

FINANCIAL STATEMENTS

**PEOPLE'S EQUAL ACTION AND
COMMUNITY EFFORT, INC.**

JANUARY 31, 2014 AND 2013

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
People's Equal Action and Community Effort, Inc.
Syracuse, New York

Report on the Financial Statements

We have audited the accompanying financial statements of People's Equal Action and Community Effort, Inc. (a nonprofit organization), which comprise the statements of financial position as of January 31, 2014 and 2013, and the related statements of activities, functional expenses, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People's Equal Action and Community Effort, Inc. as of January 31, 2014 and 2013, 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

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by 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 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 May 22, 2014, on our consideration of People's Equal Action and Community Effort, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering People's Equal Action and Community Effort, Inc.'s internal control over financial reporting and compliance.

May 22, 2014
Syracuse, New York

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash	\$ 349,839	\$ 362,160
Grants receivable	1,067,176	1,364,783
Program service fees receivable (net of allowance for doubtful accounts of \$2,500 and \$0 in 2014 and 2013, respectively)	368,354	355,192
Inventory	128,385	131,812
Other current assets	159,241	238,966
Total current assets	2,072,995	2,452,913
LONG-TERM DEPOSITS	10,000	16,600
PROPERTY:		
Land	200,500	200,500
Buildings	2,742,270	2,742,270
Leasehold improvements	4,352,468	4,256,079
Vehicles	2,573,251	2,671,238
Equipment	805,340	823,147
Construction in progress	-	16,500
Total	10,673,829	10,709,734
Less accumulated depreciation	8,128,835	7,620,427
Property - net	2,544,994	3,089,307
TOTAL	\$ 4,627,989	\$ 5,558,820

	<u>2014</u>	<u>2013</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term bank borrowings	\$ 100,000	\$ -
Accounts payable - Trade	326,350	845,554
Accrued payroll and related liabilities	532,737	523,878
Current portion of long-term debt	10,014	9,464
Accrued compensated absences	260,539	297,536
Deferred revenue	245,503	136,820
Custodial accounts	588	588
Deposits and other current liabilities	<u>7,332</u>	<u>24,874</u>
Total current liabilities	1,483,063	1,838,714
LONG-TERM DEBT - NET OF CURRENT PORTION	<u>3,466</u>	<u>13,480</u>
Total liabilities	<u>1,486,529</u>	<u>1,852,194</u>
NET ASSETS:		
Unrestricted	2,975,522	3,506,637
Temporarily restricted	<u>165,938</u>	<u>199,989</u>
Total net assets	<u>3,141,460</u>	<u>3,706,626</u>
TOTAL	<u>\$ 4,627,989</u>	<u>\$ 5,558,820</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT:			
Direct contributions	\$ 196,087	\$ 63,730	\$ 259,817
In-kind contributions	5,014,311	-	5,014,311
Fundraising	72,391	35,747	108,138
