

**CAPITAL RESOURCE CONSERVATION AND
DEVELOPMENT AREA COUNCIL, INC.**

**YEARS ENDED
SEPTEMBER 30, 2020 AND 2019**

DRAFT

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

TABLE OF CONTENTS

	Page
Independent auditor's report	1-2
Financial statements:	
Statements of financial position	3
Statements of activities	4
Statement of functional expenses – year ended September 30, 2020	5
Statement of functional expenses – year ended September 30, 2019	6
Statements of cash flows	7
Notes to financial statements	8-12
Schedule of expenditures of federal awards	13-14
Notes to schedule of expenditures of federal awards	15
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	16-17
Independent auditor's report on compliance for its major program and on internal control over compliance required by the Uniform Guidance	18-19
Schedule of findings and questioned costs	20-21
Status of prior year findings	22

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Resource Conservation and Development Area Council, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January __, 2021 on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.

Camp Hill, Pennsylvania

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 63,687	\$ 107,601
Grants receivable	91,643	29,688
Prepaid expenses	<u>1,515</u>	<u>1,538</u>
Total assets	<u>\$ 156,845</u>	<u>\$ 138,827</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 18,220	\$ 18,869
Accrued payroll and benefits	62,764	52,105
Deferred revenue	1,604	22,206
Paycheck Protection Program loan	<u>26,500</u>	<u></u>
Total liabilities	109,088	93,180
Net assets without donor restrictions	<u>47,757</u>	<u>45,647</u>
Total liabilities and net assets	<u>\$ 156,845</u>	<u>\$ 138,827</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Support and revenue:		
NRCS grants	\$ 854,692	\$ 965,203
National Fish and Wildlife Foundation	165,159	
Other federal grants	14,903	69,364
DEP Tillage Survey	104,384	96,155
Other private funding grants	7,707	28,176
County contributions	2,100	2,100
Project service fees		856
Contributions	170	150
Interest income	284	300
Miscellaneous revenue	1,436	4,229
	<u>1,150,835</u>	<u>1,166,533</u>
Total support and revenue		
Functional expenses:		
Program services	1,056,738	1,059,709
Management and general	91,987	89,912
	<u>1,148,725</u>	<u>1,149,621</u>
Total functional expenses		
Increase in net assets without donor restrictions	2,110	16,912
Net assets without donor restrictions:		
Beginning of year	45,647	28,735
	<u>45,647</u>	<u>28,735</u>
End of year	<u><u>\$ 47,757</u></u>	<u><u>\$ 45,647</u></u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	<u>Program services</u>	<u>Management and general</u>	<u>Totals</u>
Functional expenses:			
Contracted services	\$ 141,064		\$ 141,064
Salaries	754,929	\$ 55,931	810,860
Payroll taxes	68,854	5,029	73,883
Employee benefits	43,081	2,790	45,871
Accounting fees		8,900	8,900
Rent expense	220	10,740	10,960
Conferences and meetings	871	89	960
Dues and subscriptions	0	653	653
Insurance	0	2,670	2,670
Miscellaneous	1,218	3,585	4,803
Postage and delivery		68	68
Printing and reproduction	77		77
Supplies	1,119	1,229	2,348
Travel	45,305	303	45,608
Total functional expenses	<u>\$ 1,056,738</u>	<u>\$ 91,987</u>	<u>\$ 1,148,725</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

