

CHESAPEAKE BAY TRUST

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018 AND 2017

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Independent Auditor's Report

To the Board of Trustees
Chesapeake Bay Trust

Report on the Financial Statements

We have audited the accompanying financial statements of Chesapeake Bay Trust (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 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 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.

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chesapeake Bay Trust as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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 November 1, 2018, on our consideration of Chesapeake Bay Trust'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 effectiveness of Chesapeake Bay Trust'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 Chesapeake Bay Trust's internal control over financial reporting and compliance.

Gross, Mendelsohn & Associates, P.A.

Baltimore, Maryland
November 1, 2018

CHESAPEAKE BAY TRUST
Statements of Financial Position
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,939,176	\$ 1,839,856
Federal, state and local grants and contracts receivable	3,738,976	2,362,820
Contributions receivable	871,954	499,097
Interest receivable	21,482	23,456
Other receivables	6,608	-0-
Investments	8,860,060	8,285,733
Prepaid expenses	32,559	37,244
Total Current Assets	<u>17,470,815</u>	<u>13,048,206</u>
Non-Current Assets		
Property and equipment, net of accumulated depreciation	2,195,713	43,689
Other assets		
Construction escrow	<u>751,870</u>	<u>-0-</u>
Total Assets	<u><u>\$ 20,418,398</u></u>	<u><u>\$ 13,091,895</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 517,447	\$ 359,756
Salaries and benefits payable	166,032	124,225
Deferred revenue	4,331,308	1,654,464
Deferred rent	-0-	838
Current maturities of long-term debt	62,988	-0-
Total Current Liabilities	<u>5,077,775</u>	<u>2,139,283</u>
Non-Current Liabilities		
Tenant security deposits	4,800	-0-
Deferred revenue	1,350,941	96,259
Mortgage payable, net of current portion	1,911,186	-0-
Total Non-Current Liabilities	<u>3,266,927</u>	<u>96,259</u>
Total Liabilities	<u>8,344,702</u>	<u>2,235,542</u>
Commitments and Contingencies (Notes 7, 11, 13, 14 and 15)		
Net Assets		
Unrestricted		
Undesignated	4,403,613	3,285,197
Board designated reserve	5,000,000	5,000,000
Designated approved contracts and awarded grants	2,249,333	2,138,256
Total Unrestricted	<u>11,652,946</u>	<u>10,423,453</u>
Temporarily restricted	420,750	432,900
Total Net Assets	<u>12,073,696</u>	<u>10,856,353</u>
Total Liabilities and Net Assets	<u><u>\$ 20,418,398</u></u>	<u><u>\$ 13,091,895</u></u>

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

CHESAPEAKE BAY TRUST
Statements of Activities
For the Years Ended June 30, 2018 and 2017

	2018		
	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Gains			
Federal, state and local grants and contracts	\$ 8,327,325	\$ -0-	\$ 8,327,325
Contributions			
Chesapeake Bay license plate	3,507,771	-0-	3,507,771
State tax check-off	456,163	-0-	456,163
Other	306,063	417,970	724,033
Special events	110,730	-0-	110,730
Investment income	622,067	-0-	622,067
Rental income	18,596	-0-	18,596
Net assets released from restrictions:			
Satisfaction of program restrictions	430,120	(430,120)	-0-
Total Revenue, Support and Gains	<u>13,778,835</u>	<u>(12,150)</u>	<u>13,766,685</u>
Expenses			
Program services			
Restoration program	6,347,986	-0-	6,347,986
Community Stewardship program	3,393,797	-0-	3,393,797
Environmental Education program	647,267	-0-	647,267
Program management	1,097,360	-0-	1,097,360
Total Program Services	<u>11,486,410</u>	<u>-0-</u>	<u>11,486,410</u>
Supporting services			
Management and general	593,134	-0-	593,134
Fundraising	469,798	-0-	469,798
Total Supporting Services	<u>1,062,932</u>	<u>-0-</u>	<u>1,062,932</u>
Total Expenses	<u>12,549,342</u>	<u>-0-</u>	<u>12,549,342</u>
Change in Net Assets	1,229,493	(12,150)	1,217,343
Net Assets at Beginning of Year	<u>10,423,453</u>	<u>432,900</u>	<u>10,856,353</u>
Net Assets at End of Year	<u>\$ 11,652,946</u>	<u>\$ 420,750</u>	<u>\$ 12,073,696</u>