Net assets released from restrictions	149,750	(149,750)	-
Total support	<u>5,432,539</u>	<u>(50,273)</u>	<u>5,382,266</u>
REVENUE:			
Governmental agencies	17,153,895	16,113	17,170,008
Program service fees	2,055,913	-	2,055,913
Interest income	143	109	252
Rental income	59,463	-	59,463
Total revenue	<u>19,269,414</u>	<u>16,222</u>	<u>19,285,636</u>
Total support and revenue	<u>24,701,953</u>	<u>(34,051)</u>	<u>24,667,902</u>
EXPENSES:			
Program services	22,301,934	-	22,301,934
Management and general	2,892,241	-	2,892,241
Fundraising	38,893	-	38,893
Total expenses	<u>25,233,068</u>	<u>-</u>	<u>25,233,068</u>
DECREASE IN NET ASSETS	(531,115)	(34,051)	(565,166)
NET ASSETS - FEBRUARY 1, 2013	<u>3,506,637</u>	<u>199,989</u>	<u>3,706,626</u>
NET ASSETS - JANUARY 31, 2014	<u>\$ 2,975,522</u>	<u>\$ 165,938</u>	<u>\$ 3,141,460</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 161,269	\$ 70,205	\$ 231,474
In-kind contributions	5,055,539	-	5,055,539
Fundraising	78,680	33,862	112,542
Net assets released from restrictions	<u>107,739</u>	<u>(107,739)</u>	<u>-</u>
Total support	<u>5,403,227</u>	<u>(3,672)</u>	<u>5,399,555</u>
REVENUE:			
Governmental agencies	18,892,507	17,733	18,910,240
Program service fees	2,781,840	-	2,781,840
Interest income	185	133	318
Rental income	<u>57,760</u>	<u>-</u>	<u>57,760</u>
Total revenue	<u>21,732,292</u>	<u>17,866</u>	<u>21,750,158</u>
Total support and revenue	<u>27,135,519</u>	<u>14,194</u>	<u>27,149,713</u>
EXPENSES:			
Program services	24,483,017	-	24,483,017
Management and general	2,909,623	-	2,909,623
Fundraising	<u>39,357</u>	<u>-</u>	<u>39,357</u>
Total expenses	<u>27,431,997</u>	<u>-</u>	<u>27,431,997</u>
INCREASE (DECREASE) IN NET ASSETS	(296,478)	14,194	(282,284)
NET ASSETS - FEBRUARY 1, 2012	<u>3,803,115</u>	<u>185,795</u>	<u>3,988,910</u>
NET ASSETS - JANUARY 31, 2013	<u>\$ 3,506,637</u>	<u>\$ 199,989</u>	<u>\$ 3,706,626</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 10,224,289	\$ 1,471,652	\$ 478	\$ 11,696,419
Payroll taxes and fringe benefits	2,749,597	342,024	53	3,091,674
Professional fees and contract services	2,397,207	61,483	-	2,458,690
Conferences and travel	187,551	29,540	-	217,091
Occupancy costs	1,527,696	141,373	-	1,669,069
Program service fee overhead	109,535	-	-	109,535
Consumable supplies	4,263,279	42,493	27,748	4,333,520
Equipment expense	158,988	48,354	2,686	210,028
Insurance	275,432	23,565	11	299,008
Telephone	78,882	20,811	-	99,693
Advertising, printing, postage and dues	51,140	30,344	7,705	89,189
Vehicle maintenance	250,645	2,684	-	253,329
Interest expense	1,058	1,508	-	2,566
Depreciation	7,273	628,958	-	636,231
Loss on disposal of leasehold improvements	-	2,435	-	2,435
Other costs	19,362	45,017	212	64,591
	<u>19,362</u>	<u>45,017</u>	<u>212</u>	<u>64,591</u>
Total expenses	<u>\$ 22,301,934</u>	<u>\$ 2,892,241</u>	<u>\$ 38,893</u>	<u>\$ 25,233,068</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2013

