

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

**Financial Statements as of
January 31, 2020 and 2019
Together with
Independent Auditor's Report
And Single Audit Reports**

Bonadio & Co., LLP
Certified Public Accountants

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statements of Financial Position - January 31, 2020 and 2019	3
Statement of Activities - For the Year Ended January 31, 2020	4
Statement of Activities - For the Year Ended January 31, 2019	5
Statement of Functional Expenses - For the Year Ended January 31, 2020	6
Statement of Functional Expenses - For the Year Ended January 31, 2019	7
Statements of Cash Flows - For the Years Ended January 31, 2020 and 2019	8
Notes to Financial Statements	9 - 15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	16 - 17
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	18 - 19
Schedule of Expenditures of Federal Awards - For the Year Ended January 31, 2020	20 - 21
Notes to Schedule of Expenditures of Federal Awards - For the Year Ended January 31, 2020	22
Schedule of Findings and Questioned Costs - For the Year Ended January 31, 2020	23 - 24

INDEPENDENT AUDITOR'S REPORT

May 14, 2020

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, 2020 and 2019, 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, 2020 and 2019, 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 Updates (ASU) ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, and the effects have been included in these financial statements. Our opinion is not modified with respect to these matters.

Report on Supplemental Information

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 14, 2020, 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, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 691,090	\$ 512,242
Grants receivable	1,698,650	1,412,084
Program service fees receivable	168,551	168,581
Inventory	148,119	135,605
Other current assets	<u>154,286</u>	<u>75,550</u>
Total current assets	<u>2,860,696</u>	<u>2,304,062</u>
LONG-TERM DEPOSITS	<u>55,739</u>	<u>49,011</u>
PROPERTY:		
Land	200,500	200,500
Buildings	2,742,270	2,742,270
Leasehold improvements	5,642,137	5,549,722
Vehicles	2,941,766	2,769,875
Equipment	<u>980,725</u>	<u>903,760</u>
Total	12,507,398	12,166,127
Less accumulated depreciation	<u>9,627,913</u>	<u>9,421,461</u>
Property, net	<u>2,879,485</u>	<u>2,744,666</u>
Total	<u>\$ 5,795,920</u>	<u>\$ 5,097,739</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 343,506	\$ 245,370
Accrued payroll and related liabilities	1,282,608	1,194,339
Accrued compensated absences	266,617	263,716
Deferred revenue	230,828	215,723
Custodial accounts, deposits, and other current liabilities	<u>1,739</u>	<u>400</u>
Total current liabilities	<u>2,125,298</u>	<u>1,919,548</u>
NET ASSETS:		
Without donor restrictions	3,125,162	2,942,643
With donor restrictions	<u>545,460</u>	<u>235,548</u>
Total net assets	<u>3,670,622</u>	<u>3,178,191</u>
Total	<u>\$ 5,795,920</u>	<u>\$ 5,097,739</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, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 142,744	\$ 61,328	\$ 204,072
In-kind contributions	2,282,912	-	2,282,912
Fundraising	77,222	28,895	106,117
Net assets released from restrictions	<u>106,951</u>	<u>(106,951)</u>	<u>-</u>
Total support	<u>2,609,829</u>	<u>(16,728)</u>	<u>2,593,101</u>
REVENUE:			
Governmental agencies	20,251,331	326,640	20,577,971
Program service fees	1,084,567	-	1,084,567
Interest income	71	-	71
Rental income	67,566	-	67,566
Other Income	<u>410</u>	<u>-</u>	<u>410</u>
Total revenue	<u>21,403,945</u>	<u>326,640</u>	<u>21,730,585</u>
Total support and revenue	<u>24,013,774</u>	<u>309,912</u>	<u>24,323,686</u>
EXPENSES:			
Program services	20,967,170	-	20,967,170
Management and general	2,833,332	-	2,833,332
Fundraising	<u>30,753</u>	<u>-</u>	<u>30,753</u>
Total expenses	<u>23,831,255</u>	<u>-</u>	<u>23,831,255</u>
CHANGE IN NET ASSETS	182,519	309,912	492,431
NET ASSETS - FEBRUARY 1, 2019	<u>2,942,643</u>	<u>235,548</u>	<u>3,178,191</u>
NET ASSETS - JANUARY 31, 2020	<u>\$ 3,125,162</u>	<u>\$ 545,460</u>	<u>\$ 3,670,622</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**

