Report of Independent Auditor

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.

Wilmington, Delaware

Years Ended December 31, 2016 and 2015

HAGGERTY & HAGGERTY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.

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HAGGERTY & HAGGERTY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

American Institute of CPA
Pennsylvania Institute of CPA*
Delaware Society of CPA†
Private Companies Practice Section

Report of Independent Auditor

Board of Directors
Delaware Guidance Services
For Children and Youth, Inc.
Wilmington, Delaware

Report of the Financial Statements

We have audited the accompanying financial statements of Delaware Guidance Services For Children and Youth, Inc. [a nonprofit organization], which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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, the implementation, and the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delaware Guidance Services For Children and Youth, Inc. as of December 31, 2016 and 2015, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017 on our consideration of Delaware Guidance Services For Children and Youth, 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* and in considering Delaware Guidance Services For Children and Youth, Inc.'s internal control over financial reporting and compliance.

Haggerty & Haggerty, P.A.
Certified Public Accountants

June 9, 2017
Wilmington, Delaware

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and equivalents	$ 146,219	$ 121,219
Receivables, net of allowance:		
Governments	1,373,889	1,092,262
Trade	430,737	433,786
Other	8,859	7,634
Unconditional promises to give:		
Grant-in-aid funding for next year	65,494	130,989
Pledges available for next year	3,633	1,200
Prepayments and other assets	73,247	68,769
Investments at fair value	691,402	633,992
Property and equipment, net of depreciation	4,884,436	5,185,341
TOTAL ASSETS	$ 7,677,916	$ 7,675,192
LIABILITIES		
Lines of credit	$ 523,145	$ 95,696
Accounts payable and other	215,696	182,623
Accrued expenses	169,978	174,639
Notes payable	686,811	741,491
Capital lease obligations	180,565	239,178
Compensated absences liability	217,331	261,605
Pending and unrevealed claims liability	342,356	471,462
Total liabilities	2,335,882	2,166,694
NET ASSETS		
Unrestricted:		
Designated for improvement of facilities	40,384	1,325
Designated for USDA loan reserve	37,800	37,800
Designated for subsidized services	35,000	37,500
Designated for long-term investment	691,402	633,992
Net investment in property and equipment	4,017,060	4,204,672
Undesignated	315,636	462,220
Total unrestricted	5,137,282	5,377,509
Temporarily restricted	204,752	130,989
Total net assets	5,342,034	5,508,498
TOTAL LIABILITIES AND NET ASSETS	$ 7,677,916	$ 7,675,192

The accompanying notes are an integral
part of the basic financial statements

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT						
Contributions	$ 50,168	$ 148,211	$ 198,379	$ 53,176	$ 241,845	$ 295,021
Special events revenue	23,777	...	23,777	67,480	...	67,480
Allocations by United Ways	12,910	181,388	194,298	16,260	210,123	226,383
Grant-in-aid allocation	130,989	130,988	261,977	130,989	130,988	261,977
Program service fees	10,963,966	1,500	10,965,466	10,951,306	...	10,951,306
Interest income	111	...	111	48	...	48
Gain (loss) on disposal of capital assets	...	...	...	15,880	...	15,880
Miscellaneous revenue	3,914	...	3,914	3,623	...	3,623
Total revenues and gains	11,185,835	462,087	11,647,922	11,238,762	582,956	11,821,718
Net assets released from restriction	388,324	(388,324)	...	582,956	(582,956)	...
Total revenues, gains, and other support	11,574,159	73,763	11,647,922	11,821,718	...	11,821,718
EXPENSES AND LOSSES						
Program services	11,010,210	...	11,010,210	11,276,642	...	11,276,642
Supporting services:						
Management and general	649,468	...	649,468	663,684	...	663,684
Fundraising costs	210,474	...	210,474	217,716	...	217,716
Special events expense	12,615	...	12,615	40,341	...	40,341
Total expenses and losses	11,882,767	...	11,882,767	12,198,383	...	12,198,383
CHANGES IN NET ASSETS BEFORE NET INVESTMENT APPRECIATION (DEPRECIATION)	(308,608)	73,763	(234,845)	(376,665)	...	(376,665)
NET INVESTMENT APPRECIATION (DEPRECIATION)	68,381	...	68,381	(1,430)	...	(1,430)
CHANGES IN NET ASSETS	(240,227)	73,763	(166,464)	(378,095)	...	(378,095)
NET ASSETS						
Beginning of year	5,377,509	130,989	5,508,498	5,755,604	130,989	5,886,593
End of year	$ 5,137,282	$ 204,752	$ 5,342,034	$ 5,377,509	$ 130,989	$ 5,508,498

