

Rural Community Assistance Partnership

Financial Statements and
Supplementary Information

Years Ended September 30, 2020 and 2019



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Rural Community Assistance Partnership, Inc.

Financial Statements and Supplementary Information
Years Ended September 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Rural Community Assistance Partnership, Inc.
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of Rural Community Assistance Partnership, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Community Assistance Partnership, Inc. as of September 30, 2020, 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.

Other Matters

Prior Period Financial Statements


The financial statements of Rural Community Assistance Partnership, Inc. as of September 30, 2019, were audited by other auditors whose report dated March 16, 2020, expressed an unmodified opinion on those statements.

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* 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2021, on our consideration of Rural Community Assistance Partnership, Inc.'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 Rural Community Assistance Partnership, Inc.'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 Rural Community Assistance Partnership, Inc.'s internal control over financial reporting and compliance.



Wipfli LLP

February 22, 2021
Madison, Wisconsin

Rural Community Assistance Partnership, Inc.

Statements of Financial Position

September 30,

2020

2019

ASSETS

Current assets:

Cash	\$ 305,353	\$ 1,173,593
Grants receivable	2,007,935	4,211,485
Other receivables	49,018	40,978
Prepaid expenses	115,351	12,847

Total current assets	2,477,657	5,438,903
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Other assets	45,132	8,055
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TOTAL ASSETS	\$ 2,522,789	\$ 5,446,958
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 34,764	\$ 345,454
Accrued payroll and related expenses	107,823	84,533
Grants payable	1,656,247	4,005,871
Refundable advances	0	11,213

Total liabilities	1,798,834	4,447,071
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Net assets:

Without donor restrictions	296,782	382,729
With donor restrictions	427,173	617,158

Total net assets	723,955	999,887
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TOTAL LIABILITIES AND NET ASSETS	\$ 2,522,789	\$ 5,446,958
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Rural Community Assistance Partnership, Inc.

Statements of Activities

Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Federal grants and contracts	\$ 17,270,483	\$ 0	\$ 17,270,483
Other grants and contributions	341,569	775,000	1,116,569
Conference and registration fees	12,092	0	12,092
Membership dues	48,000	0	48,000
Interest income	4,288	0	4,288
In-kind contributions	372,422	0	372,422
Net assets released from restrictions	964,985	(964,985)	0
Total revenue	19,013,839	(189,985)	18,823,854
Expenses:			
Program activities:			
Drinking and Waste Water	17,388,074	0	17,388,074
Solid Waste	993,740	0	993,740
Research and Economic Development	503,843	0	503,843
Total program activities	18,885,657	0	18,885,657
Supporting services:			
Management and general	173,045	0	173,045
Development and fundraising	41,084	0	41,084
Total supporting services	214,129	0	214,129
Total expenses	19,099,786	0	19,099,786
Change in net assets	(85,947)	(189,985)	(275,932)
Net assets - beginning of year	382,729	617,158	999,887
Net assets - end of year	\$ 296,782	\$ 427,173	\$ 723,955

See accompanying notes to financial statements.

Rural Community Assistance Partnership, Inc.

Statements of Activities (Continued)

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Federal grants and contracts	\$ 21,247,318	\$ 0	\$ 21,247,318
Other grants and contributions	36,113	1,135,810	1,171,923
Conference and registration fees	30,335	0	30,335
Membership dues	48,000	0	48,000
Interest income	1,044	0	1,044
In-kind contributions	17,680	0	17,680
Net assets released from restrictions	518,652	(518,652)	0
Total revenue	21,899,142	617,158	22,516,300
Expenses:			
Program activities:			
Drinking and Waste Water	20,527,783	0	20,527,783
Solid Waste	900,000	0	900,000
Research and Economic Development	145,210	0	145,210
Total program activities	21,572,993	0	21,572,993
Supporting services:			
Management and general	128,327	0	128,327
Development and fundraising	13,035	0	13,035
Total supporting services	141,362	0	141,362
Total expenses	21,714,355	0	21,714,355
Change in net assets	184,787	617,158	801,945
Net assets - beginning of year	197,942	0	197,942
Net assets - end of year	\$ 382,729	\$ 617,158	\$ 999,887

See accompanying notes to financial statements.