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 11,164,795	\$ 1,456,790	\$ 493	\$ 12,622,078
Payroll taxes and fringe benefits	2,894,237	320,721	57	3,215,015
Professional fees and contract services	3,364,446	65,576	-	3,430,022
Conferences and travel	218,855	30,724	-	249,579
Occupancy costs	1,617,921	143,727	-	1,761,648
Program service fee overhead	138,587	-	-	138,587
Consumable supplies	4,248,178	40,423	29,867	4,318,468
Equipment expense	146,520	60,779	2,558	209,857
Insurance	275,866	21,244	4	297,114
Telephone	82,567	21,345	-	103,912
Advertising, printing, postage and dues	63,876	29,712	6,183	99,771
Vehicle maintenance	265,693	3,356	-	269,049
Interest expense	1,578	1,323	-	2,901
Depreciation	10,233	669,529	-	679,762
Other costs	(10,335)	44,374	195	34,234
	<u>\$ 24,483,017</u>	<u>\$ 2,909,623</u>	<u>\$ 39,357</u>	<u>\$ 27,431,997</u>
Total expenses				

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (565,166)	\$ (282,284)
Adjustments to reconcile decrease in net assets to net cash provided by (utilized in) operating activities:		
Depreciation	636,231	679,762
Donated vehicles	-	(115,820)
Loss on disposal of equipment	2,435	-
Bad debt expense	2,500	-
Changes in operating assets and liabilities:		
Grants receivable	297,607	106,170
Program service fees receivable	(15,662)	(211,264)
Inventory	3,427	(5,688)
Other current assets	86,127	(52,979)
Long-term deposits	6,600	-
Accounts payable - Trade	(519,204)	4,155
Accrued payroll and related liabilities	8,859	91,331
Accrued compensated absences	(36,997)	7,420
Deferred revenue	108,683	(165,696)
Custodial accounts, deposits, and other current liabilities	(17,542)	14,659
Total adjustments	563,064	352,050
Net cash provided by (utilized in) operating activities	(2,102)	69,766
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property	(100,755)	(76,394)
Net cash utilized in investing activities	(100,755)	(76,394)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(9,464)	(8,943)
Payments on short-term bank borrowings	(496,000)	(655,000)
Proceeds from short-term bank borrowings	596,000	655,000
Net cash provided by (utilized in) financing activities	90,536	(8,943)
DECREASE IN CASH	(12,321)	(15,571)
CASH - BEGINNING OF YEAR	362,160	377,731
CASH - END OF YEAR	\$ 349,839	\$ 362,160
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 2,566	\$ 2,901

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

People's Equal Action and Community Effort, Inc. (the "Agency") provides community action programs primarily throughout Onondaga County. The programs of the Agency include senior citizen services; transportation services for elderly, disabled and isolated; activities and one-on-one interaction with a role model; programs and services covering prenatal care and early childhood education; family endeavors; emergency food needs; energy services; home weatherization; community health and social service introduction to families.

The Agency is a nonprofit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a "private foundation" as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for income taxes is included in the accompanying financial statements. However, fiscal years 2011 and later remain subject to examination by the IRS and state authorities, generally for three years after filing.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified into permanently restricted, temporarily restricted or unrestricted net assets based on the existence or absence of donor-imposed restrictions.

Support and Revenue

Funding for Agency programs is provided through grants from the U.S. Department of Health and Human Services, New York State Departments of State, Health, Social Services, Homes and Community Renewal and Office of People with Developmental Disabilities, County of Onondaga, LaFayette Central School District, North Syracuse Central School District, Solvay Union Free School District, Syracuse City School District, Corporation for National and Community Service, Big Brothers Big Sisters of America, United Way, various foundations, and corporations.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

(Continued)

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventory

Inventory of supplies and materials is stated at cost using the first-in, first-out method.

Other Current Assets

Included in other current assets are fee for service weatherization program costs related to projects that have not been completed. Revenue are recognized when projects have been finalized in accordance with grant agreements. These programs include EmPower New York, Multifamily Performance Program, and Assisted Home Performance.

Property

Property \$5,000 and greater is capitalized and stated at cost if purchased or fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Long-lived donated property and equipment is recognized as unrestricted support when received.

Property acquired with grant resources is owned by the Agency for use in authorized programs. The funding sources retain reversionary interest in property purchased with grant funds. Disposition of such assets, as well as any sale proceeds, are subject to a recorded Notice of Federal Interest. Property - net purchased with grant funds was approximately \$1,350,000 and \$1,826,000 as of January 31, 2014 and 2013, respectively.

Deferred Revenue

Deferred revenue represents funds received but not yet earned. It is anticipated that such revenues will be earned currently.

Contributed Materials, Facilities and Services

The Agency records as revenue and expenses the estimated fair value of donated services, consumable supplies and space in the period received. Value for salaries is determined by using a reasonable wage and the number of hours donated. Estimated value as provided by the Salvation Army guidelines is used for consumable supplies. Donated space is recorded based on estimated fair market value of the leased space as determined by professional appraisals and third party published sources.

(Continued)

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Indirect Cost Rate

The Agency has been approved by its cognizant agency, U.S. Department of Health and Human Services, to apply a provisional indirect cost rate not to exceed 24.7%. Indirect costs are allocated to all programs of the Agency. Total direct salaries are used as the base to calculate the Agency's indirect cost rate.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs benefited based on management's estimate of time spent, occupancy or usage. Other costs specifically identified to a program are charged directly to that program.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Subsequent Events

Subsequent events have been evaluated by management through May 22, 2014, the date the financial statements were available to be issued.

2. SHORT-TERM BANK BORROWINGS

The Agency has a \$2,000,000 revolving loan with First Niagara Bank, N.A. Borrowings accrue interest at the prime rate (3.25% as of January 31, 2014) and are not collateralized.

3. LONG-TERM DEBT

Long-term debt represents a mortgage payable to M&T Real Estate, Inc. payable in monthly installments of \$877, including interest at the five year U.S. Treasury rate plus 3% per annum through May 2016. Interest is subject to adjustment in five year increments through May 2015. Land and building with a net book value of approximately \$22,500 at January 31, 2014 are pledged as collateral to this obligation. The long-term portion of \$3,466 matures on January 31, 2016.

