

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidated Financial Statements and  
Supplementary Information  
February 28, 2011  
(With Independent Auditors' Report Thereon)

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE

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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Delaware Opportunities, Inc.  
and Affiliate:

We have audited the accompanying consolidated statement of financial position of Delaware Opportunities, Inc. and Affiliate (the Organization) as of February 28, 2011, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delaware Opportunities, Inc. and Affiliate as of February 28, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2011 on our consideration of Delaware Opportunities, Inc. and Affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, 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 the 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 should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
November 10, 2011

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidated Statement of Financial Position  
February 28, 2011

Assets

Current assets:	
Cash	\$ 1,810,872
Receivables	1,596,791
Prepaid expenses	184,603
Inventories, at cost	<u>52,085</u>
Total current assets	<u>3,644,351</u>
Property and equipment, at cost	5,157,463
Less accumulated depreciation	<u>(2,807,192)</u>
Net property and equipment	<u>2,350,271</u>
Total assets	<u><u>\$ 5,994,622</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	264,676
Accrued payroll and payroll taxes	461,599
Accrued expenses	350,020
Deferred revenue	<u>223,226</u>
Total current liabilities	<u>1,299,521</u>
Net assets:	
Unrestricted:	
Available for operations	2,061,017
Investment in property	<u>2,350,271</u>
Total unrestricted	4,411,288
Temporarily restricted	<u>283,813</u>
Total net assets	<u>4,695,101</u>
Contingency (note 9)	<u>                    </u>
Total liabilities and net assets	<u><u>\$ 5,994,622</u></u>

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidated Statement of Activities  
Year ended February 28, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
Support and revenue:			
Fees and grants from governmental agencies	\$ 13,093,607	51,614	13,145,221
WIC food instruments and commodities	785,696	-	785,696
In-kind support	650,474	-	650,474
Program revenue	197,270	-	197,270
Contributions	54,982	19,267	74,249
Interest	5,547	261	5,808
Miscellaneous	95,684	37,335	133,019
Net assets released from restrictions through satisfaction of program restrictions	<u>61,910</u>	<u>(61,910)</u>	<u>-</u>
Total support and revenue	<u>14,945,170</u>	<u>46,567</u>	<u>14,991,737</u>
Expenses:			
Program services	14,151,752	-	14,151,752
Management and general	<u>600,087</u>	<u>-</u>	<u>600,087</u>
Total expenses	<u>14,751,839</u>	<u>-</u>	<u>14,751,839</u>
Increase in net assets	<u>193,331</u>	<u>46,567</u>	<u>239,898</u>
Net assets at beginning of year, as previously stated	3,190,737	5,560,853	8,751,590
Prior period adjustment (note 6)	<u>1,027,220</u>	<u>(5,323,607)</u>	<u>(4,296,387)</u>
Net assets at beginning of year, as restated	<u>4,217,957</u>	<u>237,246</u>	<u>4,455,203</u>
Net assets at end of year	<u>\$ 4,411,288</u>	<u>283,813</u>	<u>4,695,101</u>

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidated Statement of Functional Expenses  
Year ended February 28, 2011