Rural Community Assistance Partnership, Inc.

Statements of Functional Expenses

Year Ended September 30, 2020

	Drinking and Waste Water	Solid Waste	Research and Economic Development	Total Program Activities	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Grants to subrecipients	\$ 14,640,720	\$ 792,000	\$ 354,699	\$ 15,787,419	\$ 0	\$ 0	\$ 0	\$ 15,787,419
Salaries	1,416,169	74,517	79,972	1,570,658	86,942	8,206	95,148	1,665,806
Database development and maintenance	138,378	9,957	3,211	151,546	(4,818)	0	(4,818)	146,728
Employee benefits	365,726	17,419	23,120	406,265	31,155	2,380	33,535	439,800
Training meeting	47,881	429	19	48,329	9	0	9	48,338
Travel	55,034	3,473	5,434	63,941	2,393	0	2,393	66,334
Contractors and consultants	100,218	3,810	5,715	109,743	2,862	8,004	10,866	120,609
Occupancy and equipment rental	131,738	3,865	3,422	139,025	1,965	0	1,965	140,990
Printing and communication	93,789	532	798	95,119	1,556	0	1,556	96,675
Supplies	280,636	82,897	20,607	384,140	10,840	0	10,840	394,980
Conferences and meetings	20,546	944	1,417	22,907	20,667	15,000	35,667	58,574
Dues and subscriptions	4,890	328	830	6,048	12,555	1,945	14,500	20,548
Other	17,405	800	1,200	19,405	3,991	5,549	9,540	28,945
Telephone	22,875	868	548	24,291	1,503	0	1,503	25,794
Auditing and accounting	26,801	1,232	1,848	29,881	924	0	924	30,805
Computer services	2,267	104	156	2,527	79	0	79	2,606
Postage	19,528	405	607	20,540	303	0	303	20,843
Insurance	3,473	160	240	3,873	119	0	119	3,992
Total Expenses	\$ 17,388,074	\$ 993,740	\$ 503,843	\$ 18,885,657	\$ 173,045	\$ 41,084	\$ 214,129	\$ 19,099,786

See accompanying notes to financial statements.

Rural Community Assistance Partnership, Inc.

Statements of Functional Expenses (Continued)

Year Ended September 30, 2019

	Drinking and Waste Water	Solid Waste	Research and Economic Development	Total Program Activities	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Grants to subrecipients	\$ 17,911,777	\$ 792,000	\$ 57,777	\$ 18,761,554	\$ 0	\$ 0	\$ 0	\$ 18,761,554
Salaries	1,186,495	41,518	30,160	1,258,173	37,536	2,765	40,301	1,298,474
Database development and maintenance	321,891	5,463	675	328,029	0	0	0	328,029
Employee benefits	293,741	12,041	8,746	314,528	2,484	147	2,631	317,159
Training meeting	130,502	13,745	13,673	157,920	61,594	0	61,594	219,514
Travel	178,750	6,871	6,625	192,246	0	0	0	192,246
Contractors and consultants	134,069	3,504	3,163	140,736	0	7,828	7,828	148,564
Occupancy and equipment rental	122,399	4,802	4,802	132,003	4,095	530	4,625	136,628
Printing and communication	83,213	859	859	84,931	106	0	106	85,037
Supplies	57,548	200	3,114	60,862	1,151	0	1,151	62,013
Conferences and meetings	29,816	10,639	7,170	47,625	0	0	0	47,625
Dues and subscriptions	19,385	3,678	3,678	26,741	15,275	0	15,275	42,016
Other	25,336	225	994	26,555	4,006	1,765	5,771	32,326
Telephone	13,365	870	189	14,424	0	0	0	14,424
Auditing and accounting	8,362	2,171	2,171	12,704	1,800	0	1,800	14,504
Computer services	7,382	550	550	8,482	0	0	0	8,482
Postage	2,165	452	452	3,069	280	0	280	3,349
Insurance	1,587	412	412	2,411	0	0	0	2,411
Total Expenses	\$ 20,527,783	\$ 900,000	\$ 145,210	\$ 21,572,993	\$ 128,327	\$ 13,035	\$ 141,362	\$ 21,714,355

See accompanying notes to financial statements.

