

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**

**FINANCIAL STATEMENTS,  
INDEPENDENT AUDITORS' REPORTS,  
AND SINGLE AUDIT**

**JUNE 30, 2018 AND 2017**

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
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**JUNE 30, 2018 AND 2017**

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***Independent Auditors' Report***

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

***Report on the Financial Statements***

We have audited the accompanying financial statements of Boys & Girls Clubs of Delaware, Inc. (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.

***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 the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 auditors' 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 auditors consider 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.

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys & Girls Clubs of Delaware, Inc. 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.

***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 required part of the financial statements. Such information is the responsibility of management and was derived from and related 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 January 10, 2019, on our consideration of Boys & Girls Clubs of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Boys & Girls Clubs of Delaware, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boys & Girls Clubs of Delaware, Inc.'s internal control over financial reporting and compliance.

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

***Prior Period Financial Statements***

The financial statements of Boys & Girls Clubs of Delaware, Inc. as of June 30, 2017, were audited by other auditors whose report dated February 22, 2018, expressed an unmodified opinion on those statements.

*Belfint, Lyons & Shuman, P.A.*

January 10, 2019  
Wilmington, Delaware

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,456,896	\$ 832,109
Accounts Receivable (Net)	1,389,401	1,271,399
Promises to Give (Net)	94,057	167,394
Prepaid Expenses	101,062	131,984
Investments	4,372,350	4,165,654
Property and Equipment (Net)	18,105,846	18,674,089
Charitable Remainder Unitrust	1,400,857	1,267,683
Other Assets	16,424	30,763
	<b>\$ 26,936,893</b>	<b>\$ 26,541,075</b>
<b>TOTAL ASSETS</b>		

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>		
Line of Credit	\$ 380,000	\$ 410,000
Obligation Under Capital Lease	13,056	72,561
Accounts Payable and Accrued Expenses	999,460	1,714,741
Refundable Advances	233,164	400,204
Long-Term Debt	3,776,551	4,380,905
	<b>5,402,231</b>	<b>6,978,411</b>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Unrestricted		
Designated for Long-Term Investments	3,739,846	3,496,858
Undesignated	14,662,196	13,179,811
	<b>18,402,042</b>	<b>16,676,669</b>
Total Unrestricted		
Temporarily Restricted	2,463,824	2,217,199
Permanently Restricted	668,796	668,796
	<b>21,534,662</b>	<b>19,562,664</b>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	<b>\$ 26,936,893</b>	<b>\$ 26,541,075</b>

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

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>REVENUE, GAINS, AND SUPPORT</b>				
Contributions	\$ 2,290,412	\$ 1,087,620	\$ -	\$ 3,378,032
Special Events Revenue	567,953	-	-	567,953
Allocated by United Way of Delaware	249,569	-	-	249,569
Grants and Fees from Government Units	3,845,130	-	-	3,845,130
Program Service Fees (Net)	11,580,243	-	-	11,580,243
Membership Dues	33,579	-	-	33,579
Rental Revenue	357,782	-	-	357,782
Investment Income and Net Gains	376,549	-	-	376,549
Gain (Loss) on Disposal of Property	15,110	-	-	15,110
Changes in Value of Charitable Remainder Trust	-	133,174	-	133,174
Miscellaneous Revenue	24,946	-	-	24,946
	<u>19,341,273</u>	<u>1,220,794</u>	<u>-</u>	<u>20,562,067</u>
Net Assets Released from Restriction	974,169	(974,169)	-	-
<b>TOTAL REVENUE, GAINS, AND SUPPORT</b>	<u>20,315,442</u>	<u>246,625</u>	<u>-</u>	<u>20,562,067</u>
<b>EXPENSES AND LOSSES</b>				
Program Services	15,863,633	-	-	15,863,633
Management and General	1,427,712	-	-	1,427,712
Fundraising	1,298,724	-	-	1,298,724
<b>TOTAL EXPENSES AND LOSSES</b>	<u>18,590,069</u>	<u>-</u>	<u>-</u>	<u>18,590,069</u>
<b>CHANGE IN NET ASSETS</b>	1,725,373	246,625	-	1,971,998
<b>NET ASSETS - Beginning of Year</b>	<u>16,676,669</u>	<u>2,217,199</u>	<u>668,796</u>	<u>19,562,664</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 18,402,042</u>	<u>\$ 2,463,824</u>	<u>\$ 668,796</u>	<u>\$ 21,534,662</u>

