



RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

Financial Statements

*For the Year Ended September 30, 2018
(With Summarized Financial Information for the Year Ended September 30, 2017)*



**and
Report Thereon**



**Reports Required in Accordance with
the Uniform Guidance**

For the Year Ended September 30, 2018



RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Rural Community Assistance Partnership, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Rural Community Assistance Partnership, Inc. (RCAP), 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor considers internal control relevant to the entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Community Assistance Partnership, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements of RCAP as of and for the year ended September 30, 2017, were audited by Raffa, P.C., whose practice was combined with Marcum LLP as of October 1, 2018, and whose audit report dated February 2, 2018, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019, on our consideration of RCAP'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RCAP's 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 RCAP's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
March 4, 2019

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2018

(With Summarized Financial Information as of September 30, 2017)

	2018	2017
ASSETS		
Current assets		
Cash	\$ 1,220,952	\$ 209,994
Grants receivable	1,352,111	1,992,066
Other receivables	3,500	25,497
Prepaid expenses	1,241	5,408
Total Current Assets	2,577,804	2,232,965
Other assets	7,979	7,979
TOTAL ASSETS	\$ 2,585,783	\$ 2,240,944
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 56,396	\$ 115,486
Accrued salaries and related benefits	62,143	51,589
Grants payable	2,235,296	1,832,990
Refundable advances	34,006	38,006
Total Liabilities	2,387,841	2,038,071
Net Assets		
Unrestricted	197,942	202,873
TOTAL NET ASSETS	197,942	202,873
TOTAL LIABILITIES AND NET ASSETS	\$ 2,585,783	\$ 2,240,944

The accompanying notes are an integral part of these financial statements.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

(With Summarized Financial Information for the Year Ended September 30, 2017)

	Unrestricted	Temporary Restricted	2018 Total	2017 Total
REVENUE				
Federal grants and contracts	\$ 15,052,500	\$ -	\$ 15,052,500	\$ 13,347,890
Grants and contributions	277	93,500	93,777	-
Conference and registration fees	31,289	-	31,289	-
Membership dues	48,000	-	48,000	24,000
Interest income	273	-	273	264
Net assets released from restriction:				
Satisfaction of program restrictions	93,500	(93,500)	-	-
TOTAL REVENUE	15,225,839	-	15,225,839	13,372,154
EXPENSES				
Program Services:				
Department of Agriculture	8,534,045	-	8,534,045	7,902,998
Environmental Protection Agency	6,518,455	-	6,518,455	5,444,892
Total Program Services	15,052,500	-	15,052,500	13,347,890
Supporting Services:				
Unallocated management and general	148,587	-	148,587	25,413
Development and fundraising	29,683	-	29,683	-
Total Supporting Services	178,270	-	178,270	25,413
TOTAL EXPENSES	15,230,770	-	15,230,770	13,373,303
CHANGE IN NET ASSETS	(4,931)	-	(4,931)	(1,149)
NET ASSETS, BEGINNING OF YEAR	202,873	-	202,873	204,022
NET ASSETS, END OF YEAR	\$ 197,942	\$ -	\$ 197,942	\$ 202,873

The accompanying notes are an integral part of these financial statements.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2018
 (With Summarized Financial Information for the Year Ended September 30, 2017)