	<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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,138,838	\$ 1,470,194	\$ 2,847	\$ 11,611,879
Payroll taxes and fringe benefits	2,854,036	304,136	1,354	3,159,526
Professional fees and contract services	1,560,628	72,213	-	1,632,841
Conferences and travel	297,598	37,643	-	335,241
Occupancy costs	1,461,015	160,178	-	1,621,193
Program service fee overhead	33,504	-	-	33,504
Consumable supplies	3,493,559	49,453	18,606	3,561,618
Equipment expense	324,838	58,825	3,027	386,690
Insurance	335,721	23,931	93	359,745
Telephone	149,739	13,836	-	163,575
Advertising, printing, postage and dues	75,736	35,534	4,549	115,819
Vehicle maintenance	217,174	2,670	-	219,844
Interest expense	-	1,673	-	1,673
Depreciation	15,467	560,749	-	576,216
Other costs	9,317	42,297	277	51,891
	<u>\$ 20,967,170</u>	<u>\$ 2,833,332</u>	<u>\$ 30,753</u>	<u>\$ 23,831,255</u>
Total expenses				

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**

	<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	<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.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JANUARY 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 492,431	\$ (63,477)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	576,216	491,476
Loss (gain) on disposal of property	-	5,260
Donated vehicles	(7,900)	-
Changes in operating assets and liabilities:		
Grants receivable	(286,566)	92,509
Program service fees receivable	30	25,582
Inventory	(12,514)	(5,291)
Other current assets	(78,736)	33,918
Long-term deposits	(6,728)	1,241
Accounts payable - trade	98,136	61,345
Accrued payroll and related liabilities	88,269	(182,724)
Accrued compensated absences	2,901	3,507
Deferred revenue	15,105	28,844
Custodial accounts, deposits, and other current liabilities	<u>1,339</u>	<u>(136)</u>
Net cash from operating activities	<u>881,983</u>	<u>492,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property	<u>(703,135)</u>	<u>(471,520)</u>
Net cash from investing activities	<u>(703,135)</u>	<u>(471,520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on short-term bank borrowings	(550,000)	(150,000)
Proceeds from short-term bank borrowings	<u>550,000</u>	<u>-</u>
Net cash from financing activities	<u>-</u>	<u>(150,000)</u>
NET CHANGE IN CASH	178,848	(129,466)
CASH - beginning of year	<u>512,242</u>	<u>641,708</u>
CASH - end of year	<u>\$ 691,090</u>	<u>\$ 512,242</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 1,673</u>	<u>\$ 488</u>

The accompanying notes are an integral part of these statements.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2020 AND 2019

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).

Change in Accounting Principles

ASU 2014-09, *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, and has subsequently issued supplemental and/or clarifying ASUs (collectively "ASC 606"). ASC 606 outlines a five-step framework that supersedes the principles for recognizing revenue and eliminates industry-specific guidance. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, ASC 606 revises current disclosure requirements in an effort to help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The Agency adopted ASC 606 as of February 1, 2019, using a modified retrospective application. There was no effect on total net assets or change in net assets.

ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

During 2019, the Agency adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the determination of whether a grant or contract is a contribution or an exchange transaction subject to other guidance. Changes resulting from the adoption of ASU 2018-08 were made on a modified prospective basis during the year of adoption and therefore, had no effect on the financial position or results of operations for the year ended January 31, 2019. There was no material effect on total net assets or changes in net assets.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

Grants Receivable and Revenue

The Agency receives grants to assist in carrying out its programs from federal, state, and local government grants. Unconditional grants and restricted grants are recognized as revenues in the period received or promised. Conditional grants are not recognized as revenues until the conditions on which they depend are substantially met. The Agency has adopted a policy whereby all government and other contracts be recorded as without donor restrictions if the restriction expires in the same reporting period as received.

Conditional grants were received with the following conditions as of January 31:

	<u>2020</u>
Federal grants	\$ 11,245,970
Other than federal grants	<u>898,475</u>
	<u>\$ 12,144,445</u>

Grants receivable represent amounts due to the Agency under grant agreements where conditions were substantially met at year end. Receivables are stated at the amount management expects to collect from outstanding balances. The Agency considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded at January 31, 2020 and 2019. If amounts become uncollectable, they will be charged to bad debt expense when the determination is made. Unpaid balances remaining after the stated payment terms are considered past due.

Program Service Fees Receivables and Revenue

ASC 606 outlines a five-step framework for recognizing revenue from exchange transactions. The core principle of the guidance in ASC 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Agency's accounting policies related to revenues subject to ASC 606 as set forth below.

