

**CORNELL COOPERATIVE EXTENSION
ASSOCIATION OF ERIE COUNTY**

**Financial Statements as of
December 31, 2016
Together with
Independent Auditor's Report
and Single Audit Reports**

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

TABLE OF CONTENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	3 - 6
Notes to Financial Statements	7 - 12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	13 - 14
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by The Uniform Guidance	15 - 16
Schedule of Expenditures of Federal Awards	17
Notes to the Schedule of Expenditures of Federal Awards	18
Schedule of Findings and Questioned Costs	19

INDEPENDENT AUDITOR'S REPORT

July 18, 2017

To the Board of Directors of
Cornell Cooperative Extension Association of Erie County:

Report on the Financial Statements

We have audited the accompanying financial statements of Cornell Cooperative Extension Association of Erie County (the Association), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, 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.

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 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 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 the Association as of December 31, 2016, 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.

(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

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 July 18, 2017, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 139,328
Accounts receivable	233,926
Current portion of mortgage receivable	5,883
Prepaid expenses	<u>294</u>

Total current assets 379,431

INVESTMENTS 622,235

MORTGAGE RECEIVABLE, net of current portion 355,825

PROPERTY AND EQUIPMENT, net 29,705

DEPOSITS 54,032

Total assets \$ 1,441,228

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 126,067
Accounts payable - Cornell	66,251
Deferred revenue	<u>15,315</u>

Total current liabilities 207,633

NET ASSETS

Unrestricted:

Undesignated	118,319
Board designated	<u>1,110,276</u>

Total unrestricted 1,228,595

Permanently restricted 5,000

Total net assets 1,233,595

Total liabilities and net assets \$ 1,441,228

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support -			
Federal grants and contracts	\$ 910,701	\$ -	\$ 910,701
Contributions-in-kind	382,625	-	382,625
County contracts	295,357	-	295,357
State grants and contracts	78,351	-	78,351
Smith/Lever grants and contracts	64,658	-	64,658
Other grants and contracts	45,231	-	45,231
Contributions	29,290	-	29,290
	<u>1,806,213</u>	<u>-</u>	<u>1,806,213</u>
Total support			
Revenue -			
Fundraising sales	328,017	-	328,017
Program participation fees	36,463	-	36,463
Investment income	36,622	-	36,622
Specialist contract support	26,207	-	26,207
Reimbursement of professional services	4,196	-	4,196
Enterprise sales	4,095	-	4,095
Other	122	-	122
	<u>435,722</u>	<u>-</u>	<u>435,722</u>
Total revenue			
Total support and revenue	<u>2,241,935</u>	<u>-</u>	<u>2,241,935</u>
EXPENSES:			
Program services	1,555,703	-	1,555,703
Management and general	321,338	-	321,338
Fundraising	347,811	-	347,811
	<u>2,224,852</u>	<u>-</u>	<u>2,224,852</u>
Total expenses			
CHANGE IN NET ASSETS	17,083	-	17,083
NET ASSETS - beginning of year	<u>1,211,512</u>	<u>5,000</u>	<u>1,216,512</u>
NET ASSETS - end of year	<u>\$ 1,228,595</u>	<u>\$ 5,000</u>	<u>\$ 1,233,595</u>

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 610,750	\$ 125,610	\$ 15,795	\$ 752,155
Employee benefits	311,258	64,015	8,050	383,323
Consulting and contracted services	351,399	72,270	9,088	432,757
Cost of fundraising	-	-	290,208	290,208
Printing and publications	49,807	10,244	1,288	61,339
Occupancy	48,695	10,015	1,259	59,969
Travel	45,414	9,340	1,175	55,929
Supplies	43,410	8,928	1,123	53,461
Communications	21,332	4,387	552	26,271
Awards and prizes	-	-	17,369	17,369
Unemployment/Worker's Comp	13,780	2,834	357	16,971
Employee development	13,216	2,718	342	16,276
Meetings and conferences	9,745	2,004	252	12,001
Insurance	9,061	1,864	234	11,159
Depreciation	7,847	1,614	203	9,664
Association services	4,385	902	113	5,400
Enterprise	3,747	771	97	4,615
Equipment rental and maintenance	3,377	695	87	4,159
Legal fess	-	1,378	-	1,378
Interest	-	6	-	6
Miscellaneous	8,480	1,743	219	10,442
	<u>\$ 1,555,703</u>	<u>\$ 321,338</u>	<u>\$ 347,811</u>	<u>\$ 2,224,852</u>
Total expenses	<u>\$ 1,555,703</u>	<u>\$ 321,338</u>	<u>\$ 347,811</u>	<u>\$ 2,224,852</u>

