



FINANCIAL STATEMENT AUDIT
OF THE

UNIVERSITY OF DELAWARE

STATE FUNDS FOR FISCAL YEAR 2020

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KATHLEEN
McGUINNESS
DELAWARE
STATE AUDITOR

*University of Delaware State of Delaware Funds
Fiscal Year 2020*

What Was Performed? A financial statement audit was performed to review the University of Delaware's actions for managing and spending state funds for fiscal year 2020.

Why This Engagement? In January 2019, under new leadership, the Office of the State Auditor thoroughly reviewed Delaware Code. Upon review, it was revealed that the Office of the State Auditor was lacking in participation in jointly selecting an audit firm with the University of Delaware to perform their financial report.

This engagement was performed in accordance with 29 Del. C. §2906(h) and 14 Del. C. § 5109. It requires a separate audit to be conducted for the use of state funds. The Code permits joint section of the auditing firm with input from the State Auditor's Office and the University of Delaware.

What Was Found? The financial statements were presented fairly.

We found that \$111.2 million of the \$125.3 million of state funds was spent on payroll and benefits. Based on the samples tested, the majority of the payroll amounts tested were commingled.

The General Assembly has spelled it out in the University's charter at 14 Del. C. §5109 that if the University commingles funds from a state appropriation with other funds, the audit of state appropriated funds may include the commingled nonstate funds. § 5109 Audit of accounts.

[27 Del. Laws, c. 117, § 5](#); Code 1915, § 2337; [32 Del. Laws, c. 166, § 1](#); Code 1935, § 2779; 14 Del. C. 1953, § 5109; [54 Del. Laws, c. 256, § 2](#);

It also states" (e) This section shall not affect § 5109 of Title 14 which shall remain in full force and effect; however, any other provision which stands in conflict with this section shall be null and void."

The Fiscal Year 2020 State of Delaware Funds Financial Statement Audit for the University of Delaware can be found on our website: [click here](#).

Please do not reply to this email. For any questions regarding the attached report, please contact State Auditor Kathleen K. McGuinness at Kathleen.Mcguinness@delaware.gov.

**UNIVERSITY OF DELAWARE
STATE OF DELAWARE FUNDS**

Statements of State of Delaware General Fund, Capital Improvement Fund, and
Agency Funds Appropriated, Received, and Expended,
with Supplemental Data

Year Ended June 30, 2020

(With Independent Auditors' Reports Thereon)

**UNIVERSITY OF DELAWARE
STATE OF DELAWARE FUNDS**

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Independent Auditors' Report

The Board of Trustees
University of Delaware
Newark, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Delaware (the University), which comprise the statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; State of Delaware capital improvement funds appropriated, received, and expended; and State of Delaware agency funds appropriated, received, and expended for the Fiscal Year Ended June 30, 2020, 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 the cash basis of accounting described in note 2 to the financial statements; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 University'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 University'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 appropriated general fund, capital improvement fund, and agency funds received from the State of Delaware and the expenditures therefrom by the University of Delaware for the year ended June 30, 2020, in accordance with the cash basis of accounting described in note 2 to the financial statements.

Basis of Accounting

We draw attention to note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is the basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information included in Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information included in Schedule 1 is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

November 17, 2020
Wilmington, Delaware



UNIVERSITY OF DELAWARE
Statement of State of Delaware General Funds Appropriated, Received, and Expended
Year ended June 30, 2020