Program Service Fee Receivables

Prior to the adoption of ASC 606, 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. After the adoption of ASC 606, the Agency reviews individual contracts, at the time of performance, in order to determine estimated uncollectible amounts due from customers and records these implicit price concessions as a direct reduction to revenue. Based on this, the Agency determined there are no implicit price concessions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Service Fee Receivables and Revenue (Continued)

Program Service Fees Revenue

Program service fees revenue is related to fee for service contracts with customers to provide training, consultation services and educational programs. Program service fees are set by contracts established with customers. Program service fees revenue is recognized at the point in time the program is provided for short-term programs and over time for long-term programs.

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.

Deferred Revenue

Deferred revenue, a contract liability, is recorded for program service fees revenue received from exchange transactions in which performance obligations have not been met.

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.

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, 2020 and 2019 was \$576,216 and \$491,476, 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 \$1,887,753 and \$1,740,918 as of January 31, 2020 and 2019, 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, through June 30, 2020. 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 \$977,239 and \$924,156 as of January 31, 2020 and 2019 respectively, and is included in accrued payroll and related liabilities.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

	<u>2020</u>	<u>2019</u>
In-kind contributions:		
Donated professional and contract services	\$ 469,339	\$ 420,885
Donated facilities	336,774	349,442
Donated equipment	7,900	-
Donated supplies	<u>1,468,899</u>	<u>1,570,731</u>
Total In-kind contributions	<u>\$ 2,282,912</u>	<u>\$ 2,231,058</u>
Expenses:		
Professional fees and contract services	\$ 469,339	\$ 420,885
Occupancy costs	336,774	349,442
Leasehold improvements	7,900	-
Consumable supplies	<u>1,468,899</u>	<u>1,570,731</u>
Total expenses	<u>\$ 2,282,912</u>	<u>\$ 2,341,058</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 \$3,168,744 and \$3,133,041 for the years ended January 31, 2020 and 2019, respectively.

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, fringes, commercial insurance, transportation, foodservice, maintenance and foodservice). Managements estimates utilize square footage, time spent and meals served. 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 24.0%. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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>2020</u>	<u>2019</u>
Cash	\$ 691,090	\$ 512,242
Grants receivable	1,698,650	1,412,084
Program service fees receivable	168,551	168,581
Other receivables	<u>61,087</u>	<u>2,750</u>
Financial assets, at year end	<u>2,619,378</u>	<u>2,095,657</u>
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purposes restrictions	<u>(545,460)</u>	<u>(235,548)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,073,918</u>	<u>\$ 1,860,109</u>

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 (4.75% as of January 31, 2020) and are not collateralized. The outstanding balance on the line of credit was zero as of January 31, 2020 and 2019.

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>2020</u>	<u>2019</u>
Head Start/Early Head Start	\$ 293,584	\$ 14,074
Family Resource Centers	71,952	62,592
Big Brothers Big Sisters	130,803	128,966
Foster Grandparents	7,107	7,786
Community Development	916	416
Senior Services	430	430
EITC	3,617	-
Employee Training	2,500	-
Food Services	1,549	2,171
Weatherization	6,217	3,607
Frank DeFrancisco Eastwood Community Center	2,425	942
Foundation for the Future	1,500	1,500
Maintenance	30	30
Camp Fund	17,637	8,637
Crop Walk	477	306
Adopt-A-Family	4,674	4,049
KIDS (Kids in Distressed Situations)	17	17
Information Technology	<u>25</u>	<u>25</u>
Total	<u>\$ 545,460</u>	<u>\$ 235,548</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, 2019 and 2018, respectively.

Retirement plan expense was \$197,612 and \$177,879 for 2020 and 2019, 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 May 2029.

Future minimum lease payments at January 31, 2020 are as follows:

2021	\$ 1,246,261
2022	533,636
2023	422,557
2024	390,389
Thereafter	<u>816,576</u>
Total	<u>\$ 3,409,419</u>

7. OPERATING LEASES (Continued)

Total lease expense for space and equipment included in occupancy costs, equipment and telephone expense was \$1,336,095 and \$1,192,071 for the years ended January 31, 2020 and 2019, 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 \$12,200,000 and \$11,700,000 at January 31, 2020 and 2019, respectively. Accounts receivable related to this grant were approximately \$1,100,000 and \$870,000 at January 31, 2020 and 2019, 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

Novel Coronavirus

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID – 19 on a national, regional and local level are unknown, but it has resulted in a significant economic impact to many organizations in the near term.