	Program Services			Supporting Services			2018 Total	2017 Total	
	Department of Agriculture	Environmental Protection Agency	Total Program Services	Management and General	Development and Fundraising	Indirect			Total Supporting Services
Grants to subrecipients	\$ 7,672,447	\$ 5,636,016	\$ 13,308,463	\$ -	\$ -	\$ -	\$ -	\$ 13,308,463	\$ 11,928,395
Salaries	365,549	431,498	797,047	13,641	2,167	71,636	87,444	884,491	760,147
Employee benefits	94,819	100,142	194,961	4,218	161	12,205	16,584	211,545	182,518
Training meetings	56,792	18,874	75,666	47,799	-	59,765	107,564	183,230	48,438
Occupancy and equipment rental	60,138	63,426	123,564	-	-	8,511	8,511	132,075	124,468
Contractors and consultants	7,296	51,651	58,947	225	15,005	45,889	61,119	120,066	93,183
Travel	26,280	36,484	62,764	3,584	-	26,016	29,600	92,364	49,255
Communications and printing	46,069	15,125	61,194	256	-	763	1,019	62,213	44,396
Database development and maintenance	50,008	-	50,008	-	-	317	317	50,325	22,400
Auditing and accounting	-	-	-	-	-	44,349	44,349	44,349	13,500
Conference and meetings	510	2,367	2,877	11,896	-	27,341	39,237	42,114	34,847
Computer services	9,539	5,838	15,377	42	80	6,641	6,763	22,140	10,539
Supplies	5,146	3,183	8,329	490	51	12,574	13,115	21,444	12,130
Other	544	596	1,140	7,327	9,334	1,755	18,416	19,556	8,241
Telephone	6,537	8,824	15,361	-	-	2,209	2,209	17,570	18,937
Dues and subscriptions	400	2,247	2,647	1,966	-	5,865	7,831	10,478	14,652
Insurance	-	-	-	-	-	6,378	6,378	6,378	5,199
Postage	750	151	901	-	-	1,068	1,068	1,969	2,058
Indirect cost allocation	131,221	142,033	273,254	57,143	2,885	(333,282)	(273,254)	-	-
TOTAL EXPENSES	\$ 8,534,045	\$ 6,518,455	\$ 15,052,500	\$ 148,587	\$ 29,683	\$ -	\$ 178,270	\$ 15,230,770	\$ 13,373,303

The accompanying notes are an integral part of these financial statements.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2018

(With Summarized Financial Information for the Year Ended September 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (4,931)	\$ (1,149)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Grants receivable	639,955	(201,753)
Other receivables	21,997	24,386
Prepaid expenses	4,167	14,280
Accounts payable and accrued expenses	(59,090)	23,221
Accrued salaries and related benefits	10,554	(17,731)
Grants payable	402,306	210,553
Refundable advances	<u>(4,000)</u>	<u>(4,000)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,010,958</u>	<u>47,807</u>
NET INCREASE IN CASH	1,010,958	47,807
CASH, BEGINNING OF YEAR	<u>209,994</u>	<u>162,187</u>
CASH, END OF YEAR	<u>\$ 1,220,952</u>	<u>\$ 209,994</u>

The accompanying notes are an integral part of these financial statements.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

1. Organization and Summary of Significant Accounting Policies

Organization

Founded in 1973, the Rural Community Assistance Partnership, Inc. (RCAP) is a 501(c)(3) nonprofit service delivery network comprised of a national office and six regional partners that provide technical assistance, training and financial resources to community-owned and operated water, wastewater and solid waste utilities in 2,000 small rural communities – including tribes – each year throughout the U.S. and its territories. Most communities assisted by RCAP are economically disadvantaged and have a population under 2,500, and many have significant minority populations. RCAP has approximately 200 field staff members, which include registered professional engineers, certified operators, utility finance and board management specialists, community planners, and people with other relevant backgrounds. Funding for RCAP's services is provided primarily by the U.S. federal government.

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Consequently, revenue is recognized when earned and expenses are recognized when the obligation is incurred.

Grants Receivable

The majority of grants receivable represent amounts due from the U.S. federal government for reimbursable costs incurred in accordance with the grant agreements. Management considers all amounts to be fully collectible and due within one year. Accordingly, an allowance for doubtful accounts has not been established.

Other Receivables

Other receivables consist of payments due from the regions (subrecipients) to pay for expenses related to a signed agreement with a lobbying firm for an online service subscription. RCAP also has signed agreements with each region for their equal share of the cost. Management believes these receivables are fully collectible, and therefore an allowance for doubtful accounts has not been provided.

Property and Equipment and Related Depreciation

Property and equipment with a cost greater than \$5,000 and an economic life in excess of one year are capitalized. Depreciation on computers, equipment and furniture is calculated using the straight-line method over their estimated useful lives of three to five years. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue or expenses in the accompanying statement of activities. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs that do not improve or extend the useful lives of the respective assets are expensed when incurred. As of September 30, 2018, all fixed assets were fully depreciated.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Grants Payable

RCAP acts as the national organization for a network of regional organizations. In this role, RCAP receives grants from the U.S. federal government. The grants received by RCAP are then distributed to a network of regional organizations based on the regional organizations' program objectives and needs. The subgrants are annually granted as RCAP receives the grants from the U.S. federal government, and the subgrants are paid monthly on a cost-reimbursement basis. Grants payable represent the amounts owed to the regional organizations for costs that have been incurred during the year but have not been paid to the regional organizations as of year-end. All amounts are expected to be paid within one year.

