

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

**Financial Statements as of
January 31, 2021 and 2020
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 13, 2021

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, 2021 and 2020, 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, 2021 and 2020, 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)

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 13, 2021, 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.

Bonadio & Co., LLP

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

STATEMENTS OF FINANCIAL POSITION JANUARY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 887,944	\$ 691,090
Grants receivable	1,404,343	1,698,650
Program service fees receivable	127,997	168,551
Inventory	184,504	148,119
Other current assets	<u>214,074</u>	<u>154,286</u>
Total current assets	<u>2,818,862</u>	<u>2,860,696</u>
LONG-TERM DEPOSITS	<u>85,072</u>	<u>55,739</u>
PROPERTY:		
Land	204,793	200,500
Buildings	2,742,270	2,742,270
Leasehold improvements	5,693,723	5,642,137
Vehicles	2,943,265	2,941,766
Equipment	997,533	980,725
Construction in progress	<u>26,862</u>	<u>-</u>
Total	12,608,446	12,507,398
Less accumulated depreciation	<u>9,717,882</u>	<u>9,627,913</u>
Property, net	<u>2,890,564</u>	<u>2,879,485</u>
Total assets	<u>\$ 5,794,498</u>	<u>\$ 5,795,920</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable - trade	\$ 180,610	\$ 343,506
Accrued payroll and related liabilities	969,353	1,282,608
Accrued compensated absences	277,575	266,617
Deferred revenue	273,831	230,828
Refundable advance	140,514	-
Custodial accounts, deposits, and other current liabilities	<u>1,766</u>	<u>1,739</u>
Total current liabilities	<u>1,843,649</u>	<u>2,125,298</u>
NET ASSETS:		
Without donor restrictions	3,696,433	3,125,162
With donor restrictions	<u>254,416</u>	<u>545,460</u>
Total net assets	<u>3,950,849</u>	<u>3,670,622</u>
Total liabilities and net assets	<u>\$ 5,794,498</u>	<u>\$ 5,795,920</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, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 70,424	\$ 38,626	\$ 109,050
In-kind contributions	1,726,534	-	1,726,534
Fundraising	26,402	8,593	34,995
Net assets released from restrictions	<u>383,284</u>	<u>(383,284)</u>	<u>-</u>
Total support	<u>2,206,644</u>	<u>(336,065)</u>	<u>1,870,579</u>
REVENUE:			
Governmental agencies	20,000,376	45,021	20,045,397
Program service fees	740,299	-	740,299
Interest income	145	-	145
Rental income	<u>15,280</u>	<u>-</u>	<u>15,280</u>
Total revenue	<u>20,756,100</u>	<u>45,021</u>	<u>20,801,121</u>
Total support and revenue	<u>22,962,744</u>	<u>(291,044)</u>	<u>22,671,700</u>
EXPENSES:			
Program services	19,601,831	-	19,601,831
Management and general	2,783,424	-	2,783,424
Fundraising	<u>6,218</u>	<u>-</u>	<u>6,218</u>
Total expenses	<u>22,391,473</u>	<u>-</u>	<u>22,391,473</u>
CHANGE IN NET ASSETS	571,271	(291,044)	280,227
NET ASSETS - FEBRUARY 1, 2020	<u>3,125,162</u>	<u>545,460</u>	<u>3,670,622</u>
NET ASSETS - JANUARY 31, 2021	<u>\$ 3,696,433</u>	<u>\$ 254,416</u>	<u>\$ 3,950,849</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,200,599	\$ 1,505,059	\$ 93	\$ 11,705,751
Payroll taxes and fringe benefits	2,785,782	314,523	55	3,100,360
Consumable supplies	2,803,806	19,008	2,532	2,825,346
Occupancy costs	1,430,236	157,906	-	1,588,142
Professional fees and contract services	1,020,822	69,263	-	1,090,085
Depreciation	15,737	499,242	-	514,979
Equipment expense	417,624	54,470	2,889	474,983
Insurance	361,836	28,084	53	389,973
Telephone	177,581	13,878	-	191,459
Conferences and travel	134,055	23,197	-	157,252
Vehicle maintenance	123,556	3,722	-	127,278
Advertising, printing, postage and dues	77,989	33,665	250	111,904
Other costs	10,063	58,343	346	68,752
Program service fee overhead	30,401	-	-	30,401
Loss on disposal of property	11,744	1,642	-	13,386
Interest expense	-	1,422	-	1,422
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Total expenses	\$ 19,601,831	\$ 2,783,424	\$ 6,218	\$ 22,391,473