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOW FROM OPERATING ACTIVITIES:

Change in net assets	\$ 17,083
Adjustments to reconcile change in net assets to net cash flow from operating activities:	
Depreciation	9,664
Unrealized gain on investments	(4,390)
Changes in:	
Accounts receivable	(51,178)
Mortgage receivable	6,051
Prepaid expenses	535
Deposits	(12,201)
Accounts payable and accrued expenses	32,900
Accounts payable - Cornell	37,337
Deferred revenue	<u>(9,353)</u>

Net cash flow from operating activities	<u>26,448</u>
---	---------------

CASH FLOW FROM INVESTING ACTIVITIES:

Purchases of property and equipment	(14,349)
Sale of investments	7,265
Purchases of investments	<u>(625,110)</u>

Net cash flow from investing activities	<u>(632,194)</u>
---	------------------

CHANGE IN CASH AND CASH EQUIVALENTS	(605,746)
-------------------------------------	-----------

CASH AND CASH EQUIVALENTS - beginning of year	<u>745,074</u>
---	----------------

CASH AND CASH EQUIVALENTS - end of year	<u>\$ 139,328</u>
---	-------------------

The accompanying notes are an integral part of these statements.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. THE ASSOCIATION

Cornell Cooperative Extension Association of Erie County (the Association) is part of the Cornell Cooperative Extension land grant university system, a partnership among County, State and Federal governments.

Cornell Cooperative Extension was created as a state-wide system in 1911 as a Farm Bureau, and the Association was established in 1914, becoming an integral part of the land grant university system in the State of New York. The historic purpose of the Association is to provide continuing informal education to the people and communities of Erie County. The basic mission of Cornell Cooperative Extension is to disseminate and encourage the application of research-generated knowledge to individuals, families, businesses and communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

Financial Reporting

The Association categorizes net assets and activities as unrestricted, temporarily restricted, and permanently restricted. Contributions are reported as temporarily or permanently restricted if they are received with donor stipulations that limit their use to a specific time period or purpose. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restriction. The Association's net assets consisted of the following:

- Unrestricted net assets include operating net assets, which are not subject to donor-imposed stipulations, and are generally available for support of the Association's operations.
- Temporarily restricted net assets include resources resulting from contributions of assets whose use by the Association is limited by donor-imposed restrictions that either expire by passage of time or will be fulfilled by future actions of the Association pursuant to those restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service. In the absence of donor specification, the income and gains on temporarily restricted assets are unrestricted as to its use. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as unrestricted revenue.
- Permanently restricted resources must be held in perpetuity, the income from which is either unrestricted and is used to support the Association's program activities or restricted by the donor for a specific purpose. Earnings on permanently restricted net assets are classified as temporarily restricted until appropriated for expenditure by the Board or spent in accordance with the donor's specifications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting (Continued)

As of and for the year ended December 31, 2016, there were no temporarily restricted net assets and permanently restricted net assets were restricted for a scholarship program.

Revenue Recognition

Revenue and expenses are recorded on the accrual basis whereby revenue is recognized when earned and expenses are recorded when incurred. Restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Government Grants and Government Contracts

The Association recognizes revenue on its government grants and contracts when eligible costs are incurred. Amounts received in advance of incurring the related costs are reported as deferred revenue.

Investments

Investments are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market, economic conditions, world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in their values could occur in the near term and such changes could materially affect the Association's net assets.

Fair Value Measurements

The Association uses various valuation techniques in determining fair value. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Association. Unobservable inputs are inputs that reflect the Association's assumptions about the assumptions that market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Association has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The valuation methodology used for the Association's investments is discussed in Note 5.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposit and time deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. As of December 31, 2016, management believes that a valuation allowance is not required as all accounts are considered collectible.

Mortgage Receivable

Mortgage receivable represents amounts due to the Association in connection with the sale of its building. The mortgage note is stated at its unpaid principal balance. Monthly payments of \$1,986 include interest at 5% per annum. The mortgage note matures on July 1, 2045.