**2017**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 893,698	\$ 1,648,897	\$ -	\$ 2,542,595
375,249	-	-	375,249
295,704	-	-	295,704
3,618,730	156,446	-	3,775,176
11,103,643	-	-	11,103,643
35,362	-	-	35,362
366,486	-	-	366,486
391,351	-	-	391,351
(302,083)	-	-	(302,083)
-	101,948	-	101,948
131,337	-	-	131,337
16,909,477	1,907,291	-	18,816,768
6,246,295	(6,246,295)	-	-
23,155,772	(4,339,004)	-	18,816,768
17,917,107	-	-	17,917,107
1,128,211	-	-	1,128,211
1,262,920	-	-	1,262,920
20,308,238	-	-	20,308,238
2,847,534	(4,339,004)	-	(1,491,470)
13,829,135	6,556,203	668,796	21,054,134
<u>\$ 16,676,669</u>	<u>\$ 2,217,199</u>	<u>\$ 668,796</u>	<u>\$ 19,562,664</u>

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



**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>			<b>Total Expenses</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising Costs</b>	
<b>EXPENSES AND LOSSES</b>				
Personnel Costs				
Salaries	\$ 8,310,240	\$ 770,127	\$ 675,025	\$ 9,755,392
Employee Benefits - Other	813,147	66,808	58,558	938,513
Employee Retirement Benefits	136,570	11,221	9,835	157,626
Payroll Taxes	696,750	62,262	54,574	813,586
<b>Total Personnel Costs</b>	<b>9,956,707</b>	<b>910,418</b>	<b>797,992</b>	<b>11,665,117</b>
Non-payroll Insurance	60,803	57,217	50,152	168,172
Professional Fees	237,115	134,620	117,996	489,731
Supplies and Other Program Expenses	1,957,533	42,073	36,878	2,036,484
Telephone	272,842	22,792	19,977	315,611
Postage and Shipping	6,904	3,787	3,320	14,011
Rent	165,872	2,070	1,815	169,757
Utilities	646,610	12,401	10,870	669,881
Repairs and Maintenance	742,909	9,992	8,759	761,660
Rental and Maintenance of Equipment	138,553	92,830	81,367	312,750
Minor Equipment Purchases	4,145	70	61	4,276
Printing and Publications	4,032	2,125	1,863	8,020
Transportation	286,645	20,346	17,833	324,824
Conferences, Conventions, and Meetings	65,879	25,266	22,145	113,290
Membership Dues	51,752	5,102	4,472	61,326
Recruiting Expense	17,481	1,023	93	18,597
Interest	207,182	12,122	1,102	220,406
Miscellaneous	40,990	35,720	31,310	108,020
Bad Debt (Recovery)	(159,967)	(9,360)	(851)	(170,178)
Special Events Expense	354,697	-	87,288	441,985
Depreciation	804,949	47,098	4,282	856,329
<b>TOTAL EXPENSES AND LOSSES</b>	<b>\$ 15,863,633</b>	<b>\$ 1,427,712</b>	<b>\$ 1,298,724</b>	<b>\$ 18,590,069</b>

**2017**

<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising Costs</b>	<b>Total Expenses</b>
\$ 8,492,656	\$ 622,393	\$ 923,551	\$ 10,038,600
824,207	60,403	89,630	974,240
116,998	8,574	12,723	138,295
688,768	50,477	74,901	814,146
10,122,629	741,847	1,100,805	11,965,281
164,179	5,104	851	170,134
396,687	52,436	6,839	455,962
2,021,260	31,096	20,731	2,073,087
268,678	16,419	13,434	298,531
13,401	816	623	14,840
162,665	-	-	162,665
628,545	36,777	3,343	668,665
1,054,796	61,717	5,611	1,122,124
198,173	5,243	6,291	209,707
10,970	642	58	11,670
23,886	1,264	126	25,276
328,555	37,144	17,232	382,931
97,407	11,393	5,127	113,927
55,344	-	-	55,344
23,800	1,393	127	25,320
197,482	11,555	1,050	210,087
160,545	9,394	854	170,793
(116,238)	(6,801)	(618)	(123,657)
211,144	-	70,366	281,510
1,893,199	110,772	10,070	2,014,041
<u>\$ 17,917,107</u>	<u>\$ 1,128,211</u>	<u>\$ 1,262,920</u>	<u>\$ 20,308,238</u>