The accompanying notes are an integral part of the basic financial statements

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

	2016				2015			
		Supporting Services				Supporting Services		
	Program Services	Management & General	Fund Raising	Total Expenses	Program Services	Management & General	Fund Raising	Total Expenses
EXPENSES AND LOSSES								
Salaries	$ 6,967,470	$ 422,530	$ 142,633	$ 7,532,633	$ 7,118,677	$ 431,700	$ 145,728	$ 7,696,105
Employees other benefits	950,694	71,753	18,625	1,041,072	1,007,939	76,073	19,747	1,103,759
Employees retirement benefits	307,771	17,191	5,562	330,524	349,422	19,517	6,315	375,254
Payroll taxes	496,931	35,468	10,432	542,831	495,537	35,368	10,403	541,308
Total personnel costs	8,722,866	546,942	177,252	9,447,060	8,971,575	562,658	182,193	9,716,426
Clinical consultant fees	699,891	...	...	699,891	604,656	...	...	604,656
Professional fees	103,839	29,545	399	133,783	152,941	31,421	551	184,913
Supplies	87,090	1,933	614	89,637	84,691	1,346	593	86,630
Information technology	125,028	15,265	3,650	143,943	80,522	9,831	2,351	92,704
Telephone and internet	138,328	914	...	139,242	150,461	994	...	151,455
Postage and freight	6,711	43	974	7,728	5,139	33	746	5,918
Occupancy cost	322,427	550	1,774	324,751	313,682	535	1,726	315,943
Printing and publications	5,653	340	4,493	10,486	12,368	743	9,829	22,940
Transportation	42,470	4,128	2,169	48,767	44,141	4,290	2,254	50,685
Conferences and staff development	16,965	3,874	629	21,468	23,546	5,377	873	29,796
Membership dues	10,131	224	1,279	11,634	8,397	186	1,060	9,643
Equipment rental and maintenance	28,908	...	378	29,286	27,684	...	362	28,046
Miscellaneous	14,881	2,579	751	18,211	14,697	2,547	742	17,986
Interest expense	46,162	23,421	...	69,583	43,071	21,853	...	64,924
Insurance	127,904	...	103	128,007	141,645	...	114	141,759
Public relations	11,238	...	7,890	19,128	9,806	...	6,884	16,690
Recruitment	59,327	1,578	1,033	61,938	30,370	808	529	31,707
Vehicle leases and maintenance	75,648	...	...	75,648	90,405	...	...	90,405
Bad debt expense	56,665	...	...	56,665	101,737	...	...	101,737
Capital outlay-minor purchases	...	...	...	...	7,238	...	...	7,238
Special events expense	...	...	12,615	12,615	...	...	40,341	40,341
Total other expenses	1,979,266	84,394	38,751	2,102,411	1,947,197	79,964	68,955	2,096,116
TOTAL EXPENSES AND LOSSES BEFORE DEPRECIATION EXPENSE	10,702,132	631,336	216,003	11,549,471	10,918,772	642,622	251,148	11,812,542
Depreciation expense	308,078	18,132	7,086	333,296	357,870	21,062	6,909	385,841
TOTAL EXPENSES AND LOSSES	$11,010,210	$ 649,468	$ 223,089	$11,882,767	$11,276,642	$ 663,684	$ 258,057	$12,198,383

The accompanying notes are an integral part of the basic financial statements

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors	$ 194,614	$ 300,034
Cash received from United Ways	194,298	226,383
Cash received from special events	15,905	43,938
Cash received from government award	327,472	261,977
Cash received from program services	10,630,223	10,536,501
Interest income received	111	48
Other revenues received	3,914	3,623
Cash paid to employees and suppliers	(11,564,690)	(11,556,731)
Interest paid	(69,583)	(64,924)
Net cash provided (used) by operating activities	(267,736)	(249,151)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(32,391)	(269,464)
Proceeds from disposal of capital assets	...	33,843
Investment proceeds (purchases), net	(1,341)	(46,317)
Investment income received	14,100	36,638
Investment management fees paid	(1,788)	(2,180)
Net cash provided (used) by investing activities	(21,420)	(247,480)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	3,615,145	1,922,160
Payment of lines of credit	(3,187,696)	(1,826,464)
Proceeds from issuance of note obligations	...	51,175
Payment of principal on note obligations	(54,680)	(85,733)
Proceeds from capital lease obligations	...	209,320
Payment of principal on capital lease obligations	(58,613)	(59,168)
Net cash provided (used) by financing activities	314,156	211,290
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	25,000	(285,341)
CASH AND EQUIVALENTS		
Beginning of year	121,219	406,560
End of year	$ 146,219	$ 121,219

Continued . . .

