
YWCA DELAWARE, INC.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

DECEMBER 31, 2017

YWCA DELAWARE, INC.

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INDEPENDENT AUDITOR'S REPORT

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June 26, 2018

To the Board of Directors
YWCA Delaware, Inc.
Wilmington, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of YWCA Delaware, Inc., (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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
YWCA Delaware, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YWCA Delaware, Inc. as of December 31, 2017, 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 YWCA Delaware, Inc.'s December 31, 2016 financial statements, and in our report dated June 15, 2017, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and the for the year ended December 31, 2016 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 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 June 26, 2018, on our consideration of YWCA Delaware, Inc.'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 YWCA Delaware, Inc.'s internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

YWCA DELAWARE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 295,470	\$ 460,503
Accounts receivable	392,820	439,198
Pledges receivable, net	136,072	106,122
Bequest receivable	324,259	-
Marketable securities	2,587,266	2,364,532
Current portion of note receivable	118,750	-
Interest receivable	3,513	-
Beneficial interest in perpetual trust	258,630	233,708
Prepaid expenses	52,055	36,488
Total Current Assets	4,168,835	3,640,551
NONCURRENT ASSETS:		
Pledges receivable, net	301,174	215,643
Property and equipment, net	1,612,043	1,859,358
Escrow - reserve for replacement	260,338	259,449
Beneficial interest in perpetual trust	3,276,389	2,960,672
Note receivable, net of current portion	47,500	-
Total Noncurrent Assets	5,497,444	5,295,122
TOTAL ASSETS	\$ 9,666,279	\$ 8,935,673
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 179,595	\$ 219,019
Line of credit	230,000	185,000
Deposits	3,222	2,540
Total Current Liabilities	412,817	406,559
NONCURRENT LIABILITIES:		
Long-term debt	1,180,666	1,180,666
Total Noncurrent Liabilities	1,180,666	1,180,666
Total Liabilities	1,593,483	1,587,225
NET ASSETS		
Unrestricted:		
Endowment	777,998	617,667
Designated by Board for long-term investment	763,003	707,680
Equity in property and equipment	1,612,043	1,859,358
Undesignated funds (deficit)	(123,834)	(502,311)
Total Unrestricted	3,029,210	2,682,394
Temporarily restricted:		
Contributions restricted to:		
Program services	329,777	114,577
HLMC property and equipment acquisitions	33,239	218,978
Other property and equipment acquisitions	99,286	98,934
Total Temporarily Restricted Net Assets	462,302	432,489
Permanently restricted net assets	4,581,284	4,233,565
TOTAL NET ASSETS	8,072,796	7,348,448
TOTAL LIABILITIES AND NET ASSETS	\$ 9,666,279	\$ 8,935,673