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

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,971,998	\$ (1,491,470)
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	856,329	2,014,041
Bad Debt Expense (Recovery)	(170,178)	(123,657)
Realized Gain on Investments	(699,732)	(990)
Unrealized (Gain) Loss on Investments	412,110	(303,912)
(Gain) Loss on Disposal of Property	(15,110)	302,083
Change in Value of Charitable Remainder Trust	(133,174)	(101,948)
Restricted Contributions	(1,087,620)	(1,648,897)
Change in Assets and Liabilities		
Accounts Receivable	52,176	209,916
Promise to Give	73,337	492,918
Prepaid Expenses	30,922	(42,155)
Other Assets	14,339	(5,071)
Accounts Payable and Accrued Expenses	(715,281)	(538,506)
Refundable Advances	(167,040)	88,366
	<b>423,076</b>	<b>(1,149,282)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Purchases and Sales of Investments	80,926	4,160
Acquisition of Property and Equipment	(300,186)	(565,904)
Proceeds from Sale of Property and Equipment	27,210	-
	<b>(192,050)</b>	<b>(561,744)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Payments on Line of Credit	(30,000)	(130,000)
Proceeds from Restricted Contributions Capital Campaign	1,087,620	1,648,897
Payments of Obligations Under Capital Lease	(59,505)	(92,453)
Principle Payments on Debt Obligations	(604,354)	(47,778)
Proceeds from Debt Obligations	-	483,125
	<b>393,761</b>	<b>1,861,791</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>624,787</b>	<b>150,765</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<b>832,109</b>	<b>681,344</b>
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 1,456,896</b>	<b>\$ 832,109</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS</b>		
Interest Paid	<b>\$ 220,406</b>	<b>\$ 210,087</b>

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

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - The Boys & Girls Clubs of Delaware (Organization), a Delaware nonprofit entity, is part of a nationwide movement whose mission is to inspire and enable all young people, especially those who need us most, to realize their full potential as productive, responsible, and caring citizens.

**Applicable Financial Reporting Framework** - The financial position and results of activities of the Organization have been reported on an acceptable applicable financial reporting framework. The applicable financial reporting framework used by the Organization is U.S. generally accepted accounting principles (GAAP). Under this financial reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

**Financial Statement Presentation** - The entity adheres to the Financial Accounting Standards Board Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Entities*. Under ASC 958, the entity is required to report information regarding its financial position and its activities as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the entity pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained in perpetuity.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that may occur, would have a material impact on the financial statements.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Financial Instruments and Concentration of Credit Risk*** - Financial instruments which potentially subject the entity to concentrations of credit risk consist principally of investments, cash and cash equivalents, and accounts receivable.

The entity manages its investments in a manner which combines its fiduciary responsibility and a prudent approach, since such activity carries a certain amount of risk. The entity's overarching philosophy for managing investments incorporates: (1) protecting the value of invested assets; (2) growing such assets to increase their value; and (3) maintaining access to such assets in the event of cash needs.

Credit risk with respect to receivables is limited due to the nature of such assets.

The entity maintains its cash balances in several financial institutions located in the Wilmington, Delaware metropolitan area. Cash balances, in the aggregate, at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Although cash balances may exceed FDIC insured limits from time to time, management believes the risk of loss to be nominal. Uninsured cash was \$981,547 as of June 30, 2018.

***Cash and Cash Equivalents*** - The entity considers all highly liquid investments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

***Accounts Receivable*** - Accounts receivable consist primarily of grants, contracts, and program service fees and are reduced by an allowance for doubtful accounts. Such receivables are therefore stated at the amount management expects to collect from outstanding balances. The allowance is an estimate based on experience and other mitigating circumstances. It is the entity's policy to write off uncollectible accounts receivable against the allowance when management determines the receivable will not be collected. The allowance for doubtful accounts amounted to \$0 and \$190,000 as of June 30, 2018 and 2017, respectively.

