

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

***YEARS ENDED
SEPTEMBER 30, 2018 AND 2017***

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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Independent Auditors' 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, 2018 and 2017 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.

Auditors' 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 auditors' 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 auditors consider 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, 2018 and 2017 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, 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*, is presented for purposes of additional analysis 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 February 5, 2019 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.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
February 5, 2019

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 56,558	\$ 51,769
Grants receivable	85,571	54,272
Prepaid expenses	<u>1,588</u>	<u>3,448</u>
Total assets	<u>\$ 143,717</u>	<u>\$ 109,489</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 35,110	\$ 20,974
Accrued payroll and benefits	45,411	40,926
Deferred revenue	<u>34,461</u>	<u>26,748</u>
Total liabilities	114,982	88,648
Unrestricted net assets	<u>28,735</u>	<u>20,841</u>
Total liabilities and net assets	<u>\$ 143,717</u>	<u>\$ 109,489</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Support and revenue:		
NRCS agreements	\$ 756,525	\$ 692,435
Northeast SARE	26,738	23,338
Other federal grants	39,709	15,799
DEP Tillage Survey	86,152	101,488
Other private funding grants	45,253	1,896
County contributions	1,800	2,100
Project service fees	350	3,500
Contributions	250	250
Interest income	154	27
Miscellaneous revenue	<u>16,435</u>	<u>15,318</u>
Total support and revenue	<u>973,366</u>	<u>856,151</u>
Functional expenses:		
Program services	888,429	776,008
Management and general	<u>77,043</u>	<u>77,825</u>
Total functional expenses	<u>965,472</u>	<u>853,833</u>
Increase in unrestricted net assets	7,894	2,318
Unrestricted net assets, beginning of year	<u>20,841</u>	<u>18,523</u>
Unrestricted net assets, end of year	<u><u>\$ 28,735</u></u>	<u><u>\$ 20,841</u></u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018		
	<u>Program services</u>	<u>Management and general</u>	<u>Totals</u>
Functional expenses:			
Contracted services	\$ 147,746		\$ 147,746
Salaries	594,406	\$ 47,662	642,068
Payroll taxes	55,822	4,380	60,202
Employee benefits	34,606	349	34,955
Accounting fees		8,800	8,800
Rent expense	135	9,600	9,735
Conferences and meetings	12,077		12,077
Dues and subscriptions	98	465	563
Insurance	958	1,503	2,461
Miscellaneous	1,990	3,135	5,125
Postage and delivery	51	60	111
Printing and reproduction	56		56
Supplies	1,585	836	2,421
Travel	38,899	253	39,152
Total functional expenses	<u>\$ 888,429</u>	<u>\$ 77,043</u>	<u>\$ 965,472</u>

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2017		
	<u>Program services</u>	<u>Management and general</u>	<u>Totals</u>
Functional expenses:			
Contracted services	\$ 63,811		\$ 63,811
Salaries	588,252	\$ 44,808	633,060
Payroll taxes	55,317	4,090	59,407
Employee benefits	30,655	1,630	32,285
Accounting fees		10,700	10,700
Rent expense		9,600	9,600
Conferences and meetings	1,076	15	1,091
Dues and subscriptions	49	665	714
Insurance	408	2,131	2,539
Miscellaneous	689	2,780	3,469
Postage and delivery		116	116
Printing and reproduction			
Supplies	1,468	988	2,456
Travel	34,283	302	34,585
Total functional expenses	<u>\$ 776,008</u>	<u>\$ 77,825</u>	<u>\$ 853,833</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 7,894	\$ 2,318
Adjustments:		
(Increase) decrease in:		
Grants receivable	(31,299)	(14,959)
Prepaid expenses	1,860	(1,670)
Increase (decrease) in:		
Accounts payable	14,136	5,659
Accrued payroll and benefits	4,485	(6,619)
Deferred revenue	7,713	10,055
Total adjustments	<u>(3,105)</u>	<u>(7,534)</u>
Net cash used in operating activities	<u>4,789</u>	<u>(5,216)</u>
Cash:		
Beginning of year	<u>51,769</u>	<u>56,985</u>
End of year	<u>\$ 56,558</u>	<u>\$ 51,769</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 267	

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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 through cooperative agreements 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:

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. There are no temporarily restricted or permanently restricted net assets at September 30, 2018 or 2017.

