



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

# KANSAS LAND TRUST, INC.

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FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2010 AND 2009

KANSAS LAND TRUST, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009

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BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Kansas Land Trust, Inc.:

We have audited the accompanying statements of cash receipts and disbursements of the Kansas Land Trust, Inc. (the Organization) for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Organization for the years ended December 31, 2010 and 2009, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information listed in the table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Berberich Trahan & Co., P.A.*

October 26, 2011  
Topeka, Kansas

# KANSAS LAND TRUST, INC.

## STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended December 31, 2010 and 2009

	2010	2009
Receipts:		
Contributions	\$ 159,761	\$ 279,646
Grants	2,554,065	2,786,232
Merchandise sales	1,536	3,194
Interest income	5,266	4,861
Other receipts	618	1,424
Total receipts	2,721,246	3,075,357
Disbursements:		
Easement purchases	1,405,000	2,697,633
Army Compatible Use Buffer Program	41,505	25,369
Payroll	180,514	164,155
Printing	4,296	6,476
Rent	12,998	10,995
Postage	2,649	2,167
Merchandise	469	1,007
Office supplies	11,744	3,422
Professional fees	6,825	7,500
Conference and training	3,423	6,585
Travel	2,475	3,727
Meals	804	724
Dues, subscriptions and fees	2,052	1,697
Telephone	1,547	1,305
Events	1,624	2,149
Fundraising	4,758	-
Insurance	2,936	2,250
Utilities	1,206	1,410
Internet provider	645	600
Equipment	2,352	-
Title	1,082	2,112
Independent contractor	-	824
Website development	151	224
Miscellaneous	217	1,486
Total disbursements	1,691,272	2,943,817
Excess of receipts over disbursements	1,029,974	131,540
Cash and investments, beginning of year	419,016	287,476
Cash and investments, end of year	\$ 1,448,990	\$ 419,016
Cash and investments consist of:		
Cash	\$ 1,416,841	419,016
Investments	32,149	-
	\$ 1,448,990	\$ 419,016

See accompanying notes to financial statements.

KANSAS LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010 and 2009

1 - Organization and Summary of Significant Accounting Policies

Organization

Kansas Land Trust, Inc. (the Organization) has been organized to protect and preserve lands of ecological, agricultural, scenic, historic or recreational significance in Kansas via conservation easements, purchase or other means.

Basis of Accounting and Presentation

The Organization's accounts are maintained on a cash basis, and the statements of cash receipts and disbursements recognize only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses and amortization and depreciation, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

Investments

The Organization's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Income Tax Matters

The Organization has received a determination letter from the Internal Revenue Service that indicates the Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization has not been classified as a private foundation under Section 509(a)(2).

The Organization's policy is to evaluate uncertain tax positions annually. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to or disclosure in the financial statements.

Forms 990 and 990T filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by the Organization are no longer subject to examination for the fiscal years ended 2006 and prior.

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 2 - Restricted Cash

The Organization had restricted cash, as follows, at December 31:

	<u>2010</u>	<u>2009</u>
Donor-restricted:		
Easements	\$ 41,200	\$ -
Signage	-	1,580
Digital and office equipment	-	6,500
Flint Hills	<u>65,041</u>	<u>65,041</u>
Total donor restricted	106,241	73,121
Grant restricted:		
Easements	1,026,362	-
Board designated:		
Stewardship funds (legal defense)	<u>166,892</u>	<u>154,592</u>
Total restricted	<u><u>\$ 1,299,495</u></u>	<u><u>\$ 227,713</u></u>

Restricted cash spent during the years ended December 31 are as follows:

	<u>2010</u>	<u>2009</u>
Donor restricted:		
Easements	\$ -	\$ 60,350
Landowner survey	-	22,542
Signage	1,580	-
Digital and office equipment	<u>6,500</u>	<u>-</u>
	<u><u>\$ 8,080</u></u>	<u><u>\$ 82,892</u></u>

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 3 - Functional Disbursements

Disbursements classified by function are as follows for the years ended December 31:

	2010	2009
Program services	\$ 1,626,618	\$ 2,881,662
Management and general	57,803	58,282
Fundraising	6,851	3,873
	<u>\$ 1,691,272</u>	<u>\$ 2,943,817</u>

### 4 - Investments

Investments consisted of the following at December 31:

	2010	
	Cost	Fair Value
		Unrealized Gain
Mutual funds	<u>\$ 30,118</u>	<u>\$ 32,149</u>
		<u>\$ 2,031</u>

### 5 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:



KANSAS LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - Fair Value Measurements (Continued)

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
Level 3	Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2010.