(Continued)

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014 AND 2013

4. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets include donor restricted contributions and restricted program income to be used to support the following activities at January 31:

	<u>2014</u>	<u>2013</u>
Head Start/Early Head Start	\$ 11,151	\$ 8,850
Family Resource Centers	26,595	30,539
Big Brothers Big Sisters	75,008	80,528
Foster Grandparents	7,426	8,610
Community Development	2,521	2,957
Senior Services	822	4,845
Food Services	4,381	6,029
Weatherization	14,365	31,493
Frank DeFrancisco Eastwood Community Center	18,488	18,649
Foundation for the Future	1,500	1,500
Maintenance	30	30
Camp Fund	1,756	1,000
KIDS (Kids in Distressed Situations)	258	2,461
Transportation	-	28
Crop Walk	263	137
Adopt-A-Family	1,374	2,319
Employee Assistance	-	14
Total	<u>\$ 165,938</u>	<u>\$ 199,989</u>

5. RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution profit sharing plan covering employees who have completed one year of service and are 18 years of age. Employees may contribute a percentage of their compensation on a pre-tax basis, subject to limitations by the Internal Revenue Service. Agency contributions to the plan are at the sole discretion of the Board of Directors. The Board elected to match up to 3% of employee deferred compensation for the plan years ended December 31, 2013 and 2012, respectively.

Retirement plan expense was \$169,674 and \$180,511 for 2014 and 2013, respectively.

(Continued)

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014 AND 2013

6. OPERATING LEASES

The Agency leases space and equipment under arrangements accounted for as operating leases. Agreements require monthly payments expiring at various dates through December 2019.

Future minimum lease payments at January 31, 2014 are as follows:

<u>YEAR ENDING</u> <u>JANUARY 31,</u>	<u>AMOUNT</u>
2015	\$ 1,147,595
2016	308,909
2017	222,594
2018	198,126
2019	143,474
Thereafter	<u>33,580</u>
Total	<u>\$ 2,054,278</u>

Total lease expense for space and equipment included in occupancy costs, equipment and telephone expense was \$1,121,414 and \$1,158,750 for the years ended January 31, 2014 and 2013, respectively.

7. DONATED MATERIALS, FACILITIES AND SERVICES

Donated materials, facilities and services included in the financial statements for the years ended January 31 are as follows:

	<u>2014</u>	<u>2013</u>
In-kind contributions:		
Donated volunteer services	\$ 1,332,857	\$ 1,486,710
Donated professional and contract services	1,311,389	1,505,994
Donated facilities	586,056	622,764
Donated supplies	1,784,009	1,324,251
Donated vehicles	<u>-</u>	<u>115,820</u>
Total In-kind contributions	<u>\$ 5,014,311</u>	<u>\$ 5,055,539</u>
Property and Expenses:		
Salaries	\$ 1,332,857	\$ 1,486,710
Professional fees and contract services	1,311,389	1,505,994
Occupancy costs	586,056	622,764
Consumable supplies	1,784,009	1,324,251
Vehicles	<u>-</u>	<u>115,820</u>
Total expenses	<u>\$ 5,014,311</u>	<u>\$ 5,055,539</u>

(Continued)

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2014 AND 2013

8. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to credit risk consist principally of unsecured receivables.

A significant portion of the Agency's revenue is generated through Federal, New York State and County grants that are renewed annually, without which there would be an impact on the Agency's level of service and operation. The Agency derives a substantial portion of its revenues from one grant. Total revenues related to this grant were approximately \$10,500,000 and \$11,300,000 in 2014 and 2013, respectively.

The Agency has collateral agreements with two separate banks insuring all deposits.