Rural Community Assistance Partnership, Inc.

Statements of Cash Flows

Years Ended September 30,	2020	2019
Decrease in cash:		
Cash flows from operating activities:		
Change in net assets	\$ (275,932)	\$ 801,945
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Grants receivable	2,203,550	(2,859,374)
Other receivables	(8,040)	(37,478)
Prepaid expenses	(102,504)	(11,606)
Other assets	(37,077)	(76)
Accounts payable	(310,690)	289,058
Accrued payroll and related expenses	23,290	22,390
Grants payable	(2,349,624)	1,770,575
Refundable advances	(11,213)	(22,793)
Net cash used in operating activities	(868,240)	(47,359)
Decrease in cash	(868,240)	(47,359)
Cash - beginning of year	1,173,593	1,220,952
Cash - end of year	\$ 305,353	\$ 1,173,593

See accompanying notes to financial statements.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Founded in 1973, 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's regional partners have approximately 250 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 financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of RCAP and changes therein are classified and reported as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources may be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reflected as refundable advances.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of those earned are reflected in the statement of financial position as deferred revenue.

Membership dues are recorded as revenue in the period the membership pertains to.

Conference revenue and registration fees are recognized at the completion of the conference or training.

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.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

RCAP is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the State income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

RCAP is required to assess whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. RCAP has determined there are no amounts to records as assets or liabilities related to uncertain tax positions.

In-Kind Contributions

In-kind contributions represent donated supplies and outside services and are reflected as contributions in the financial statements at their estimated fair values at the date of receipt. RCAP has recorded in-kind contributions for supplies and professional services in the statement of activities in accordance with a financial accounting standard that requires that only contributions of services received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donations be recorded.

Functional Allocation of Costs

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.

Change in Accounting Policy

In 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The Amendments in the Update assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and determining whether a transaction is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. RCAP has applied the amendments in this ASU as of October 1, 2019, on a modified retrospective basis. There was no change in opening balances of net assets and no prior period results were restated.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, Revenue Recognition, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic companies for annual periods beginning after December 15, 2018. On June 3, 2020, FASB issued ASU 2020, ASU No. 2020-05, Revenue from Contracts with Customers (Topic 606) that extended the effective date for certain entities to annual periods beginning after December 15, 2019. RCAP is currently evaluating the impact of the provisions of ASU Topic 606.

In 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU No. 2016-02 must be applied modified retrospectively. On June 3, 2020, FASB issued ASU 2020, ASU No. 2016-12, *Leases* (Topic 842) that extended the effective date for certain entities to annual periods beginning after December 15, 2021. RCAP is currently evaluating the impact of the provisions of ASU Topic 842.

Note 2: Concentration of Credit Risk

RCAP maintains cash balances at financial institutions. Balances up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration's (NCUA) per depositor per institution. At times during the year, the bank balances may have been in excess of FDIC and NCUA coverage. RCAP has not experienced any losses with the accounts and management believes RCAP is not exposed to any significant risk on balances at financial institutions.

Note 3: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following for RCAP as of September 30:

	2020	2019
Cash and cash equivalents	\$ 305,353	\$ 1,173,593
Grants receivable	2,007,935	4,211,485
Other receivables	49,018	40,978
Subtotal financial assets	2,362,306	5,426,056
Less: accounts payable	(34,764)	(345,454)
Less: accrued payroll and related expenses	(107,823)	(84,533)
Less: grants payable	(1,656,247)	(4,005,871)
Less: amounts with donor restrictions	(427,173)	(617,158)
Total	\$ 136,299	\$ 373,040

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 3: Liquidity and Availability (continued)

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.

Note 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 years ended September 30, 2020 and 2019, was \$89,601 and \$57,632, respectively, and is included in employee benefits in the accompanying statement of functional expenses.

Note 5: Operating Leases

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. In April 2020, RCAP entered into an operating lease agreement for office space with a commencement date of October 1, 2021 through October 2032. Under the terms of the lease, rent increases by 2.50% each year.

Rent expense was \$137,770 and \$128,986 for the years ended September 30, 2020 and 2019, respectively, and is included as part of occupancy and equipment rental in the accompanying statements of functional expenses.