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

YWCA DELAWARE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
	2017	2017	2017	2017	2016
PUBLIC SUPPORT AND REVENUE					
Public support:					
Contributions	\$ 407,920	\$ 446,118	\$ -	\$ 854,038	\$ 1,004,001
United Way of Delaware, Inc.	-	103,344	-	103,344	163,174
Fees and grants from government agencies	-	1,795,595	-	1,795,595	1,692,410
Contribution from bequest	-	324,259	-	324,259	-
Total Public Support	<u>407,920</u>	<u>2,669,316</u>	<u>-</u>	<u>3,077,236</u>	<u>2,859,585</u>
Revenue:					
Program income	173,033	-	-	173,033	178,808
Rental income	-	-	-	-	1,915
Investment distribution	280,646	-	-	280,646	293,232
Interest income	8,179	-	-	8,179	7,621
Sales and miscellaneous revenue	1,030	-	-	1,030	-
Special events - net of expenses of \$14,004 in 2017 and \$128 in 2016	107,171	-	-	107,171	51,872
Total Revenue	<u>570,059</u>	<u>-</u>	<u>-</u>	<u>570,059</u>	<u>533,448</u>
Net assets released from restriction:					
Satisfaction of program restrictions	2,639,503	(2,639,503)	-	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	<u>3,617,482</u>	<u>29,813</u>	<u>-</u>	<u>3,647,295</u>	<u>3,393,033</u>
EXPENSES					
Program services	2,693,401	-	-	2,693,401	2,437,668
Support services	861,286	-	-	861,286	933,473
TOTAL EXPENSES	<u>3,554,687</u>	<u>-</u>	<u>-</u>	<u>3,554,687</u>	<u>3,371,141</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>62,795</u>	<u>29,813</u>	<u>-</u>	<u>92,608</u>	<u>21,892</u>
NONOPERATING REVENUE (LOSS)					
Net unrealized/realized gain on long-term investments - net of expenses of \$50,269 in 2017 and \$53,262 in 2016	215,653	-	347,719	563,372	9,038
Loss on impairment of property and equipment	-	-	-	-	(96,677)
Gain on sale of property and equipment	68,368	-	-	68,368	-
TOTAL NONOPERATING REVENUE (LOSS)	<u>284,021</u>	<u>-</u>	<u>347,719</u>	<u>631,740</u>	<u>(87,639)</u>
CHANGE IN NET ASSETS	<u>346,816</u>	<u>29,813</u>	<u>347,719</u>	<u>724,348</u>	<u>(65,747)</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,682,394</u>	<u>432,489</u>	<u>4,233,565</u>	<u>7,348,448</u>	<u>7,414,195</u>
NET ASSETS, END OF YEAR	<u>\$ 3,029,210</u>	<u>\$ 462,302</u>	<u>\$ 4,581,284</u>	<u>\$ 8,072,796</u>	<u>\$ 7,348,448</u>

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

YWCA DELAWARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With Summarized Totals for 2016)

	Program Services	Support Services			Total Support Services	Totals	
		Management and General	Development			2017	2016
Salaries	\$ 1,497,669	\$ 192,498	\$ 190,461	\$ 382,959	\$ 1,880,628	\$ 1,637,110	
Employee benefits	137,350	22,260	20,641	42,901	180,251	185,828	
Payroll taxes	119,326	17,257	15,303	32,560	151,886	171,279	
Total Personnel Expenses	<u>1,754,345</u>	<u>232,015</u>	<u>226,405</u>	<u>458,420</u>	<u>2,212,765</u>	<u>1,994,217</u>	
Asset purchases	11,575	6,101	2,407	8,508	20,083	5,000	
Bad debt expense	-	-	7,441	7,441	7,441	32,260	
Client support services	108,897	-	-	-	108,897	135,091	
Conferences and training	16,923	17,618	883	18,501	35,424	13,482	
Depreciation	142,249	94,833	-	94,833	237,082	325,811	
Insurance	63,698	9,700	4,737	14,437	78,135	35,498	
Interest	-	14,079	-	14,079	14,079	7,580	
Occupancy	284,189	35,672	18,054	53,726	337,915	336,575	
Professional services	122,935	145,337	14,034	159,371	282,306	291,844	
Postage	1,257	1,957	970	2,927	4,184	1,798	
Publicity	705	-	462	462	1,167	1,049	
Regional support	15,899	2,516	1,238	3,754	19,653	21,105	
Supplies	113,203	8,193	9,852	18,045	131,248	113,690	
Telephone	28,357	4,360	1,685	6,045	34,402	36,587	
Transportation	29,169	333	404	737	29,906	19,554	
TOTAL EXPENSES	<u>\$ 2,693,401</u>	<u>\$ 572,714</u>	<u>\$ 288,572</u>	<u>\$ 861,286</u>	<u>\$ 3,554,687</u>	<u>\$ 3,371,141</u>	