Mutual Funds: Based on quoted market prices for those or similar investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# KANSAS LAND TRUST, INC.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 5 - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2010 are as follows:

Description	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1	Level 2	Level 3
Equity and Income mutual funds	\$ 32,149	\$ 32,149	\$ -	\$ -

There were no transfers between the levels during the year. The Organization's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

### 6 - Operating Lease

The Organization had a lease agreement which expired December 30, 2010, for office space. The lease provided for monthly payments of \$ 950. Lease expense for the years ended December 31, 2010 and 2009 was \$ 12,998 and \$ 10,995, respectively. A new lease agreement for office space was signed December 31, 2010, expiring December 31, 2011, with monthly lease payments of \$ 950. The Organization also entered into a new month-to-month lease agreement for storage space that began in October 2010. The lease provides for monthly payments of \$ 83.

### 7 - Easements

During 2010, the Organization purchased five easements. The fair market value of the purchased easements was \$ 2,526,900. The Organization received grants in the amount of \$ 1,431,362, \$ 1,000,000, \$ 750,000 and \$ 250,000 from the U.S. Army Research and Development Engineering Command (RDECOM), the Natural Resource Conservation Service (NRCS) Farm and Ranch Lands Protection Program (FRPP), the Department of the Interior Wildlife Restoration program and Kansas Department of Wildlife and Parks, respectively. At December 31, 2010, there was \$ 1,026,362 of grant monies received but not yet spent for an easement in process.

KANSAS LAND TRUST, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - Easements (Continued)

During 2009, the Organization purchased six easements. The fair market value of the purchased easements was \$ 3,099,350. The Organization received grants in the amount of \$ 2,637,850 and \$ 677,500 from the U.S. Army Research and Development Engineering Command (RDECOM) and the Natural Resource Conservation Service (NRCS) Farm and Ranch Lands Protection Program (FRPP), respectively.

The values of the easements contributed by the landowners are not reflected in the accompanying financial statements as they are prepared on a cash basis.

8 - Economic Dependency

The Organization receives the majority of its funds from federal, state and local grantor agencies. In the event these grants were discontinued or severely restricted, the activities of the Organization would be curtailed accordingly.

9 - Retirement Plan

The Organization's SIMPLE IRA plan is a defined contribution pension plan. This plan allows employees to defer a percentage of their income on a pre-tax basis through contributions to the savings plan. The Organization matches employee contributions up to 3% of the employees' compensation. The charges to expense for the years ended December 31, 2010 and 2009 were \$ 5,567 and \$ 1,145, respectively.

10 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statements are available to be issued.

## SUPPLEMENTARY INFORMATION

KANSAS LAND TRUST, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture: Farm and Ranch Lands Protection Program	10.913	\$ 1,000,000
U.S. Department of Defense: Army Compatible Use Buffers	12.610	504,847
U.S. Department of Interior: Passed through Kansas Department of Wildlife and Parks: Wildlife Restoration	15.611	<u>750,000</u>
Total expenditures of federal awards		<u><u>\$ 2,254,847</u></u>

See accompanying notes to schedule of expenditures  
of federal awards

KANSAS LAND TRUST, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2010

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the Kansas Land Trust, Inc. (the Organization).

2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the cash basis of accounting which is described in Note 1 to the Organization's financial statements.

3 - Relationship to Financial Statements

Federal award receipts are reported in the Organization's financial statements as follows:

Total expenditures of federal awards	\$ 2,254,847
Less amounts paid directly to escrow agent	<u>750,000</u>
Included in grants receipts on the Statements of Cash Receipts and Disbursements	<u><u>\$ 1,504,847</u></u>

The Organization operates on a cash basis of accounting. Certain funds were sent directly to an escrow agent instead of passing through the Organization's financial system. These funds are not recorded by the Organization however, these funds are considered federal awards to the Organization and are reported on the Schedule of Expenditures of Federal Awards.

KANSAS LAND TRUST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2010

**Section I - Summary of Independent Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unqualified – cash basis

Internal control over financial reporting:

Material weaknesses identified: None

Significant deficiencies identified that are not  
considered to be material weaknesses Finding 2010-1

Noncompliance material to financial statements: None

Federal Awards

Internal control over major programs:

Material weaknesses identified None

Significant deficiencies identified that are not  
considered to be material weaknesses: Finding 2010-2

Type of auditor's report issued on compliance for major  
programs: Unqualified

Any audit findings that are required to be reported in  
accordance with Section 510(a) of Circular A-133: Finding 2010-2

Identification of major program:

CFDA Number

Name of Federal Program

10.913

Farm and Ranch Lands Protection  
Program

15.611

Wildlife Restoration

KANSAS LAND TRUST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee:	No

**Section II – Financial Statement Findings**

**Finding No. 2010-1 - Significant Deficiency**

*Condition* – The Organization was not able to provide a complete schedule of expenditures of federal awards (SEFA).