CHESAPEAKE BAY TRUST
Statements of Activities (Continued)
For the Years Ended June 30, 2018 and 2017

	2017		
	Unrestricted	Temporarily Restricted	Total
Revenue, Support and Gains			
Federal, state and local grants and contracts	\$ 7,597,210	\$ -0-	\$ 7,597,210
Contributions			
Chesapeake Bay license plate	3,544,505	-0-	3,544,505
State tax check-off	294,421	-0-	294,421
Other	258,708	273,207	531,915
Special events	105,137	-0-	105,137
Investment income	263,496	-0-	263,496
Rental income	-0-	-0-	-0-
Net assets released from restrictions:			
Satisfaction of program restrictions	417,545	(417,545)	-0-
Total Revenue, Support and Gains	12,481,022	(144,338)	12,336,684
Expenses			
Program services			
Restoration program	6,900,934	-0-	6,900,934
Community Stewardship program	2,557,707	-0-	2,557,707
Environmental Education program	685,601	-0-	685,601
Program management	1,016,782	-0-	1,016,782
Total Program Services	11,161,024	-0-	11,161,024
Supporting services			
Management and general	538,396	-0-	538,396
Fundraising	446,864	-0-	446,864
Total Supporting Services	985,260	-0-	985,260
Total Expenses	12,146,284	-0-	12,146,284
Change in Net Assets	334,738	(144,338)	190,400
Net Assets at Beginning of Year	10,088,715	577,238	10,665,953
Net Assets at End of Year	\$ 10,423,453	\$ 432,900	\$ 10,856,353

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

CHESAPEAKE BAY TRUST
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,217,343	\$ 190,400
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	9,573	10,605
Noncash interest expense	176	-0-
Unrealized gain on investments	(335,561)	(138,372)
Realized loss (gain) on investments	(64,885)	57,078
Changes in operating assets and liabilities:		
Federal, state and local grants and contracts receivable	(1,376,156)	(431,576)
Contributions receivable	(372,857)	401,667
Interest receivable	1,974	(4,666)
Other receivables	(6,608)	2,292
Prepaid expenses	4,685	(6,137)
Accounts payable and accrued expenses	157,691	187,738
Salaries and benefits payable	41,807	4,000
Deferred revenue	3,931,526	162,368
Deferred rent	(838)	(4,594)
Net Cash Provided by Operating Activities	<u>3,207,870</u>	<u>430,803</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(172,176)	(25,580)
Purchase of investments	(5,379,973)	(4,009,911)
Proceeds from sale of investments	5,206,092	5,375,589
Funding of construction escrow	(751,870)	-0-
Tenant security deposit liability	4,800	-0-
Net Cash Provided by (Used in) Investing Activities	<u>(1,093,127)</u>	<u>1,340,098</u>
Cash Flows from Financing Activities		
Principal payments on mortgage payable	(15,423)	-0-
Net Increase in Cash and Cash Equivalents	2,099,320	1,770,901
Cash and Cash Equivalents - Beginning of Year	1,839,856	68,955
Cash and Cash Equivalents - End of Year	<u>\$ 3,939,176</u>	<u>\$ 1,839,856</u>
Supplemental Disclosures of Cash Flow Information:		
Interest paid	<u>\$ 22,377</u>	<u>\$ -0-</u>
Noncash Investing and Financing Activities:		
Purchase of property	\$ 2,161,597	\$ 25,580
Deferred financing costs	10,579	-0-
Less: Debt obligation	<u>(2,000,000)</u>	<u>-0-</u>
Cash acquisitions of property (included in cash flows from investing activities)	<u>\$ 172,176</u>	<u>\$ 25,580</u>

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

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 1: Nature of Organization

Chesapeake Bay Trust (the Trust) is a body corporate that was created July 1, 1985, by the General Assembly of the State of Maryland (the State). The Trust was organized for the general benefit of the residents of Maryland and has the statutory mission to solicit and accept gifts, grants, legacies and endowments for the advancement, restoration and protection of the water quality, land and aquatic resources of the Chesapeake Bay.

The Trust is a grant-making organization dedicated to improving the Chesapeake Bay and its rivers through three major programs:

Restoration: Encouraging outreach and community engagement activities that increase stewardship ethic of natural resources and on-the-ground restoration activities that demonstrate techniques and engaging residents in the restoration and protection of the Chesapeake Bay and its rivers.

