

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

**Financial Statements as of  
January 31, 2019 and 2018  
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 16, 2019

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, 2019 and 2018, 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, 2019 and 2018, 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)

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, People's Equal Action and Community Effort, Inc. implemented Accounting Standards Update 2016-14, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

### **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 16, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of People's Equal Action and Community Effort, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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, 2019 AND 2018**

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 512,242	\$ 641,708
Grants receivable	1,412,084	1,504,593
Program service fees receivable	168,581	194,163
Inventory	135,605	130,314
Other current assets	<u>75,550</u>	<u>109,458</u>
Total current assets	<u>2,304,062</u>	<u>2,580,236</u>
LONG-TERM DEPOSITS	<u>49,011</u>	<u>50,252</u>
PROPERTY:		
Land	200,500	200,500
Buildings	2,742,270	2,742,270
Leasehold improvements	5,549,722	5,261,920
Vehicles	2,769,875	2,682,586
Equipment	903,760	952,036
Construction in progress	<u>-</u>	<u>53,093</u>
Total	12,166,127	11,892,405
Less accumulated depreciation	<u>9,421,461</u>	<u>9,122,513</u>
Property, net	<u>2,744,666</u>	<u>2,769,892</u>
Total	<u>\$ 5,097,739</u>	<u>\$ 5,400,380</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Short-term bank borrowings	\$ -	\$ 150,000
Accounts payable - trade	245,370	184,025
Accrued payroll and related liabilities	1,194,339	1,377,063
Accrued compensated absences	263,716	260,209
Deferred revenue	215,723	186,879
Custodial accounts, deposits, and other current liabilities	<u>400</u>	<u>536</u>
Total current liabilities	<u>1,919,548</u>	<u>2,158,712</u>
NET ASSETS:		
Without donor restrictions	2,942,643	3,005,229
With donor restrictions	<u>235,548</u>	<u>236,439</u>
Total net assets	<u>3,178,191</u>	<u>3,241,668</u>
Total	<u>\$ 5,097,739</u>	<u>\$ 5,400,380</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, 2019**

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 133,586	\$ 85,381	\$ 218,967
In-kind contributions	2,341,058	-	2,341,058
Fundraising	87,095	22,759	109,854
Net assets released from restrictions	<u>111,881</u>	<u>(111,881)</u>	<u>-</u>
Total support	<u>2,673,620</u>	<u>(3,741)</u>	<u>2,669,879</u>
REVENUE:			
Governmental agencies	18,877,888	2,850	18,880,738
Program service fees	1,000,945	-	1,000,945
Interest income	564	-	564
Rental income	71,603	-	71,603
Other Income	<u>500</u>	<u>-</u>	<u>500</u>
Total revenue	<u>19,951,500</u>	<u>2,850</u>	<u>19,954,350</u>
Total support and revenue	<u>22,625,120</u>	<u>(891)</u>	<u>22,624,229</u>
EXPENSES:			
Program services	19,906,804	-	19,906,804
Management and general	2,743,994	-	2,743,994
Fundraising	<u>36,908</u>	<u>-</u>	<u>36,908</u>
Total expenses	<u>22,687,706</u>	<u>-</u>	<u>22,687,706</u>
CHANGE IN NET ASSETS	(62,586)	(891)	(63,477)
NET ASSETS - FEBRUARY 1, 2018	<u>3,005,229</u>	<u>236,439</u>	<u>3,241,668</u>
NET ASSETS - JANUARY 31, 2019	<u>\$ 2,942,643</u>	<u>\$ 235,548</u>	<u>\$ 3,178,191</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, 2018**