An allowance for loan losses will be maintained at a level that, in management's judgment, is adequate to absorb losses on the mortgage note. The amount of the allowance is based on management's evaluation of the collectability of the mortgage note, including the nature of the mortgage note, economic conditions and other risks inherent with the mortgage note. Management has determined that no allowance is necessary at December 31, 2016.

Property and Equipment

The Association follows the practice of capitalizing expenditures for property and equipment in excess of \$1,000. Purchased assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. When property is retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statement of activities and change in net assets.

Deposits

Annually, the Association and Cornell University (the University) enter into an agreement that includes a statement on the part of the Association that it will adhere to financial policies established by the University. The University administers the payroll function for the Association and requires a cash deposit to fund the disbursements of payroll. This deposit is reported as an asset on the statement of financial position. The associated payroll liability is reported as a current liability on the statement of financial position called accounts payable – Cornell.

Fringe Benefits

As required by the Cornell Cooperative Extension Financial Operations Resource Manual Code Section 706, with the exception of Workers' Compensation and Unemployment Insurance, fringe benefits for the Association's employees are provided by New York State through the University at no cost to the Association. The estimated value of this support to the Association as of December 31, 2016 was \$382,625, and is reported as employee benefits on the statement of functional expenses.

Income Taxes

The Association is a subordinate organization group under group exemption 0645, under section 501(c)(3) of the Internal Revenue Code, and therefore exempt from federal income tax. The Association is covered by an IRS group ruling of Cornell Cooperative Extension in the State of New York.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Volunteers have donated significant amounts of time in support of the Association's activities. The value of these services is not reflected in the accompanying statements, as these services do not meet the criteria for recognition as set forth under GAAP.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. BOARD DESIGNATED NET ASSETS

Unrestricted net assets designated by the Board of Directors are as follows at December 31, 2016:

Long term capital projects	\$ 975,000
Initial payment to Cornell University	52,782
Plant	29,705
Other	<u>52,789</u>
	<u>\$ 1,110,276</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2016:

Supplemental Nutrition Assistance Program	\$ 171,185
Cornell University	39,256
Other	<u>23,485</u>
	<u>\$ 233,926</u>

5. INVESTMENTS

Investments consist of the following at December 31, 2016:

Mutual funds	<u>\$ 622,235</u>
--------------	-------------------

Net investment income from investments and the mortgage receivable consisted of the following for the year ended December 31, 2016:

Interest and dividends	\$ 32,232
Unrealized gain	<u>4,390</u>
	<u>\$ 36,622</u>

5. INVESTMENTS (Continued)

Fair Value

The Association's investments are measured at fair value on a recurring basis using the following input levels at December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Mutual funds -				
Cash and cash equivalents	\$ 18,459	\$ -	\$ -	\$ 18,459
Domestic equity	155,012	-	-	155,012
Domestic bond fund	<u>448,764</u>	<u>-</u>	<u>-</u>	<u>448,764</u>
	<u>\$ 622,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 622,235</u>

The valuation methodology used for the Association's assets measured at fair value, which consists of investments in mutual funds, is to value at quoted market prices of the investments on the last business day of the fiscal year.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016:

Furniture and fixtures	\$ 30,264
Computers and equipment	<u>33,679</u>
	63,943
Less: Accumulated depreciation	<u>(34,238)</u>
	<u>\$ 29,705</u>

7. LINE OF CREDIT

The Association has an unsecured line of credit that provided for borrowings up to \$100,000. Amounts borrowed under the terms of the agreements bear interest at 5.50% as of December 31, 2016. There was no amount outstanding as of December 31, 2016.

8. COMMITMENTS

The Association leases office equipment and office space under various non-cancelable operating leases. Lease expense was approximately \$60,000 for the year ended December 31, 2016.

Future minimum lease payments are as follows:

2017	\$ 61,437
2018	23,061
2019	1,385
2020	<u>115</u>
	<u>\$ 85,998</u>

9. RETIREMENT PLANS

Through the University, employees of the Association participate in the New York State and Local Employees' Retirement System (NYSERS). The Association has incurred no expense for retirement benefits under the plan for the year ended December 31, 2016, as the estimated value of this support to the Association is reported as contributions-in-kind on the statement of activities and change in net assets and employee benefits on the statement of functional expenses.

10. RELATED PARTY TRANSACTIONS

The Association receives certain grant funding from the University to fund various programs throughout the year. The University also administers the payroll function and provides certain fringe benefits for the Association, as referenced in Note 2. The Association recognized professional services revenue of \$26,207 during the year ending December 31, 2016, related to grants that were funded by the University. The amount owed by the University to the Association that is included in accounts receivable on the statement of financial position as of December 31, 2016 amounted to \$39,256.