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

YWCA DELAWARE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions	\$ 845,728	\$ 1,110,830
Cash received from United Way of Delaware, Inc.	103,344	163,174
Cash received from government grants	1,841,973	1,450,660
Cash received from dues and program fees	173,033	178,808
Cash received from rentals	-	1,915
Cash received from investment income	280,646	293,232
Cash received from sales and all other sources	9,209	7,621
Cash paid to employees and suppliers	<u>(3,372,803)</u>	<u>(3,140,642)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(118,870)</u>	<u>65,598</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(192,251)	(718,340)
Purchase of investments	(328,562)	(130,762)
Sale of property and equipment	80,852	-
Sales of investments	348,798	281,747
NET CASH USED BY INVESTING ACTIVITIES	<u>(91,163)</u>	<u>(567,355)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	-	515,764
Proceeds from line of credit	535,000	370,000
Repayment of line of credit	<u>(490,000)</u>	<u>(275,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>45,000</u>	<u>610,764</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(165,033)	109,007
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>460,503</u>	<u>351,496</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 295,470</u>	<u>\$ 460,503</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 724,348	\$ (65,747)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	237,082	325,811
Bad debt expense	7,441	32,260
Net unrealized/realized gain on long-term investments	(563,372)	(9,038)
Loss on impairment of property and equipment	-	96,677
Gain on sale of property and equipment	(68,368)	-
(Increase) Decrease in assets:		
Accounts receivable	46,378	(241,750)
Bequest receivable	(324,259)	-
Pledges receivable	(122,922)	22,697
Prepaid expenses	(15,567)	(8,565)
Escrow - reserve for replacement	(889)	(156,919)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(39,424)	68,688
Deposits	682	1,484
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (118,870)</u>	<u>\$ 65,598</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 14,079</u>	<u>\$ 7,580</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>

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

YWCA DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A PURPOSE OF YWCA DELAWARE, INC.

YWCA Delaware, Inc. ("the Organization") delivers services to meet the needs of women and families in Delaware. Founded in 1895, the mission of the Organization is to eliminate racism and empower women. The Organization is affiliated with the YWCA, U.S.A., which is comprised of 250 organizations across the United States of America. Locally, the Organization offers programs and services in the areas of housing, economic advancement, domestic violence, women's leadership, and racial justice. These programs foster economic mobility and family stability. Services are multi-faceted and complement, rather than duplicate, other community services.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

In accordance with the Financial Accounting Standards Board's Accounting Standards Codification ("FASB ASC"), the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are uncollateralized grant invoices and program receivables due under grants and other agreements. The Organization does not charge interest on delinquent accounts. Accounts receivable are stated at the amount billed to the grantors/customers. Account balances with invoices over 90 days old are considered delinquent.

Management has not provided for an allowance for doubtful accounts since it believes all balances are fully collectible.

Contributions

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

YWCA DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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 J. 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.

Pledges Receivable

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 has not provided for an allowance for doubtful accounts since it believes all balances are fully collectible.

Income Taxes

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

The FASB ASC prescribes rules for the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions or associated unrecognized benefits that materially impact the financial statements or related disclosures.

YWCA DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

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

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

Donated Materials and Services

Amounts have been recorded in the financial statements for voluntary donations of services when those donations or services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated materials are recorded at fair value on the date of donation. Donated materials and services for the year ended December 31, 2017 were \$0.

Property and Equipment and Depreciation

Property and equipment are stated at acquisition cost or, if donated, at fair market value on the date of receipt. In the absence of donor-imposed restrictions on the use of assets, gifts of long-term assets are reported as unrestricted support. Expenses for property and equipment in excess of \$2,000 are capitalized. 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. The following is a schedule of the estimated useful lives:

Buildings and improvements	20 - 40 years
Land improvements	10 years
Equipment	5 - 10 years

Publicity Expense

The Organization expenses the production costs of advertising when incurred.