	<u>Program services</u>	<u>Management and general</u>	<u>Totals</u>
Functional expenses:			
Contracted services	\$ 185,068		\$ 185,068
Salaries	703,006	\$ 53,148	756,154
Payroll taxes	67,144	5,135	72,279
Employee benefits	39,286	2,395	41,681
Accounting fees		10,400	10,400
Rent expense	180	10,075	10,255
Conferences and meetings	4,413	30	4,443
Dues and subscriptions	0	57	57
Insurance	0	2,450	2,450
Miscellaneous	4,860	3,514	8,374
Postage and delivery	52	160	212
Printing and reproduction	13,843		13,843
Supplies	1,378	2,157	3,535
Travel	40,479	391	40,870
Total functional expenses	<u>\$ 1,059,709</u>	<u>\$ 89,912</u>	<u>\$ 1,149,621</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 2,110	\$ 16,912
Adjustments:		
(Increase) decrease in:		
Grants receivable	(61,955)	55,883
Prepaid expenses	23	50
Increase (decrease) in:		
Accounts payable	(649)	(16,241)
Accrued payroll and benefits	10,659	6,694
Deferred revenue	(20,602)	(12,255)
Total adjustments	<u>(72,524)</u>	<u>34,131</u>
Net cash provided by (used in) operating activities	<u>(70,414)</u>	<u>51,043</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	157,500	
Repayments of Paycheck Protection Program loan	<u>(131,000)</u>	
Net cash provided by financing activities	<u>26,500</u>	
Increase (decrease) in cash	(43,914)	51,043
Cash:		
Beginning of year	<u>107,601</u>	<u>56,558</u>
End of year	<u>\$ 63,687</u>	<u>\$ 107,601</u>
Supplemental disclosure of cash flow information, cash paid for interest	\$ 24	\$ 17

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2020 AND 2019

1. Nature of organization and significant accounting policies:

Nature of organization:

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 the region's natural, community and economic resources. The Organization serves Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon and York counties. The Organization is supported primarily by grants from the Natural Resources Conservation Service (NRCS) of the United States Department of Agriculture, as well as Pennsylvania Department of Environmental Protection (DEP) Tillage Survey grants.

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:

Financial statement presentation follows the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. There were no net assets with donor restrictions at September 30, 2020 or 2019.

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 expense 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.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2020 AND 2019

1. Nature of organization and significant accounting policies (continued):

Revenue recognition:

The Organization generates substantially all of its revenue from grants.

The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

The Organization receives grants from governmental entities, which are used for specific purposes. Governmental entities typically provide grant funds on a reimbursement basis. Therefore, the Organization will submit the amount of expenses incurred, and the governmental entities will reimburse the Organization for those costs. Grant funds are evaluated when received to determine if they are an exchange transaction or a non-exchange transaction. For grants that come with specific performance obligations, the Organization will recognize revenue when those performance obligations are met. The Organization tracks the progress on each of these performance obligations so they know when to recognize the revenue. Other grants and contributions that fund the Organization's overall mission and do not contain any performance obligations are considered non-exchange transactions and are generally recorded as revenue when received.

For grant funds with performance obligations, to comply with these steps, the Organization will submit progress reports to the contractors and grantors once a performance obligation is completed. Based on the terms of the agreements, the Organization recognizes revenue once the contractor or grantor approves the progress reports, denoting the performance obligation has been met. During the years ended September 30, 2020 and 2019, grantors provided the Organization with funds before all performance obligations were met, and therefore, a portion of the grant revenue was recognized as deferred revenue.

Income tax status:

The Organization is recognized as exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and similar statutes and files a Form 990, *Return of Organization Exempt from Income Tax*, with the Internal Revenue Service (IRS) on an annual basis.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2020 AND 2019

1. Nature of Organization and summary of significant accounting policies (continued):

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.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates affecting the financial statements are functional allocations of expenses, which are based, in part, on management's estimates. Accordingly, actual results could differ from those estimates.

2. Adoption of new accounting pronouncements:

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* Accounting Standard Codification (ASC-606), which amends previous guidance. The core principle of ASC-606 is that any entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions.

Effective October 1, 2019, the Organization adopted ASU 2014-09 and 2018-08 using the modified retrospective method applied to those contracts which were not completed as of October 1, 2019. There was no quantitative impact as a result of adopting ASU 2014-09 and ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

3. Financial assets and liquidity resources:

As of September 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 63,687	\$ 107,601
Grants receivable	<u>91,643</u>	<u>29,688</u>
Total financial assets available within one year	<u>\$ 155,330</u>	<u>\$ 137,289</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

As described in Note 7, the Organization also maintains a \$50,000 line of credit with a bank to provide liquidity as needed.