*Criteria* – An entity that expends federal awards must have controls in place that would enable the entity to compile a SEFA. A SEFA identifies and tracks all federal awards and their related information, including but not limited to the Catalog of Federal Domestic Assistance (CFDA No.), grant award title, grant award amount and federal expenditures.

*Cause* – The Organization does not have controls in place to identify all federal awards granted to the Organization.

*Effect* – A SEFA allows for increased knowledge of all federal grant activity in the Organization. The lack of a complete SEFA hinders this knowledge and could lead to grant noncompliance in the event of individual grant administrator turnover.

*Questioned Costs* – None.

*Recommendation* – We recommend that all grants of the Organization be tracked by a central grant administrator that would prepare the SEFA and oversee expenditures of and compliance with the federal grant programs.



KANSAS LAND TRUST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Finding No. 2010-1 - Significant Deficiency (Continued)**

*Management's Response/Corrective Action Plan (Unaudited)* – The Organization has had controls in place to track receipt of, compliance with and expenditures of federal awards on an informal basis. However, in the past the Organization has not compiled the information into a complete Schedule of Expenditures of Federal Awards (SEFA). The Organization has now developed a process whereby the Executive Director, as the Organization's grant administrator, is responsible for identifying, tracking and assuring compliance with all federal awards that the Organization receives. Information to be identified and tracked will include, but may not be limited to the Catalog of Federal Domestic Assistance number, grant award title, grant award amount and federal expenditures. This information will be compiled and a complete SEFA will be prepared for the Organization on an annual basis. The SEFA will be presented annually to the Board of Directors for review and approval.

**Section III – Federal Award Findings and Questioned Costs**

**Finding No. 2010-2 - Significant Deficiency**

*Federal Program* –Farm and Ranch Lands Protection Program (CFDA No. 10.913), U.S. Department of Agriculture; Wildlife Restoration (CFDA No. 15.611), U.S. Department of the Interior, passed through Kansas Department of Wildlife and Parks

*Condition* – During the Organization's procurement process, the Organization did not document verification that parties awarded contracts were not on the Excluded Parties List System.

*Criteria* – Under 2 CFR 180.300, "When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity."

*Cause* – The Organization did not document their verification that the party they entered into a covered transaction with was not suspended or debarred.

*Effect* – The Organization could enter into a contract with a suspended or debarred party.

*Questioned Costs* – Unknown.

KANSAS LAND TRUST, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation* – The Organization should verify all vendors awarded contracts are not on the Excluded Parties List System and should include language in their contracts to obligate parties involved to disclose their status concerning eligibility to receive contracts for federal funds.

*Management's Response/Corrective Action Plan (Unaudited)* – The Organization has been in the practice of checking the *Excluded Parties List System (EPLS)*, maintained by the General Services Information, prior to entering into a covered transaction with an entity at a lower-tier, to assure that such entity is not listed. However, the Organization had not been documenting its files with evidence that the Organization had checked the EPLS list, and that the lower-tier entity was not on the EPLS list. As well, the Organization had not been including language in contracts with lower-tier entities that obligates such entities to disclose their status or to certify that they have not been suspended or debarred from covered transactions. In the future, the Organization will document in its files each time that it has checked the EPLS list for a covered transaction and that the entity in question does not appear on the EPLS list. In addition, the Organization will include language in contracts with lower-tier entities that will receive federal funds from the Organization requiring such entity to disclose their status or to certify that they have not been suspended or debarred from covered transactions.

KANSAS LAND TRUST, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

December 31, 2010

None



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**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**

The Board of Directors  
Kansas Land Trust, Inc.:

We have audited the financial statements of the Kansas Land Trust, Inc. (the Organization) as of and for the year ended December 31, 2010 and have issued our report thereon dated October 26, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting as Finding 2010-1. 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.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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*.

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Berberich Trahan & Co., P.A.*

October 26, 2011



BERBERICH TRAHAN & CO., P.A.  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Kansas Land Trust, Inc.:

**Compliance**

We have audited the compliance of the Kansas Land Trust, Inc. (the Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2010. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 OMB Circular A-133 *Audits of States, Local Governments and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2010-2.

### Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding No. 2010-2. 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.

The Organization's response to the finding identified in our report is described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Berberich Trahan & Co., P.A.*

October 26, 2011