	Program services								Supporting services		
	Early childhood and family development	Crime victims and prevention	Education	Community	Housing	Economic self- sufficiency	Health and nutrition	Other	Total	Management and general	Total
Labor and benefits:											
Personnel	\$ 1,312,584	208,759	1,183,643	953,265	999,577	329,645	1,116,124	-	6,103,597	373,689	6,477,286
Employee benefits and taxes	439,538	68,518	383,480	324,911	362,498	108,338	336,145	-	2,023,428	117,281	2,140,709
Total labor and benefits	<u>1,752,122</u>	<u>277,277</u>	<u>1,567,123</u>	<u>1,278,176</u>	<u>1,362,075</u>	<u>437,983</u>	<u>1,452,269</u>	<u>-</u>	<u>8,127,025</u>	<u>490,970</u>	<u>8,617,995</u>
Expenses:											
Payments for benefits of individuals	4,287	110	11,327	58,688	1,723,306	138,202	1,009,013	-	2,944,933	-	2,944,933
Other direct expenses	11,639	-	35,871	1,175	25,247	3,329	10,303	24,178	111,742	9,995	121,737
Travel	193,784	-	49,831	195,478	4,138	52,846	60,233	84,139	640,449	-	640,449
Supplies	28,181	11,337	38,530	24,641	329,414	92,959	330,098	-	855,160	8,459	863,619
Contractual and consultants	4,291	12,742	16,213	32,239	27,186	12,702	17,883	1,208	124,464	31,088	155,552
Insurance	20,579	5,396	27,279	17,102	35,173	8,160	22,876	1,195	137,760	8,603	146,363
Occupancy	34,711	45,090	103,183	3,188	109,348	25,452	67	-	321,039	39,720	360,759
Donated items, services and facilities	-	30,582	507,953	111,939	-	-	-	-	650,474	-	650,474
Other	-	-	-	-	2,069	-	3,454	-	5,523	-	5,523
Total expenses	<u>297,472</u>	<u>105,257</u>	<u>790,187</u>	<u>444,450</u>	<u>2,255,881</u>	<u>333,650</u>	<u>1,453,927</u>	<u>110,720</u>	<u>5,791,544</u>	<u>97,865</u>	<u>5,889,409</u>
Depreciation	-	-	-	-	-	-	167,501	65,682	233,183	11,252	244,435
Total functional expenses	<u>\$ 2,049,594</u>	<u>382,534</u>	<u>2,357,310</u>	<u>1,722,626</u>	<u>3,617,956</u>	<u>771,633</u>	<u>3,073,697</u>	<u>176,402</u>	<u>14,151,752</u>	<u>600,087</u>	<u>14,751,839</u>

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidated Statement of Cash Flows  
Year ended February 28, 2011

Cash flows from operating activities:	
Increase in net assets	\$ 239,898
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation	244,435
Loss on disposal of property and equipment	3,454
Changes in:	
Receivables	(451,855)
Prepaid expenses	(139,955)
Inventory	471
Accounts payable	(195,629)
Accrued payroll and payroll taxes	263,501
Accrued expenses	(239,445)
Deferred revenue	223,226
Net cash used in operating activities	(51,899)
Cash flows from investing activities - additions to property and equipment	(232,597)
Net decrease in cash	(284,496)
Cash at beginning of year	2,095,368
Cash at end of year	<u>\$ 1,810,872</u>
Supplemental schedule of cash flow information:	
In-kind revenue	<u>\$ 650,474</u>
In-kind expense	<u>\$ 650,474</u>

See accompanying notes to consolidated financial statements.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Notes to Consolidated Financial Statements  
February 28, 2011

(1) Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding the consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

(a) Nature of Activities

Delaware Opportunities, Inc.

Delaware Opportunities, Inc. (Delaware) is a nonprofit organization incorporated under the laws of the State of New York in January, 1966. The Organization provides comprehensive services to people in need in Delaware County, New York (the County). As a community action agency, it administers programs designed to help people become self sufficient and/or obtain a better quality of life. Services are directed to the entire needy population. These services include advocacy to assure that needy persons receive services they require, program development to assure that services are available, public information to assure that the public is aware of ways in which their needs can be met, coordination and collaboration with other service providers to assure that service delivery is maximized and made as efficient as possible, and the operation of programs which meet the daily needs of the citizenry.

Advance Delaware Opportunities Objectives, Inc.

Advance Delaware Opportunities Objectives, Inc. (ADOO or the Affiliate) is a nonprofit corporation that was formed for the purpose of managing and maintaining equipment for the benefit of Delaware.

Delaware and the Affiliate are collectively referred to as the Organization.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of Delaware and the Affiliate. All significant intercompany accounts and transactions have been eliminated.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(d) Basis of Presentation

The Organization reports 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 Organization did not have any permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions and/or the passage of time.