Classification of Net Assets

RCAP's net assets are reported as follows:

- Unrestricted net assets include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for RCAP's operations.
- Temporarily restricted net assets include gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or the purpose of a restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants and Contracts

RCAP has contracts with U.S. federal government agencies in exchange for services. Revenue from these contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred, in compliance with the criteria stipulated in the grant agreements. Revenue recognized on contracts for which payments have not been received is reflected as grants receivable in the accompanying financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Direct costs associated with specific programs are recorded as program expenses. Indirect costs are allocated to specific programs based on the lower of the provisional rate or an estimate of the final actual indirect cost rate. Any variance between the estimate and the final negotiated rate is adjusted in the period when finalized. RCAP's current provisional indirect rate is based on modified direct costs, which exclude the portion of each individual regional subgrant and subcontract greater than \$25,000.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Related Parties

Half of RCAP's board members represent six entities that received subgrants from RCAP. Approximately 80% of the government grants received by RCAP were distributed to the entities based on program objectives and need and are included in grants to subrecipients in the accompanying statement of functional expenses.

During the year ended September 30, 2018, subgrants were made to the following related parties:

Rural Community Assistance Corporation (RCAC)	\$ 2,140,827
WSOS Community Action Commission, Inc. (WSOS)	1,728,257
Midwest Assistance Program, Inc. (MAP)	1,904,809
Southeast Rural Community Assistance Project, Inc. (SERCAP)	1,834,788
RCAP Solutions, Inc. (RCAPS)	1,951,957
Communities Unlimited (CU)	<u>2,279,906</u>
Total Subgrants to Related Parties	<u>\$ 11,840,544</u>

As of September 30, 2018, grants payable, which were expected to be paid within one year, were owed to the following related parties:

WSOS	\$ 324,090
RCAC	357,459
MAP	290,191
RCAPS	244,807
SERCAP	373,180
CU	<u>450,552</u>
Total Grants Payable to Related Parties	<u>\$ 2,040,279</u>

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

3. Commitments and Contingencies

Concentration of Credit Risk

RCAP's cash is held in accounts at a certain commercial financial institution, which aggregate balance, at times, may exceed the National Credit Union Administration's (NCUA) insured limit of \$250,000 per depositor per institution. As of September 30, 2018, RCAP had approximately \$983,000 of cash in excess of the NCUA insured limit. RCAP monitors the creditworthiness of the financial institution and has not experienced any credit losses on its cash.

Compliance Audit

RCAP has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although RCAP expects such amounts, if any, to be insignificant.

Concentration of Risk – Major Grantors

RCAP earns substantially all of its revenue from two U.S. federal government agencies. During the year ended September 30, 2018, RCAP recognized revenue from the following U.S. federal government agencies:

U.S. Department of Agriculture (USDA)	\$ 8,534,045
U.S. Environmental Protection Agency (EPA)	<u>6,518,455</u>
Total Grant Awards	<u>\$ 15,052,500</u>

As of September 30, 2018, all of RCAP's grants receivable balance was owed by U.S. federal government agencies as follows:

USDA	\$ 720,958
EPA	<u>631,153</u>
Total Grants Receivable	<u>\$ 1,352,111</u>

As of September 30, 2018, all receivables were unbilled. These amounts were subsequently billed in October and November and considered fully collectible.

While RCAP does not anticipate a significant reduction or discontinuation in funding, a significant decline in funding from the U.S. federal government would result in a decline in subgrants awarded by RCAP.

Operating Lease

RCAP entered into a noncancelable operating lease agreement for office space through April 30, 2021. Under the terms of the lease, rent increases by 2.75% each year, except in the sixth year of the lease, when the basic rent will increase by 4.22%. RCAP is also obligated to pay its proportionate share of real estate taxes and excess operating costs.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

3. Commitments and Contingencies (continued)

Operating Lease (continued)

Under GAAP, all lease incentives and all fixed rent increases, less any rental abatements and other concessions, are recognized on a straight-line basis over the term of the lease. The difference between rent paid and rent expense would be reflected as deferred rent liability. RCAP's management determined that the impact of recording the deferred rent liability in the accompanying statement of financial position was insignificant and, therefore, a deferred rent liability was not recorded. Rent expense was \$126,770 for the year ended September 30, 2018, and is included as part of occupancy and equipment rental in the accompanying statement of functional expenses.