	Appropriated	Contingent	Received and expended	Unexpended
Current funds - state appropriations:				
General unrestricted operations	\$ 94,924,100	\$ 1,936,400	\$ 96,860,500	\$ -
State scholarships	11,542,800		11,542,800	
	<u>106,466,900</u>	<u>1,936,400</u>	<u>108,403,300</u>	<u>-</u>
Restricted:				
College of Agriculture and Natural Resources	6,022,800	288,701	6,311,501	-
College of Arts and Sciences ²	2,867,100	(162,901)	2,560,759	143,440
College of Business and Economics	1,787,100	35,300	1,822,400	-
College of Earth, Ocean, and Environment	852,600	16,200	868,800	-
College of Education and Human Development	2,834,600	50,500	2,885,100	-
College of Engineering	832,500	16,800	849,300	-
College of Health Sciences ¹	822,500	16,600	839,100	-
Other programs	761,000	12,800	773,800	-
	<u>16,780,200</u>	<u>274,000</u>	<u>16,910,760</u>	<u>143,440</u>
Total state appropriations	<u>\$ 123,247,100</u>	<u>\$ 2,210,400</u>	<u>\$ 125,314,060</u>	<u>\$ 143,440</u>

¹ The College of Health Sciences includes \$247,000 for Nursing expansion.

² Due to the impact of COVID-19, the University of Delaware was unable to expend \$143,440 of appropriated funds within the College of Arts and Sciences. In addition, the total expenses of \$2,560,759 within the College of Arts and Sciences includes \$176,271 in encumbered funds.

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE
Statement of State of Delaware General Funds Expended
Year ended June 30, 2020

	<u>Salaries and wages</u>	<u>Benefits</u>	<u>Scholarships and awards</u>	<u>Supplies, travel, and other</u>	<u>Total</u>
Current funds - state appropriations:					
General unrestricted operations	\$ 73,900,485	\$ 22,960,015	\$ -	\$ -	\$ 96,860,500
Government appropriations – state scholarships:	127,525	-	11,405,900	9,375	11,542,800
Restricted:					
College of Agriculture and Natural Resources:					
Cooperative Extension	1,568,769	601,314	-	257,017	2,427,100
Poultry Disease Research	485,101	197,788	-	312,111	995,000
Carvel Research and Education Center	278,556	94,607	-	746,837	1,120,000
Agricultural Experiment Station	315,920	109,680	-	238,021	663,621
Biotechnology	445,245	177,555	-	-	622,800
Info Tech Partnership-Apec	234,131	70,949	-	-	305,080
Soil Testing	117,063	42,450	-	487	160,000
Great Beginnings	9,721	1,814	-	6,365	17,900
	<u>3,454,506</u>	<u>1,296,157</u>	<u>-</u>	<u>1,560,838</u>	<u>6,311,501</u>
College of Arts and Sciences:					
Secondary Clinical Teacher Education - Upstate	206,100	70,623	-	16,322	293,045
Public Service & Applied Research Projects	194,722	21,226	-	38,852	254,800
Computer Aided Instruction Arts & Sciences	-	-	-	592,812	592,812
Community & Nonprofit Development Program	147,152	65,232	-	9,586	221,970
Local Government Research & Assistance	145,598	57,752	-	-	203,350
Science, Engineering and Technology (SET) Policy	144,053	45,717	-	6,000	195,770
