

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

**Financial Statements as of  
January 31, 2017 and 2016  
Together with  
Independent Auditor's Report  
And Single Audit Reports**

**Bonadio & Co., LLP**  
Certified Public Accountants

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

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## INDEPENDENT AUDITOR'S REPORT

May 18, 2017

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

### **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, 2017 and 2016, 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, 2017 and 2016, 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.

(Continued)

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***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 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 May 18, 2017, 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.

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

## STATEMENTS OF FINANCIAL POSITION JANUARY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 525,908	\$ 573,268
Grants receivable	1,619,902	1,494,846
Program service fees receivable (net of allowance for doubtful accounts of \$0 and \$191 in 2017 and 2016, respectively)	258,251	232,052
Inventory	130,099	119,371
Other current assets	<u>136,479</u>	<u>182,881</u>
Total current assets	<u>2,670,639</u>	<u>2,602,418</u>
LONG-TERM DEPOSITS	<u>50,252</u>	<u>49,903</u>
PROPERTY:		
Land	200,500	200,500
Buildings	2,742,270	2,742,270
Leasehold improvements	4,708,102	4,599,427
Vehicles	2,539,576	2,636,922
Equipment	932,037	1,045,043
Construction in progress	<u>97,524</u>	<u>-</u>
Total	11,220,009	11,224,162
Less accumulated depreciation	<u>8,923,645</u>	<u>8,856,508</u>
Property, net	<u>2,296,364</u>	<u>2,367,654</u>
Total	<u>\$ 5,017,255</u>	<u>\$ 5,019,975</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Short-term bank borrowings	\$ 350,000	\$ 400,000
Accounts payable - Trade	462,563	486,354
Accrued payroll and related liabilities	863,277	647,943
Accrued compensated absences	265,912	270,316
Deferred revenue	178,256	239,216
Custodial accounts	163	163
Deposits and other current liabilities	<u>373</u>	<u>18,252</u>
Total current liabilities	<u>2,120,544</u>	<u>2,062,244</u>
NET ASSETS:		
Unrestricted	2,624,366	2,741,321
Temporarily restricted	<u>272,345</u>	<u>216,410</u>
Total net assets	<u>2,896,711</u>	<u>2,957,731</u>
Total	<u>\$ 5,017,255</u>	<u>\$ 5,019,975</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Direct contributions	\$ 154,131	\$ 96,248	\$ 250,379
In-kind contributions	5,782,453	-	5,782,453
Fundraising	81,582	41,363	122,945
Net assets released from restrictions	<u>91,434</u>	<u>(91,434)</u>	<u>-</u>
Total support	<u>6,109,600</u>	<u>46,177</u>	<u>6,155,777</u>
<b>REVENUE:</b>			
Governmental agencies	17,914,007	9,758	17,923,765
Program service fees	1,240,397	-	1,240,397
Interest income	89	-	89
Rental income	64,225	-	64,225
Other income	<u>700</u>	<u>-</u>	<u>700</u>
Total revenue	<u>19,219,418</u>	<u>9,758</u>	<u>19,229,176</u>
Total support and revenue	<u>25,329,018</u>	<u>55,935</u>	<u>25,384,953</u>
<b>EXPENSES:</b>			
Program services	22,841,992	-	22,841,992
Management and general	2,571,805	-	2,571,805
Fundraising	<u>32,176</u>	<u>-</u>	<u>32,176</u>
Total expenses	<u>25,445,973</u>	<u>-</u>	<u>25,445,973</u>
<b>CHANGE IN NET ASSETS</b>	(116,955)	55,935	(61,020)
<b>NET ASSETS - FEBRUARY 1, 2016</b>	<u>2,741,321</u>	<u>216,410</u>	<u>2,957,731</u>
<b>NET ASSETS - JANUARY 31, 2017</b>	<u>\$ 2,624,366</u>	<u>\$ 272,345</u>	<u>\$ 2,896,711</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 31, 2016**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Direct contributions	\$ 155,406	\$ 80,557	\$ 235,963
In-kind contributions	5,761,127	-	5,761,127
Fundraising	78,449	32,256	110,705
Net assets released from restrictions	<u>82,171</u>	<u>(82,171)</u>	<u>-</u>
Total support	<u>6,077,153</u>	<u>30,642</u>	<u>6,107,795</u>
<b>REVENUE:</b>			
Governmental agencies	17,222,881	22,526	17,245,407
Program service fees	1,443,572	-	1,443,572
Interest income	303	-	303
Rental income	61,593	-	61,593
Other Income	<u>10,499</u>	<u>-</u>	<u>10,499</u>
Total revenue	<u>18,738,848</u>	<u>22,526</u>	<u>18,761,374</u>
Total support and revenue	<u>24,816,001</u>	<u>53,168</u>	<u>24,869,169</u>
<b>EXPENSES:</b>			
Program services	22,082,970	-	22,082,970
Management and general	2,573,707	-	2,573,707
Fundraising	<u>27,067</u>	<u>-</u>	<u>27,067</u>
Total expenses	<u>24,683,744</u>	<u>-</u>	<u>24,683,744</u>
CHANGE IN NET ASSETS	132,257	53,168	185,425
NET ASSETS - FEBRUARY 1, 2015	<u>2,609,064</u>	<u>163,242</u>	<u>2,772,306</u>
NET ASSETS - JANUARY 31, 2016	<u>\$ 2,741,321</u>	<u>\$ 216,410</u>	<u>\$ 2,957,731</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 31, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,288,600	\$ 1,398,106	\$ 1,687	\$ 11,688,393
Payroll taxes and fringe benefits	2,975,723	335,649	753	3,312,125
Professional fees and contract services	2,812,778	51,210	-	2,863,988
Conferences and travel	221,682	28,252	50	249,984
Occupancy costs	1,593,370	164,944	-	1,758,314
Program service fee overhead	52,400	-	-	52,400
Consumable supplies	4,002,474	52,085	22,561	4,077,120
Equipment expense	216,123	51,535	3,199	270,857
Insurance	293,950	23,198	15	317,163
Telephone	89,922	15,703	88	105,713
Advertising, printing, postage and dues	77,894	38,242	3,581	119,717
Vehicle maintenance	200,069	1,770	-	201,839
Interest expense	-	7,199	-	7,199
Depreciation	865	357,444	-	358,309
Loss on disposal of property	-	5,336	-	5,336
Other costs	16,142	41,132	242	57,516
	<u>16,142</u>	<u>41,132</u>	<u>242</u>	<u>57,516</u>
Total expenses	<u>\$ 22,841,992</u>	<u>\$ 2,571,805</u>	<u>\$ 32,176</u>	<u>\$ 25,445,973</u>