The accompanying notes are an integral
part of the basic financial statements

DELAWARE GUIDANCE SERVICES FOR CHILDREN AND YOUTH, INC.
STATEMENTS OF CASH FLOWS [continued]
Years Ended December 31, 2016 and 2015

	2016	2015
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	$ (166,464)	$ (378,095)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	333,296	385,841
Loss (gain) on disposal of capital assets	...	(15,880)
Realized investment (gain) loss	12,076	(718)
Unrealized investment (gain) loss	(68,145)	36,606
Investment income	(14,100)	(36,638)
Investment management fees	1,788	2,180
Changes in operating assets and liabilities:		
Receivables-governments	(281,627)	(171,779)
Receivables-trade	3,049	(141,289)
Receivables-other	(1,225)	(4,732)
Unconditional promises to give:		
Grant-in-aid funding for next year	65,495	...
Pledges available for next year	(2,433)	14,271
Prepayments and other assets	(4,478)	(493)
Accounts payable and other	33,073	(10,554)
Accrued expenses	(4,661)	66,341
Compensated absences liability	(44,274)	14,910
Pending and unrevealed claims liability	(129,106)	(9,122)
Total adjustments	(101,272)	128,944
Net cash provided (used) by operating activities	$ (267,736)	$ (249,151)

SCHEDULE OF NONCASH INVESTING ACTIVITIES

	2016	2015
Sale or disposal of capital assets:		
Cost basis		$ 70,978
Accumulated depreciation		(53,015)
Gain (loss) on disposal of capital assets		15,880
Proceeds from disposal of capital assets		$ 33,843
Special events and other in-kind contributions	$ 9,204	$ 32,800

The accompanying notes are an integral part of the basic financial statements

NOTE 1 - NATURE OF THE ORGANIZATION

The mission of Delaware Guidance Services for Children and Youth, Inc. [the "Organization"] is to provide quality mental health services for children, youth, and their families. The Organization believes that all children have a right to positive mental health and have access to quality therapeutic care, regardless of ability to pay.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The financial statements and related notes are representations of management, who is responsible for their integrity and objectivity.

<u>Basis of Presentation</u>

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards' Accounting Standards Codification [FASB ASC] Topic 958, *Not-for-Profit Entities*. Under FASB ASC Topic 958, 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. The net assets and revenues, expenses, gains and losses are classified based on the existence of or the absence of donor-imposed restrictions. Accordingly, the net assets and the changes therein are classified and reported as follows:

Unrestricted net assets are net assets not subject to donor-imposed restrictions. The 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 are net assets subject to donor-imposed stipulations that may or will be fulfilled by the Organization's actions and/or passage of time, to meet the stipulations or become unrestricted at the date specified by the donor. 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.

Permanently restricted net assets are net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the investment return on these net assets for general or specific purposes. The Organization has no permanently restricted net assets as of the date of the statement of financial position.

<u>Use of Estimates</u>

Preparation of financial statements in conformity with U.S. 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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, the actual results could differ from those estimates.

<u>Basis of Accounting</u>

The policy of the Organization is to prepare the financial statements on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

<u>Cash and Equivalents</u>

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

<u>Receivables-Trade</u>

Bad debt expense is determined using the allowance method of accounting based on the Organization's historical experience and management evaluation of outstanding receivables. At December 31, 2016 and 2015, the allowance for doubtful accounts is $124,085 and $279,083, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Allowances are provided for amounts estimated to be uncollectible, which are based on industry trends, the geographic area, and an analysis of the collectability of each individual pledge received.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization has no conditional promises to give for the years presented.

Prepayments and Other Assets

Certain payments to vendors reflect costs applicable to future years and are recorded as prepayments and other assets. At December 31, prepayments and other assets consist of the following:

Description	2016	2015
Prepaid insurance	$ 39,827	$ 40,667
Security deposit-real estate rental activity	1,000	1,000
Other deposits and assets	32,420	27,102
Total prepayments and other assets	$ 73,247	$ 68,769

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. Fair values are estimated based upon quoted market prices. Realized and unrealized gains and losses are included in the statement of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met [either a stipulated time period ends or a purpose restriction is accomplished] in the reporting period in which the income and gains are recognized.