***Promises to Give*** - 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. Provisions for uncollectible receivables are charged to expense when determined to be uncollectible by management. The discount rate used on long-term promises to give is based on the applicable federal rates in the period of donation.

***Investments*** - 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. Unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Risks and Uncertainties*** - The entity invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those such changes could materially affect the amounts reported in the statements of financial position.

***Property and Equipment*** - Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to expense as incurred; costs of renewals and betterments are capitalized. When assets are sold or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statements of activities. Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

Depreciation is computed using the straight-line method based upon the estimated useful life of the related asset. The useful lives range from 5 to 40 years.

***Refundable Advances*** - Represents cash receipts from program fees and grants that were received prior to the end of the reporting period in which recognition as revenue in accordance with GAAP occurs subsequent to the end of the reporting period.

***Restricted and Unrestricted Revenue and Support*** - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 and reported in the statements of activities as net assets released from restrictions.

***Functional Allocation of Expenses*** - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

***Advertising*** - Advertising costs are charged to operations when incurred.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Income Taxes* - Boys & Girls Clubs of Delaware, Inc. is exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC); therefore, no provision for income taxes has been made in the financial statements. In addition, the entity has been classified as one that is not a private foundation within the meaning of Section 509(a) of the IRC and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Although the entity is not subject to federal and state income taxes, the entity is required to adhere to ASC 740, *Accounting for Income Taxes*, which applies to all entities including those that are tax exempt. ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulation, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the June 30, 2015, 2016, and 2017 tax years are open and subject to examination by the Internal Revenue Service (IRS). However, the entity is not currently under audit nor has the entity been contacted by this jurisdiction. Any interest and penalties related to income taxes would be recorded as income tax expense. There were no interest and penalties as of June 30, 2018 and 2017.

**NOTE 2: NET PROGRAM SERVICE FEES**

Consistent with its mission to support children in need, the Organization offers scholarship awards to eligible families to participate in its programs. These scholarships represent an important component of its program services. However, accounting principles generally accepted in the United State of America require these program services to be reported net of the corresponding program fee revenue in the statements of activities. Net program service fee revenue consists of the following:

	2018	2017
Program Fees - Gross	\$ 11,840,197	\$ 11,351,417
Discounts from Grants and Scholarships	(259,954)	(247,774)
Program Service Fees (Net)	\$ 11,580,243	\$ 11,103,643

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 3: PROMISES TO GIVE**

Promises to give as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Receivable in One Year	\$ 87,472	\$ 139,519
Receivable in Two to Five Years, Less Discount of Net Present Value of \$5,915	<u>21,585</u>	<u>42,875</u>
	109,057	182,394
Less: Allowance for Uncollectible Promises	<u>15,000</u>	<u>15,000</u>
	<u>\$ 94,057</u>	<u>\$ 167,394</u>

**NOTE 4: INVESTMENTS**

Investments as of June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Equity Securities	\$ 3,116,137	\$ 3,122,530
U.S. Government Fixed Income	-	124,287
Mortgage-Backed Fixed Income	-	279,405
Corporate and Other Fixed Income	814,625	639,432
Inflation and Hedged Strategy Funds	<u>441,588</u>	<u>-</u>
	<u>\$ 4,372,350</u>	<u>\$ 4,165,654</u>

Investment income and net gains consisted of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 116,654	\$ 122,021
Realized Gains	699,732	990
Unrealized Gains (Losses)	(412,110)	303,912
Investment Fees	<u>(27,727)</u>	<u>(35,572)</u>
	<u>\$ 376,549</u>	<u>\$ 391,351</u>



**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 5: FAIR VALUE MEASUREMENTS AND DISCLOSURES**

The Organization adheres to ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value, and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, ASC 820 establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

*Level 1* - Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in active exchange market, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the-counter markets.

*Level 2* - Observable inputs other than level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

*Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The tables below present the financial instruments carried at fair value as of June 30, 2018 and 2017 by the ASC 820 valuation hierarchy defined above.