Associate in Arts Degree	161,728	65,662	-	-	227,390
Healthy Communities Program	77,715	32,796	-	5,129	115,640
Training and Research (Educational Management)	78,282	19,600	-	1,587	99,469
The Energy and Environmental Policy Analysis (EEPA) Program	29,164	5,763	-	61,505	96,432
Civics Education for Teachers	62,603	19,759	-	2,800	85,162
Research on School Finance	52,327	20,910	-	3,694	76,931
Computer Aided Math Instruction	7,894	3,205	-	48,269	59,368
Biology Biotech Lines	20,213	8,207	-	-	28,420
Women's Leadership	7,255	2,945	-	-	10,200
	<u>1,334,806</u>	<u>439,397</u>	<u>-</u>	<u>786,556</u>	<u>2,560,759</u>
College of Business and Economics:					
Information Technology Partnership	1,306,107	496,237	-	20,056	1,822,400
College of Earth, Ocean, and Environment:					
Sea Grant Program	449,184	182,368	-	-	631,552
Coastal Community Development	119,261	43,870	-	20,579	183,710
Biotechnology	38,078	15,460	-	-	53,538
	<u>606,523</u>	<u>241,698</u>	<u>-</u>	<u>20,579</u>	<u>868,800</u>
College of Education and Human Development:					
Math/Science/Literacy/Social Studies Ed for DE Teachers	352,141	138,777	-	123,179	614,097
Early Learning Center	332,809	196,414	-	-	529,223
Clinical Instruction in Teacher Education	227,220	27,000	-	12,880	267,100
Delaware Center For Teacher Education	159,388	64,223	-	56,689	280,300
Delaware Education Research & Development Center	180,884	71,047	-	1,370	253,301
Delaware Academy for School Leadership (Trn/Rsch Ed Mgt)	137,624	45,362	-	23,771	206,757
Secondary Education Southern Delaware - Downstate	184,084	74,623	-	36,897	295,604
Kent/Sussex Teacher Ed Support (formerly Milford PDS)	114,252	24,151	-	2,547	140,950
Early Childhood Education	106,645	23,278	-	-	129,923
The College School	86,305	35,040	-	-	121,345
Graduate Education – Southern Delaware	37,432	8,310	-	758	46,500
	<u>1,918,784</u>	<u>708,225</u>	<u>-</u>	<u>258,091</u>	<u>2,885,100</u>
College of Engineering:					
Information Technology Partnership	288,774	117,242	-	-	406,016
Biotechnology	153,915	62,490	-	-	216,405
Electrical Engineering Biotechnology	85,287	34,626	-	-	119,913
Computer & Information Science Biotechnology	76,078	30,888	-	-	106,966
	<u>604,054</u>	<u>245,246</u>	<u>-</u>	<u>-</u>	<u>849,300</u>
College of Health Sciences:					
State Nursing Expansion Program	338,107	137,272	-	-	475,379
Nurse Practitioner Program	258,692	105,029	-	-	363,721
	<u>596,799</u>	<u>242,301</u>	<u>-</u>	<u>-</u>	<u>839,100</u>
Other programs:					
Delaware Biotechnology Institute	361,588	156,412	-	-	518,000
Diversity Enhancement	92,393	51,183	-	112,224	255,800
	<u>453,981</u>	<u>207,595</u>	<u>-</u>	<u>112,224</u>	<u>773,800</u>
Total state appropriations	<u>\$ 84,303,570</u>	<u>\$ 26,836,871</u>	<u>\$ 11,405,900</u>	<u>\$ 2,767,719</u>	<u>\$ 125,314,060</u>