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	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT:</b>			
Direct contributions	\$ 139,262	\$ 62,402	\$ 201,664
In-kind contributions	2,823,024	-	2,823,024
Fundraising	85,478	16,914	102,392
Net assets released from restrictions	<u>122,808</u>	<u>(122,808)</u>	<u>-</u>
Total support	<u>3,170,572</u>	<u>(43,492)</u>	<u>3,127,080</u>
<b>REVENUE:</b>			
Governmental agencies	18,662,690	7,586	18,670,276
Program service fees	1,086,928	-	1,086,928
Interest income	19	-	19
Rental income	67,272	-	67,272
Other income	840	-	840
Gain on disposal of vehicle	<u>10,059</u>	<u>-</u>	<u>10,059</u>
Total revenue	<u>19,827,808</u>	<u>7,586</u>	<u>19,835,394</u>
Total support and revenue	<u>22,998,380</u>	<u>(35,906)</u>	<u>22,962,474</u>
<b>EXPENSES:</b>			
Program services	19,869,739	-	19,869,739
Management and general	2,714,780	-	2,714,780
Fundraising	<u>32,998</u>	<u>-</u>	<u>32,998</u>
Total expenses	<u>22,617,517</u>	<u>-</u>	<u>22,617,517</u>
CHANGE IN NET ASSETS	380,863	(35,906)	344,957
NET ASSETS - FEBRUARY 1, 2017	<u>2,624,366</u>	<u>272,345</u>	<u>2,896,711</u>
NET ASSETS - JANUARY 31, 2018	<u>\$ 3,005,229</u>	<u>\$ 236,439</u>	<u>\$ 3,241,668</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, 2019**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 9,628,440	\$ 1,452,487	\$ 2,480	\$ 11,083,407
Payroll taxes and fringe benefits	2,862,072	338,211	1,374	3,201,657
Professional fees and contract services	1,300,109	75,086	-	1,375,195
Conferences and travel	290,465	30,637	50	321,152
Occupancy costs	1,292,598	161,688	-	1,454,286
Program service fee overhead	34,222	-	-	34,222
Consumable supplies	3,492,343	47,598	25,652	3,565,593
Equipment expense	289,331	35,471	3,000	327,802
Insurance	310,818	21,794	98	332,710
Telephone	125,605	14,879	-	140,484
Advertising, printing, postage and dues	71,941	35,231	3,924	111,096
Vehicle maintenance	189,472	1,943	-	191,415
Interest expense	-	488	-	488
Depreciation	8,238	483,238	-	491,476
Loss on disposal of property	-	5,260	-	5,260
Other costs	11,150	39,983	330	51,463
	<u>11,150</u>	<u>39,983</u>	<u>330</u>	<u>51,463</u>
Total expenses	<u>\$ 19,906,804</u>	<u>\$ 2,743,994</u>	<u>\$ 36,908</u>	<u>\$ 22,687,706</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, 2018**

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 9,133,390	\$ 1,428,157	\$ 3,250	\$ 10,564,797
Payroll taxes and fringe benefits	2,939,584	351,886	1,386	3,292,856
Professional fees and contract services	1,313,340	106,806	-	1,420,146
Conferences and travel	274,394	22,458	25	296,877
Occupancy costs	1,379,173	163,801	-	1,542,974
Program service fee overhead	27,611	-	-	27,611
Consumable supplies	3,786,836	41,413	22,098	3,850,347
Equipment expense	291,922	49,827	3,300	345,049
Insurance	293,142	23,132	66	316,340
Telephone	153,451	14,875	-	168,326
Advertising, printing, postage and dues	76,710	40,517	2,625	119,852
Vehicle maintenance	183,569	2,555	-	186,124
Interest expense	-	1,233	-	1,233
Depreciation	2,421	425,103	-	427,524
Other costs	<u>14,196</u>	<u>43,017</u>	<u>248</u>	<u>57,461</u>
Total expenses	<u>\$ 19,869,739</u>	<u>\$ 2,714,780</u>	<u>\$ 32,998</u>	<u>\$ 22,617,517</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, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (63,477)	\$ 344,957
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	491,476	427,524
Loss (gain) on disposal of property	5,260	(10,059)
Donated vehicles	-	(51,440)
Changes in operating assets and liabilities:		
Grants receivable	92,509	115,309
Program service fees receivable	25,582	64,088
Inventory	(5,291)	(215)
Other current assets	33,918	27,038
Long-term deposits	1,241	-
Accounts payable - trade	61,345	(278,538)
Accrued payroll and related liabilities	(182,724)	513,786
Accrued compensated absences	3,507	(5,703)
Deferred revenue	28,844	8,623
Custodial accounts, deposits, and other current liabilities	<u>(136)</u>	<u>-</u>
Net cash from operating activities	<u>492,054</u>	<u>1,155,370</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property	-	10,059
Acquisitions of property	<u>(471,520)</u>	<u>(849,629)</u>
Net cash from investing activities	<u>(471,520)</u>	<u>(839,570)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on short-term bank borrowings	(150,000)	(850,000)
Proceeds from short-term bank borrowings	<u>-</u>	<u>650,000</u>
Net cash from financing activities	<u>(150,000)</u>	<u>(200,000)</u>
NET CHANGE IN CASH	(129,466)	115,800
CASH - beginning of year	<u>641,708</u>	<u>525,908</u>
CASH - end of year	<u>\$ 512,242</u>	<u>\$ 641,708</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 488	\$ 1,233