Community Stewardship: Increasing public awareness and involvement in activities that restore and promote Maryland's natural resources.

Environmental Education: Striving to advance kindergarten through twelfth grade environmental education through experimental learning, outdoor experiences and curriculum development.

The Trust's support comes primarily from the following sources: proceeds from the State from the sale and renewal of Chesapeake Bay license plates; a Maryland state income tax check-off; and federal, state and local grants and contributions.

Note 2: Summary of Significant Accounting Policies

The accounting and reporting policies of the Trust conform to accounting principles generally accepted in the United States of America (GAAP). Following is a description of the most significant of those policies:

Basis of Accounting: The financial statements are prepared on the accrual basis of accounting in accordance with GAAP for not-for-profit organizations.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the statement of financial position date and the reported amounts of revenue, support and expenses during the reporting period. Management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable under the circumstances; however the actual results could differ from those estimates.

Cash and Cash Equivalents: The Trust classifies certain investments which are readily convertible to cash and which have a maturity date of three months or less when purchased as cash and cash equivalents. Cash and cash equivalents designated and held for investment purposes are included in investments and are not considered cash and cash equivalents for cash flow purposes.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Summary of Significant Accounting Policies (Continued)

Federal, State and Local Grants and Contracts Receivable: Federal, state and local grants and contracts receivable represents amounts due from grantors on cost reimbursement grants and contracts. All grants and contracts receivable are considered fully collectible at June 30, 2018 and 2017.

Contributions Receivable: Contributions receivable are unconditional promises to give that are recorded as contributions when the promise is received. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. As of June 30, 2018 and 2017, no allowance for uncollectible contributions receivable has been established as management believes that all contributions receivable will be collected within one year of the statement of financial position date.

Investments: Investments with readily determinable fair values are reported at fair value in the statements of financial position. Investments, whose fair values are not readily determinable, are recorded at cost. Fair value is defined as 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. Realized and unrealized gains and losses on investments for the year are reported in the statements of activities as part of investment income.

Property and Equipment: Property and equipment is stated at cost or, if donated, at fair market value at the date of the gift, less accumulated depreciation. Expenditures for maintenance and routine repairs are charged to expense as incurred; expenditures for improvements and major repairs that materially extend the useful lives of fixed assets are capitalized. It is the Trust's policy to capitalize all property acquisitions in excess of \$1,000 having useful lives of more than one year. Depreciation is computed using the straight-line method, with half-year depreciation in the year of acquisition, over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Leasehold improvements	15 years
Furniture and equipment	5-7 years

Deferred Financing Costs: Deferred financing costs represent the costs incurred to obtain financing (see Note 7) which are being amortized on a straight-line basis over the term of the applicable debt obligation and charged to interest expense. GAAP requires that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Under GAAP, debt issuance costs related to the recognized debt liability are required to be presented in the statements of financial position as a direct reduction from the carrying amount of the debt liability. The amortization and accumulated amortization of deferred financing costs was \$176 as of and for the year ended June 30, 2018.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Summary of Significant Accounting Policies (Continued)

Deferred Revenue: Deferred revenue represents funds received in advance under cost-reimbursement grants and contracts. Funds received in advance are deferred to the applicable period in which the expenditures are incurred or the related services are performed, respectively.

Deferred Rent: The Trust leases office space, as described in Note 10, which require lease payment provisions with fixed annual increases. In accordance with GAAP, the total rent commitment is to be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as deferred rent.

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

Unrestricted net assets are resources available to support general operations. Unrestricted board designated net assets consist of net assets designated by the Board of Trustees to provide income for the Trust, to promote the financial stability and sustainability of the Trust and to assist the Trust in fulfilling its mission.

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Donor-restricted support is classified as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets are resources whose use by the Trust is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. There are no permanently restricted net assets.

Revenue Recognition: Revenue is recognized when earned. Grants and contracts revenue is recognized when the qualifying costs are incurred for cost reimbursement grants or when the service is provided for contracts.

Contributions: Contributions, including unconditional promises to give, are recognized when received. Contribution received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Summary of Significant Accounting Policies (Continued)

In-Kind Contributions: Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods and services were received during the years ended June 30, 2018 and 2017.

The Trust benefits from personal services provided by a substantial number of unpaid volunteers. Those volunteers have donated significant amounts of time and services to the Trust. However, the services provided do not meet the criteria for recognition in the financial statements. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Trust.