	2018			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Equity Securities	\$ 3,116,137	\$ 3,116,137	\$ -	\$ -
Corporate and Other Fixed Income	814,625	814,625	-	-
Inflation and Hedged Strategy Funds	441,588	441,588	-	-
Total Investments	4,372,350	4,372,350	-	-
Charitable Remainder Unitrust	1,400,857	-	-	1,400,857
Total Assets at Fair Value	<u>\$ 5,773,207</u>	<u>\$ 4,372,350</u>	<u>\$ -</u>	<u>\$ 1,400,857</u>

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 5: FAIR VALUE MEASUREMENTS AND DISCLOSURES - CONTINUED**

	2017			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Equity Securities	\$ 3,122,530	\$ 3,122,530	\$ -	\$ -
U.S. Government Fixed Income	124,287	124,287	-	-
Mortgage-Backed Fixed Income	279,405	279,405	-	-
Corporate and Other Fixed Income	639,432	639,432	-	-
Total Investments	4,165,654	4,165,654	-	-
Charitable Remainder Unitrust	1,267,683	-	-	1,267,683
Total Assets at Fair Value	<u>\$ 5,433,337</u>	<u>\$ 4,165,654</u>	<u>\$ -</u>	<u>\$ 1,267,683</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs were as follows:

	Charitable Remainder Unitrust
Balance - July 1, 2016	\$ 1,165,735
Change in Value of Beneficial Interest in Charitable Remainder Unitrust	<u>101,948</u>
Balance - June 30, 2017	1,267,683
Change in Value of Beneficial Interest in Charitable Remainder Unitrust	<u>133,174</u>
Balance - June 30, 2018	<u>\$ 1,400,857</u>

The change in value of split-interest agreements is attributable to the revaluation of the Organization's beneficial interests based on applicable mortality tables and current and anticipated market conditions.

**NOTE 6: CHARITABLE REMAINDER UNITRUST**

The Organization is the beneficiary of the Hugo Mueller Trust, a charitable remainder unitrust. The trust stipulates that income beneficiaries receive annually the lesser of trust income or five percent of the fair market value of trust assets. The Organization, which is not an income beneficiary, is entitled to certain trust assets upon the death of each income beneficiary. As of June 30, 2018, the life expectancy of the income beneficiaries, based on actuarial tables, ranged from 12 to 24 years. The net present value of the entity's remainder interest in trust assets as of June 30, 2018 and 2017 amounted to \$1,400,857 and \$1,267,683, respectively.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 7: PROPERTY AND EQUIPMENT**

Property and equipment were as follows as of June 30:

	2018	2017
Land and Improvements	\$ 2,432,149	\$ 2,444,360
Building and Improvements	20,896,499	20,726,440
Leasehold Improvements	6,882,626	6,793,279
Security Systems	39,792	39,792
Furniture and Fixtures	4,414,249	4,360,790
Automotive	735,943	1,047,244
Construction in Progress	9,893	14,886
	35,411,151	35,426,791
Accumulated Depreciation	(17,305,305)	(16,752,702)
	\$ 18,105,846	\$ 18,674,089

**NOTE 8: LINE OF CREDIT**

The entity has available a \$1,000,000 revolving line-of-credit with Wilmington Savings Fund Society (WSFS). Borrowings against the line are due on demand, require interest at LIBOR plus 2.65%, and are secured by property at the Clarence Fraim, Greater Newark, and Milford sites. The amount outstanding as of June 30, 2018 and 2017 amounted to \$380,000 and \$410,000, respectively.

**NOTE 9: NOTES PAYABLE**

Principal maturities as of June 30, 2018 and 2017 were as follows:

	2018	2017
<i>WSFS</i> - Note payable requiring monthly installments of principal plus interest at a 30-day LIBOR plus 3.25%, due in November 2022, collateralized by property at Clarence Fraim, Milford, and Greater Newark sites. Monthly payments as of June 30, 2018 were \$20,215.	\$ 3,344,353	\$ 3,443,059
<i>WSFS</i> - Note payable requiring monthly installments of principal plus interest at a 30-day LIBOR plus 2.65%, due in April 2038. This loan is collateralized by property at the Dover site. Monthly payments as of June 30, 2018 were \$3,491.	432,198	454,721

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 9: NOTES PAYABLE - CONTINUED**

	2018	2017
<i>Delaware Sustainable Energy</i> - Note payable requiring monthly installments of \$8,468 of principal and interest at 2.00% beginning September 1, 2017 through August 1, 2022. During the year ended June 30, 2018, the entity paid off the note in full.	\$ -	\$ 483,125
	\$ 3,776,551	\$ 4,380,905

Principal maturities as of June 30, 2018 are as follows:

June 30			
2019	\$	89,595	
2020		89,595	
2021		89,595	
2022		89,595	
2023		3,095,973	
Thereafter		322,198	
Total	\$	3,776,551	

**NOTE 10: LEASES**

*Capital Lease* - The Organization leases equipment under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease and, accordingly, it is recorded in the Organization's assets and liabilities.