(e) Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(f) Cash

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, including overnight repurchase agreements, to be cash equivalents.

(g) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. Changes in the valuation allowance have not been material to the consolidated financial statements.

(h) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) Capitalization and Depreciation, Continued

Donations of property are reflected in the accompanying statements at their estimated fair market value at the date of receipt. The Organization's policy is to imply a time restriction on donated property. Donated property is recorded as temporarily restricted support and the restriction expires over the useful life of property. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(i) Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Organization compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At February 28, 2011, no impairment in value has been recognized.

(j) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the consolidated statement of financial position as deferred revenue.

(k) Donated Materials, Food, Supplies and Personal Services

The Organization receives unrestricted donations from outside parties. The donations include, but are not limited to, equipment, clothing, services, and food. All donations are unrestricted and are used to support and further the Organization's objectives. The donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt. In addition, many skilled and unskilled individuals have contributed significant amounts of time to the activities of the Organization without compensation. Contributed services are recognized as in-kind revenue and expense by the Organization when certain provisions are met. In-kind contributions of \$650,474 for the year ended February 28, 2011 has been recognized as in-kind revenue and expense by the Organization.

(l) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(m) Expense Allocation

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

(n) Subsequent Events

The Organization has evaluated events after February 28, 2011, and through November 10, 2011, which is the date the consolidated financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these consolidated financial statements.

(o) Income Taxes

Delaware and the Affiliate are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the consolidated financial statements. Delaware and the Affiliate have been classified as publicly supported organizations that are not private foundations under Section 509(a) of the Code. The Organization discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Organization has taken no uncertain tax positions that require adjustment in the consolidated financial statements. U.S. Forms 990 filed by Delaware and the Affiliate are subject to examination by taxing authorities. Delaware is no longer subject to tax examination for the year ended February 28, 2007, and prior. The Affiliate is no longer subject to tax examination for the year ended September 30, 2007, and prior.

(2) Concentrations of Credit Risk

(a) Cash

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(b) Revenue and Receivables

The Organization provides social services throughout the County. A substantial portion of the Organization's receivables are due from Federal and New York State governmental agencies.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Notes to Consolidated Financial Statements, Continued

(3) Property and Equipment

Property and equipment at February 28, 2011 is summarized as follows:

	Delaware Opportunities, Inc.	ADOO	Total
Land	\$ 124,589	-	124,589
Building and improvements	2,611,614	-	2,611,614
Equipment	583,782	97,849	681,631
Vehicles	<u>1,293,615</u>	<u>446,014</u>	<u>1,739,629</u>
	4,613,600	543,863	5,157,463
Less accumulated depreciation	<u>(2,397,100)</u>	<u>(410,092)</u>	<u>(2,807,192)</u>
	<u>\$ 2,216,500</u>	<u>133,771</u>	<u>2,350,271</u>

(4) Compensated Absences

Included in accrued expenses is the Organization's liability for future payments of accrued vested vacation wages which amounted to \$332,114 at February 28, 2011. Under the terms of the existing personnel manual, the Organization's employees receive annual vacation leave. The number of days allowed is dependent upon the employees' years of service. Vacation leave represents the only leave paid to employees upon termination.

(5) Deferred Revenue

Deferred revenue amounted to \$223,226 at February 28, 2011. This amount represents cash provided to the Organization in advance of the period to be benefited in order to provide working capital for the operation of various programs.