Advertising: Advertising costs are charged to operations when incurred. The Trust had no significant direct-response advertising. Advertising expense for the years ended June 30, 2018 and 2017 totaled \$136,023 and \$109,411, respectively.

Allocation of Functional Expenses: The costs of providing various program and other activities have been summarized on a functional allocation basis in the statements of activities. Management and general expenses include those expenses that are not directly identifiable with any other specific function but that provide for the overall support and mission of the Trust.

Income Taxes: The Trust has been recognized by the Internal Revenue Service (IRS) as a tax-exempt organization, as defined by Section 501(c)(3) of the Internal Revenue Code (IRC), that is publicly supported and, therefore, not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. The Trust's unrelated business income for the year ended June 30, 2018 is related to rental income as well as parking paid on behalf of employees, which under the new tax law effective January 1, 2018, is subject to tax. The Trust had no unrelated business income for the year ended June 30, 2017. Federal and state income tax expense was \$6,563 and \$-0- for the years ended June 30, 2018 and 2017, respectively, and is included in management and general expenses in the statements of activities.

The Trust's federal exempt organization tax returns are subject to examination by the IRS, generally for a period of three years after the returns are filed.

Recently Issued Accounting Pronouncements: The Financial Accounting Standards Board (FASB) issued Accounting Standard Update 2016-02, *Leases* which will be effective for fiscal years beginning after December 15, 2019. The distinction between finance leases and operating leases is substantially similar to the distinction between capital leases and operating leases in the previous leases guidance. Lessor accounting is also largely unchanged. For leases, leases under both categories will be reported on the statement of financial position as a depreciable right-to-use asset and a liability to make lease payments. The asset and liability should be initially measured at the present value of the lease payments, including payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. The asset will be depreciated and the liability will be reduced by lease payments. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election not to recognize lease assets and liabilities. Management has elected not to early adopt the standard and will assess the future impact on any leases.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 2: Summary of Significant Accounting Policies (Continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* which is effective for fiscal years beginning after December 15, 2017. The primary impact of this standard is as follows:

- a) Net Asset Classification: The three categories of net assets will be condensed into two categories: Without Donor Restrictions and With Donor Restrictions.
- b) Board-Designated Net Assets: Not-for-profits will need to disclose the amount, purposes and type of board designation either on the face of the financials or in the notes to the financial statements.
- c) Underwater Endowment Assets: Although the underwater calculation remains unchanged, instead of classifying the underwater portion against unrestricted net assets without donor restrictions, it will go against the net assets with donor restrictions. There are also certain additional disclosures such as any board policy or actions taken regarding appropriation from such funds.
- d) Cash Flow Statement: Not-for-profits will still have the option of presenting operating cash flows using the direct method or the indirect method. If the direct method is chosen, the indirect reconciliation is not required.
- e) Expense: Expenses will be required to be presented both by function and by nature, but it is flexible as to how (in statement form or in the footnotes). A qualitative disclosure about how costs are allocated by function will also be required. External and internal direct investment expenses will be netted against investment return on the statement of activities. Disclosure of investment return components will no longer be required.
- f) Liquidity and Availability: The standard will require (1) quantitative disclosure about availability of financial assets to meet cash needs for general expenditures within one year of the statement of financial position sheet date, and (2) qualitative disclosure about liquidity, presented in the notes, including information about liquidity risk and how the liquid available resources are managed.

The Trust has elected not to early adopt this standard and will assess the future impact on the financial presentation.

Subsequent Events: In preparing these financial statements, the Trust has evaluated events and transactions for the potential recognition or disclosure through November 1, 2018, the date the financial statements were available to be issued. During the period from July 1, 2018 through November 1, 2018, except for the construction contract described in Note 11, the Trust did not have any material recognizable subsequent events.