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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 Directors
People's Equal Action and Community Effort, Inc.
Syracuse, New York

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 People's Equal Action and Community Effort, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered People's Equal Action and Community Effort, Inc.'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 People's Equal Action and Community Effort, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether People's Equal Action and Community Effort, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May 22, 2014
Syracuse, New York



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
People's Equal Action and Community Effort, Inc.
Syracuse, New York

Report on Compliance for Each Major Federal Program

We have audited People's Equal Action and Community Effort, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of People's Equal Action and Community Effort, Inc.'s major federal programs for the year ended January 31, 2014. People's Equal Action and Community Effort, Inc.'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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of People's Equal Action and Community Effort, Inc.'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 People's Equal Action and Community Effort, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of People's Equal Action and Community Effort, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, People's Equal Action and Community Effort, Inc. 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 January 31, 2014.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

May 22, 2014
Syracuse, New York

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>					
Head Start	93.600	02/01/13-06/30/14	02CH1424/46	\$ 14,871,195	\$ 10,552,160
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/12-03/31/14	C001335	1,458,014	943,287
	93.569	10/01/13-09/30/14	C1000309	1,349,278	439,904
Total Community Services Block Grant				<u>2,807,292</u>	<u>1,383,191</u>
NYS Homes & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/12-06/30/13	C091049-12	2,046,421	420,640
	93.568	04/01/13-03/31/14	C091049-13	1,936,819	1,425,640
	93.568	10/01/12-09/30/13	C092314-12	600,000	592,289
Total Low-Income Home Energy Assistance				<u>4,583,240</u>	<u>2,438,569</u>
Onondaga County Department of Aging & Youth					
Special Programs for the Aging - Title III, Part B -					
Grants for Supportive Services and Senior Centers	93.044	01/01/13-12/31/13	14905-R6	25,000	22,776
	93.044	01/01/14-12/31/14	PEA160001	25,000	2,521
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>25,297</u>
Special Programs for the Aging - Title III, Part C -					
Nutrition Services	93.045	01/01/13-12/31/13	10305-R6	394,661	361,142
	93.045	01/01/14-12/31/14	PEA160002	26,414	26,414
Total Special Programs for the Aging - Title III, Part C				<u>421,075</u>	<u>387,556</u>
Subtotal - U.S. Department of Health and Human Services				<u>22,732,802</u>	<u>14,786,773</u>
<u>The Corporation for National Service</u>					
Foster Grandparent Program	94.011	04/01/12-06/30/13	10SFANY006	516,006	172,155
	94.011	07/01/13-06/30/14	13SFANY007	393,126	212,312
Subtotal - The Corporation for National Service				<u>909,132</u>	<u>384,467</u>

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title (Cont'd)</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>					
Pass-through from:					
NYS Department of Health					
Child and Adult Care Food Program (CACFP)	10.558	10/01/12-09/30/13	2139	475,958	270,109
	10.558	10/01/13-09/30/14	2139	<u>180,355</u>	<u>180,355</u>
Subtotal - U.S. Department of Agriculture				<u>656,313</u>	<u>450,464</u>
<u>U.S. Department of Energy</u>					
Pass-through from:					
NYS Homes & Community Renewal					
Weatherization Assistance for Low-Income Persons	81.042	04/01/12-06/30/13	C091049-12	557,325	552,941
	81.042	04/01/13-03/31/14	C091049-13	<u>253,793</u>	<u>186,811</u>
Subtotal - U.S. Department of Energy				<u>811,118</u>	<u>739,752</u>
Total				<u>\$ 25,109,365</u>	<u>\$ 16,361,456</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

PEOPLE’S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of federal financial assistance programs administered by People’s Equal Action and Community Effort, Inc. (the “Agency”), an entity as defined in the basic financial statements. The information in this schedule is presented on the accrual basis and in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented or used in the presentation of the financial statements.

2. EXPENDITURES OF FEDERAL REVENUE

The amounts reported as expenditures of federal awards were obtained from the accounting records utilized to record activity for the applicable program and periods. These accounting records are periodically reconciled to the appropriate federal financial reports for each program.

3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports for each program.

4. MATCHING COSTS

Matching costs, i.e., the Agency’s share of certain program costs, are not included in the reported expenditures.

**PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2014**

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

CFDA Number

Program Title

U.S. Department of Health and Human Services:

93.600	Head Start
93.569	Community Services Block Grant
93.568	Low-Income Home Energy Assistance

U.S. Department of Energy:

81.042	Weatherization Assistance for Low-Income Persons
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Dollar threshold used to distinguish between Type A and Type B programs:	\$490,844
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Auditee qualified as low-risk auditee	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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**PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2014**

Part II - Status of Prior Year Federal Award Findings and Questioned Costs

- There were no findings in the prior year