(6) Prior Period Adjustment

Adjustments were recorded to the 2010 beginning of year net assets to correct grants and contracts receivable, revenue, and the assets and liabilities of the Affiliate which were previously incorrectly recorded by the Organization. The adjustments recorded to decrease beginning of year net assets amounted to \$4,296,387. A summary of the adjustments to net assets at the beginning of year is as follows:

Grants and contracts receivable	\$ (5,621,139)
Net assets of Affiliate	<u>1,324,752</u>
Total adjustments to net assets	<u>\$ (4,296,387)</u>

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE

Notes to Consolidated Financial Statements, Continued

(7) Pension Plan

The Organization maintains a qualified contributory defined contribution retirement plan established under Section 403(b) of the Code for all employees meeting minimum age and length of service requirements. The Organization is not obligated to match the eligible participants' contribution to the plan. The Organization recorded expense relating to the plan amounting to \$397,373 for the year ended February 28, 2011.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets amounting to \$283,813 at February 28, 2011 are restricted for use in various programs as specified by the respective donors. Net assets of \$61,910 were released from donor restrictions during the year ended February 28, 2011 through the satisfaction of donor stipulations.

(9) Contingency

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidating Statement of Financial Position  
February 28, 2011

<u>Assets</u>	Delaware Opportunities, Inc.	<u>ADOO</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash	\$ 1,195,671	615,201	-	1,810,872
Receivables	1,596,791	35,236	(35,236)	1,596,791
Current portion of loans receivable	-	62,722	(62,722)	-
Prepaid expenses	184,603	-	-	184,603
Inventories, at cost	52,085	-	-	52,085
Total current assets	<u>3,029,150</u>	<u>713,159</u>	<u>(97,958)</u>	<u>3,644,351</u>
Loans receivable, net of current portion	-	567,967	(567,967)	-
Property and equipment, at cost	4,613,600	543,863	-	5,157,463
Less accumulated depreciation	<u>(2,397,100)</u>	<u>(410,092)</u>	-	<u>(2,807,192)</u>
Net property and equipment	<u>2,216,500</u>	<u>133,771</u>	-	<u>2,350,271</u>
Total assets	<u>\$ 5,245,650</u>	<u>1,414,897</u>	<u>(665,925)</u>	<u>5,994,622</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Accounts payable	299,912	-	(35,236)	264,676
Accrued payroll and payroll taxes	461,599	-	-	461,599
Accrued expenses	350,020	-	-	350,020
Deferred revenue	223,226	-	-	223,226
Current portion of long-term debt	62,722	-	(62,722)	-
Total current liabilities	<u>1,397,479</u>	-	<u>(97,958)</u>	<u>1,299,521</u>
Long-term debt, net of current portion	567,967	-	(567,967)	-
Total liabilities	<u>1,965,446</u>	-	<u>(665,925)</u>	<u>1,299,521</u>
Net assets:				
Unrestricted:				
Available for operations	779,891	1,281,126	-	2,061,017
Investment in property	<u>2,216,500</u>	<u>133,771</u>	-	<u>2,350,271</u>
Total unrestricted	<u>2,996,391</u>	<u>1,414,897</u>	-	<u>4,411,288</u>
Temporarily restricted	<u>283,813</u>	-	-	<u>283,813</u>
Total net assets	<u>3,280,204</u>	<u>1,414,897</u>	-	<u>4,695,101</u>
Contingency (note 9)				
Total liabilities and net assets	<u>\$ 5,245,650</u>	<u>1,414,897</u>	<u>(665,925)</u>	<u>5,994,622</u>

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Consolidating Statement of Activities  
Year ended February 28, 2011