Note 3: Contributions Receivable

Contributions receivable consisted of the following at June 30, 2018 and 2017:

	2018	2017
Chesapeake Bay license plate revenue receivable	\$ 636,050	\$ 334,640
Tax check-off revenue receivable	235,112	164,409
Promises to give	792	48
	<u>\$ 871,954</u>	<u>\$ 499,097</u>

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 4: Investments

A summary of the investment portfolio at June 30, 2018 and 2017 is as follows:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Mutual funds, equities	\$ 3,767,152	\$ 3,296,683	\$ 2,104,977	\$ 1,866,418
Exchange traded funds	1,578,772	1,349,009	1,192,564	1,140,637
Corporate obligations	1,253,509	1,340,935	1,809,985	1,867,256
U.S. Treasury obligations	1,223,853	1,271,537	2,073,594	2,103,891
Municipal bonds	541,115	553,734	578,375	579,453
Money market funds	279,892	279,892	194,256	194,256
U.S. Government agency bonds	215,767	218,525	19,202	16,845
Mutual funds, bonds	-0-	-0-	312,780	315,940
	<u>\$ 8,860,060</u>	<u>\$ 8,310,315</u>	<u>\$ 8,285,733</u>	<u>\$ 8,084,696</u>

Investment income for the years ended June 30, 2018 and 2017 consisted of the following:

	2018	2017
Interest income	\$ 221,621	\$ 182,202
Realized gain (loss) on investments	64,885	(57,078)
Unrealized gain on investments	335,561	138,372
	<u>\$ 622,067</u>	<u>\$ 263,496</u>

Note 5: Fair Value Measurement

GAAP establishes a framework for measuring fair value. The framework provides 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 are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 5: Fair Value Measurement (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's 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 valuation techniques used by the Trust include the following:

Money Market Funds: Valued at original cost, which equals fair value.

Mutual Funds and Exchange Traded Funds: Mutual funds are valued at the last sales price reported in the active market in which the individual fund is traded. Exchange traded funds are valued at the time of bid.

U.S. Treasury Obligations, U.S. Government Agency Bonds, Municipal Bonds and Corporate Obligations: Valued using inputs such as benchmark yields, reported trades, broker/dealer quotes and issuer spreads.

In determining the appropriate levels, the Trust performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

The tables below represent the assets measured at fair value on a recurring basis by level within the hierarchy, as of June 30, 2018 and 2017:

	Total	Level 1	Level 2	Level 3
June 30, 2018				
Mutual funds, equities	\$ 3,767,152	\$ 3,767,152	\$ -0-	\$ -0-
Exchange traded funds	1,578,772	1,578,772	-0-	-0-
Corporate obligations	1,253,509	-0-	1,253,509	-0-
U.S. Treasury obligations	1,223,853	-0-	1,223,853	-0-
Municipal bonds	541,115	-0-	541,115	-0-
Money market funds	279,892	279,892	-0-	-0-
U.S. Government agency bonds	215,767	-0-	215,767	-0-
	<u>\$ 8,860,060</u>	<u>\$ 5,625,816</u>	<u>\$ 3,234,244</u>	<u>\$ -0-</u>
June 30, 2017				
Mutual funds, equities	\$ 2,104,977	\$ 2,104,977	\$ -0-	\$ -0-
U.S. Treasury obligations	2,073,594	-0-	2,073,594	-0-
Corporate obligations	1,809,985	-0-	1,809,985	-0-
Exchange traded funds	1,192,564	1,192,564	-0-	-0-
Municipal bonds	578,375	-0-	578,375	-0-
Mutual funds, bonds	312,780	312,780	-0-	-0-
Money market funds	194,256	194,256	-0-	-0-
U.S. Government agency bonds	19,202	-0-	19,202	-0-
	<u>\$ 8,285,733</u>	<u>\$ 3,804,577</u>	<u>\$ 4,481,156</u>	<u>\$ -0-</u>

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 6: Property and Equipment

Property and equipment consisted of the following:

	2018	2017
Land	\$ 618,900	\$ -0-
Building and improvements	1,424,782	-0-
Leasehold improvements	40,167	40,167
Furniture and equipment	107,131	108,723
Construction in progress	117,915	-0-
	<u>2,308,895</u>	<u>148,890</u>
Less accumulated depreciation	(113,182)	(105,201)
	<u>\$ 2,195,713</u>	<u>\$ 43,689</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$9,573 and \$10,605, respectively.

Note 7: Mortgage Payable

Mortgage payable consisted of the following as of June 30, 2018:

	<u>2018</u>
Mortgage payable to Sandy Spring Bank	\$ 1,984,577
Less: Unamortized deferred financing costs	<u>10,403</u>
Note payable, net	1,974,174
Less: Current maturities	<u>62,988</u>
Mortgage payable, net of current maturities	<u>\$ 1,911,186</u>

On March 28, 2018, the Trust entered into a mortgage with Sandy Spring Bank in the amount of \$2,000,000 to purchase property. The mortgage is payable in monthly principal and interest payments of \$12,600. Interest is calculated at a fixed per annum rate of 4.39%. The mortgage is scheduled to mature on March 28, 2033. The mortgage is subject to prepayment penalties and fees at varying rates if the mortgage is paid in whole or in part prior to the maturity date. The mortgage is secured by a first lien on the property located in Annapolis, Maryland.