Functional Allocation of Expenses

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

YWCA DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates in the Preparation of Financial Statements

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

Prior Year Financial Statements

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the FASB ASC. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

NOTE C CONTRACTS AND GRANTS FROM GOVERNMENTAL AGENCIES

The Organization, 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 LEASES

Operating Leases

The Organization leases office space and equipment under operating lease agreements with various expiration dates through 2023. Certain office space leases include renewal options with varying dates which can be exercised by the Organization.

Minimum lease payments are as follows:

Year Ending December 31,

2018	\$ 179,973
2019	175,170
2020	158,846
2021	112,074
2022	114,875
Thereafter	<u>107,711</u>
Total	<u>\$ 848,649</u>

YWCA DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE D LEASES (cont'd)

Rent expense for office space and equipment totaled \$174,227 for the year ended December 31, 2017.

NOTE E CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limit of \$250,000. The Organization has not experienced any losses in such accounts. There was an uninsured balance of \$103,275 at December 31, 2017.

NOTE F LINE OF CREDIT

In 2003, the Organization obtained a \$250,000 unsecured line of credit with TD Bank. In August 2012, the limit was increased to \$500,000. The line of credit bears interest at five percent. The outstanding balance on the line of credit totaled \$230,000 at December 31, 2017.

NOTE G PLEDGES RECEIVABLE

Pledges receivable are deemed to be fully collectible and are composed of the following amounts at December 31, 2017:

Due within one year	\$ 136,072
Due within two to five years	314,900
Total value of pledges receivable	450,972
Less: discount on pledges receivable (3%)	(13,726)
Reported value of pledges receivable	\$ 437,246

NOTE H BEQUEST RECEIVABLE

During 2017, the Organization became the beneficiary of a trust in the amount of \$324,259 to be used for assisting homeless and battered women and children. The proceeds are to be received in 2018.

YWCA DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE I NOTE RECEIVABLE

During 2017, the Organization entered into an agreement with BPG Office Associates LLC. to sell one of their buildings. The proceeds from the sale of the buildings amounted to \$235,837, of which \$45,837 was paid to the Organization and a note was established in the amount of \$190,000. Payments of principal and interest, at a rate of five percent per annum, began in August 2017 with the maturity date being May 2019.

Following are future scheduled maturities of the long-term note:

Year Ending December 31,

2018	\$ 118,750
2019	<u>47,500</u>
Total	<u>\$ 166,250</u>

NOTE J MARKETABLE SECURITIES

Investments consisted of the following as of December 31, 2017:

	<u>Cost</u>	<u>Market</u>
Delaware Community Foundation	\$ 3,484,210	\$ 2,587,266
Beneficial interest in perpetual trust	<u>2,861,597</u>	<u>3,535,019</u>
	<u>\$ 6,345,807</u>	<u>\$ 6,122,285</u>

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis were as follows as of December 31, 2017:

	<u>Fair Value Measurements at Report Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Delaware Community Foundation	\$ 2,587,266	\$ -	\$ 2,587,266	\$ -
Beneficial interest in perpetual trust	<u>3,535,019</u>	<u>-</u>	<u>-</u>	<u>3,535,019</u>
	<u>\$ 6,122,285</u>	<u>\$ -</u>	<u>\$ 2,587,266</u>	<u>\$ 3,535,019</u>

YWCA DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J MARKETABLE SECURITIES (cont'd)

Beneficial Interest in Perpetual Trust

January 1, 2017	\$ 3,194,380
Gain on investment	<u>340,639</u>
December 31, 2017	<u>\$ 3,535,019</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Fair values for assets in Level 3 inputs are calculated based on inputs that are unobservable and significant to the overall fair value measurement.

The beneficial interest in the perpetual trust is measured at the estimated future value of the Organization's share in the trust based on historical distributions and the value of the trust.