The amount due under capital lease amounted to \$13,056 as of June 30, 2018. The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2018:

Year Ending June 30		
2019	\$	10,211
2020		4,255
Total Minimum Lease Payments		14,466
Less: Amount Representing Interest		(1,410)
Present Value of Minimum Lease Payments	\$	13,056

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 10: LEASES - CONTINUED**

*Operating Lease* - The entity, in the normal course of business, leases automobiles, facilities, and equipment. Payments for facilities leases are reported as rent in the statements of functional expenses. Payments for automobile and equipment leases are reported as rental and maintenance of equipment in the statements of functional expenses. Total rent expense for the years ended June 30, 2018 and 2017 amounted to \$406,447 and \$287,458, respectively.

As of June 30, 2018, the future minimum operating lease payments under operating lease agreements having remaining terms in excess of one year are as follows:

<u>Year Ending June 30</u>	
2019	\$ 354,372
2020	308,704
2021	255,768
2022	214,058
2023	<u>94,180</u>
	<u>\$ 1,227,082</u>

**NOTE 11: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Capital Campaign Fund	\$ 735,344	\$ 741,893
Charitable Remainder Unitrust Fund	1,400,857	1,267,683
STEAM	70,000	-
Jackson St. Redevelopment	50,000	-
Educational Enhancement Initiative	<u>207,623</u>	<u>207,623</u>
	<u>\$ 2,463,824</u>	<u>\$ 2,217,199</u>

**NOTE 12: PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are as follows:

	<u>2018</u>	<u>2017</u>
Tallman Scholarship Program	\$ 10,000	\$ 10,000
Endowment Program	<u>658,796</u>	<u>658,796</u>
	<u>\$ 668,796</u>	<u>\$ 668,796</u>

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 13: PENSION PLAN**

The plan is a defined contribution plan covering substantially all employees of the Organization who have one year of service and who work 1,000 hours annually and are age 21 or older, other than those whose employment is governed by a collective bargaining agreement and certain nonresident aliens. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Each year, participants may contribute up to twenty percent of pretax annual compensation, as defined by the plan. Participants may also contribute amounts representing distributions from other defined benefit or contribution plans. The Organization at its discretion will contribute a percentage of an employee's gross compensation. Additional amounts may be contributed at the option of the Organization's Board of Directors. Contributions are subject to certain legal limitations. Total pension expense for the years ended June 30, 2018 and 2017 amounted to \$157,626 and \$138,295, respectively.

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

The Organization participates in a number of state and federally funded programs. Such programs are subject to audit by the grantor. Such audits could result in claims against the resources of the entity. No provision has been made in the June 30, 2018 financial statements for any liabilities that may arise from such audits since the amount, if any, cannot presently be determined. Management believes any liability arising from such audits would not significantly affect the financial position or results of operations of the entity.

**NOTE 15: ENDOWMENT FUNDS**

The Organization's Endowment Fund (Fund) consists of numerous individual funds. The Fund includes both donor-restricted funds and funds designated by the Board of Directors. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Interpretation of Relevant Law*** - The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair 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 permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 15: ENDOWMENT FUNDS - CONTINUED**

*Interpretation of Relevant Law - Continued* - assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

*Investment Return Objectives, Risk Parameters, and Strategies* - The Organization has adopted investment and spending policies, approved by the Board of Directors, for the Fund's assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix (see Note 4) that is to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the funds if possible. Investment risk is measured in terms of the total Fund; investment assets and allocation between asset classes and strategies are managed to not expose the Fund to unacceptable levels of risk.

*Spending Policy* - The Organization has a policy of appropriating for distribution each year a percentage of the Fund's fair value as approved by the Board of Directors. In establishing this policy, the Organization considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The spending policy is reviewed regularly by the Board of Directors to allow its endowment funds to grow annually while maintaining the purchasing power of the endowment assets as well as to provide additional growth through new gifts and investment return.