The accompanying notes are an integral part of these statements.



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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 31, 2016**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,065,204	\$ 1,366,913	\$ 390	\$ 11,432,507
Payroll taxes and fringe benefits	2,862,362	326,331	42	3,188,735
Professional fees and contract services	2,195,254	59,387	-	2,254,641
Conferences and travel	239,488	23,850	-	263,338
Occupancy costs	1,654,025	135,703	-	1,789,728
Program service fee overhead	55,605	-	-	55,605
Consumable supplies	4,158,192	33,635	17,562	4,209,389
Equipment expense	143,188	31,707	2,989	177,884
Insurance	292,429	23,582	7	316,018
Telephone	92,005	18,161	-	110,166
Advertising, printing, postage and dues	117,460	30,444	5,678	153,582
Vehicle maintenance	195,959	2,131	-	198,090
Interest expense	42	9,124	-	9,166
Depreciation	200	472,835	-	473,035
Other costs	<u>11,557</u>	<u>39,904</u>	<u>399</u>	<u>51,860</u>
Total expenses	<u>\$ 22,082,970</u>	<u>\$ 2,573,707</u>	<u>\$ 27,067</u>	<u>\$ 24,683,744</u>

The accompanying notes are an integral part of these statements.

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

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JANUARY 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (61,020)	\$ 185,425
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	358,309	473,035
Loss on disposal of property	5,336	-
Bad debt expense	-	191
Changes in operating assets and liabilities:		
Grants receivable	(125,056)	(456,406)
Program service fees receivable	(26,199)	(14,321)
Inventory	(10,728)	(8,522)
Other current assets	46,419	(22,508)
Long-term deposits	(349)	(9,026)
Accounts payable - Trade	(23,791)	148,548
Accrued payroll and related liabilities	215,334	(51,263)
Accrued compensated absences	(4,404)	4,052
Deferred revenue	(60,960)	(15,535)
Custodial accounts, deposits, and other current liabilities	<u>(17,879)</u>	<u>17,053</u>
Net cash from operating activities	<u>295,012</u>	<u>250,723</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	466	-
Acquisitions of property	<u>(292,838)</u>	<u>(611,502)</u>
Net cash from investing activities	<u>(292,372)</u>	<u>(611,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	-	(3,466)
Payments on short-term bank borrowings	(1,340,000)	(1,100,000)
Proceeds from short-term bank borrowings	<u>1,290,000</u>	<u>1,500,000</u>
Net cash from financing activities	<u>(50,000)</u>	<u>396,534</u>
NET CHANGE IN CASH	(47,360)	35,755
CASH - beginning of year	<u>573,268</u>	<u>537,513</u>
CASH - end of year	<u>\$ 525,908</u>	<u>\$ 573,268</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 7,199	\$ 8,867

The accompanying notes are an integral part of these statements.