NOTE K PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2017:

Land and improvements	\$ 241,982
Building and improvements	4,197,206
Equipment	<u>291,475</u>
	4,730,663
Less: accumulated depreciation	<u>(3,118,620)</u>
	<u>\$ 1,612,043</u>

NOTE L LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2017:

Mortgage payable to Delaware State Housing Authority ("DSHA") - principal due July 31, 2041, interest-free beginning January 1, 2004. The loan is secured by property at 713 - 723 North Madison Street, Wilmington, Delaware.	\$ 664,902
Mortgage payable to Delaware State Housing Authority ("DSHA") - principal due July 31, 2041, interest paid monthly beginning June 2, 2016 at a rate of one percent per annum. The loan is secured by property at 713 - 723 North Madison Street, Wilmington, Delaware.	<u>515,764</u>
TOTAL	<u>\$ 1,180,666</u>

YWCA DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE L LONG-TERM DEBT (cont'd)

Following are future scheduled maturities of long-term debt:

Year Ending December 31,

2018	\$	-
2019		-
2020		-
2021		-
2022		-
Thereafter		<u>1,180,666</u>
Total	\$	<u>1,180,666</u>

NOTE M ENDOWMENT FUND

The Organization's endowment consists of various contributions from donors for the creation of a permanently restricted endowment for general purposes. The unrestricted funds functioning as an endowment are investments not readily available for operations and consist of funds that have been designated by the Board of Directors to provide a permanent source of annual funding to support the current operations of the Organization. The assets are invested in the general investment portfolio of the Organization, and all other accumulations are classified as unrestricted net assets, absent of explicit donor stipulations to the contrary. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

All investment income in 2017, net of investment management fees, was appropriately transferred into the unrestricted endowment fund based on the lack of donor restriction on use.

YWCA DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE M ENDOWMENT FUND (cont'd)

Return Objectives and Risk Parameters

The Organization's Board of Directors, with the assistance of the Organization's investment advisor, operated in accordance with an investment policy statement that is intended to provide a predictable stream of income and investment returns. Under the policy guidelines, as approved by the Board of Directors, the endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing investment objectives, the Board of Directors, with the assistance of the Finance Committee, has taken into account the time horizon available for investment, the nature of the Organization's cash flow requirements, and other factors that affect the Board of Directors' and Finance Committee's risk tolerance.

Under the terms of an agreement with the Delaware Community Foundation, custodian for the endowment funds, the annual net income from the fund is distributed to the Organization on a quarterly basis. Net income is defined as an amount that shall be computed annually at the fiscal year end based on a range of three percent to six percent of the average fund balance for the previous 20 quarters. The Organization also has the option to request less than a three percent annual distribution, including the option to select no distribution.

Strategy Employed for Achieving Objectives

The Organization's Board of Directors has adopted an investment objective of long-term growth for the invested assets. The investment guidelines emphasize long-term capital appreciation as a primary source of return, recognize that the assets are exposed to risk and may be subject to fluctuation in market value from year-to-year, expect to earn returns sufficient to grow the purchasing power of assets over the long-term, diversify the invested assets in order to reduce the risk of wide swings in market value from year to year or of incurring large losses that may result from concentrated positions, and achieve investment results over the long-term that compare favorably with other professionally managed portfolios and appropriate market indexes.

Endowment net asset composition by type of fund as of December 31, 2017 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment funds	\$ 777,998	\$ 1,046,265	\$ 1,824,263
Total fund	<u>\$ 777,998</u>	<u>\$ 1,046,265</u>	<u>\$ 1,824,263</u>

YWCA DELAWARE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE M ENDOWMENT FUND (cont'd)

Changes in endowment net assets as of December 31, 2017 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 617,667	\$ 1,039,185	\$ 1,656,852
Investment income	34,415	-	34,415
Net appreciation	201,586	7,080	208,666
Amount appropriated for expense	<u>(75,670)</u>	<u>-</u>	<u>(75,670)</u>
Endowment net assets, end of year	<u>\$ 777,998</u>	<u>\$ 1,046,265</u>	<u>\$ 1,824,263</u>

NOTE N NET ASSETS DESIGNATED FOR LONG-TERM INVESTMENT

The Board of Directors of the Organization has established a designation of certain investment amounts to provide funds for unexpected or emergency capital or operating needs. The funds are maintained in an investment account with the Delaware Community Foundation. In a written agreement for the establishment of the investment account, the Delaware Community Foundation is instructed to distribute annual net income from the fund on a quarterly basis.

