



RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

Financial Statements

*For the Year Ended September 30, 2019
(With Summarized Financial Information for the Year Ended September 30, 2018)*



**and
Report Thereon**



**Reports Required in Accordance with
Uniform Guidance**

For the Year Ended September 30, 2019



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, 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.

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, 2019, 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

We have previously audited RCAP's 2018 financial statements, and in our report dated March 4, 2019, we expressed an unmodified audit opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2018, 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 16, 2020, 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 16, 2020

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2019

(With Summarized Financial Information as of September 30, 2018)

	2019	2018
ASSETS		
Current assets		
Cash	\$ 1,173,593	\$ 1,220,952
Grants receivable	4,211,485	1,352,111
Other receivables	40,978	3,500
Prepaid expenses	12,847	1,241
Total Current Assets	5,438,903	2,577,804
Other assets	8,055	7,979
TOTAL ASSETS	\$ 5,446,958	\$ 2,585,783
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 345,454	\$ 56,396
Accrued salaries and related benefits	84,533	62,143
Grants payable	4,005,871	2,235,296
Refundable advances	11,213	34,006
Total Liabilities	4,447,071	2,387,841
Net Assets		
Without donor restrictions	382,729	197,942
With donor restrictions	617,158	-
TOTAL NET ASSETS	999,887	197,942
TOTAL LIABILITIES AND NET ASSETS	\$ 5,446,958	\$ 2,585,783

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, 2019

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

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE				
Federal grants and contracts	\$ 21,247,318	\$ -	\$ 21,247,318	\$ 15,052,500
Grants and contributions	36,113	1,135,810	1,171,923	93,777
Conference and registration fees	30,335	-	30,335	31,289
Membership dues	48,000	-	48,000	48,000
In-kind contributions and other	17,680	-	17,680	-
Interest income	1,044	-	1,044	273
Net assets released from restriction:				
Satisfaction of program restrictions	518,652	(518,652)	-	-
TOTAL REVENUE	21,899,142	617,158	22,516,300	15,225,839
EXPENSES				
Program Services:				
Drinking and Waste Water	20,527,783	-	20,527,783	14,159,634
Solid Waste	900,000	-	900,000	892,866
Research and Economic Development	145,210	-	145,210	-
Total Program Services	21,572,993	-	21,572,993	15,052,500
Supporting Services:				
Management and general	128,327	-	128,327	148,587
Development and fundraising	13,035	-	13,035	29,683
Total Supporting Services	141,362	-	141,362	178,270
TOTAL EXPENSES	21,714,355	-	21,714,355	15,230,770
CHANGE IN NET ASSETS	184,787	617,158	801,945	(4,931)
NET ASSETS, BEGINNING OF YEAR	197,942	-	197,942	202,873
NET ASSETS, END OF YEAR	\$ 382,729	\$ 617,158	\$ 999,887	\$ 197,942

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, 2019

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

	Program Services				Supporting Services			2019 Total	2018 Total
	Drinking and Waste Water	Solid Waste	Research and Economic Development	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services		
Grants to subrecipients	\$ 17,911,777	\$ 792,000	\$ 57,777	\$ 18,761,554	\$ -	\$ -	\$ -	\$ 18,761,554	\$ 13,308,463
Salaries	1,186,495	41,518	30,160	1,258,173	37,536	2,765	40,301	1,298,474	884,491
Database development and maintenance	321,891	5,463	675	328,029	-	-	-	328,029	50,325
Employee benefits	293,741	12,041	8,746	314,528	2,484	147	2,631	317,159	211,545
Training meeting	130,502	13,745	13,673	157,920	61,594	-	61,594	219,514	183,230
Travel	178,750	6,871	6,625	192,246	-	-	-	192,246	92,364
Contractors and consultants	134,069	3,504	3,163	140,736	-	7,828	7,828	148,564	120,066
Occupancy and equipment rental	122,399	4,802	4,802	132,003	4,095	530	4,625	136,628	132,075
Printing and communication	83,213	859	859	84,931	106	-	106	85,037	62,213
Supplies	57,548	200	3,114	60,862	1,151	-	1,151	62,013	21,444
Conference and meetings	29,816	10,639	7,170	47,625	-	-	-	47,625	42,114
Dues and subscriptions	19,385	3,678	3,678	26,741	15,275	-	15,275	42,016	10,478
Other	25,336	225	994	26,555	4,006	1,765	5,771	32,326	19,556
Telephone	13,365	870	189	14,424	-	-	-	14,424	17,570
Auditing and accounting	8,362	2,171	2,171	12,704	1,800	-	1,800	14,504	44,349
Computer services	7,382	550	550	8,482	-	-	-	8,482	22,140
Postage	2,165	452	452	3,069	280	-	280	3,349	1,969
Insurance	1,587	412	412	2,411	-	-	-	2,411	6,378
TOTAL EXPENSES	\$ 20,527,783	\$ 900,000	\$ 145,210	\$ 21,572,993	\$ 128,327	\$ 13,035	\$ 141,362	\$ 21,714,355	\$ 15,230,770