Property and Equipment

Property and equipment is carried at cost and consists of land, buildings and improvements, furniture and equipment, computer hardware and software, and automotive equipment. The cost for maintenance and repairs is charged to expense as incurred and the cost of renewals and betterments is capitalized. When capital assets are sold or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities. The Organization follows the practice of capitalizing all expenditures for capital assets with an initial, individual cost of $2,500 or more and a useful life in excess of one year.

Depreciation is computed using the straight-line method over the estimated useful life of a capital asset ranging from 5 to 40 years.

Impairment of Long-Lived Assets

In accordance with Financial Accounting Standards Board statement on *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of a capital asset may not be recoverable. If the fair value is less than the carrying amount of the capital asset, an impairment loss is recognized for the difference. No impairment loss was recognized for the years presented.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value as of the date of the donation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value as of the date of the donation. Such donations are reported as unrestricted support unless the donor restricted the donated asset to a specific purpose. Capital assets donated with explicit restrictions regarding their use, and contributions of cash that are used to acquire capital assets, are reported as restricted support. Absent donor stipulations regarding how long those donated capital assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired capital assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services

The Organization recognizes donated services that create or enhance the nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization did not receive donated services meeting the criteria for the years presented. However, to fulfill its mission, the Organization is dependent upon many individuals volunteering their services to perform a variety of tasks.

Compensated Absences Liability

A maximum of a one-year vacation allotment, depending on the date of hire, may be accumulated by employees. The Organization accrues a liability for compensated absences which meets the following criteria:

- Obligation related to the employee's right to receive compensation for future absences is attributable to services already rendered.
- Obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be easily estimated.

In accordance with the above criteria, the Organization has accrued a liability for vacation pay which has been earned but not taken by the employees as of the date of the statement of financial position. The liability for compensated absences is recorded as a liability in accordance with established guidelines.

Pending and Unrevealed Claims Liability

The Organization is self-insured in regards to unemployment risks, and requires the establishment of a liability for future potential unemployment risks. The amount is estimated based on a method similarly used by the Delaware Department of Unemployment.

Advertising Costs

The Organization uses advertising to promote the various programs and activities it provides to the public. The cost of advertising is expensed the first time it takes place. Total advertising costs incurred are $19,094 and $16,528 for the years ended December 31, 2016 and 2015, respectively.

Net Patient Service Revenue

The Organization has agreements with third-party payors that provide payments at amounts different from its established billing rates. These payment arrangements include discounted charges and per diem payments. Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for the services rendered by the Organization.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established billing rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Allocation of Expenses

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

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service [IRS] Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

The Financial Accounting Standards Board on statements pertaining to the *Accounting for Uncertainty in Income Taxes* recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a return. The federal returns of the Organization for the three prior years are subject to examination by the IRS, generally for three years after they are filed. The tax positions taken by the Organization during these years are based on clear and unambiguous tax law; management has a high level of confidence in the technical merits of the positions taken.

Reclassifications

Certain amounts in the 2015 statement of financial position have been reclassified for comparative purposes to conform with the 2016 financial statement presentation.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization has the following concentration of credit risk for the years presented:

Cash and Equivalents

The Organization's deposits are held by several financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation [FDIC]. At December 31, 2016 and 2015, the deposits totaling $161,662 and $214,350, held by these financial institutions, were not in excess of FDIC insurance limits.

Receivables/Program Service Fees

The Organization contracts a substantial portion of its services with the State of Delaware in one form or another. At December 31, 2016 and 2015, total receivables outstanding with the State are $1,373,889 and $1,092,262, respectively. The Organization received approximately 65% for 2016 and 72% for 2015 of its operating revenue from the State of Delaware.

NOTE 4 – INVESTMENTS AT FAIR VALUE

At December 31, investments are presented in the financial statements at fair value and consist of the following:

	2016		2015	
Description	Cost	Market	Cost	Market
Money market funds	$ 21,376	$ 21,376	$ 29,535	$ 29,535
Mutual funds	...	...	627,086	577,107
Exchange Traded Funds [ETFs]	644,779	641,553	...	...
Delaware Community Foundation	16,704	28,473	16,704	27,350
Total investments	$ 682,859	$ 691,402	$ 673,325	$ 633,992

NOTE 4 – INVESTMENTS AT FAIR VALUE [continued]

Following is a summary of investment return and its classification in the statement of activities for the years ended December 31:

Description	2016	2015
Investment [dividends and interest] income	$ 14,100	$ 36,638
Realized investment gain	(12,076)	718
Unrealized investment gain (loss)	68,145	(36,606)
Investment management fees	(1,788)	(2,180)
Total return on investments	$ 68,381	$ (1,430)

Board designated investments are managed by independent investment advisors in accordance with the investment policy established by the Board.