*Funds with Deficiencies* - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, there were no deficiencies of this nature that were reported in unrestricted net assets as of June 30, 2018 and 2017.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 15: ENDOWMENT FUNDS - CONTINUED**

The Fund's net asset composition by type of fund as of June 30 was as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted - Educational Enhancement	\$ -	\$ 207,623	\$ -	\$ 207,623
Donor-Restricted - Endowment Funds	-	-	668,796	668,796
Board-Designated Funds	3,739,846	-	-	3,739,846
<b>Total</b>	<b>\$ 3,739,846</b>	<b>\$ 207,623</b>	<b>\$ 668,796</b>	<b>\$ 4,616,265</b>

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted - Educational Enhancement	\$ -	\$ 207,623	\$ -	\$ 207,623
Donor-Restricted - Endowment Funds	-	-	668,796	668,796
Board-Designated Funds	3,497,304	-	-	3,497,304
<b>Total</b>	<b>\$ 3,497,304</b>	<b>\$ 207,623</b>	<b>\$ 668,796</b>	<b>\$ 4,373,723</b>

Endowment funds are comprised of the following as of June 30:

	2018	2017
Investments	\$ 4,372,350	\$ 4,165,654
Short-Term Investment Classified as Cash Equivalents	243,915	208,069
<b>Total</b>	<b>\$ 4,616,265</b>	<b>\$ 4,373,723</b>



**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2018**

**NOTE 15: ENDOWMENT FUNDS - CONTINUED**

Changes in the Fund's net assets for the year ended June 30, 2018 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Fund's Net Assets - July 1, 2017	\$ 3,497,304	\$ 207,623	\$ 668,796	\$ 4,373,723
Interest and Dividends, Net of Fees	74,969	13,958	-	88,927
Unrealized Losses on Investments	(349,093)	(63,017)	-	(412,110)
Realized Gains on Investments	592,734	106,998	-	699,732
Deposits and Contributions	97,675	-	-	97,675
Appropriated for Expenditure	(173,743)	(57,939)	-	(231,682)
Fund's Net Assets - June 30, 2018	<u>\$ 3,739,846</u>	<u>\$ 207,623</u>	<u>\$ 668,796</u>	<u>\$ 4,616,265</u>

Changes in the Fund's net assets for the year ended June 30, 2017 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Fund's Net Assets - July 1, 2016	\$ 3,291,566	\$ 207,623	\$ 668,796	\$ 4,167,985
Interest and Dividends	72,577	13,872	-	86,449
Unrealized Gains on Investments	255,146	48,766	-	303,912
Realized Gains on Investments	831	159	-	990
Appropriated for Expenditure, Net	(122,816)	(62,797)	-	(185,613)
Fund's Net Assets - June 30, 2017	<u>\$ 3,497,304</u>	<u>\$ 207,623</u>	<u>\$ 668,796</u>	<u>\$ 4,373,723</u>

**NOTE 16: SUBSEQUENT EVENTS**

Management has reviewed and evaluated all other events through the date of the independent auditors' report, the date the financial statements were available for issuance, and has determined that such events do not warrant additional adjustment to or disclosure in the June 30, 2018 financial statements.

**NOTE 17: RECLASSIFICATIONS FOR COMPARATIVE PURPOSES**

Certain amounts in the June 30, 2017 financial statements have been reclassified for comparative purposes to conform to the presentation of the June 30, 2018 financial statements. These reclassifications had no effect on previously reported change in net assets for the year ended June 30, 2017 or total net assets as of June 30, 2017.

**SINGLE AUDIT**



***Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards***

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

We have audited, 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, the financial statements of Boys & Girls Clubs of Delaware, Inc. (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 January 10, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Boys & Girls Clubs of Delaware, Inc.'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 Boys & Girls Clubs of Delaware, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Boys & Girls Clubs of Delaware, Inc.'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 entity'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

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Boys & Girls Clubs of Delaware, Inc.'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.

