CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

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BROWN SCHULTZ SHERIDAN & FRITZ
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

A Professional Corporation

Independent Auditors' Report

Board of Directors
Capital Resource Conservation and
Development Area Council, Inc.
Carlisle, Pennsylvania

We have audited the accompanying statements of financial position of Capital Resource Conservation and Development Area Council, Inc. (a nonprofit organization) as of September 30, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Resource Conservation and Development Area Council, Inc. as of September 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years 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 December 15, 2011 on our consideration of Capital Area Resource Conservation and Development Area Council, 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 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 audits.

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

Brown Schultz Sheridan + Fritz

December 15, 2011

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 66,872	$ 181,301
Grants receivable	55,592	53,852
Prepaid expenses	1,950	4,875
Security deposits	284	284
Total assets	$ 124,698	$ 240,312
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 46,045	$ 40,111
Accrued expenses	6,407	5,574
Security deposits	2,700	1,500
Deferred revenue	58,847	189,114
Total liabilities	113,999	236,299
Unrestricted net assets	10,699	4,013
Total liabilities and net assets	$ 124,698	$ 240,312

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Support and revenue:		
NRCS agreements	$ 356,543	$ 202,131
National Fish and Wildlife Foundation	212,643	417,151
USDA Farmers' Market Promotion Program	23,662	26,427
Chesapeake Bay Trust	3,387	23,494
DEP Park the Plow for Profit	17,936	31,164
Other state grants		2,500
Other private funding grants	16,493	9,832
County contributions	2,950	750
Program contributions	1,599	2,764
Project service fees	191	1,441
Membership dues	885	1,030
Interest income	291	645
Rental income	8,250	9,000
Miscellaneous revenue	789	4,704
Total support and revenue	645,619	733,033
Functional expenses:		
Program services	582,890	681,562
Management and general	56,043	53,873
Total functional expenses	638,933	735,435
Increase (decrease) in unrestricted net assets	6,686	(2,402)
Unrestricted net assets, beginning of year	4,013	6,415
Unrestricted net assets, end of year	$ 10,699	$ 4,013

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011		
	Program services	Management and general	Totals
Functional expenses:			
Contracted services:			
NRCS agreements	$ 225,425		$ 225,425
National Fish and Wildlife Foundation	201,340		201,340
USDA Farmers' Market Promotion Program	9,993		9,993
DEP Park the Plow for Profit	17,279		17,279
Other	8,431	$ 640	9,071
Total contracted services	462,468	640	463,108
Salaries	79,385	14,868	94,253
Payroll taxes	6,460	1,851	8,311
Employee benefits	4,133	667	4,800
Accounting fees		8,750	8,750
Rent expense	200	19,570	19,770
Conferences and meetings	2,399	758	3,157
Dues and subscriptions	1,533	920	2,453
Insurance	25	2,378	2,403
Miscellaneous	817	3,330	4,147
Postage and delivery	1,065	322	1,387
Printing and reproduction	7,090	339	7,429
Supplies	15,026	1,452	16,478
Travel	2,289	198	2,487
Total functional expenses	$ 582,890	$ 56,043	$ 638,933

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2010		
	Program services	Management and general	Totals
Functional expenses:			
Contracted services:			
NRCS agreements	$ 101,235		$ 101,235
National Fish and Wildlife Foundation	402,763		402,763
USDA Farmers' Market Promotion Program	7,906		7,906
Chesapeake Bay Trust	20,306		20,306
DEP Park the Plow for Profit	26,445		26,445
Other	8,143	$ 606	8,749
Total contracted services	566,798	606	567,404
Salaries	68,265	16,042	84,307
Payroll taxes	6,236	1,326	7,562
Employee benefits	3,668	711	4,379
Accounting fees		4,500	4,500
Rent expense	190	19,210	19,400
Conferences and meetings	17,891	1,123	19,014
Dues and subscriptions	279	890	1,169
Insurance	25	2,307	2,332
Miscellaneous	1,936	984	2,920
Postage and delivery	789	350	1,139
Printing and reproduction	1,961	1,609	3,570
Supplies	8,978	4,136	13,114
Travel	4,546	79	4,625
Total functional expenses	$ 681,562	$ 53,873	$ 735,435

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash flows from operating activities:		
Increase (decrease) in unrestricted net assets	$ 6,686	$ (2,402)
Adjustments:		
(Increase) decrease in:		
Grants receivable	(1,740)	(4,810)
Prepaid expenses	2,925	(4,875)
Security deposits		566
Increase (decrease) in:		
Accounts payable	5,934	1,614
Accrued expenses	833	3,638
Security deposits	1,200	
Deferred revenue	(130,267)	(117,399)
Total adjustments	(121,115)	(121,266)
Net cash used in operating activities	(114,429)	(123,668)
Cash:		
Beginning of year	181,301	304,969
End of year	$ 66,872	$ 181,301

See notes to financial statements.

1. Activities and significant accounting policies:

Nature of activities:

Capital Resource Conservation and Development Area Council, Inc. (the Organization) is a nonprofit corporation that networks people, resources and projects to promote responsible use and conservation of our region's natural, community and economic resources. The Organization serves Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon and York Counties. The Organization is supported primarily through a cooperative agreement with the Natural Resources Conservation Service (NRCS) of the United States Department of Agriculture.

Basis of accounting:

The Organization prepares its financial statements on the accrual basis of accounting, with support and revenue recognized when earned and expenses recognized when incurred.