The accompanying notes are an integral part of these statements.

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

## NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2019 AND 2018

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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).

#### **Financial Reporting**

The Agency reports its activities and the related net assets using the following categories:

- **Net Assets Without Donor Restrictions**  
Net assets without donor restrictions include resources that are available for the support of the Agency's operating activities.
- **Net Assets With Donor Restrictions**  
Net assets with donor restrictions include resources that have been donated to the Agency subject to restrictions as defined by the donor.

#### **Cash**

Cash includes demand deposit accounts. The Agency has collateral agreements with two separate banks insuring all cash deposits. The Agency has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash.

#### **Receivables**

Grants and program fee receivables include obligations from numerous sources including local, New York State, and federal grant contracts.

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. As of January 31, 2019 and 2018, no allowance was deemed necessary.

#### **Inventory**

Inventory of supplies and materials is stated at the lower of cost or net realizable value, with cost being determined on a first-in, first-out method.

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

### **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.

### **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 support without donor restrictions when received. Depreciation expense for the years ended January 31, 2019 and 2018 was \$491,476 and \$427,524, 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 \$1,740,918 and \$1,724,515 as of January 31, 2019 and 2018, respectively.

### **Self-Insurance**

The Agency is self-insured for its employees' health care costs. The Agency was liable for losses on claims up to \$70,000 per claim through policy years ended June 30, 2016, 2017, 2018 and June 30, 2019. 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 \$924,156 and \$677,670 as of January 31, 2019 and 2018 respectively, and is included in accrued payroll and related liabilities.

### **Deferred Revenue**

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

### **Direct Contributions**

Contributions are recognized when a donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions as net assets released from restrictions.

### **In-kind Contributions**

The Agency receives in-kind contributions from outside parties. The donations include, but are not limited to, services, vehicles, consumable supplies and space. All donations are without donor restriction and used to support and further the Agency's objectives. Estimated value as provided by the Salvation Army guidelines when available or if unavailable, internet research is performed to determine a conservative valuation 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. In addition, many skilled and unskilled individuals have contributed significant amounts of time to the activities of the Agency without compensation.

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

### In-kind Contributions (Continued)

Contributed services are recognized as in-kind revenue and expense by the Agency when they meet the requirements of GAAP as follows:

	<u>2019</u>	<u>2018</u>
In-kind contributions:		
Donated professional and contract services	\$ 420,885	\$ 501,197
Donated facilities	349,442	405,918
Donated vehicles	-	51,440
Donated supplies	<u>1,570,731</u>	<u>1,864,469</u>
Total In-kind contributions	<u>\$ 2,341,058</u>	<u>\$ 2,823,024</u>
Expenses:		
Professional fees and contract services	\$ 420,885	\$ 501,197
Occupancy costs	349,442	405,918
Vehicles	-	51,440
Consumable supplies	<u>1,570,731</u>	<u>1,864,469</u>
Total expenses	<u>\$ 2,341,058</u>	<u>\$ 2,823,024</u>

In addition, the Agency received in-kind contributions from outside parties that do not meet the recognition requirement. Management estimates these in-kind contributions had a value of \$3,133,041 and \$3,218,744 for the years ended January 31, 2019 and 2018, respectively.

