
Deferred revenue (4,391)  4,391
Annuities payable 13,122  33,316
Accrued paid time off 118,056  -
Insurance liabilities (69,111)  (11,878,000)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 24,144,267  (32,597,742)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments (63,609,551)  (19,153,134)
Sales of investments 37,578,397  10,130,170
Purchase of property and equipment (16,249)  (60,167)

NET CASH USED BY INVESTING ACTIVITIES (26,047,403)  (9,083,131)

NET CHANGE IN CASH AND CASH EQUIVALENTS (1,903,136)  (41,680,873)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 4,316,127  45,997,000

CASH AND CASH EQUIVALENTS, END OF YEAR $ 2,412,991  $ 4,316,127

RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash $ 2,337,991  $ 2,752,006
Cash equivalents 75,000  1,564,121

$ 2,412,991  $ 4,316,127

SUPPLEMENTAL INFORMATION:

Interest paid $ -  $ -
Taxes paid $ -  $ -

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

THE ORGANIZATION

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. Prior to January 18, 2018, the Foundation was known as the Crozer-Keystone Community Foundation.

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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.

Contributions

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

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

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, 2018.

Recognition of Donor Restrictions

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

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.

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

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, 2018 totaled $20,787. Accumulated depreciation as of June 30, 2018 totaled $326,804.

Functional Allocation of Expenses

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in 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, 2017, from which the summarized information was derived.

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
FAIR VALUE MEASUREMENTS (cont’d)

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 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, 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market funds</td>
<td>$2,722,656</td>
<td>$2,722,656</td>
<td></td>
<td>$</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>75,000</td>
<td>75,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income securities</td>
<td>334,120</td>
<td>-</td>
<td>334,120</td>
<td></td>
</tr>
<tr>
<td>Mutual funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed income</td>
<td>21,651,914</td>
<td>21,651,914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equities</td>
<td>28,288,599</td>
<td>28,288,599</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>1,716,389</td>
<td>1,716,389</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NOTE D  FAIR VALUE MEASUREMENTS (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>643,215</td>
<td>643,215</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Life insurance</td>
<td>221,665</td>
<td>-</td>
<td>-</td>
<td>221,665</td>
</tr>
<tr>
<td>Beneficial interest in perpetual trusts</td>
<td>2,078,230</td>
<td>-</td>
<td>2,078,230</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 57,731,788</strong></td>
<td><strong>$ 55,097,773</strong></td>
<td><strong>$ 2,412,350</strong></td>
<td><strong>$ 221,665</strong></td>
</tr>
</tbody>
</table>

Fair value of liabilities measured on a recurring basis at June 30, 2018 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fair Value</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annuities payable</td>
<td>$ 199,438</td>
<td>-</td>
<td>-</td>
<td>$ 199,438</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 199,438</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>$ 199,438</strong></td>
</tr>
</tbody>
</table>

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, 2018, there were no transfers in classification within the fair value hierarchy.

Investment income for the year ended June 30, 2018 consisted of the following:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$ 1,040,044</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gains</td>
<td></td>
<td>720,415</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized gains</td>
<td></td>
<td>1,045,214</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in value of life insurance policies</td>
<td>22,745</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 2,828,418</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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, 2018 are as follows:

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$ 198,920</td>
<td></td>
</tr>
<tr>
<td>Change in value</td>
<td></td>
<td>22,745</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td><strong>$ 221,665</strong></td>
<td></td>
</tr>
</tbody>
</table>
NOTE D  FAIR VALUE MEASUREMENTS (cont’d)

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, 2018 are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance</td>
<td>$186,316</td>
</tr>
<tr>
<td>Payments made</td>
<td>(21,907)</td>
</tr>
<tr>
<td>Change in present value of future cash flows</td>
<td>16,151</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$199,438</td>
</tr>
</tbody>
</table>

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

NOTE E  RESTRICTIONS ON NET ASSETS

At June 30, 2018, certain assets were temporarily restricted for the following purposes:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restricted - beneficial interest in perpetual trusts</td>
<td>$2,078,230</td>
</tr>
<tr>
<td>Purpose restricted - program services</td>
<td>4,726,483</td>
</tr>
<tr>
<td>Total</td>
<td>$6,804,713</td>
</tr>
</tbody>
</table>

NOTE F  BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Foundation is a beneficiary of eleven 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 $2,078,230 at June 30, 2018.

NOTE G  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, 2018, the carrying amount of the Foundation’s deposits in excess of the federally insured limits was $1,792,751. 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 H 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. These activities are reflected as nonoperating revenues and expenses on the statement of activities.

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, 2018, 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 of approximately $23.7 million. CKHS received $21.5 million of this award from Prospect Crozer, LLC and contributed these funds to the Foundation on November 13, 2017, and has subsequently received additional proceeds totaling $1.9 million. In total, during the year ended June 30, 2018, the Foundation received $23,361,553 from CKHS under this agreement. These funds are reflected as unrestricted contributions on the statement of activities. The remaining award plus additional proceeds from related matters are anticipated to be received; however, the amount that will ultimately be received is not currently determinable.