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

## NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2017 AND 2016

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### 1. THE 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 and Oswego, LaFayette 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.

#### **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 is recognized when projects have been finalized in accordance with grant agreements. These programs include Department of Energy and Housing Fee-For-Service, EmPower New York, and Multifamily Performance Program.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Property and Depreciation**

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 ranging from 3 to 40 years. Long-lived donated property and equipment is recognized as unrestricted support when received. Depreciation expense for the years ended January 31, 2017 and 2016 was \$358,309 and \$473,035, respectively.

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 \$1,245,950 and \$1,296,000 as of January 31, 2017 and 2016, respectively.

### **Deferred Revenue**

Deferred revenue represents funds received but not yet earned. It is anticipated that such revenues will be earned in the next year.

### **Self-Insurance**

Effective October 1, 2014, the Agency established a self-insurance program for its employees' health care costs. The Agency was liable for losses on claims up to \$60,000 per claim through policy year end June 30, 2015, and claims up to \$70,000 per claim through policy year ends June 30, 2016 and June 30, 2017. The Agency has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$234,957 and \$119,102 as of January 31, 2017 and 2016 respectively, and is included in accrued payroll and related liabilities.

### **Income Taxes**

People's Equal Action and Community Effort, Inc. is a New York not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(2) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

### **Contributed Materials, Facilities and Services**

The Agency records as revenue and expenses the estimated fair value of donated services meeting recognition criteria under GAAP, 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.

### **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 24.8%. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

## 3. 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 (3.75% as of January 31, 2017) and are not collateralized. As of January 31, 2017 and 2016, the outstanding balance on the line of credit was \$350,000 and \$400,000, respectively.

## 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>2017</u>	<u>2016</u>
Head Start/Early Head Start	\$ 12,996	\$ 14,610
Family Resource Centers	20,531	25,091
Big Brothers Big Sisters	174,977	109,524
Foster Grandparents	10,129	9,519
Community Development	260	1,579
Senior Services	822	822
Food Services	4,152	1,191
Weatherization	29,141	35,496
Frank DeFrancisco Eastwood Community Center	6,615	10,623
Foundation for the Future	1,500	1,500
Maintenance	30	30
Camp Fund	8,387	4,712
Crop Walk	360	229
Adopt-A-Family	2,328	1,384
KIDS (Kids in Distressed Situations)	17	-
Information Technology	<u>100</u>	<u>100</u>
Total	<u>\$ 272,345</u>	<u>\$ 216,410</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 contributions for the plan years ended December 31, 2016 and 2015, respectively.

Retirement plan expense was \$172,370 and \$158,695 for 2017 and 2016, respectively.

## 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 January 2022.

Future minimum lease payments at January 31, 2017 are as follows:

2018	\$	1,235,704
2019		454,636
2020		369,724
2021		253,140
2022		<u>130,656</u>
Total	\$	<u>2,443,860</u>

Total lease expense for space and equipment included in occupancy costs, equipment and telephone expense was \$1,134,884 and \$1,151,207 for the years ended January 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
In-kind contributions:		
Donated volunteer services	\$ 1,268,584	\$ 1,167,181
Donated professional and contract services	1,910,920	1,532,126
Donated facilities	659,931	560,135
Donated supplies	<u>1,943,018</u>	<u>2,501,685</u>
Total In-kind contributions	<u>\$ 5,782,453</u>	<u>\$ 5,761,127</u>
Expenses:		
Salaries	\$ 1,268,584	\$ 1,167,181
Professional fees and contract services	1,910,920	1,532,126
Occupancy costs	659,931	560,135
Consumable supplies	<u>1,943,018</u>	<u>2,501,685</u>
Total expenses	<u>\$ 5,782,453</u>	<u>\$ 5,761,127</u>

## **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 \$11,400,000 and \$10,900,000 in 2017 and 2016, respectively. Accounts receivable related to this grant were approximately \$1,000,000 and \$600,000 at January 31, 2017 and 2016, respectively.