	Delaware Opportunities, <u>Inc.</u>	<u>ADOO</u>	<u>Eliminations</u>	<u>Total</u>
Support and revenue:				
Fees and grants from governmental agencies	\$ 13,145,221	-	-	13,145,221
WIC food Instruments and commodities	785,696	-	-	785,696
In-kind support	650,474	-	-	650,474
Program revenue	197,270	-	-	197,270
Lease income	-	56,148	(56,148)	-
Equipment rentals	-	206,936	(206,936)	-
Contributions	74,249	-	-	74,249
Interest	2,345	3,463	-	5,808
Miscellaneous	133,019	-	-	133,019
Total support and revenue	<u>14,988,274</u>	<u>266,547</u>	<u>(263,084)</u>	<u>14,991,737</u>
Expenses:				
Personnel	6,477,286	-	-	6,477,286
Employee benefits and taxes	2,140,709	-	-	2,140,709
Payments of benefits of individuals	2,944,933	-	-	2,944,933
Other direct expenses	140,756	24,178	(43,197)	121,737
Travel	776,197	84,139	(219,887)	640,449
Supplies	863,619	-	-	863,619
Contractual and consultants	154,344	1,208	-	155,552
Insurance	145,168	1,195	-	146,363
Occupancy	360,759	-	-	360,759
Donated items, services and facilities	650,474	-	-	650,474
Other	5,523	-	-	5,523
Depreciation	178,753	65,682	-	244,435
Total expenses	<u>14,838,521</u>	<u>176,402</u>	<u>(263,084)</u>	<u>14,751,839</u>
Increase in net assets	<u>149,753</u>	<u>90,145</u>	<u>-</u>	<u>239,898</u>
Net assets at beginning of year, as previously stated	8,751,590	-	-	8,751,590
Prior period adjustment (note 6)	<u>(5,621,139)</u>	<u>1,324,752</u>	<u>-</u>	<u>(4,296,387)</u>
Net assets at beginning of year, as restated	<u>3,130,451</u>	<u>1,324,752</u>	<u>-</u>	<u>4,455,203</u>
Net assets at end of year	<u>\$ 3,280,204</u>	<u>1,414,897</u>	<u>-</u>	<u>4,695,101</u>

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
New York State Division of Housing and Community Renewal -  
Rural Preservation Program  
Schedule of Expenses  
For the period March 1, 2010 through February 28, 2011

	March 1, 2010 - <u>June 30, 2010</u>	July 1, 2010 - <u>February 28, 2011</u>	<u>Total</u>
Revenue	\$ 49,791	51,115	100,906
Expenses:			
Salaries	35,083	34,820	69,903
Fringe benefits	11,312	11,078	22,390
Insurance/bonding	326	25	351
Professional services	222	-	222
Rent/mortgage/utilities	294	619	913
Telephone	131	166	297
Office supplies	629	305	934
Printing/postage	1,054	2,686	3,740
Travel	320	231	551
Staff development/training	17	133	150
Service agreements and maintenance	340	723	1,063
Other	63	329	392
Total expenses	\$ 49,791	51,115	100,906

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Schedule of Expenditures of Federal Awards  
Year ended February 28, 2011

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Agency or pass-through grantor's number</u>	<u>Federal expenditures</u>
U.S. Department of Agriculture:			
Pass-through New York State Department of Health:			
Special Supplemental Nutrition Program:			
Women, Infants and Children	10.557	Food instruments	\$ 727,837
Women, Infants and Children	10.557	C-025742-09	177,875
Women, Infants and Children	10.557	C-025742-10	103,474
Child and Adult Care Food Program - Head Start	10.558	2053	94,613
Child and Adult Care Food Program - Family Day Care	10.558	2070	228,740
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - Recovery Act Funded	10.561		<u>55,083</u>
Total U.S. Department of Agriculture			<u>1,387,622</u>
U.S. Department of Housing and Urban Development:			
Pass-through Town of Walton - Community Development Block Grants/States Program			
	14.228		117,034
Pass-through Town of Delhi - Community Development Block Grants/States Program			
	14.228		5,583
Pass-through Town of Harpersfield - Community Development Block Grants/States Program			
	14.228		1,461
Pass-through Town of Colchester - Community Development Block Grants/States Program			
	14.228		4,617
Pass-through New York State Housing Trust Fund Corp.:			
Home Investment Partnerships Program (IV)	14.239	20083084	82,265
Home Investment Partnerships Program (V)	14.239	20093173	28,318
Home Investment Partnerships Program - Homeownership Program	14.239	20060327	7,208
Pass-through New York State Office of Temporary and Disability Assistance - Homeless Prevention and Rapid Rehousing - Recovery Act Funded			
	14.257	C020889	274,177
Pass-through Town of Walton - Section 8 Housing Choice Vouchers			
	14.871		<u>1,416,861</u>
Total U.S. Department of Housing and Urban Development			<u>1,937,524</u>