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, 2019

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 801,945	\$ (4,931)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
Grants receivable	(2,859,374)	639,955
Other receivables	(37,478)	21,997
Prepaid expenses	(11,606)	4,167
Other assets	(76)	-
Accounts payable and accrued expenses	289,058	(59,090)
Accrued salaries and related benefits	22,390	10,554
Grants payable	1,770,575	402,306
Refundable advances	<u>(22,793)</u>	<u>(4,000)</u>
NET CASH USED IN (PROVIDED BY) OPERATING ACTIVITIES	<u>(47,359)</u>	<u>1,010,958</u>
NET INCREASE (DECREASE) IN CASH	(47,359)	1,010,958
CASH, BEGINNING OF YEAR	<u>1,220,952</u>	<u>209,994</u>
CASH, END OF YEAR	<u>\$ 1,173,593</u>	<u>\$ 1,220,952</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, 2019

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

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, 2019, all fixed assets were fully depreciated.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

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:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of RCAP at the discretion of RCAP's management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of RCAP or by the passage of time. These donor restrictions can also require RCAP to hold the assets in perpetuity. As of September 30, 2019, RCAP had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

RCAP has contracts with U.S. federal government agencies. 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. Revenue recognized on contracts for which payments have not been received is reflected as grants receivable in the accompanying statement of financial position.

Grants and contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying statement of activities as net assets released from restrictions. Unconditional grants and contributions that have been promised but not yet received are reflected as grants and contributions receivable in the accompanying statement of financial position. There were no grants and contribution receivable as of September 30, 2019.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Direct costs associated with specific programs are recorded as program expenses. Salary and benefits are allocated based on time sheets maintained on a daily basis. Indirect costs are allocated to specific programs based on total direct costs of each program excluding the portion of each individual regional subgrant and subcontract greater than \$25,000.

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.

New Accounting Pronouncement

On August 18, 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*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return for nonprofit organizations. RCAP has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

2. Related Parties

Half of RCAP's board members represent six entities that received subgrants from RCAP. Approximately 82% 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, 2019, subgrants were made to the following related parties:

Rural Community Assistance Corporation (RCAC)	\$ 3,099,226
Great Lakes Community Action Partnership (GLCAP)	2,487,420
Midwest Assistance Program, Inc. (MAP)	2,781,399
Southeast Rural Community Assistance Project, Inc. (SERCAP)	2,926,095
RCAP Solutions, Inc. (RCAPS)	2,974,028
Communities Unlimited (CU)	<u>3,193,966</u>
Total Subgrants to Related Parties	<u>\$ 17,462,134</u>

Continued

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

2. Related Parties (continued)

As of September 30, 2019, grants payable, which were expected to be paid within one year, were owed to the following related parties:

GLCAP	\$ 522,709
RCAC	693,542
MAP	626,428
RCAPS	643,688
SERCAP	585,787
CU	<u>741,482</u>
Total Grants Payable to Related Parties	<u>\$ 3,813,636</u>

3. Net Assets With Donor Restrictions

As of September 30, 2019, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:	
Drinking Water and Waste Water	\$ 487,818
Research and economic development	<u>129,340</u>
Total Net Assets With Donor Restrictions	<u>\$ 617,158</u>

4. 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, 2019, RCAP had approximately \$1,070,000 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.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

4. Commitments and Contingencies (continued)

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, 2019, RCAP recognized revenue from the following U.S. federal government agencies:

U.S. Department of Agriculture (USDA)	\$ 15,491,655
U.S. Environmental Protection Agency (EPA)	5,741,739
U.S. Department of Commerce (DOC)	<u>13,924</u>
Total Grant Awards	<u>\$ 21,247,318</u>

As of September 30, 2019, all of RCAP's grants receivable balance was owed by U.S. federal government agencies as follows:

USDA	\$ 3,953,491
EPA	<u>257,994</u>
Total Grants Receivable	<u>\$ 4,211,485</u>

These amounts are 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 base rent will increase by 4.22%. RCAP is also obligated to pay its proportionate share of real estate taxes and excess operating costs.

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 \$128,986 for the year ended September 30, 2019, and is included as part of occupancy and equipment rental in the accompanying statement of functional expenses.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

4. Commitments and Contingencies (continued)

Operating Lease (continued)

The future minimum rental payments required under this lease, as of September 30, 2019, are as follows:

<u>For the Year Ending September 30,</u>	
2020	\$ 123,154
2021	<u>73,460</u>
Total Future Minimum Rental Payments	<u>\$ 196,614</u>

5. Availability and Liquidity

RCAP regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. RCAP's financial assets available within one year of the statement of financial position date for general expenditures at September 30, 2019, were as follows:

Cash	\$ 1,173,593
Grants receivable	4,211,485
Other receivables	<u>40,978</u>
Total Financial Assets	5,426,056
Less:	
Amounts unavailable for general expenditures within one year due to donor's restriction with purpose restriction	<u>(617,158)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 4,808,898</u>

RCAP has various sources of liquidity at its disposal, including cash, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of RCAP throughout the year. This is done through monitoring and reviewing RCAP's cash flow needs on a regular basis. RCAP bills for the activity related to its federal grants on a monthly basis and the reimbursement to the subrecipients is made once the payment is received from the federal government. As a result, management is aware of the cyclical nature of RCAP's cash flow, primarily from the federal government, and is therefore able to ensure that there is cash available to meet current liquidity needs.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019**

6. 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, 2019, was \$57,632, and is included in employee benefits in the accompanying statement of functional expenses.

7. 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, 2019, 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 FASB 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 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, 2019, 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. It is RCAP's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of September 30, 2019, RCAP had no accruals for interest and/or penalties. In addition, there were no examinations for any open tax periods in progress.

8. Prior Year Summarized Comparative Information

The accompanying financial statements include certain prior year summarized comparative information in total but not be net asset class. 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, 2018, from which the summarized information was derived.

9. Reclassifications

Certain 2018 amounts have been reclassified to conform with the 2019 presentation.

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

10. Subsequent Events

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through March 16, 2020, 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, 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 March 16, 2020.

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 16, 2020

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE 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, 2019. RCAP'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 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 the major federal program. However, our audit does not provide a legal determination of RCAP's compliance.

Continued

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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 the major federal program for the year ended September 30, 2019.

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 16, 2020

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended September 30, 2019

Federal Grantor/Pass-Through Grant/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Technical Assistance and Training Grants	10.761	N/A	\$ 13,029,294	\$ 14,591,655
Solid Waste Management Grants	10.762	N/A	<u>792,000</u>	<u>900,000</u>
Total U.S. Department of Agriculture			<u>13,821,294</u>	<u>15,491,655</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	2,625,369	3,190,063
Surveys, Studies, Investigations, Demonstrations, Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	66.436	N/A	<u>2,127,029</u>	<u>2,551,676</u>
Total U.S. Environmental Protection Agency			<u>4,752,398</u>	<u>5,741,739</u>
U.S. DEPARTMENT OF COMMERCE				
Research and Evaluation Program	11.312	N/A	<u>-</u>	<u>13,924</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 18,573,692</u>	<u>\$ 21,247,318</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, 2019**

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, 2019. 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. Summary of Significant Accounting Policies

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 has elected not to 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, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether

Financial statements audited were prepared
in accordance with GAAP:

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 Program:

<u>CFDA Number</u>	<u>Program Title</u>
10.761	Technical Assistance and Training Grants

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

Auditee qualified as a low-risk auditee? Yes No

RURAL COMMUNITY ASSISTANCE PARTNERSHIP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019**

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

**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.