

CHESAPEAKE COLLEGE FOUNDATION, INC.

AUDITORS' COMMUNICATIONS

JUNE 30, 2019

CHESAPEAKE COLLEGE FOUNDATION, INC.

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MANAGEMENT LETTER



September 11, 2019

ANDREW M. HAYNIE, CPA
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MICHAEL C. KLEGER, CPA
E. LEE McCABE, CPA
JEFFREY A. MICHALIK, CPA
ROBERT L. MOORE, CPA
DANIEL M. O'CONNELL II, CPA
JOHN M. STERN, JR., CPA

Board of Directors
Chesapeake College Foundation, Inc.

In planning and performing our audit of the financial statements of Chesapeake College Foundation, Inc. ("the Foundation") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

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However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiencies that is presented for your consideration. This letter does not affect our report dated September 11, 2019, on the financial statements of Chesapeake College Foundation, Inc..

We will review the status of this comment during our next audit engagement. We have already discussed this comment with various Foundation personnel, and we will be pleased to discuss it in further detail at your convenience. Our comment are summarized as follows:

POLICIES AND PROCEDURES MANUAL

During the year ended June 30, 2019, the Foundation has implemented various policies and procedures related to Foundation operations and growth. As more policies and procedures are implemented, it is imperative to maintain a collection of all Foundation policies and procedures for reference, accountability, and Board analysis. We recommend the Foundation establish a policies and procedures manual which includes all approved Foundation policies.

The Foundation's management and Board are responsible for the design, implementation, and maintenance of internal controls within the Foundation. As a best practice, the Board should review policies periodically to ensure internal controls are properly operating and maintained.

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*AMERICAN INSTITUTE OF
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*MARYLAND ASSOCIATION OF
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This communication is intended solely for the information and use of management, the Board of Directors, and others within the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to thank the Board of Directors for their confidence in us to be your auditors. We would also like to thank the staff of Chesapeake College Foundation, Inc. for the assistance provided to us throughout the audit. Should there be any questions on the above, or on other matters, we would be pleased to discuss them at your convenience.

CERTIFIED PUBLIC ACCOUNTANTS

**REQUIRED COMMUNICATIONS WITH THOSE CHARGED
WITH GOVERNANCE**



ANDREW M. HAYNIE, CPA
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ALLINIAL GLOBAL

September 11, 2019

To the Board of Directors
Chesapeake College Foundation, Inc.

We have audited the financial statements of Chesapeake College Foundation, Inc. (“the Foundation”) as of and for the year ended June 30, 2019, and have issued our report thereon dated September 11, 2019. Professional standards require that we provide you with the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated March 31, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Chesapeake College Foundation, Inc. solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Chesapeake College Foundation, Inc. is included in the Summary of Significant Accounting Policies in the notes to the financial statements. . During the year, the Chesapeake College Foundation, Inc. implemented ASU 2016-14, Not-for-Profit Entities (Topic 950) - *Presentation of Financial Statements of Not-for-Profit Entities*. There have been no initial selection of accounting policies and no other changes in significant accounting policies or their application during the year ending June 30, 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value measurements of investments at the Mid-Shore Community Foundation and Brown Advisory is based on an allocation of investments in stock and mutual funds valued at quoted market prices. We evaluated the key factors and assumptions used to develop the fair value measurements of investments and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the discounted pledges receivable is based on the present value of the future cash flows at a 5 percent discount rate. We evaluated the key factors and assumptions used to develop the discounted pledges receivable and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of the allowance for collectible pledges is based on an allocation of historical collectability of pledges and analysis of the aged pledge receivables. We evaluated the key factors and assumptions used to develop the allowance for collectible pledges and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Chesapeake College Foundation, Inc.'s financial statements relate to the valuation of endowment funds at the Mid-Shore Community Foundation and Brown Advisory and the fair value measurement disclosures.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected misstatements and no adjustments identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Chesapeake College Foundation, Inc.'s financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated September 11, 2019.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Chesapeake College Foundation, Inc., we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Chesapeake College Foundation, Inc.'s auditors.

This report is intended solely for the information and use of the Board of Directors and management of Chesapeake College Foundation, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

CERTIFIED PUBLIC ACCOUNTANTS