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 month-to-month operating lease, with either party having the option to terminate the lease by giving a 90-day written notice of intent. Total rent expense, including utilities, for the years ended September 30, 2020 and 2019 was \$10,740 and \$10,075, respectively.

6. Paycheck Protection Program loan:

In April 2020, the Organization secured and received funding totaling \$157,500 from the Paycheck Protection Program, a government program authorizing loans to small businesses to cover payroll costs, rent and utility costs over an 8 or 24-week period. The loan may become due if the Organization uses funds for anything besides these costs or does not incur enough of qualified costs. During the year ended September 30, 2020, the Organization repaid \$131,000 of the principal balance of this loan after determining it would not incur enough qualified costs to qualify for loan forgiveness on the repaid amount. The remaining principal balance of the loan as of September 30, 2020 was \$26,500. See Note 9.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

7. Line of credit:

The Organization maintains a \$50,000 line of credit, bearing interest at the prime rate plus 1%. The line is collateralized by substantially all business assets. At September 30, 2020 and 2019, there was no balance on the line.

8. COVID-19 uncertainty:

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused business disruption to many industries, due to state government-imposed shutdowns of businesses and other results of the illness, such as cancellation of large group events. While the Organization expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the Organization's operations is highly uncertain and cannot be predicted.

9. Subsequent events:

In November 2020, the \$26,500 remaining principal balance on the Paycheck Protection Program loan was forgiven by the U.S. Small Business Administration.

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

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

CFDA #	Federal grantor/program name	Expenditures
	United States Environmental Protection Agency:	
66.466	Passed through the Pennsylvania Department of Environmental Protection, Chesapeake Bay Watershed BMP	\$ 104,384
66.466	Passed through Chesapeake Bay Trust, Building Capital RC&D Capacity by Supporting Communications Capacity and Staffing of the Collaborative - Year Three Capacity	13,674
	Total United States Environmental Protection Agency	118,058
	United States Department of Agriculture:	
	Natural Resources Conservation Service:	
10.069	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	272,852
10.072	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	10,914
10.072	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 4	78,343
10.902	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	181,901
10.912	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	127,690
10.924	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	137,517
10.931	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	45,475
		854,692

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020

CFDA #	Federal grantor/program name	Expenditures
	United States Department of Agriculture:	
10.652	Passed through National Forestry Service, Agroforestry	1,535
10.902	Passed through National Grazing Lands Coalition, Advancing Education, Conservation and Outreach on Grazing Lands	3,012
	Passed through Chesapeake Bay Foundation:	
10.902	Mountain to Bay - Increase Rotational Grazing support and advisement	14,423
10.912	Mountain to Bay - Increase Rotational Grazing support and advisement	14,423
10.924	Mountain to Bay - Increase Rotational Grazing support and advisement	14,423
66.466	Mountain to Bay - Increase Rotational Grazing support and advisement	14,423
		<u>57,692</u>
10.652	National Fish and Wildlife Foundation, Promoting Grazing and Cover Cropping via BMP, Outreach, Cost Share	107,466
	Total United States Department of Agriculture	<u>1,024,397</u>
		<u><u>\$ 1,142,455</u></u>

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

Basis of presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Organization for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because 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 Uniform Guidance, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Organization has elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Independent Auditor's 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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Capital Resource Conservation and Development Area Council, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2020 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Camp Hill, Pennsylvania

Independent Auditor's Report on Compliance for Its Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited Capital Resource Conservation and Development Area Council, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended September 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for its major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Camp Hill, Pennsylvania

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes no

Federal awards

Internal control over major program:

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

Type of auditor’s report issued on compliance for major
program:

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with the Uniform Guidance?

yes no

Identification of major program:

CFDA number

10.069

Name of federal program or cluster

Conservation Reserve Program

Dollar threshold used to distinguish between
type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

DRAFT

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED SEPTEMBER 30, 2020

There were no prior year audit findings.

DRAFT