

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

***YEARS ENDED
SEPTEMBER 30, 2019 AND 2018***

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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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, 2019 and 2018 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, 2019 and 2018 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 January 14, 2020 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 Steidan & Fritz

Camp Hill, Pennsylvania
January 14, 2020

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 107,601	\$ 56,558
Grants receivable	29,688	85,571
Prepaid expenses	<u>1,538</u>	<u>1,588</u>
Total assets	<u>\$ 138,827</u>	<u>\$ 143,717</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 18,869	\$ 35,110
Accrued payroll and benefits	52,105	45,411
Deferred revenue	<u>22,206</u>	<u>34,461</u>
Total liabilities	93,180	114,982
Net assets without donor restrictions	<u>45,647</u>	<u>28,735</u>
Total liabilities and net assets	<u>\$ 138,827</u>	<u>\$ 143,717</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Support and revenue:		
NRCS agreements	\$ 965,203	\$ 756,525
Northeast SARE	6,347	26,738
Other federal grants	63,017	39,709
DEP Tillage Survey	96,155	86,152
Other private funding grants	28,176	45,253
County contributions	2,100	1,800
Project service fees	856	350
Contributions	150	250
Interest income	300	154
Miscellaneous revenue	<u>4,229</u>	<u>16,435</u>
Total support and revenue	<u>1,166,533</u>	<u>973,366</u>
Functional expenses:		
Program services	1,059,709	888,429
Management and general	<u>89,912</u>	<u>77,043</u>
Total functional expenses	<u>1,149,621</u>	<u>965,472</u>
Increase in net assets without donor restrictions	16,912	7,894
Net assets without donor restrictions, beginning of year	<u>28,735</u>	<u>20,841</u>
Net assets without donor restrictions, end of year	<u>\$ 45,647</u>	<u>\$ 28,735</u>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	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		57	57
Insurance		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.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	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>

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 16,912	\$ 7,894
Adjustments:		
(Increase) decrease in:		
Grants receivable	55,883	(31,299)
Prepaid expenses	50	1,860
Increase (decrease) in:		
Accounts payable	(16,241)	14,136
Accrued payroll and benefits	6,694	4,485
Deferred revenue	(12,255)	7,713
Total adjustments	<u>34,131</u>	<u>(3,105)</u>
Net cash provided by operating activities	51,043	4,789
Cash:		
Beginning of year	<u>56,558</u>	<u>51,769</u>
End of year	<u>\$ 107,601</u>	<u>\$ 56,558</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 17	\$ 267

See notes to financial statements.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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.

Adoption of new accounting pronouncement:

In 2019, the Organization implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative periods presented. The new standard changes the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The notes include a new disclosure about liquidity and availability of resources (Note 2).

Financial statement presentation:

Financial statement presentation follows the requirements of 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 are no net assets with donor restrictions at September 30, 2019 or 2018.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

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.

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.

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.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

Recently issued accounting standards:

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.

2. Financial assets and liquidity resources:

As of September 30, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash	\$ 107,601	\$ 56,558
Grants receivable	<u>29,688</u>	<u>85,571</u>
 Total financial assets available within one year	 <u><u>\$ 137,289</u></u>	 <u><u>\$ 142,129</u></u>

As described in Note 6, the Organization also maintains a \$50,000 line of credit with a bank to provide liquidity as needed.

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

3. Deferred revenue:

Deferred revenue consists of the following at September 30:

	<u>2019</u>	<u>2018</u>
South Mountain Partnership	\$ 13,518	\$ 34,461
NRCS	<u>8,688</u>	<u> </u>
	<u>\$ 22,206</u>	<u>\$ 34,461</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 the years ended September 30, 2019 and 2018 was \$10,075 and \$9,600, respectively.

6. 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, 2019 and 2018, there was no balance on the line.

7. Subsequent events:

The Organization has evaluated subsequent events through January 14, 2020, 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, 2019

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	\$ 96,155
	Passed through Chesapeake Bay Trust:	
66.466	Year Two Capacity Collaborative	9,403 42,892
		<u>52,295</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>6,347</u>
	Natural Resources Conservation Service:	
10.069	Technical Assistance and Training - Organic & Irrigation Producers	4,513
10.069	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	64,729
10.069	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	27,148
10.072	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	1,086
10.072	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 3	89,100
10.902	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	110,957
10.902	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	18,099

(continued)

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2019

CFDA #	Federal grantor/program name	Expenditures
	United States Department of Agriculture:	
	Natural Resources Conservation Service (continued):	
10.912	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	\$ 316,558
10.912	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	12,705
10.917	Technical Assistance and Training for Irrigation Producers	14,103
10.924	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	37,631
10.924	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	13,683
10.926	Technical and Planning Assistance	156,391
10.931	Financial Assistance For, But Not Limited to, Restorations and Associated Easement Activities	85,259
10.931	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 1	8,716
10.931	Technical Assistance in USDA Service Centers, Technical Offices and State Office and Agreement Servicing - Amendment 2	4,525
		<u>965,203</u>
	Passed through National Forestry Service:	
10.652	Agroforestry	<u>2,940</u>
	Passed through National Grazing Lands Coalition:	
10.902	Advancing Education, Conservation and Outreach on Grazing Lands	<u>4</u>
	Passed through Chesapeake Bay Foundation:	
10.912	Promoting Rotational Grazing in the Chesapeake Bay Watershed	527
10.902	Mountain to Bay - Increase Rotational Grazing support and advisement	779
10.912	Mountain to Bay - Increase Rotational Grazing support and advisement	779
10.924	Mountain to Bay - Increase Rotational Grazing support and advisement	779
66.466	Mountain to Bay - Increase Rotational Grazing support and advisement	779
		<u>3,643</u>
	National Fish and Wildlife Foundation:	
10.652	Promoting Grazing and Cover Cropping via BMP, Outreach, Cost Share	<u>7,292</u>
		<u>\$ 1,133,879</u>

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

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, 2019. 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 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, 2019 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 January 14, 2020.

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 Steidan & Fritz

Camp Hill, Pennsylvania
January 14, 2020



Independent Auditors' Report on Compliance for Its Major Programs
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 Programs

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 programs for the year ended September 30, 2019. The Organization's major federal programs are 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 programs 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 programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Programs

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 programs for the year ended September 30, 2019.

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 programs 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 Steidan & Fritz

Camp Hill, Pennsylvania
January 14, 2020

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

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>
10.902	Soil and Water Conservation
66.466	Chesapeake Bay 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

YEAR ENDED SEPTEMBER 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CAPITAL RESOURCE CONSERVATION AND DEVELOPMENT AREA COUNCIL, INC.

STATUS OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2019

There were no prior year audit findings.