See accompanying notes to financial statements.

UNIVERSITY OF DELAWARE

Statement of State of Delaware Capital Improvement Funds Appropriated, Received, and Expended
Year ended June 30, 2020

	For the year ended June 30, 2020			Inception through June 30, 2020 (unaudited)			
	Cash balance on hand at beginning of year	Funds appropriated and received	Expended	Cash balance on hand at end of year	Original appropriation	Funds expended through June 30, 2020	Unexpended appropriations at June 30, 2020
Plant funds – capital improvements:							
Act of 2017 – Laboratories	\$ -	\$ 847,138	\$ 847,138	\$ -	\$ 5,500,000	\$ 1,784,073	\$ 3,715,927
Act of 2018 – Laboratories	-	-	-	-	5,500,000	-	5,500,000
Act of 2019 – Laboratories	-	-	-	-	10,000,000	-	10,000,000
Act of 2020 – Laboratories	-	-	-	-	10,000,000	-	10,000,000
Act of 2020 – Combine purchase	-	350,000	350,000	-	350,000	350,000	-
Total plant funds	\$ -	\$ 1,197,138	\$ 1,197,138	\$ -	\$ 31,350,000	\$ 2,134,073	\$ 29,215,927

See accompanying notes to financial statements.

University of Delaware
 State of Delaware Agency Funds Appropriated, Received and Expended
 Year ended June 30, 2020

	Cash Balance on hand at beginning of year	Funds appropriated and received	Expended	Returned to State of Delaware	Cash Balance on hand at end of year (a)
Delaware Geological Survey - 2019/2020:					
Salaries and wages	\$ 128,480	\$ 1,760,248	\$ 1,753,493	\$ -	\$ 135,235
Travel	-	1,511	1,511	-	-
Supplies and expense	-	79,241	79,241	-	-
Federal cooperative program	58,343	124,300	150,351	-	32,292
Rivermaster program	190,183	127,300	112,605	-	204,878
	<u>\$ 377,006</u>	<u>\$ 2,092,600</u>	<u>\$ 2,097,201</u>	<u>\$ -</u>	<u>\$ 372,405</u>

The Delaware Geological Survey is a separate State agency under the general charge and direction of the University of Delaware, and therefore, the Delaware Geological Survey appropriations are not included in the statement of State of Delaware general funds appropriated and received, and expended.

Note:

(a) At June 30, 2020, the ending balance consisted of \$237,170 in encumbered funds and \$135,235 to be carried forward to fiscal year 2021.

See accompanying notes to financial statements.

**UNIVERSITY OF DELAWARE
STATE OF DELAWARE FUNDS**

Notes to Statements of State of Delaware General Funds Appropriated, Received, and Expended; State of Delaware General Funds Expended; State of Delaware Capital Improvement Funds Appropriated, Received, and Expended; and State of Delaware Agency Funds Appropriated, Received, and Expended

Year ended June 30, 2020

(1) The University and State Relationship

The University of Delaware (the University), a privately chartered university with public support, is a doctoral/research institution-extensive, land-grant, sea-grant, space-grant, and urban-grant institution. The University, with origins in 1743, was chartered by the State of Delaware (the State) in 1833. A Women's College was opened in 1914, and in 1945, the University became permanently coeducational. The main campus is located in Newark, Delaware, a suburban community of 31,500, situated midway between Philadelphia and Baltimore. Courses are also offered at other locations throughout the State, including Wilmington, Lewes, Dover, Milford, and Georgetown.

The University receives an annual operating and capital appropriation from the State, which are detailed herein. The University also participates in certain benefit plans of the State. Expenses associated with such benefit plans are not included herein. The State also provided auto, fire, and other insurance coverage with an estimated premium value of \$ 955,561, which is also not included herein.

The Delaware Geological Survey (the DGS) is a separate state agency under the general charge and direction of the University, and therefore, the DGS appropriations are not included in the statement of State of Delaware general funds appropriated, received, and expended. The DGS appropriation from the State for fiscal year 2020 was \$ 2,092,600.

(2) Basis of Presentation

The statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; State of Delaware capital improvement funds appropriated, received, and expended; and State of Delaware agency funds appropriated, received, and expended were prepared on the cash basis of accounting, and accordingly, appropriations are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred.

Restricted appropriations represent appropriations that have to be expended by specific colleges or programs within the University. Unrestricted appropriations can be spent on the University's general operating expenses.

The statements included herein, along with the supplemental schedule, are prepared to satisfy Title 2906 (h) which states, "The Auditor of Accounts shall conduct audits of the State-funded portion of the finances of the University of Delaware as authorized by §5109 of Title 14."

(3) General and Restricted Appropriations

In the House Bill No. 225 Act of 2020, the State appropriated \$ 106,466,900 to the University for unrestricted use in its operations and student scholarships. Additionally, in the House Bill No. 225 Act of 2020, the State appropriated \$ 16,780,200 for restricted programmatic support for the related colleges within the University. The State also provided contingency funds of \$ 2,210,400 exclusively for personnel costs. With the exception of \$ 143,440 in restricted programs for the College of Arts & Science, all 2020 appropriations were received and expended during fiscal year 2020. Restricted appropriations are subject to annual reporting requirements to the State.