In addition, the mortgage required the establishment of a construction escrow in which \$751,826 was deposited into this account to be used towards specific improvements to the property, as approved by Sandy Spring Bank. The balance of the construction escrow as of June 30, 2018 was \$751,870, which includes interest earned. No withdraws from this escrow had been made as of June 30, 2018.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 7: Mortgage Payable (Continued)

The aggregate annual maturities of the mortgage payable and the amortization of unamortized deferred financing costs for each of the years subsequent to June 30, 2018, are as follows:

Year ending June 30,	Mortgage Payable	Deferred Financing Costs	Total
2019	\$ 63,693	\$ (705)	\$ 62,988
2020	66,908	(705)	66,203
2021	70,179	(705)	69,474
2022	73,367	(705)	72,662
2023	76,700	(705)	75,995
Thereafter	1,633,730	(6,878)	1,626,852
	<u>\$ 1,984,577</u>	<u>\$ (10,403)</u>	<u>\$ 1,974,174</u>

Interest expense for the year ended June 30, 2018 was \$22,377, which does not include the amortization of deferred financing costs of \$176.

Note 8: Compensated Absences

Employees accumulate leave based on years of service. Upon termination, employees are reimbursed for annual leave, holiday and compensatory leave. Employees may be entitled to reimbursement of annual leave up to a maximum of 280 hours plus any annual leave earned and unused in the year up to the date of separation. Employees may also be entitled to reimbursement of compensatory leave up to a maximum of 16 hours. Any remaining hours over the stipulated maximum will be forfeited. As of June 30, 2018 and 2017, accrued compensated absences were \$101,140 and \$87,152, respectively, and are included in salaries and benefits payable on the statements of financial position. See Note 13 for the Inter-Agency Agreement.

Note 9: Net Assets

Board Designated Net Assets: The Trust's Board of Trustees has established a designated reserve of \$5,000,000 to help perpetuate the existence of the Trust and protect against future conditions which may alter its ability to support Chesapeake Bay restoration, community stewardship and educational projects. This reserve is a result of an internal designation and not restrictions placed by donors. Accordingly, income earned on investments related to the designated reserve is not designated and is used by the Trust to fund annual operating expenses.

The Board of Trustees and management have also designated net assets for approved contracts and awarded grants. At June 30, 2018 and 2017, amounts designated were \$2,249,333 and \$2,138,256, respectively.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 9: Net Assets (Continued)

Temporarily Restricted Net Assets: The Trust has several temporarily restricted funds, which may be fully expendable but only for the purpose established by the respective donors. Temporarily restricted net assets were available for the following purposes as of June 30, 2018 and 2017:

	2017	Current Year Activity		2018
		Contributions	Released From Restrictions	
Community stewardship program	\$ 405,400	\$ 412,970	\$ (397,620)	\$ 420,750
Environmental education	2,500	5,000	(7,500)	-0-
Other programs	25,000	-0-	(25,000)	-0-
	<u>\$ 432,900</u>	<u>\$ 417,970</u>	<u>\$ (430,120)</u>	<u>\$ 420,750</u>
	2016	Prior Year Activity		2017
		Contributions	Released From Restrictions	
Community stewardship program	\$ 546,738	\$ 270,707	\$ (412,045)	\$ 405,400
Environmental education	-0-	2,500	-0-	2,500
Restoration program	3,000	-0-	(3,000)	-0-
Other programs	25,000	-0-	-0-	25,000
Time restrictions	2,500	-0-	(2,500)	-0-
	<u>\$ 577,238</u>	<u>\$ 273,207</u>	<u>\$ (417,545)</u>	<u>\$ 432,900</u>

Note 10: Maryland State Income Tax Check-Off and Chesapeake Bay License Plate Contributions

Maryland taxpayers can elect to make charitable contributions with the filing of their State income returns. Such contributions are distributed equally between the Trust and the Wildlife and Heritage Division of Maryland Department of Natural Resources. Contributions allocated to the Trust under this program amounted to \$456,163 and \$294,421 for the years ended June 30, 2018 and 2017, respectively. This program continues through the upcoming fiscal year.