The future minimum rental payments required under this lease, as of September 30, 2018, are as follows:

<u>For the Year Ending</u> <u>September 30,</u>	
2019	\$ 119,858
2020	123,154
2021	<u>73,460</u>
Total Future Minimum Rental Payments	<u>\$ 316,472</u>

4. Retirement Plan

RCAP maintains a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code (the IRC). All employees may make voluntary pretax contributions to the Plan up to the maximum amount allowed by the Internal Revenue Service. Employees become eligible for RCAP contributions after six months of full-time employment. RCAP's contribution is 7% of an eligible participant's gross compensation, subject to federal tax limitations. Pension expense for the year ended September 30, 2018, was \$48,967, and is included in employee benefits in the accompanying statement of functional expenses.

5. Income Taxes

Under Section 501(c)(3) of the IRC, RCAP is exempt from the payment of taxes on income other than net unrelated business income. For the year ended September 30, 2018, no provision for income taxes was made, as RCAP had no significant net unrelated business income.

RCAP follows the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018

5. Income Taxes (continued)

threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in a tax return. RCAP performed an evaluation of uncertainty in income taxes for the year ended September 30, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2018, the statute of limitations for tax years ended September 31, 2015, through September 30, 2018, remained open with the U.S. federal jurisdiction or various states and local jurisdictions in which RCAP files tax returns. It is RCAP’s policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

6. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with RCAP’s financial statements for the year ended September 30, 2017, from which the summarized information was derived.

7. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 4, 2019, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in these financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Rural Community Assistance Partnership, Inc.

We have audited, in accordance with the 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 the Rural Community Assistance Partnership, Inc. (RCAP), 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 March 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RCAP'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 RCAP's internal control. Accordingly, we do not express an opinion on the effectiveness of RCAP'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 entity'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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether RCAP'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Washington, DC
March 4, 2019

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors of the
Rural Community Assistance Partnership, Inc.

Report on Compliance for Each Major Federal Program

We have audited the Rural Community Assistance Partnership, Inc.'s (RCAP's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RCAP's major federal programs for the year ended September 30, 2018. RCAP'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 the terms and conditions of its federal awards applicable to its federal programs

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of RCAP'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 RCAP'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 each major federal program. However, our audit does not provide a legal determination of RCAP's compliance.

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Opinion on Each Major Federal Program

In our opinion, RCAP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of RCAP 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 RCAP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 RCAP'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 a 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.

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.

Marcum LLP

Washington, DC
March 4, 2019

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended September 30, 2018

<u>Federal Grantor/Pass-Through Grant/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE				
Technical Assistance and Training Grants	10.761	N/A	\$ 6,887,748	\$ 7,654,112
Solid Waste Management Grants	10.762	N/A	<u>784,699</u>	<u>879,933</u>
Total U.S. Department of Agriculture			<u>7,672,447</u>	<u>8,534,045</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Surveys, Studies, Investigations, Demonstrations, and Training Grants – Section 1442 of the Safe Drinking Water Act	66.424	N/A	3,387,149	3,944,242
Surveys, Studies, Investigations, Demonstrations, Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	66.436	N/A	2,248,867	2,449,485
<i>Pass-through from University of Colorado –</i> Science to Achieve Results (STAR) Research Program	66.509	83560301	<u>-</u>	<u>124,728</u>
Total U.S. Environmental Protection Agency			<u>5,636,016</u>	<u>6,518,455</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 13,308,463</u>	<u>\$ 15,052,500</u>

See accompanying notes to this schedule.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of RCAP under programs of the federal government for the year ended September 30, 2018. The information on the SEFA 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 SEFA presents only a selected portion of the operations of RCAP it is not intended to and does not present the financial position, changes in net assets, or cash flows of RCAP.

2. Basis of Accounting

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

RCAP not elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as RCAP already has a negotiated indirect cost rate with the federal government.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified Qualified
 Adverse Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Type of auditors’ report issued on compliance for major programs: Unmodified Qualified
 Adverse Disclaimer

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)? Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Program Titles</u>
66.436	Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Water Act
10.762	Solid Waste Management Grants

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

Auditee qualified as a low-risk auditee? Yes No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018**

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None required to be reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

Financial Statement Audit Findings

None required to be reported.

Major Federal Award Programs Audit Findings and Questioned Costs

None required to be reported.