**UNIVERSITY OF DELAWARE
STATE OF DELAWARE FUNDS**

Notes to Statements of State of Delaware General Funds Appropriated, Received, and Expended; State of Delaware General Funds Expended; State of Delaware Capital Improvement Funds Appropriated, Received, and Expended; and State of Delaware Agency Funds Appropriated, Received, and Expended

Year ended June 30, 2020

(4) Capital Improvement Appropriations

In the Capital Improvement Act of 2017, the State appropriated \$ 5,500,000. The unexpended appropriations balance of \$ 3,715,927 consists of funds held by the State and not drawn by the University as of June 30, 2020. In the Capital Improvement Acts of 2018 and 2019, the State appropriated \$ 5,500,000 and \$ 10,000,000, respectively. As of June 30, 2020, the University has not drawn on these funds. The funds for the Capital Improvement Acts of 2017 through 2019 must be expended by June 30, 2021. In the Capital Improvement Act of 2020, the State appropriated \$ 10,350,000. As of June 30, 2020, the University fully expended \$ 350,000 and \$ 10,000,000 was not drawn, which must be expended by June 30, 2022.

(5) Expended Funds

Expenditures include salaries and wages, benefits, and supplies, materials, travel and other miscellaneous program costs (other expenses). Salaries and wages are allocated based upon total budgeted state funding. Benefit expenses are allocated based upon a percentage of salaries and wages. Other expenses are direct expenses paid to vendors and suppliers or may be internally allocated from University service centers or auxiliary operations. Such allocations are based upon the nature of the service being provided.

(6) Subsequent Events

Events and transactions subsequent to year end have been evaluated for potential recognition in the financial statements or disclosure in the Notes to Financial Statements. All events and transactions have been evaluated through November 17, 2020 which is the date the financial statements were available to be issued.

UNIVERSITY OF DELAWARE
 State of Delaware Appropriated Funds – Current Funds Expenditures by Function
 Year ended June 30, 2020

	Instruction and departmental research	Sponsored research	Extension and public service	Academic support	Student services	General institutional support	Student aid	Operations and maintenance	Total
Expenses:									
Current Funds–state appropriations:									
General unrestricted operations*	\$ 96,860,500	-	-	-	-	-	\$ 11,533,425	-	\$ 96,860,500
State scholarships	-	-	-	-	9,375	-	-	-	11,542,800
Restricted:									
College of Agriculture and Natural Resources	305,080	3,129,704	2,604,630	-	-	-	-	272,087	6,311,501
College of Arts and Sciences	1,503,855	-	1,056,904	-	-	-	-	-	2,560,759
College of Business and Economics	1,822,400	-	-	-	-	-	-	-	1,822,400
College of Earth, Ocean, and Environment	53,538	631,552	183,710	-	-	-	-	-	868,800
College of Education and Human Development	2,102,577	253,300	529,223	-	-	-	-	-	2,885,100
College of Engineering	836,642	12,658	-	-	-	-	-	-	849,300
College of Health Sciences	839,100	-	-	-	-	-	-	-	839,100
Other Programs	671,900	-	-	-	-	101,900	-	-	773,800
Total expenses	\$ 104,995,592	\$ 4,027,214	\$ 4,374,467	\$ -	\$ 9,375	\$ 101,900	\$ 11,533,425	\$ 272,087	\$ 125,314,060

* The University assigns the general operations expenses to Colleges and administrative units annually.

See accompanying notes to financial statements.

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 Trustees
University of Delaware
Newark, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statements of State of Delaware general funds appropriated, received, and expended; State of Delaware general funds expended; State of Delaware capital improvement funds appropriated, received, and expended; and State of Delaware agency funds appropriated, received, and expended of the University of Delaware (the University) for the Fiscal Year Ended June 30, 2020, and have issued our report thereon dated November 17, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements listed above, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements listed above, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether these financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 17, 2020
Wilmington, Delaware