### Revenue Recognition

The Agency receives revenue to assist in carrying out its programs from federal, state, and local government agencies and other organizations. 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 for People with Developmental Disabilities, County of Onondaga and Oswego, Liverpool Central School District, Syracuse City School District, Corporation for National and Community Service, Big Brothers Big Sisters of America, United Way, various foundations, and corporations. Grant revenue is recognized as eligible expenses are incurred and the related services are provided.

### Allocation of Certain Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimate. Salaries, payroll taxes and fringe benefits are allocated based on estimated time spent. Depreciation and occupancy costs are allocated based on square footage. Other costs specifically identified to a program are charged directly to that program.

### 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 25.0%. 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.

### 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.

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

### Use of Estimates

The preparation of financial statements in accordance with GAAP 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.

### Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. These reclassifications had no effect in net assets or change in net assets as originally reported.

### Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, with the purpose of improving financial reporting by not-for-profit (NFP) entities. ASU 2016-14 changes the presentation and accounting for non-for-profit organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restriction and net assets without donor restriction);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses;
- Requiring qualitative disclosure regarding an entity's liquidity and availability of resources; and
- Accounting for underwater endowment funds.

ASU 2016-14 is effective for the Agency's fiscal year ending January 31, 2019 and was applied retrospectively. The effects of this ASU have been included in these financial statements.

## 3. LIQUIDITY

The following reflects the Agency's financial assets available within one year of the statement of financial position date for general expenditures as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$ 512,242	\$ 641,708
Grants receivable	1,412,084	1,504,593
Program service fees receivable	168,581	194,163
Other receivables	<u>2,750</u>	<u>8,951</u>
Financial assets, at year end	<u>2,095,657</u>	<u>2,349,415</u>
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purposes restrictions	<u>(235,548)</u>	<u>(236,439)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,860,109</u>	<u>\$ 2,112,976</u>

### 3. LIQUIDITY (Continued)

The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Agency's ability to meet its cash needs is dependent on timely collection of its grants and program service fees receivables. In addition, as part of its liquidity management, the Agency has a line of credit of \$2,000,000 (as described in Note 4), which it could draw upon in the event of an unanticipated liquidity need.

### 4. SHORT TERM BORROWINGS

The Agency has a \$2,000,000 revolving loan with Key Bank. Borrowings accrue interest at the prime rate (5.50% as of January 31, 2019) and are not collateralized. As of January 31, 2019 and 2018, the outstanding balance on the line of credit was \$0 and \$150,000, respectively.

### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include donor restricted contributions and restricted program income to be used to support the following activities at January 31:

	<u>2019</u>	<u>2018</u>
Head Start/Early Head Start	\$ 14,074	\$ 16,173
Family Resource Centers	62,592	21,299
Big Brothers Big Sisters	128,966	161,980
Foster Grandparents	7,786	10,743
Community Development	416	91
Senior Services	430	507
Food Services	2,171	3,598
Weatherization	3,607	4,004
Frank DeFrancisco Eastwood Community Center	942	5,089
Foundation for the Future	1,500	1,500
Maintenance	30	30
Camp Fund	8,637	8,937
Crop Walk	306	648
Adopt-A-Family	4,049	1,798
KIDS (Kids in Distressed Situations)	17	17
Information Technology	<u>25</u>	<u>25</u>
Total	<u>\$ 235,548</u>	<u>\$ 236,439</u>

### 6. 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, 2018 and 2017, respectively.

Retirement plan expense was \$177,879 and \$182,246 for 2019 and 2018, respectively.