The impact of these transactions resulted in significant variability in the Foundation’s net asset base during the years ended June 30, 2018 and 2017. The reversion of assets and assumption of liabilities described in the first paragraph resulted in a total decrease in the Foundation’s net assets of $30,493,340 during the year ended June 30, 2017. As of June 30, 2018, the Foundation has received $36,291,553 in contributions from CKHS under the terms of this agreement, in addition to $22,808,994 in assets from the legacy foundations.

In addition to the receipt of funds, grant programs, including federal and state-funded programs, which are required to be operated by a not-for-profit organization, have been assigned to the Foundation.

NOTE I INSURANCE PROGRAM

As part of the asset purchase agreement between CKHS and Prospect Crozer, LLC (see Note H), the Foundation assumed certain outstanding insurance claims liabilities previously held by CKHS. The outstanding balance as of June 30, 2018 of $269,111 represents management’s estimate of the likely value of outstanding claims, including claims incurred but not reported.
NOTE J  ENVIRONMENTAL LIABILITIES

As part of the asset purchase agreement between CKHS and Prospect Crozer, LLC (see Note H), the Foundation assumed responsibility for environmental monitoring on property sold to 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 $239,308 represents management’s estimate of future monitoring costs.

NOTE K  SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through October 23, 2018, the date the financial statements were available to be issued.
October 23, 2018

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, 2018, 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 October 23, 2018.

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.

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.
To the Board of Directors
The Foundation for Delaware County

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
October 23, 2018

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, 2018.

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 program.

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 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.

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.
To the Board of Directors  
The Foundation for Delaware County

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, 2018.

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.

[Signature]
BARBACANE, THORNTON & COMPANY LLP
## Schedule of Expenditures of Federal Awards

**The Foundation for Delaware County**

**Year Ended June 30, 2018**

<table>
<thead>
<tr>
<th>Source Code</th>
<th>CFDA Code</th>
<th>Identifying Number</th>
<th>Total Revenue For Year 07/01/2017</th>
<th>Accrued Revenue Recognized 06/30/2018</th>
<th>Federal Expenditures 6/30/2018</th>
<th>Accrued Revenue Recognized 06/30/2018</th>
<th>Passed Through to Sub-recipients</th>
</tr>
</thead>
</table>

### U.S. Department of Agriculture

#### Passed through Commonwealth of Pennsylvania Department of Health

- **Special Supplemental Nutrition Program for Women, Infants, and Children**
  - CFDA #10.557
  - Federal Entity Total: 1,012,146
  - 284,978 Recognized
  - 1,341,383 Total Expenditures
  - 329,237 Expenditures

- **Total CFDA #10.557 (Total WIC Cluster)**
  - Federal Entity Total: 1,775,876
  - 284,978 Recognized
  - 1,820,135 Total Expenditures
  - 329,237 Expenditures

#### Passed through Commonwealth of Pennsylvania Department of Agriculture

- **WIC Farmers' Market Nutrition Program**
  - CFDA #10.572
  - Federal Entity Total: 11,723
  - 11,723 Recognized
  - 11,723 Total Expenditures

- **Total U.S. Department of Agriculture**
  - Federal Entity Total: 1,787,599
  - 284,978 Recognized
  - 1,831,858 Total Expenditures
  - 329,237 Expenditures

### U.S. Department of Health and Human Services

- **Drug-Free Communities Support Program Grants**
  - CFDA #93.276
  - Federal Entity Total: 123,184
  - 100,570 Recognized

- **Chester Drug Free Communities Mentoring Project**
  - CFDA #93.276
  - Federal Entity Total: 11,155
  - 4,758 Recognized

- **Total CFDA #93.276**
  - Federal Entity Total: 134,339
  - 105,328 Recognized

- **Substance Abuse and Mental Health Services - Projects of Regional and National Significance - STEP-UP Chester, PA - Phase 2**
  - CFDA #93.243
  - Federal Entity Total: 973,918
  - 332,072 Recognized

- **Healthy Start Initiative - Healthy Start**
  - CFDA #93.926
  - Federal Entity Total: 973,918
  - 332,072 Recognized

- **Passed through the Commonwealth of Pennsylvania Department of Human Services**
  - Maternal, Infant, and Early Childhood Home Visiting Program
    - CFDA #93.505
    - Federal Entity Total: 301,889
    - 7,657 Recognized
  
  - Maternal and Child Health Services Block Grant
    - CFDA #93.994
    - Federal Entity Total: 9,503
    - 9,503 Recognized

- **Total U.S. Department of Health and Human Services**
  - Federal Entity Total: 1,379,026
  - 463,832 Recognized

- **TOTAL EXPENDITURES OF FEDERAL AWARDS**
  - Federal Entity Total: 3,166,625
  - 748,810 Recognized

**Source Codes:**
- D = Direct Funding
- I = Indirect Funding
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
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 Name of Federal Program or Cluster
10.557 Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Audittee 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.