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

## **9. SUBSEQUENT EVENTS**

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

May 18, 2017

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

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, 2017, 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 18, 2017.

**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 People's Equal Action and Community Effort Inc.'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.

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(Continued)



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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.

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

May 18, 2017

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

**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 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, 2017. 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 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 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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, 2017.

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

(Continued)

## Report on Internal Control Over Compliance

Management of 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 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 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 that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*

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

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JANUARY 31, 2017**

<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	02/01/16-01/31/17	02CH3086/03	\$ 12,051,666	\$ 11,392,770
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/15-03/31/17	C1000309	1,724,611	1,191,017
	93.569	10/01/16-09/30/17	C1000771	1,518,681	394,808
	93.569	08/01/16-09/30/16	T1000851	24,500	24,320
	93.569	01/01/17-12/31/17	C1000892	95,000	526
Total Community Services Block Grant				<u>3,362,792</u>	<u>1,610,671</u>
NYS Homes & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/15-05/31/16	C092049-15	1,169,780	489,619
	93.568	04/01/16-03/31/17	C092049-16	1,503,337	1,012,415
Total Low-Income Home Energy Assistance				<u>2,673,117</u>	<u>1,502,034</u>
Aging Cluster:					
Onondaga County Department of Aging & Youth					
Special Programs for the Aging - Title III, Part B -					
Grants for Supportive Services and Senior Centers	93.044	01/01/16-12/31/16	PEA160001	25,000	25,000
	93.044	01/01/17-12/31/17	PEA190001	25,000	853
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>25,853</u>
Special Programs for the Aging - Title III, Part C -					
Nutrition Services	93.045	01/01/16-12/31/16	PEA160002	526,593	492,365
	93.045	01/01/17-12/31/17	PEA190002	41,124	41,124
Total Special Programs for the Aging - Title III, Part C				<u>567,717</u>	<u>533,489</u>
Total Aging Cluster				<u>617,717</u>	<u>559,342</u>
Subtotal - U.S. Department of Health and Human Services				<u>18,705,292</u>	<u>15,064,817</u>
<u>The Corporation for National Service</u>					
Foster Grandparent Program	94.011	07/01/14-06/30/16	13SFANY007	350,000	53,269
	94.011	07/01/15-06/30/16	13SFANY007	393,126	205,563
	94.011	07/01/16-06/30/17	16SFANY009	393,126	218,304
Subtotal - The Corporation for National Service				<u>1,136,252</u>	<u>477,136</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JANUARY 31, 2017**

<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 Agriculture</u>					
Pass-through from:					
NYS Department of Health					
Child and Adult Care Food Program (CACFP)	10.558	10/01/15-09/30/16	2139	503,533	300,032
	10.558	10/01/16-09/30/17	2139	<u>189,856</u>	<u>189,856</u>
Subtotal - U.S. Department of Agriculture				<u>693,389</u>	<u>489,888</u>
<u>U.S. Department of Energy</u>					
Pass-through from:					
NYS Homes & Community Renewal					
Weatherization Assistance for Low-Income Persons	81.042	04/01/15-05/31/16	C092049-15	850,035	-
	81.042	04/01/16-03/31/17	C092049-16	<u>673,876</u>	<u>673,876</u>
Subtotal - U.S. Department of Energy				<u>1,523,911</u>	<u>673,876</u>
<u>U.S. Department of Housing &amp; Urban Renewal</u>					
Pass-through from:					
City of Syracuse					
Community Development Block Grant Program for Entitlement Communities	14.218	05/01/15-04/30/16	Year 41	12,500	2,400
	14.218	05/01/16-04/30/17	Year 42	<u>12,500</u>	<u>6,250</u>
Subtotal - U.S. Department of Housing & Urban Renewal				<u>25,000</u>	<u>8,650</u>
Total				<u>\$ 22,083,844</u>	<u>\$ 16,714,367</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, 2017**

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#### **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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 AWARDS**

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. The Agency has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **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, 2017**

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**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?  yes  no  
Significant deficiencies identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiencies identified?  yes  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 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Program Title</u>
<u>U.S. Department of Health and Human Services:</u>	
93.600	Head Start
<u>U.S. Department of Agriculture:</u>	
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee  yes  no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JANUARY 31, 2017**

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

- There were no findings in the prior year