11. TRANSACTIONS WITH AFFILIATES

The Association has agreements in place with the Cooperative Extension Association of Wyoming County (CCE Wyoming) to provide support services related to administrative leadership, finance, human resources, and information technology through the Cooperative Extension Shared Business Network (the SBN), along with seven other county cooperative extensions. Expenses related to the SBN agreements are included in consulting and contracted services expenses on the statement of functional expenses in the amount of \$20,514 for the year ended December 31, 2016. The Association has a payable to CCE Wyoming, through Cornell University, that is included in accounts payable on the statement of financial position as of December 31, 2016 in the amount of \$1,707.

In addition, the Association had various memorandums of understanding in place with other affiliates related to grants that they work in conjunction on. The expenses related to these grants are included in consulting and contracted services expenses on the statement of functional expenses.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through July 18, 2017, the date these financial statements were available to be issued.

**INDEPENDENT AUDITOR'S 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**

July 18, 2017

To the Board of Directors of
Cornell Cooperative Extension Association of Erie County:

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 Cornell Cooperative Extension Association of Erie County (the Association), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and have issued our report thereon dated July 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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.

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S 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*

(Continued)

Compliance and Other Matters

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

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

July 18, 2017

To the Board of Directors of
Cornell Cooperative Extension Association of Erie County:

Report on Compliance for Each Major Federal Program

We have audited Cornell Cooperative Extension Association of Erie County's (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. The Association'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

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Association'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 the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association 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 December 31, 2016.

100 Corporate Parkway
Suite 200
Amherst, New York 14226
p (716) 250-6600
f (716) 250-6605

www.bonadio.com

(Continued)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

(Continued)

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association'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 the Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Contract/Grantor Number</u>	<u>Pass through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture:				
Passed through the New York State Office of Temporary and Disability Assistance -				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Education	10.561	C021777	\$ 315,267	\$ 789,086
Passed through Cornell University -				
Agriculture and Food Research Initiative	10.310	73280-10318	\$ -	\$ 57,703
Farm to School Grant Program	10.575	F008P21 440 SZ16	-	1,222
Local Food Promotion Program	10.172		-	20,000
Total U.S. Department of Agriculture			\$ 315,267	\$ 868,011
U.S. Department of Justice:				
Passed through Cornell University -				
Juvenile Mentoring Program	16.726	77805-10626	\$ -	\$ 37,262
Total U.S. Department of Justice			\$ -	\$ 37,262
U.S. Department of Health and Human Services:				
Passed through Journey's End Refugee Services, Inc. -				
Refugee and Entrant Assistance Discretionary Grants	92.576	HHS-2013-ACF-ORR-ZR-0570	\$ -	\$ 4,875
Refugee and Entrant Assistance Discretionary Grants	93.576	HHS-2016-ACF-ORR-ZR-1141	-	553
Total U.S. Department of Health and Human Services			\$ -	\$ 5,428
Total Expenditures of Federal Awards			\$ 315,267	\$ 910,701

The accompanying notes are an integral part of this schedule.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016

1. GENERAL

The accompanying schedule of expenditures of federal awards has been prepared in conformity with accounting principles generally accepted in the United States. Amounts included in the accompanying schedule of expenditures of federal awards are actual expenditures for the year ended December 31, 2016. The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Cornell Cooperative Extension Association of Erie County (the Association). 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 of expenditures of federal awards presents only a selected portion of the Association's operations, it is not intended to, and does not, present the financial position, change in net assets, or cash flows of the Association.

2. BASIS OF ACCOUNTING

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.

3. INDIRECT COST RATE

The Association does not allocate indirect costs to federal programs, and as such, does not apply the 10% de minimis rate permitted by the Uniform Guidance.

CORNELL COOPERATIVE EXTENSION ASSOCIATION OF ERIE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2016

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Cornell Cooperative Extension Association of Erie County (the Association) were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of the Association which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by The Uniform Guidance.
5. The independent auditor's report on compliance for the Association's major federal award program expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for the Association that are required to be reported in this schedule.
7. The program tested as a major program was the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Education, CFDA number 10.561.
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. The Association was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

D. SUMMARY OF PRIOR YEAR FINDINGS

None