In April 2020, the Agency entered into an unsecured promissory note payable to a bank in the amount of approximately \$322,290. This note was entered into by the Agency as part of the U.S. Small Business Administration's Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP provides for this borrowing, or a portion of the borrowing, to be forgiven to the extent the Agency meets defined requirements related to expenditure of the funds and management of the Agency's personnel complement. Through the date the financial statements were available to be issued, the Agency is unable to determine the amount of potential loan forgiveness. If no forgiveness is granted, the terms of this agreement require the Agency to make monthly principal including interest at 1%.

The overall impact of the emergency regulatory changes and the general National, State and Region economic turmoil caused by COVID-19 on the Agency and their future results and financial position is not presently determinable.

Subsequent events have been evaluated through May 14, 2020, which is 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 14, 2020

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, 2020, 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 14, 2020.

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.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com

(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 14, 2020

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, 2020. 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, 2020.

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, 2020**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>					
Head Start	93.600	02/01/18-01/31/19	02CH3086/05	\$ 12,156,930	\$ 486,491
	93.600	02/01/19-01/31/20	02CH3086/06	<u>12,244,127</u>	<u>12,209,518</u>
Total Head Start				<u>24,401,057</u>	<u>12,696,009</u>
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/18-03/31/20	C1000771	1,828,168	1,229,967
	93.569	10/01/19-09/30/20	C1001476	1,526,033	392,562
	93.569	08/01/18-07/31/20	C1001220	<u>190,000</u>	<u>104,848</u>
Total Community Services Block Grant				<u>3,544,201</u>	<u>1,727,377</u>
NYS Division of Housing & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/18-05/31/19	C093490-18	1,524,177	160,069
	93.568	04/01/19-08/31/20	C093490-19	<u>1,579,839</u>	<u>1,535,297</u>
Total Low-Income Home Energy Assistance				<u>3,104,016</u>	<u>1,695,366</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	01/01/19-12/31/19	PEA190001	25,000	21,014
	93.044	01/01/20-12/31/20	PEA220002	<u>25,000</u>	<u>1,629</u>
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>22,643</u>
Special Programs for the Aging - Title III, Part C -					
Nutrition Services	93.045	01/01/19-12/31/19	PEA190002	658,966	609,739
	93.045	01/01/20-12/31/20	PEA220001	<u>58,804</u>	<u>58,804</u>
Total Special Programs for the Aging - Title III, Part C				<u>717,770</u>	<u>668,543</u>
Total Aging Cluster				<u>767,770</u>	<u>691,186</u>
Subtotal - U.S. Department of Health and Human Services				<u>31,817,044</u>	<u>16,809,938</u>
<u>The Corporation for National Service</u>					
Foster Grandparent Program	94.011	07/01/18-06/30/19	16SFANY009	397,326	176,239
	94.011	07/01/19-06/30/20	19SFANY006	<u>412,782</u>	<u>209,934</u>
Subtotal - The Corporation for National Service				<u>810,108</u>	<u>386,173</u>

See accompanying Notes to the 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, 2020

<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	10/01/18-09/30/19	2139	429,240	259,027
	10.558	10/01/19-09/30/20	2139	<u>182,867</u>	<u>182,867</u>
Subtotal - U.S. Department of Agriculture				<u>612,107</u>	<u>441,894</u>
<u>U.S. Department of Energy</u>					
Pass-through from:					
NYS Division of Housing & Community Renewal					
Weatherization Assistance for Low-Income Persons	81.042	04/01/18-05/31/19	C093490-18	830,182	397,601
	81.042	04/01/19-08/31/20	C093490-19	<u>857,667</u>	<u>277,665</u>
Subtotal - U.S. Department of Energy				<u>1,687,849</u>	<u>675,266</u>
<u>U.S. Department of Labor</u>					
Pass-through from:					
NYS Department of Labor					
WIOA Dislocated Worker Formula Grants	17.278	03/08/19-08/07/20	C18455GG	<u>234,489</u>	<u>69,960</u>
Subtotal - U.S. Department of Labor				<u>234,489</u>	<u>69,960</u>
Total				<u>\$ 35,161,597</u>	<u>\$ 18,383,231</u>

See accompanying Notes to the 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, 2020

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, 2020**

SECTION 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.S. Department of Health and Human Services:

93.600	Head Start
--------	------------

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, 2020**

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.