NOTE 5 – FAIR VALUE MEASUREMENTS

The Organization adopted the provisions of Financial Accounting Standards Board statement on *Fair Value Measurements*. Under this statement, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants. The statement also establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1-Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

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

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

Investment fair value measured on a recurring basis at December 31 is as follows:

Description	Fair Value	Level 1	Level 2	Level 3
December 31, 2016:				
Investments [See Note 4]	$ 691,402	$ 662,929	$ ...	$ 28,473
December 31, 2015:				
Investments [See Note 4]	$ 633,992	$ 606,642	$ ...	$ 27,350

The following table reconciles the beginning and ending balances of fair value measurements using significant unobservable inputs [level 3] for the investments held by Delaware Community Foundation for the years ended December 31:

Description	2016	2015
Beginning balance	$ 27,350	$ 27,450
Total unrealized gain (loss) for the year	960	(796)
Investment purchases for the year	564	4,292
Investment sales for the year	(401)	(3,596)
Ending balance	$ 28,473	$ 27,350

NOTE 6 - PROPERTY AND EQUIPMENT

The following tables summarize the annual changes to property and equipment:

	As of and Year Ended December 31, 2016			
Description	Beginning Balances	Additions	Adjustment /Deletions	Ending Balances
Land	$ 766,175	$ ...	$ ...	$ 766,175
Buildings and improvements	5,878,981	25,750	...	5,904,731
Furniture and equipment	533,934	...	...	533,934
Computer hardware/software	970,499	6,641	...	977,140
Automotive equipment	706,643	...	...	706,643
Total book value	8,856,232	32,391	...	8,888,623
Accumulated depreciation	3,670,891	333,296	...	4,004,187
Net book value	$ 5,185,341	$ (300,905)	$ ...	$ 4,884,436

	As of and Year Ended December 31, 2015			
Description	Beginning Balances	Additions	Adjustment /Deletions	Ending Balances
Land	$ 766,175	$ ...	$ ...	$ 766,175
Buildings and improvements	5,871,325	7,656	...	5,878,981
Furniture and equipment	533,934	...	...	533,934
Computer hardware/software	769,377	201,122	...	970,499
Automotive equipment	716,935	60,686	70,978	706,643
Total book value	8,657,746	269,464	70,978	8,856,232
Accumulated depreciation	3,338,065	385,841	53,015	3,670,891
Net book value	$ 5,319,681	$ (116,377)	$ 17,963	$ 5,185,341

NOTE 7 – LINES OF CREDIT

The Organization has a line of credit with M&T Bank for the purpose of providing working capital in an amount not to exceed $1,000,000. The line of credit carries an interest rate based on the financial institution’s national commercial rate, on the basis of a 360-day year and charged for the actual number of days elapsed. At December 31, 2016, the interest rate is 3.750%. The line of credit is unsecured and payable on demand. At December 31, 2016 and 2015, the outstanding balance is $523,145 and $95,696, respectively. During 2016 and 2015 the line of credit was drawn down for $3,615,145 and $1,922,160, respectively. Total interest paid is $27,640 and $22,200 for the years ended December 31, 2016 and 2015, respectively.

The Organization has a second line of credit with M&T Bank for the purpose of providing capital for the purchase of equipment in an amount not to exceed $500,000. The line of credit carries an interest rate based on the financial institution’s national commercial rate, on the basis of a 360-day year and charged for the actual number of days elapsed. At December 31, 2016, the interest rate is per loan and ranges between 3.826% and 5.630%. The line of credit is unsecured and payable on demand. At December 31, 2016 and 2015, the available balance is the difference between $500,000 and the total balance outstanding of the equipment loans, respectively. Once the funds are drawn against the capital line of credit, such funds convert to a 36-month note payable with a rate of interest effective at the time of the borrowing.