## 7. 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 2028.

Future minimum lease payments at January 31, 2019 are as follows:

2020	\$1,245,918
2021	555,001
2022	356,271
2023	165,005
2024	127,934
Thereafter	<u>592,451</u>
Total	<u>\$3,042,580</u>

Total lease expense for space and equipment included in occupancy costs, equipment and telephone expense was \$1,192,071 and \$1,241,915 for the years ended January 31, 2019 and 2018, respectively.

## 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 \$11,700,000 for both 2019 and 2018. Accounts receivable related to this grant were approximately \$870,000 and \$1,100,000 at January 31, 2019 and 2018, respectively.

## 9. CONTINGENCIES

### Grants

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

## 10. SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through May 16, 2019, 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 16, 2019

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, 2019, 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 16, 2019.

**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 16, 2019

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, 2019. 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, 2019.

(Continued)

## 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, 2019**

<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	02/01/17-01/31/18	02CH3086/04	\$ 11,907,234	\$ 168,319
	93.600	02/01/18-01/31/19	02CH3086/05	<u>12,156,930</u>	<u>11,670,439</u>
Total Head Start				<u>24,064,164</u>	<u>11,838,758</u>
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/17-09/30/18	C1000771	1,673,781	1,009,867
	93.569	10/01/18-09/30/19	C1000771	1,636,075	521,192
	93.569	01/01/17-02/28/18	C1000892	95,000	1,833
	93.569	08/01/18-09/30/18	T1001245	24,000	24,000
	93.569	08/01/18-07/31/19	C1001220	<u>95,000</u>	<u>19,869</u>
Total Community Services Block Grant				<u>3,523,856</u>	<u>1,576,761</u>
NYS Homes & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/17-05/31/18	C093490-17	1,599,686	489,270
	93.568	04/01/18-05/31/19	C093490-18	<u>1,524,177</u>	<u>1,364,108</u>
Total Low-Income Home Energy Assistance				<u>3,123,863</u>	<u>1,853,378</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	01/01/18-12/31/18	PEA190001	25,000	18,655
	93.044	01/01/19-12/31/19	PEA190001	<u>25,000</u>	<u>3,986</u>
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>22,641</u>
Special Programs for the Aging - Title III, Part C -					
Nutrition Services	93.045	01/01/18-12/31/18	PEA190002	510,837	470,755
	93.045	01/01/19-12/31/19	PEA190002	<u>49,227</u>	<u>49,227</u>
Total Special Programs for the Aging - Title III, Part C				<u>560,064</u>	<u>519,982</u>
Total Aging Cluster				<u>610,064</u>	<u>542,623</u>
Subtotal - U.S. Department of Health and Human Services				<u>31,321,947</u>	<u>15,811,520</u>
<u>The Corporation for National Service</u>					
Foster Grandparent Program	94.011	07/01/17-06/30/18	16SFANY009	393,126	185,741
	94.011	07/01/18-06/30/19	16SFANY009	<u>397,326</u>	<u>221,087</u>
Subtotal - The Corporation for National Service				<u>790,452</u>	<u>406,828</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, 2019**

<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	10/01/17-09/30/18	2139	466,328	271,710
	10.558	10/01/18-09/30/19	2139	<u>170,213</u>	<u>170,213</u>
Subtotal - U.S. Department of Agriculture				<u>636,541</u>	<u>441,923</u>
<u>U.S. Department of Energy</u>					
Pass-through from:					
NYS Homes & Community Renewal					
Weatherization Assistance for Low-Income Persons	81.042	04/01/17-05/31/18	C093490-17	741,645	-
	81.042	04/01/18-05/31/19	C093490-18	<u>830,182</u>	<u>432,581</u>
Subtotal - U.S. Department of Energy				<u>1,571,827</u>	<u>432,581</u>
Total				<u>\$ 34,320,767</u>	<u>\$ 17,092,852</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, 2019**

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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, 2019**

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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:

**CFDA Number**

**Program Title**

U.S. Department of Health and Human Services:

93.600 Head Start  
93.568 Low-Income Home Energy Assistance

U.S. Department of Energy:

81.042 Weatherization Assistance for Low-Income Persons

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, 2019**

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

- There were no findings in the prior year