Financial statement presentation:

Generally accepted accounting principles for nonprofit organizations require the reporting of total assets, liabilities and net assets in a statement of financial position, reporting the change in net assets in a statement of activities and reporting the sources and uses of cash in a statement of cash flows. Net assets and revenues and gains and losses are classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of donor-imposed restrictions.

Grants receivable:

Grants receivable are stated at outstanding balances. The Organization considers grants receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Deferred revenue:

Grant revenue is recognized when earned and as related expenses are incurred. Grant proceeds received in advance of the related spending are recorded as deferred revenue and are then recognized as revenue as expenses are incurred.

1. Activities and significant accounting policies (continued):

Income tax status:

The Organization has been recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is made for activities related to its exempt purpose. The Organization had no net taxable unrelated business income for the years ended September 30, 2011 and 2010.

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, to account for uncertainty in income taxes. The Organization files a Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2008.

Functional allocation of expenses:

Expenses are charged to programs and supporting services on the basis of actual expenses. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for overall support and direction of the Organization.

Donated services:

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, certain individuals are provided by stakeholder organizations to perform various tasks that assist the Organization with administrative, program and training activities.

Use of estimates:

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

Subsequent events:

The Organization has evaluated subsequent events through December 15, 2011, the date which the financial statements were available to be issued.

2. Concentration of credit risk:

The Organization's cash balances in financial institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses and believes it is not exposed to any significant credit risk.

3. Deferred revenue:

Deferred revenue consists of the following at September 30:

	2011	2010
National Fish and Wildlife Foundation	$ 21,396	$ 108,937
DEP Growing Greener 3	9,312	28,000
Mill Creek	4,802	10,242
NRCS	6,078	9,849
Chesapeake Bay Trust	6,417	9,804
SNAP	10,076	9,253
Other	766	13,029
	$ 58,847	$ 189,114

4. Contingency:

The Organization's funding sources reserve the right to perform audit work. Disallowed costs, if any, resulting from such work would have to be absorbed by the Organization. Management does not believe that any significant costs would be incurred by the Organization from audits by the funding agencies.

5. Operating lease:

The Organization leases office space under a noncancelable operating lease. Monthly payments of $1,500 are required through September 2012, with an option to renew for an additional two years. The Organization subleases a portion of this office space, recorded as rental income in the accompanying statement of activities, under two agreements expiring in September 2012. Total rent expense, including utilities, for the years ended September 30, 2011 and 2010 was $19,770 and $19,400, respectively.

5. Operating lease (continued):

Future minimum lease payments under these agreements are as follows:

	Minimum lease commitments	Sublease income	Net lease commitments
2012	$ 18,000	$ 14,400	$ 3,600

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*

Board of Directors
Capital Resource Conservation and
Development Area Council, Inc.
Carlisle, Pennsylvania

We have audited the financial statements of Capital Resource Conservation and Development Area Council, Inc. (the Organization) as of and for the year ended September 30, 2011 and have issued our report thereon dated December 15, 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 audits, 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 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.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

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Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization's 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.*

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

Brown Schultz Sheridan + Fritz

December 15, 2011

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.

Board of Directors
Capital Resource Conservation and
Development Area Council, Inc.
Carlisle, Pennsylvania

Compliance

We have audited the compliance of Capital Resource Conservation and Development Area Council, Inc. (the Organization) 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 the Organization's major federal programs for the year ended September 30, 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 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 of the Organization's compliance with those requirements.

In our opinion, Capital Resource Conservation and Development Area Council, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

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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 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 was not designed to identify all deficiencies in internal control over compliance 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 the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brown Schultz Sheridan + Fritz

December 15, 2011

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2011

CFDA #	Federal grantor/program name	Expenditures
	United States Environmental Protection Agency:	
	National Fish and Wildlife Federation:	
66.439	Park the Plow for Profit (PA)	$ 4,808
66.466	Prescribed Grazing in the Lower Susquehanna River Basin (PA)	205,017
		209,825
	United States Department of Agriculture:	
	Agricultural Marketing Service:	
10.168	Farmers' Market Promotion Program	23,662
	Natural Resources Conservation Service:	
10.072	Program Outreach	913
10.072	Farm and Ranchland Protection Program	6,123
10.901	Circle of Diamonds	3,091
10.901	Board Development	5,874
10.901	Plan of Work	20,550
10.902	Board Development	4,806
10.902	Soil Survey	9,976
10.902	No Till Technical Assistance (2010)	6,751
10.902	Landowner Weed & Wildlife Support	12,981
10.902	Local Food Technical Assistance	24,154
10.902	Program Outreach	27,376
10.902	No Till Technical Assistance (2011)	67,820
10.902	Regional Prescribed Grazing	56,182
10.912	No Till Technical Assistance (2010)	1,009
10.912	No Till Technical Assistance (2011)	9,165
10.912	Program Outreach	13,688
10.913	Farm and Ranchland Protection Program	55,105
10.917	Program Outreach	913
10.926	Program Outreach	29,657
10.926	Lebanon Engineer	74
10.902	Plain Sect Outreach	41
10.912	NT 2012	82
10.917	High Tunnel	396
		356,727
		$ 590,214

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2011

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended September 30, 2011. 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*. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2011

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes __X__ none reported

Noncompliance material to financial statements noted? _____ yes __X__ no

Federal awards

Internal control over major program:

- Material weakness(es) identified? _____ yes __X__ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes __X__ none reported

Type of auditors' report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes __X__ no

Identification of major programs:

CFDA number	Name of federal program or cluster
10.902	Regional Prescribed Grazing
10.913	Farm and Ranchland Protection Program
66.466	Prescribed Grazing in the Lower Susquehanna River Basin (PA)

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? _____ yes __X__ no

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2011

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None