NOTE 8 - NOTES PAYABLE

At December 31, the outstanding principal maturities of notes payable are as follows:

Description	2016	2015
Note issued to USDA, Rural Development in the amount of $700,000. The note is payable in monthly installments of $3,150 and matures August 15, 2048. The note carries a fixed interest rate of 4.500%, and is secured with real property located in Seaford, Delaware.	$ 636,476	$ 645,416
Subtotals [carried forward]	636,476	645,416

NOTE 8 - NOTES PAYABLE [continued]

Description	2016	2015
Subtotals [brought forward]	$ 636,476	$ 645,416
Note issued on February 14, 2011 to Honda Financial Services in the amount of $17,487. The note payable in monthly principal installments of $330.46 matured February 28, 2016. The note carried a fixed interest rate of 4.99%, and was secured with a 2011 Honda Civic.	...	663
Two notes issued on August 26, 2011 to Honda Financial Services in the amount of $28,743 per vehicle. Each note payable in monthly installments of $530.08 matured September 10, 2016. Each note carried a fixed interest rate of 3.99%, and was secured with a 2011 Honda Odyssey.	...	9,388
Two notes issued on April 26, 2013 to M&T Bank in the amount of $9,328 per vehicle. Each note is payable in monthly principal installments of $155.45 plus interest, and matures April 26, 2018. Each note carries a fixed interest rate of 4.39%, and is secured with a 2010 Honda Civic.	4,974	8,706
Two notes issued on September 20, 2013 to M&T Bank in the amount of $11,179 per vehicle. Each note is payable in monthly principal installments of $186.32 plus interest, and matures September 20, 2018. Each note carries a fixed interest rate of 5.63%, and secured with a 2014 Ford Focus.	7,824	12,228
Note issued on June 1, 2014 to M&T Bank in the amount of $9,585 for IT equipment. The note is payable in monthly installments of $282.24, and matures May 1, 2017. The note carries a fixed interest rate of 3.83%.	1,398	4,663
Note issued on June 1, 2014 to M&T Bank in the amount of $34,663 for IT equipment. The note is payable in monthly installments of $1,020.72, and matures May 1, 2017. The note carries a fixed interest rate of 3.83%.	7,055	18,801
Note issued on May 18, 2015 to M&T Bank in the amount of $21,768.95 for IT equipment. The note is payable in monthly installments of $643.40, and matures May 1, 2018. The note carries a fixed interest rate of 4.07%.	10,611	17,742
Two notes issued on March 1, 2015 to M&T Bank under master equipment lease dated April 3, 2014 in the amount of $14,703 per note. The notes are payable in monthly installments of $261.43 and mature February 1, 2020. Each note has an interest rate of 4.46% and secured with a 2014 Ford Focus.	18,473	23,884
Total notes payable	686,811	741,491
Less: Current portion	38,997	54,649
Long-term portion	$ 647,814	$ 686,842

Long-term principal maturities of the notes payable are as follows:

Years Ending December 31	Amount
2018	$ 23,375
2019	16,311
2020	11,740
2021	11,192
2022	11,706
2023 and thereafter	573,490
Total principal maturities of long-term portion of notes payable	$ 647,814

Total interest paid on notes payable is $29,906 and $31,595 for years ended December 31, 2016 and 2015, respectively.

NOTE 9 – CAPITAL LEASE OBLIGATIONS

At December 31, capital lease arrangements principal obligations are as follows:

Description	2016	2015
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,907. The leasing arrangement was payable in monthly installments of $327.11, matured on October 5, 2016, and carried a fixed interest rate of 6.03%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	$ 327	$ 3,033
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $17,188. The leasing arrangement was payable in monthly installments of $332.48, matured on October 5, 2016, and carried a fixed interest rate of 6.03%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	332	3,077
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,752. The leasing arrangement was payable in monthly installments of $324.15, matured on October 5, 2016, and carried a fixed interest rate of 6.02%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	324	3,009
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $17,192. The leasing arrangement was payable in monthly installments of $332.55, matured on October 5, 2016, and carried a fixed interest rate of 6.04%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	333	3,077
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,752. The leasing arrangement was payable in monthly installments of $324.07, matured on November 1, 2016, and carried a fixed interest rate of 6.02%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	324	3,246
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,752. The leasing arrangement was payable in monthly installments of $324.07, matured on November 1, 2016, and carried a fixed interest rate of 6.02%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	324	3,246
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,752. The leasing arrangement was payable in monthly installments of $324.07, matured on November 1, 2016, and carried a fixed interest rate of 6.02%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	324	3,246
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,388. The leasing arrangement was payable in monthly installments of $320.91, matured on January 14, 2017, and carried a fixed interest rate of 5.93%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2012 Ford Focus.	320	4,486
Subtotals [carried forward]	2,608	26,420

NOTE 9 – CAPITAL LEASE OBLIGATIONS [continued]