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, 2018 AND 2017

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

Income tax status:

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

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 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.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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

Recently issued accounting standards:

Not-for-profit entities:

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which provides more relevant information about available resources (and the changes in those resources) to donors, grantors, creditors and other users. The most significant aspects of the ASU are as follows: (1) the ASU replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted and permanently restricted) with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions, as well as the currently required amount for total net assets, (2) the ASU expands the disclosures about the nature and amount of any donor restrictions, board designations of net assets without donor restrictions, as well as any underwater endowment funds, (3) the ASU requires expenses to be presented by nature and function, as well as an analysis of the allocation of these expenses and (4) the ASU requires specific quantitative and qualitative disclosures to improve the ability of financial statement users to assess the entity's available financial resources and the methods by which it manages liquidity and liquidity risk. ASU 2016-14 is to be applied retrospectively and is effective for the Organization's September 30, 2020 year end. The Organization will be evaluating the impact this standard will have on its financial statements and related disclosures.

Revenue:

FASB ASU 2014-09, *Revenue from Contracts and Customers (Topic 606)*, with effective dates amended by FASB ASU 2015-14, is effective for the Organization's September 30, 2020 year end and identifies specific steps to be applied to properly recognize revenue from customer contracts. Under the standard, revenue recognition is determined using a five-step model which identifies customer contracts, identifies performance obligations in each contract, determines transaction price, allocates transaction price to performance obligations and recognizes revenue when or as the performance obligations are satisfied. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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:

	<u>2018</u>	<u>2017</u>
South Mountain Partnership	\$ 34,461	
NRCS		\$ 19,818
Other		<u>6,930</u>
	<u>\$ 34,461</u>	<u>\$ 26,748</u>

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 each of the years ended September 30, 2018 and 2017 was \$9,600.

6. Lines 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, 2018 and 2017, there was no balance on the line.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

7. Subsequent events:

The Organization has evaluated subsequent events through February 5, 2019, 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, 2018

CFDA #	Federal grantor/program name	Expenditures
	United States Environmental Protection Agency: Passed through the Pennsylvania Department of Environmental Protection:	
66.466	Chesapeake Bay Watershed BMP	\$ 86,152
	Passed through Chesapeake Bay Trust:	
66.466	Building Capital RC&D Capacity by Supporting Communications Capacity and Staffing of the Collaborative	8,902
	Year Two Capacity	10,321
	Collaborative	13,162
		<u>32,385</u>
	United States Department of Agriculture: National Institute of Food and Agriculture Passed through University of Vermont:	
10.215	Northeast Advanced Agroforestry Training for Natural Resources and Agricultural Educators	<u>26,738</u>
	Natural Resources Conservation Service:	
10.069	CREP Technical Assistance	1,742
10.069	Technical Assistance and Training - Organic & Irrigation Producers	13,182
10.069	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	43,990
10.069	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	47,077
10.072	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	8,520
10.902	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	2,392
10.902	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	80,698

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2018

CFDA #	Federal grantor/program name	Expenditures
	United States Department of Agriculture:	
	Natural Resources Conservation Service (continued):	
10.904	Watershed Planning - Dam Assessment Reports	\$ 19,520
10.912	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	81,084
10.912	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	230,228
10.913	Technical Assistance for Easements Monitoring	7,854
10.917	Technical Assistance and Training for Irrigation Producers	33,161
10.917	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	2,924
10.924	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	7,081
10.924	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	27,369
10.926	Technical and Planning Assistance	113,741
10.931	Technical and Planning Assistance for WRP	18,660
10.931	Financial Assistance For, But Not Limited to, Restorations and Associated Easement Activities	3,293
10.931	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing	7,670
10.931	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	<u>6,339</u>
		<u>756,525</u>
	Passed through National Forestry Service:	
10.652	Agroforestry	<u>1,876</u>
	Passed through National Grazing Lands Coalition:	
10.902	Advancing Education, Conservation and Outreach on Grazing Lands	<u>351</u>
	Passed through Chesapeake Bay Foundation:	
10.912	Promoting Rotational Grazing in the Chesapeake Bay Watershed	<u>4,117</u>
		<u>\$ 908,144</u>

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

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, 2018. 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 not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.



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, 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, 2018 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 February 5, 2019.

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.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
February 5, 2019



Independent Auditors' 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, 2018. The Organization's major federal program is identified in the summary of auditors' 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 programs.

Auditors' 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, 2018.

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.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
February 5, 2019

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial statements

Type of auditors' report issued: Unmodified

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 programs:

- 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 programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes X no

Identification of major programs:

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
10.912	Environmental Quality Incentives Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None