*Belfint, Lyons & Shuman, P.A.*

January 10, 2019  
Wilmington, Delaware



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Certified Public Accountants

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***Independent Auditors' Report on Compliance for Each Major  
Program and on Internal Control Over Compliance  
Required by the Uniform Guidance***

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

***Report on Compliance for Each Major Federal Program***

We have audited Boys & Girls Clubs of Delaware, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boys & Girls Clubs of Delaware, Inc.'s major federal programs for the year ended June 30, 2018. Boys & Girls Clubs of Delaware, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Boys & Girls Clubs of Delaware, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 Boys & Girls Clubs of Delaware, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Boys & Girls Clubs of Delaware, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Boys & Girls Clubs of Delaware, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

***Report on Internal Control Over Compliance***

Management of Boys & Girls Clubs of Delaware, Inc. 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 Boys & Girls Clubs of Delaware, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Boys & Girls Clubs of Delaware, Inc.'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 over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors  
Boys & Girls Clubs of Delaware, Inc.

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.

*Belfint, Lyons & Shuman, P.A.*

January 10, 2019  
Wilmington, Delaware

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

<u>Federal Award Agency/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
<b>U.S. Department of Agriculture</b>			
Delaware Department of Education			
Child and Adult Care Food Program	10.558	\$ 904,005	\$ -
Summer Food Service Program for Children	10.559	355,891	-
<b>U.S. Department of Justice</b>			
Boys and Girls Clubs of America			
Juvenile Mentoring Program	16.726	250,250	-
State of Delaware, Criminal Justice Council			
Edward Byrne Memorial Justice Assistance Program	16.738	20,173	-
National Endowment for the Arts			
State of Delaware, Division of the Arts			
Promotion of the Arts Partnership Agreements	45.025	12,900	-
<b>U.S. Department of Education</b>			
State of Delaware, Department of Education			
Migrant Education State Grant Program	84.011	169,648	-
State of Delaware, Department of Education			
Twenty-first Century Community Learning Centers	84.287	59,000	-
East Side Charter School			
Twenty-first Century Community Learning Centers	84.287	62,625	-
Subtotal - Twenty-first Century Community Learning Centers		<u>121,625</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>			
State of Delaware, Department of Health and Social Services			
Substance Abuse and Mental Health Services Project of Regional and National Significance	93.243	492,145	-
American Lung Association			
National State Based Tobacco Control Program	93.305	59,320	-
State of Delaware, Department of Children, Youth and their Families			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>52,390</u>	<u>-</u>
<b>Total Federal Awards</b>		<u><u>\$ 2,438,347</u></u>	<u><u>\$ -</u></u>



**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the 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). Because this Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**NOTE 3: INDIRECT COST RATE**

For the year ended June 30, 2018, the Organization has elected to use the 10% de minimis indirect cost rate, as permitted by the Uniform Guidance.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2018**

**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of Auditors' Report Issued: Unmodified

Internal Control Over Financial Reporting:

- Material Weaknesses Identified?  Yes  No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?  Yes  None Reported

Noncompliance Material to Financial Statements Noted?  Yes  No

**Federal Awards**

Internal Control Over Major Programs:

- Material Weaknesses Identified?  Yes  No
- Significant Deficiencies Identified that are Not Considered to be Material Weaknesses?  Yes  None Reported

Type of Auditors' Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR section 200.516(a)?  Yes  No

**Identification of Major Programs**

CFDA Number(s) - Name of Federal Program or Cluster  
 10.558 - Children and Adult Care Food Program  
 10.559 - Summer Food Service Program for Children

Dollar Threshold Used to Distinguish between Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low-Risk Auditee?  Yes  No

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**JUNE 30, 2018**

**II. Financial Statement Findings**

There are no current year Financial Statement Findings.

**III. Federal Award Findings and Questioned Costs**

There are no current year Federal Award Findings.

**BOYS & GIRLS CLUBS OF DELAWARE, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2018**

**Reference Number:** 2017-001  
**Type of Finding:** Material Weakness - Financial Statements - Internal Control Over Financial Reporting

**Criteria and Condition:** Investments, along with investment income, including realized and unrealized gains and losses were overstated for the years ended June 30, 2014, 2015, and 2016.

**Context:** Control procedures were not in place during the periods noted to identify certain accounting errors, particularly with respect to investments and investment income.

**Current Year Status:** There were no misstatements identified with respect to investments or investment income for the year ended June 30, 2018.