At December 31, capital lease arrangements principal obligations are as follows: [cont'd]

Description	2016	2015
Subtotals [brought forward]	$ 2,608	$ 26,420
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $16,492. The leasing arrangement is payable in monthly installments of $332.48, matures on August 27, 2017, and carries a fixed interest rate of 4.89%. The arrangement is for a 2013 Ford Focus.	2,479	6,719
The Organization entered into a 36-month lease purchase arrangement with Dell Corporation in the amount of $30,565. The leasing arrangement is payable in monthly installments of $849.02, carries no interest, and matures April 1, 2017. The arrangement is for IT equipment.	3,396	13,437
The Organization entered into a 60-month lease purchase arrangement with Enterprise FM Trust in the amount of $15,089. The leasing arrangement is payable in monthly installments of $251.23, matures on December 26, 2019, and carries a fixed interest rate of 1.66%. The arrangement is for a 2014 Ford Focus.	12,620	12,858
The Organization entered into a 7-month lease extension arrangement with Enterprise FM Trust in the amount of $2,308.43. The leasing arrangement was payable in monthly installments of $329.76, matured on July 6, 2016, and carried a fixed interest rate of 2.07%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2013 Ford Focus.	330	1,055
The Organization entered into an 11-month lease extension arrangement with Enterprise FM Trust in the amount of $3,511.02. The leasing arrangement was payable in monthly installments of $319.17, matured on July 6, 2016, and carried a fixed interest rate of 2.00%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2013 Ford Focus.	319	2,310
The Organization entered into a 17-month lease extension arrangement with Enterprise FM Trust in the amount of $4,514.29. The leasing arrangement was payable in monthly installments of $265.54, matured on July 9, 2016, and carried a fixed interest rate of 1.63%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2013 Ford Focus.	266	1,988
The Organization entered into a 17-month lease extension arrangement with Enterprise FM Trust in the amount of $4,514.29. The leasing arrangement was payable in monthly installments of $265.29, matured on July 9, 2016, and carried a fixed interest rate of 1.63%. A lease extension on a month-to-basis was granted at the rate of $25 per month. The arrangement is for a 2013 Ford Focus.	265	1,988
The Organization entered into a 72-month lease purchase arrangement with Cisco in the amount of $178,663.92. The arrangement is payable in 36 monthly installments of $1,400 followed by 36 monthly installments of $3,933.48. The arrangement matures on June 1, 2021, carries a fixed interest rate of 1.90%, and is for a phone system.	158,282	172,403
Total capital lease obligation	180,565	239,178
Less: Current portion	26,455	62,029
Long-term portion	$ 154,110	$ 177,149

NOTE 9 - CAPITAL LEASE OBLIGATIONS [continued]

Long-term principal maturities of capital lease arrangements are as follows:

Years Ending December 31	Amount
2018	$ 32,368
2019	48,388
2020	46,282
2021	27,072
Total principal maturities of capital lease arrangements	$ 154,110

Total interest paid on capital lease obligations is $11,863 and $11,110 for the years ended December 31, 2016 and 2015, respectively.

NOTE 10 - TAX-DEFERRED PENSION PLAN

The Organization sponsors a tax-deferred pension plan qualified under Section 403(b) of the Internal Revenue Code [IRC]. The plan covers all full-time employees [as defined by the plan] of the Organization. The Organization contributes semi-monthly a base contribution equal to 6.00% of monthly compensation for qualified employees. This base contribution will be made whether or not an employee contributes to the plan. The employees can make contributions to the plan up to the maximum amount allowed by the IRC. The Organization will make a matching contribution equal to 100% of the first 2.00% of gross compensation contributed in the plan year. Total contributions to the plan are $330,524 and $375,254 for the years ended December 31, 2016 and 2015, respectively.

NOTE 11 - RESTRICTION ON NET ASSETS

At December 31, temporarily restricted net assets are available for the following purposes or periods:

Description	2016	2015
Grant-in-aid funding for next year	$ 130,989	$ 130,989
Outpatient Treatment Scholarships	7,500	...
Dialectical Behavior Skill Building-Statewide	19,000	...
New Integrated Healthcare Kent County Initiative	43,763	...
Installation of new fencing	2,000	...
Dialectical Behavior Skill Building-Sussex County	1,500	...
Total temporarily restricted net assets	$ 204,752	$ 130,989

Net assets were released from the following restrictions for years ended December 31:

Description	2016	2015
Satisfaction of time restriction	$ 130,988	$ 130,988
Satisfaction of specific restriction:		
United Way of Delaware	181,388	210,123
Various other contributions	75,948	241,845
Net assets released from restriction	$ 388,324	$ 582,956

NOTE 12 - RISK MANAGEMENT

The Organization purchases commercial insurance policies in response to risks of loss related to errors or omissions; torts; theft, damage or destruction of assets; injuries to employees; or acts of God. The payment of premiums for the commercial policies is recorded as an expenses, and the insurance settlements have not exceeded the insurance coverage for the years presented.