Residents of the State may also purchase the Chesapeake Bay commemorative license plates for their vehicle for a total amount of \$20, of which \$10 goes directly to the Trust. Contributions allocated to the Trust under this program amounted to \$429,871 and \$464,695 for the years ended June 30, 2018 and 2017, respectively. The Trust also receives the renewal fees collected by the Maryland Vehicle Administration when the Chesapeake Bay commemorative license plates are renewed. The Trust received \$3,077,900 and \$3,079,810 in plate renewal fees for the years ended June 30, 2018 and 2017, respectively.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 11: Commitments

Property Lease: The Trust leases office and parking space under a cancelable lease which currently expires on December 31, 2018. The Trust also incurs \$140 per month per employee for parking under this lease. It is the intent of management to relocate its office to its new building so this lease will not be renewed. Future minimum annual lease payments for the fiscal year subsequent to June 30, 2018 are \$38,803. Total rent expense under this lease for the years ended June 30, 2018 and 2017 was \$114,503 and \$107,856, respectively.

Contracts: Subsequent to year end, the Trust entered into a contract for construction services which will be funded by the construction escrow. The total amount of the contract is approximately \$832,000. The contractual services are broken into several phases which are expected to be completed at various times through the year ended June 30, 2019.

Note 12: Rental Income

When the Trust acquired its new building it was assigned two lease agreements with tenants for portions of the building. The first lease expires on September 30, 2020 and requires monthly rental payments of \$2,775. The second lease expires on February 28, 2020 and requires monthly rental payments of \$2,785. Both leases are subject to an annual consumer price index adjustment to the monthly rental payments, as defined in the lease agreements.

The future minimum annual lease payments to be received for each of the years subsequent to June 30, 2018 are as follows:

Year ending June 30,	
2019	\$ 66,720
2020	55,580
2021	<u>8,325</u>
Total	<u>\$ 130,625</u>

Rental income for all leases was \$18,596 for the year ended June 30, 2018.

Note 13: Inter-Agency Agreement

The Trust entered into an Inter-Agency Agreement with the Maryland Environmental Services (MES) whereby MES hires employees, who are assigned to the Trust, to provide administrative and management services. Under this agreement, the Trust has agreed to fully reimburse MES for all salaries, benefits and other employee related costs associated with providing these employees. This agreement can be terminated by either party at any time upon a thirty day written notice.

CHESAPEAKE BAY TRUST
Notes to Financial Statements
June 30, 2018 and 2017

Note 14: Retirement Plan

As part of the Inter-Agency Agreement, the employees assigned to the Trust participate in the MES 401(k) retirement plan (the Plan). Under the terms of the Plan, employees are eligible to participate in the Plan upon hire if they are a full-time or part-time employee working at least 1,000 hours per year, as defined in the MES employee handbook. Participating employees may elect to contribute pre-tax dollars into the plan not to exceed the maximum contribution allowable under applicable provisions of the IRC. Employees are automatically enrolled in the plan with a minimum 3% employee deferral that increases 1% annually until a maximum of 6% is reached. Employees can change or opt out of the automatic increase at any time. The Trust makes matching employer contributions to the Plan for participating employees equal to a minimum of 3% of gross payroll earnings with a maximum up to 6% depending on each employee's deferral percentage. Total retirement expense for the years ended June 30, 2018 and 2017 was \$58,413 and \$53,843, respectively.

Note 15: Contract and Grant Commitments

At June 30, 2018 and 2017, the Trust has conditionally awarded contracts and grants to organizations in the amounts of \$12,339,209 and \$10,778,785, respectively. These organizations must meet certain criteria to receive the awarded grant and/or contract funding.

Note 16: Related Party Transactions

The Trust awarded several grants or contracts during the years ended June 30, 2018 and 2017 to organizations related to the Trust, primarily through common board membership. A trustee who has an actual or potential conflict of interest with respect to a proposed action or transaction of the Trust is not present during deliberations and does not participate in the decision making of the Trust with respect to such action or transaction. The disinterested members of the Board of Trustees may approve the proposed action or transaction upon concluding that it is in the best interest of the Trust.