Future minimum lease payments under all operating leases are as follows:

Year Ending September 30,

2021	\$ 73,460
2022	222,916
2023	228,489
2024	234,207
2025	240,071
Thereafter	1,881,008
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Total	\$ 2,880,151

Note 6: Related Party Transactions

Six of RCAP's board members represent entities that received subgrants from RCAP. For the years ending September 30, 2020 and 2019, 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 statements of functional expenses.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 6: Related Party Transactions (Continued)

Subgrants were made to the following related parties during the years ended September 30:

	2020	2019
Rural Community Assistance Corporation (RCAC)	\$ 2,421,836	\$ 3,099,226
Great Lakes Community Action Partnership (GLCAP)	2,110,246	2,487,420
Midwest Assistance Program, Inc. (MAP)	2,104,905	2,781,399
Southeast Rural Community Assistance Project, Inc. (SERCAP)	2,297,229	2,926,095
RCAP Solutions, Inc. (RCAPS)	2,762,094	2,974,028
Communities Unlimited (CU)	2,540,085	3,193,966
Total Subgrants to Related Parties	\$ 14,236,395	\$ 17,462,134

Grants payable, which were expected to be paid within one year, were owed to the following related parties at September 30:

	2020	2019
RCAC	\$ 500,295	\$ 693,542
GLCAP	291,417	522,709
MAP	246,356	626,428
SERCAP	192,821	585,787
RCAPS	78,855	643,688
CU	193,084	741,482
Total Grants Payable to Related Parties	\$ 1,502,828	\$ 3,813,636

Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following purposes at September 30:

	2020	2019
Subject to expenditure for a specific purpose:		
Water and Waste Regionalization	\$ 194,762	\$ 487,818
Research and Economic Development	183,650	129,340
Safe Drinking Water	48,761	0
Total Net Assets with Donor Restrictions	\$ 427,173	\$ 617,158

Note 8: Grant Awards

At September 30, 2020, RCAP had received future funding commitments under various grants of approximately \$4,000,000. Of the \$4,000,000, approximately \$3,600,000 will be awarded to subrecipients. These commitments are not recognized in the accompanying financial statements as revenues and receivables as they are conditional awards.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 9: Commitments and Contingencies

RCAP participates in a number of federally assisted and state grant programs. These programs are subject to program compliance audits by the grantors and their representatives. Any disallowed costs may constitute a liability of RCAP. RCAP believes that it is in compliance with all grant requirements, including those related to matching and disallowed costs, and any noncompliance would not be significant.

Note 10: Risks and Uncertainties

Concentration of Risk – Major Grantors

RCAP earns substantially all of its revenue from two U.S. federal government agencies. During the years ended September 30, 2020 and 2019, RCAP recognized revenue from the following U.S. federal government agencies:

	2020	2019
U.S. Department of Agriculture (USDA)	\$ 10,719,775	\$ 15,491,655
U.S. Environmental Protection Agency (EPA)	6,297,055	5,741,739
U.S. Department of Commerce (DOC)	253,653	13,924
Total Grant Awards	\$ 17,270,483	\$ 21,247,318

Grants receivable due from grantors consisted of the following as of September 30:

	2020	2019
United States Department of Agriculture	\$ 1,307,249	\$ 3,953,491
Environmental Protection Agency	660,904	257,994
Other various agencies	39,782	0
Total	\$ 2,007,935	\$ 4,211,485

These amounts are considered fully collectible.

Business Conditions

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 Pandemic (COVID-19). RCAP has received additional funding to assist with operating in a COVID-19 environment and to provide additional assistance to program participants. RCAP has not suffered material adverse impacts to operations from COVID-19 and management believes it is taking appropriate action to mitigate the risks and uncertainties of COVID-19. The future impact of COVID-19 on RCAP cannot be reasonably estimated at this time.

Rural Community Assistance Partnership, Inc.

Notes to Financial Statements

Note 11: Paycheck Protection Program

During the year, RCAP received an award in the amount of \$266,400 from the Small Business Administration's (SBA) Paycheck Protection Program (PPP) as a result of legislation passed to assist businesses in navigating the Coronavirus Pandemic. RCAP has determined the award is a conditional grant and has applied the policy as described in Note 1. For the year ended September 30, 2020, RCAP determined that the conditions of the award have been substantially met and the full amount of the award was recognized as revenue.