(Continued)

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Schedule of Expenditures of Federal Awards, Continued

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Agency or pass-through grantor's number</u>	<u>Federal expenditures</u>
U.S. Department of Justice - Crime Victim Assistance	16.575		\$ <u>103,328</u>
U.S. Department of Energy - pass-through New York State Department of Housing and Community Renewal:			
Weatherization Assistance for Low-Income Individuals	81.042	C091025-09	35,614
Weatherization Assistance for Low-Income Individuals	81.042	C091025-10	74,572
ARRA - Weatherization Assistance for Low-Income Individuals	81.042	C092225-09	<u>1,108,952</u>
Total U.S. Department of Energy			<u>1,219,138</u>
U.S. Department of Health and Human Services:			
Pass-through Delaware County Office of the Aging: Special Programs for the Aging Title III Part C			
Nutrition Services	93.045		83,694
Nutrition Services Incentive Program	93.053		57,676
Pass-through New York State Department of Health:			
Injury Prevention and Control Research and State and Community Based Programs	93.136	C018879	10,664
Injury Prevention and Control Research and State and Community Based Programs	93.136	C026611	18,298
Pass-through New York State Office of Temporary and Disability Services:			
Temporary Assistance to Needy Families - Wheels to Work	93.558	C-020513	134,939
Temporary Assistance to Needy Families - Homeless Intervention	93.558	C-020558	33,984
Pass-through New York State Office Child and Family Services:			
Temporary Assistance to Needy Families - Healthy Families of New York	93.558	C-025103-10	98,493
Temporary Assistance to Needy Families - Healthy Families of New York	93.558	C-025103-11	97,555
Pass-through New York State Department of Housing and Community Renewal:			
Low Income Home Energy Assistance	93.568	C091025-09	22,628
Low Income Home Energy Assistance	93.568	C091025-10	239,681

(Continued)

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Schedule of Expenditures of Federal Awards, Continued

<u>Program title</u>	<u>Federal CFDA number</u>	<u>Agency or pass-through grantor's number</u>	<u>Federal expenditures</u>
U.S. Department of Health and Human Services, Continued:			
Pass-through Delaware County Department of Social Services:			
Low Income Home Energy Assistance	93.568		\$ 297,235
Low Income Home Energy Assistance - WRAP	93.568		23,701
Pass-through Delaware County Office of the Aging - Low			
Income Home Energy Assistance	93.568		11,722
Pass-through New York State Department of State:			
Community Services Block Grant	93.569	C005511-10	213,907
Community Services Block Grant	93.569	C001317-11	1,862
Community Services Block Grant - Discretionary	93.569	T001120	19,396
ARRA - Community Services Block Grant	93.710	C001011	201,299
Head Start	93.600	02CH1150/44	1,912,569
ARRA - Head Start	93.708	02SE1150/01	30,317
Pass-through New York State Child and Family Services:			
Family Violence Prevention and Services/Grants for Battered Women's Shelters Grants to States	93.671	C025293	43,105
Pass-through National Center for Physical Development and Outdoor Play - Prevention Health and Health Services Block Grant			
	93.991	C018879	896
Total U.S. Department of Health and Human Services			<u>3,553,621</u>
U.S. Department of Homeland Security - Emergency Food and Shelter National Board Program			
	97.024		<u>28,125</u>
Total Federal expenditures			<u>\$ 8,229,358</u>

Basis of Presentation

The schedule of expenditures of Federal awards includes the Federal grant activity of Delaware Opportunities, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

# TOSKI, SCHAEFER & CO., P.C.

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## 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

The Board of Directors  
Delaware Opportunities, Inc.:

We have audited the consolidated financial statements of Delaware Opportunities, Inc. and Affiliate (the Organization) as of and for the year ended February 28, 2011, and have issued our report thereon dated November 10, 2011. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness in internal control over financial reporting.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's consolidated financial statements are free of 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.