Note 17: Certain Significant Risks and Uncertainties

Concentration of Credit Risk: The Trust maintains its cash balances at various financial institutions. Periodically during the year, the Trust's cash balances may exceed federally insured limits. The Trust has not experienced any losses in such accounts and believes it is not exposed to significant risk on cash balances.

Investments: The Trust invests in a professionally managed portfolio that may contain U.S. Treasury obligations, U.S. Government agency bonds, corporate obligations, mutual funds and other investments. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

CHESAPEAKE BAY TRUST
SUPPLEMENTARY INFORMATION
JUNE 30, 2018 AND 2017

CHESAPEAKE BAY TRUST
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures (Allowable)
U.S. Department of Commerce				
National Oceanic & Atmospheric Administration (NOAA)				
Unallied Management Projects	11.454	NA12NMF4540218	4,062	\$ 25,610
Chesapeake Bay Studies	11.457	NA17NMF4570275	134,703	<u>162,328</u>
Total U.S. Department of Commerce				<u>187,938</u>
U.S. Department of the Interior				
U.S. Fish and Wildlife Service				
Coastal Program	15.630	F17AC01202		18,684
Partners for Fish and Wildlife	15.631	F16AC01223		8,217
National Park Service				
Conservation Activities by Youth Service Organizations	15.931	P15AC00032: P17AC00504 & P16AC01498		<u>59,640</u>
Total U.S. Department of the Interior				<u>86,541</u>
U.S. Environmental Protection Agency				
Office of Water				
Chesapeake Bay Program	66.466	CB-96341401		640,273
Passed through National Fish and Wildlife Foundation				
Chesapeake Bay Program	66.466	0600.11.030409 0602.17.0585.13	400,517	423,991
Passed through Maryland Department of Natural Resources				
Chesapeake Bay Program	66.466	*	<u>1,517,681</u>	<u>1,517,681</u>
Total U.S. Environmental Protection Agency				<u>2,581,945</u>
Total Expenditures of Federal Awards			<u>\$ 2,056,963</u>	<u>\$ 2,856,424</u>

* Pass-through entity - Maryland Department of Natural Resources. Grant numbers:

- 14-13-1630-CBG-14201
- 14-14-1790-CBG-14201
- 14-15-1943 CBG-14201
- 14-16-2069-CBG-6601
- 14-17-2186-CBG-6601
- 14-18-2295-CBG-6601
- 14-15-1946-CBG-14201
- 14-16-2072-CBG-6601
- 14-17-2188-CBG-6601
- 14-18-2369-CBG-6601

See accompanying notes to Schedule of Expenditures of Federal Awards.

CHESEAPEAKE BAY TRUST
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant award activity of Chesapeake Bay Trust under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Chesapeake Bay Trust, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Chesapeake Bay Trust.

Note B: 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.

Note C: Indirect Cost Rate

Chesapeake Bay Trust has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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**

To the Board of Trustees
Chesapeake Bay Trust

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 Chesapeake Bay Trust, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated November 1, 2018.

Internal Control Over Financial Reporting

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

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 Chesapeake Bay Trust'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gross, Mendelsohn & Associates, P. A.

Baltimore, Maryland
November 1, 2018

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control
over Compliance Required by The Uniform Guidance**

To the Board of Trustees
Chesapeake Bay Trust

Report on Compliance for Each Major Federal Program

We have audited Chesapeake Bay Trust's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chesapeake Bay Trust's major federal programs for the year ended June 30, 2018. Chesapeake Bay Trust's major federal programs are 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 each of Chesapeake Bay Trust's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Chesapeake Bay Trust's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Chesapeake Bay Trust's compliance.

Opinion on Each Major Federal Program

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by The Uniform Guidance (Continued)

Report on Internal Control Over Compliance

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

Gross, Mendelsohn & Associates, P. A.

Baltimore, Maryland
November 1, 2018

CHESAPEAKE BAY TRUST
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Chesapeake Bay Trust were prepared in accordance with GAAP.
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 Chesapeake Bay Trust 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 related to internal control over major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Chesapeake Bay Trust expresses an unmodified opinion of all major federal award programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was the U.S. Environmental Protection Agency Chesapeake Bay Program (CFDA #66.466).
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Chesapeake Bay Trust qualified as a low-risk auditee as defined by the Uniform Guidance.

CHESAPEAKE BAY TRUST
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Program Audit

None.

Summary Schedule of Prior Audit Findings

None.