Net income is defined as an amount that shall be computed annually at the fiscal year end based on a range of three percent to six percent of the average fund balance for the previous 20 quarters. The Organization also has the option to request less than a three percent annual distribution, including the option to select no distribution and the option to withdraw additional funds with Board approval. Net assets designated for long-term investment were \$763,003 as of December 31, 2017. Changes in net assets designated for long-term investment for the year ended December 31, 2017 were as follows:

Net assets designated for long-term investment, beginning of year	\$ 707,680
Investment income	11,788
Net appreciation	86,663
Amount appropriated for expense	<u>(43,128)</u>
Net assets designated for long-term investment, end of year	<u>\$ 763,003</u>

YWCA DELAWARE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE O PERMANENTLY RESTRICTED NET ASSETS

In addition to the permanently restricted net assets held in the endowment, the Organization is a beneficiary of the Brown Trust, which is held and administered by outside fiscal agents. The Organization receives annual income from this trust. These distributions can be used in any way that is consistent with the Organization's exempt purpose. Total distributions received during 2017 totaled \$161,848.

The investments of this irrevocable trust are included in the statement of financial position as permanently restricted net assets because distributions are limited in accordance with the trust agreement to annual net income payouts. The Organization chose to adopt a total return spending approach for the Trust beginning in 2003. The permanently restricted net asset balance related to the Brown Trust was \$3,535,019 at December 31, 2017.

NOTE P RETIREMENT PLAN

The Organization participates in the YWCA Retirement Fund multi-employer cash balance plan. The plan covers substantially all employees who have a minimum of 1,000 hours of service annually and have been employed for two years. The plan is noncontributory by employees, with a three percent annual employer contribution. Contributions to the plan totaled \$37,090 in 2017.

NOTE Q SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through June 26, 2018, the date the financial statements were available to be issued.

YWCA DELAWARE, INC.
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

June 26, 2018

To the Board of Directors
YWCA Delaware, Inc.
Wilmington, Delaware

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 YWCA Delaware, Inc. ("the Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2017, 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 June 26, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's 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
YWCA Delaware, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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June 26, 2018

To the Board of Directors
YWCA Delaware, Inc.
Wilmington, Delaware

Report on Compliance for Major Federal Program

We have audited YWCA Delaware, Inc.'s ("the Organization") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2017. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

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 Organization'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 Organization'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 of the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

To the Board of Directors
YWCA Delaware, Inc.

Opinion on Major Federal Program

In our opinion, the Organization 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 December 31, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 the 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 Organization'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