NOTE 13 - OPERATING LEASING ARRANGEMENTS

The Organization's operating leasing arrangements are as follows:

Office Space Lease

The Organization leases office space located at Kirkwood Highway and Polly Drummond Road, Newark, Delaware. The leasing arrangement was originally for a five-year term commencing September 1, 2000 and expiring August 31, 2005 with two five-year renewal options. The lessee exercised the right to renew its options with the final term expiring August 31, 2015. On September 1, 2015, the lease was extended for an additional term of one year expiring August 31, 2016 with a one-year renewal option to August 31, 2017. On January 1, 2012, the Organization increased the leased space by 568 square feet and on July 1, 2012 added an additional 2,070 square feet increasing the total square footage to 4,845, and thereby increasing the monthly base rent to $6,616.61. The minimum rent shall be adjusted at the end of each lease year by applying the following formula: Using the first year as the base year, minimum rent shall be adjusted upwards by the percentage of change in the U.S. Department of Labor Cost of Living Index, all items. Said adjustment shall commence on the renewal date of each lease year. In the event the Cost of Living Index declines during the lease term, in no event shall the Tenant be required to pay less than the original base year amount [minimum 2% with a maximum of 5%]. The future minimum lease payments required have been calculated using the 2% minimum of the Cost of Living Index. Total rental expense charged to operations is $85,786 and $84,104 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016, the monthly rental payment is $7,243.55.

Office Equipment Leases

The Organization leases digital copier systems and mailing equipment under operating leasing arrangements with varying expiration dates through July of 2018. The leasing arrangements require monthly lease payments ranging from $163.44 to $776.74 prior to August 1, 2013, and thereafter $1,550.33 for various digital copier systems and $17.95 to $158.50 for the mailing equipment.

Summary of Required Future Estimated Minimum Lease Payments

The following table summarizes the estimated minimum future lease payments required under non-cancelable operating leasing arrangements:

	Office		
Years Ending December 31	Space	Equipment	Total
2017	$ 57,948	$ 18,241	$ 76,189
2018	...	10,658	10,658
Total required future payments	$ 57,948	$ 28,899	$ 86,847

Total lease payments under these arrangements are $103,459 and $102,345 for the years ended December 31, 2016 and 2015, respectively.

NOTE 14 - RISKS AND UNCERTAINTIES

Due to the following as well as other factors affecting the assets of the Organization, past financial performance should not be considered a reliable indicator of future performance, and users of these financial statements should not use historical trends to anticipate results or trends in future periods.

The Organization invests in certain investment vehicles substantially held by one financial institution. These investments are exposed to such risks as interest rate, market, and credit risks. Due to the level of risk associated with the investment activity, it is reasonable possible that changes in the value of the investments will occur in the near term and those changes could materially affect the balances and amounts reported in the financial statements. The Organization intends to hold its investment assets on a long-term basis.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingencies in addition to the normal purchases of goods and services. The Organization does not anticipate material losses as a result of these commitments and contingencies.

Government Contracts

The Organization participates in certain state assisted contracts. These contracts may be subjected to oversight audits by the contractors or their representatives. No audits have been conducted for these contracts as of December 31, 2016. Accordingly, the Organization’s compliance with the applicable contract requirements will be established at some future date. The amount, if any, of costs which may be disallowed by these agencies cannot be determined at this time although the Organization expects such amounts to be immaterial to the financial statements.

Self-Insurance

The Organization is self-insured in regards to unemployment risks and has established a liability for potential future claims totaling $342,356 and $471,462 at December 31, 2016 and 2015, respectively. The Organization believes that the liability is adequate to cover for any potential future claims. The Organization paid unemployment claims of $36,104 and $9,493 for the years ended December 31, 2016 and 2015, respectively. Also, as of December 31, 2016, the liability for potential future claims was adjusted downward by $124,929 and charged to other employee benefits.

NOTE 16 – EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor’s report, the date on which the financial statements were available to be issued. Management has determined that no additional disclosures or adjustments are necessary to the financial statements.