Note 12: Subsequent Events

Subsequent events have been evaluated through February 22, 2021, which is the date the financial statements were available to be issued.

On January 5, 2021, RCAP's application for forgiveness of the \$266,400 Paycheck Protection Program grant was approved by the lender and the Small Business Administration.

Supplementary Information

Rural Community Assistance Partnership, Inc.

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2020

Federal Grantor/ Program Title	CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
DEPARTMENT OF AGRICULTURE			
Direct			
Technical Assistance and Training Grant - TT 19-20	10.761	\$ 7,270,142	\$ 7,969,581
Technical Assistance and Training Grant - 20-21	10.761	310,504	400,826
Technical Assistance and Training Grant - Tribal	10.761	406,126	463,037
Technical Assistance and Training Grant - Tribal 20-21	10.761	11,230	14,319
Technical Assistance and Training Grant - Colonias	10.761	661,495	752,175
Total Federal Expenditures CFDA 10.761		8,659,497	9,599,938
Direct			
Solid Waste Management Grants	10.762	792,000	898,400
Direct			
REDI	10.890	184,516	221,438
TOTAL DEPARTMENT OF AGRICULTURE		9,636,013	10,719,776
DEPARTMENT OF COMMERCE			
Direct			
Research and Evaluation Program	11.312	99,509	139,891
Research and Evaluation Program	11.312	70,674	113,763
Total Federal Expenditures CFDA 11.312		170,183	253,654
TOTAL DEPARTMENT OF COMMERCE		170,183	253,654
DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY			
Direct			
Surveys, Studies, Investigations, Demonstrations, and Training Grants - Section 1442 of the Safe Drinking Water Act	66.424	3,124,488	3,596,150
Direct			
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	986,502	1,198,810
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436	1,394,931	1,502,095
Total Federal Expenditures CFDA 66.436		2,381,433	2,700,905
TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY		5,505,921	6,297,055
TOTAL FEDERAL EXPENDITURES		\$ 15,312,117	\$ 17,270,485

Rural Community Assistance Partnership, Inc.

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and list of programs (the "Schedule") includes the federal award activity of Rural Community Assistance Partnership, Inc. under programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rural Community Assistance Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Rural Community Assistance Partnership, Inc.

Note 2 - 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where

Note 3 - Indirect Cost Rate

Rural Community Assistance Partnership, Inc. has a federally negotiated indirect cost rate agreement and therefore has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Donated Personal Protective Equipment

Rural Community Assistance Partnership, Inc. received a donation of 105,000 masks during the year ended September 30, 2020. The fair market value of the masks was \$329,700. This amount is not included in the Schedule of Expenditures of Federal Awards.

Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Rural Community Assistance Partnership, Inc.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Rural Community Assistance Partnership, Inc., which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rural Community Assistance Partnership, Inc.’s internal control over financial reporting (“internal control”) as a basis for designing 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 Rural Community Assistance Partnership, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Rural Community Assistance Partnership, Inc.’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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rural Community Assistance Partnership, Inc.'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 financial statements. 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 Rural Community Assistance Partnership, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rural Community Assistance Partnership, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

February 22, 2021
Madison, Wisconsin

Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance

Board of Directors
Rural Community Assistance Partnership, Inc.
Washington, DC

Report on Compliance for the Major Federal Program

We have audited Rural Community Assistance Partnership, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement*, that could have a direct and material effect on its major federal program for the year ended September 30, 2020. Rural Community Assistance Partnership, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Rural Community Assistance Partnership, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Rural Community Assistance Partnership, Inc.'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 Rural Community Assistance Partnership, Inc.'s compliance.

Opinion

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

Report on Internal Control Over Compliance

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

Handwritten signature of Wipfli LLP in cursive script.

Wipfli LLP

February 22, 2021
Madison, Wisconsin

Rural Community Assistance Partnership, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over the major federal program:	
Material weakness identified?	No
Significant deficiency identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
Identification of major federal program:	
<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Surveys, Studies, Investigations, Demonstrations, and Training Grants – Section 1442 of the Safe Drinking Water Act	66.424
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Summary Schedule of Prior Year Findings

None