YWCA DELAWARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<u>U.S. Department of Housing and Urban Development</u>					
Supportive Housing Program	D	14.235	12/01/16 - 11/30/17	\$ 299,173	\$ -
Supportive Housing Program	D	14.235	12/01/17 - 11/30/18	20,977	-
Total CFDA #14.235				<u>320,150</u>	<u>-</u>
<u>Passed Through Delaware State Housing Authority</u>					
Housing Counseling Assistance Program	I	14.169	10/01/17 - 09/30/18	20,000	-
Total Passed Through Delaware State Housing Authority - CFDA #14.169				<u>20,000</u>	<u>-</u>
<u>Passed Through City of Wilmington</u>					
Community Development Block Grants/Entitlement Grants	I	14.218	07/01/16 - 06/30/17	15,106	-
Community Development Block Grants/Entitlement Grants	I	14.218	07/01/17 - 06/30/18	15,750	-
Community Development Block Grants/Entitlement Grants	I	14.218	07/01/16 - 06/30/17	3,750	-
Community Development Block Grants/Entitlement Grants	I	14.218	07/01/17 - 06/30/18	2,500	-
Emergency Solutions Grant Program	I	14.231	07/01/16 - 06/30/17	8,501	-
Emergency Solutions Grant Program	I	14.231	07/01/17 - 06/30/18	35,513	-
Total Passed Through City of Wilmington				<u>81,120</u>	<u>-</u>
<u>Passed Through New Castle County</u>					
Community Development Block Grants/Entitlement Grants	I	14.218	07/01/16 - 06/30/17	215	-
Community Development Block Grants/Entitlement Grants	I	14.218	07/01/17 - 06/30/18	1,629	-
Emergency Solutions Grant Program	I	14.231	07/01/16 - 06/30/17	10,413	-
Emergency Solutions Grant Program	I	14.231	07/01/17 - 06/30/18	7,966	-
Emergency Solutions Grant Program	I	14.231	07/01/16 - 06/30/17	12,005	-
Total Passed Through New Castle County				<u>32,228</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>453,498</u>	<u>-</u>
<u>U.S. Department of Justice</u>					
Transitional Housing Assistance for Victims of Domestic Violence	D	16.736	10/01/16 - 09/30/18	68,153	-
Total CFDA #16.736				<u>68,153</u>	<u>-</u>
<u>Passed Through Delaware Criminal Justice Council</u>					
Violence Against Women Formula Grants	I	16.588	04/01/16 - 03/31/17	73,000	-
Total CFDA #16.588				<u>73,000</u>	<u>-</u>
Sexual Assault Services Program	I	16.070	06/01/16 - 05/31/17	62,002	-
Sexual Assault Services Program	I	16.070	06/01/17 - 05/31/18	113,461	-
Total CFDA #16.070				<u>175,463</u>	<u>-</u>
VOCA Victim Assistance Formula (New Castle County)	I	16.575	07/01/16 - 06/30/18	151,711	-
VOCA Victim Assistance Formula (Sussex County)	I	16.575	07/01/16 - 06/30/18	178,992	-
Total CFDA #16.575				<u>330,703</u>	<u>-</u>
Total Passed Through Delaware Criminal Justice Council				<u>579,166</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>647,319</u>	<u>-</u>

Continued on next page.

YWCA DELAWARE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

FEDERAL GRANTOR/PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	GRANT PERIOD BEGINNING / ENDING DATES	EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
(cont'd)					
U.S. Department of Health and Human Services					
Passed Through Delaware Health and Social Services					
Community Services Block Grant	I	93.569	07/01/17 - 09/30/17	47,200	-
Total CFDA #93.569				47,200	-
Total Passed Through Delaware Health and Social Services				47,200	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				47,200	-
U.S. Department of Agriculture					
Passed Through Delaware Department of Education					
Child and Adult Care Food Program	I	10.558	10/01/16 - 09/30/17	9,082	-
Child and Adult Care Food Program	I	10.558	10/01/17 - 09/30/18	1,792	-
Total CFDA #10.558					
Total Passed Through Delaware Department of Education					
TOTAL U.S. DEPARTMENT OF AGRICULTURE				10,874	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,158,891	\$ -

Source Codes:

I - Indirect
D - Direct

SUPPLEMENTAL INFORMATION: Total Expenditures by CFDA Number for Grants Received Through Multiple Pass-through Entities

Community Development Block Grants/Entitlement Grants	14.218	\$ 38,950
Emergency Shelter Grants Program	14.231	\$ 74,398

YWCA DELAWARE, INC.

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 Organization has elected not use the 10 percent de minimis indirect cost rate.

YWCA DELAWARE, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

YWCA DELAWARE, INC.

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

16.575

VOCA Victims Assistance Formula

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

YWCA DELAWARE, INC.

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.