We noted certain matters that we reported to management of Delaware Opportunities, Inc. and Affiliate in a separate letter dated November 10, 2011.

This report is intended solely for the information and use of the Board of Directors, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
November 10, 2011

**TOSKI, SCHAEFER & CO., P.C.**

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
Delaware Opportunities, Inc.:

Compliance

We have audited Delaware Opportunities, Inc. and Affiliate's (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major Federal programs for the year ended February 28, 2011. The Organization's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, Delaware Opportunities, Inc. and Affiliate complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended February 28, 2011.

## Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Toski, Schaefer & Co., P.C.*

Williamsville, New York  
November 10, 2011

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Schedule of Findings and Questioned Costs  
Year ended February 28, 2011

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
1. Material weakness(es) identified?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
3. Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
5. Significant deficiency(ies) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7. The Organization's major programs audited were:	

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Child and Adult Care Food Program	10.558
Section 8 Housing Choice Vouchers	14.871
Weatherization Assistance for Low Income Persons	81.042
Temporary Assistance to Needy Families	93.558
Low Income Home Energy Assistance	93.568
Community Services Block Grant Cluster	93.569/93.710
Head Start Cluster	93.600/93.708
8. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
9. Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

See finding 2011-01.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Schedule of Findings and Questioned Costs, Continued

Part II - FINANCIAL STATEMENT FINDINGS SECTION

(2011-01) Accuracy of Accounting Records

Criteria - Accounting records should be prepared to provide management with accurate internal financial statements and to make appropriate financial decisions.

Condition - As part of our audit of the consolidated financial statements of the Organization and Affiliate, we recorded 27 adjusting journal entries amounting to \$10,198,079. Significant adjustments were made to the following accounts: net assets, accounts receivable, accrued expenses, property and equipment, accumulated depreciation and various revenue and expense accounts.

Effect - Inaccurate internal financial reporting throughout the fiscal year.

Recommendation - We recommend that the accounting department analyze significant general ledger accounts on a monthly or quarterly basis. Any differences should be investigated promptly and appropriate journal entries recorded.

Management's Response - Many of the entries identified resulted from changes in year-end accounting practices which were recognized during the transition to our current auditors. Additional entries related to this finding resulted from the requirement to consolidate the affiliate (ADOO) with the financial statements of the Organization due to the Organization's control of ADOO. Approximately \$4.3 million of these changes are presented as a prior period adjustment as explained in note 6 to the financial statements. Having noted the above, the agency expects to: 1) conduct year-end accounting consistent with generally accepted accounting principles, and 2) to carefully analyze all year-end entries to assure removal of the identified deficiency.

DELAWARE OPPORTUNITIES, INC.  
AND AFFILIATE  
Status of Prior Audit Findings  
February 28, 2011

(2010-1) Accuracy of Accounting Records

Condition - Accounting records for certain balance sheet accounts (inventory and accrued expenses) are only reviewed annually as part of the year-end external audit procedures.

Status - This finding is repeated at February 28, 2011 as Finding 2011-01.

(2010-2) Head Start Program, CFDA No. 93.600, Grant No. 02CH1150/42, Grant Period March 1, 2009 to February 28, 2010

Condition - A statement was signed by the Organization's employee that did not reference the type of eligibility considered for admission into the program. Additional information contained in the file supported income eligibility.

Status - Current year testwork disclosed no instances of noncompliance.

(2010-3) Compensated Absences

Condition - Compensated absences are only accrued as an expense when the grantor allows a deduction for the unused portion. Other programs are expensed as used.

Status - This finding is repeated at February 28, 2011 as Finding 2011-01.