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
Consumable supplies	3,493,559	49,453	18,606	3,561,618
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
Occupancy costs	1,461,015	160,178	-	1,621,193
Depreciation	15,467	560,749	-	576,216
Equipment expense	324,838	58,825	3,027	386,690
Insurance	335,721	23,931	93	359,745
Conferences and travel	297,598	37,643	-	335,241
Vehicle maintenance	217,174	2,670	-	219,844
Telephone	149,739	13,836	-	163,575
Advertising, printing, postage and dues	75,736	35,534	4,549	115,819
Other costs	9,317	42,297	277	51,891
Program service fee overhead	33,504	-	-	33,504
Interest expense	-	1,673	-	1,673
	<u>-</u>	<u>1,673</u>	<u>-</u>	<u>1,673</u>
Total expenses	<u>\$ 20,967,170</u>	<u>\$ 2,833,332</u>	<u>\$ 30,753</u>	<u>\$ 23,831,255</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 280,227	\$ 492,431
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	514,979	576,216
Loss on disposal of property	13,386	-
Donated vehicles	-	(7,900)
Changes in operating assets and liabilities:		
Grants receivable	294,307	(286,566)
Program service fees receivable	40,554	30
Inventory	(36,385)	(12,514)
Other current assets	(59,789)	(78,736)
Long-term deposits	(29,333)	(6,728)
Accounts payable - trade	(162,896)	98,136
Accrued payroll and related liabilities	(313,255)	88,269
Accrued compensated absences	10,959	2,901
Deferred revenue	43,003	15,105
Refundable advance	140,514	-
Custodial accounts, deposits, and other current liabilities	<u>27</u>	<u>1,339</u>
Net cash from operating activities	<u>736,298</u>	<u>881,983</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property	<u>(539,444)</u>	<u>(703,135)</u>
Net cash from investing activities	<u>(539,444)</u>	<u>(703,135)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on short-term bank borrowings	(250,000)	(550,000)
Proceeds from short-term bank borrowings	<u>250,000</u>	<u>550,000</u>
Net cash from financing activities	<u>-</u>	<u>-</u>
NET CHANGE IN CASH	196,854	178,848
CASH - beginning of year	<u>691,090</u>	<u>512,242</u>
CASH - end of year	<u>\$ 887,944</u>	<u>\$ 691,090</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ 1,422</u>	<u>\$ 1,673</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, 2021 AND 2020

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.

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 from the following sources as of January 31:

	<u>2021</u>	<u>2020</u>
Federal grants	\$ 12,816,051	\$ 11,245,970
Other than federal grants	<u>559,304</u>	<u>898,475</u>
	<u>\$ 13,375,355</u>	<u>\$ 12,144,445</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable and Revenue (Continued)

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, 2021 and 2020. 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

The Agency recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Agency expects to be entitled in exchange for those goods or services. The Agency's accounting policies related to revenues recognition is set forth below.

Program Service Fees Receivable

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.

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, 2021 and 2020 was \$514,979 and \$576,216, 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 \$1,978,071 and \$1,887,753 as of January 31, 2021 and 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 September 31, 2021. 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 statements 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 \$650,953 and \$977,239 as of January 31, 2021 and 2020 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.

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 for the year ended January 31 as follows:

	<u>2021</u>	<u>2020</u>
In-kind contributions:		
Donated professional and contract services	\$ 128,899	\$ 469,339
Donated facilities	373,530	336,774
Donated equipment	-	7,900
Donated supplies	<u>1,224,104</u>	<u>1,468,899</u>
Total In-kind contributions	<u>\$ 1,726,533</u>	<u>\$ 2,282,912</u>
In-kind expenses:		
Professional fees and contract services	\$ 128,899	\$ 469,339
Occupancy costs	373,530	336,774
Leasehold improvements		7,900
Consumable supplies	<u>1,224,104</u>	<u>1,468,899</u>
Total in-kind expenses	<u>\$ 1,726,533</u>	<u>\$ 2,282,912</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 \$2,462,455 and \$3,168,744 for the years ended January 31, 2021 and 2020, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Risks and Uncertainties

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 the potential to result in a significant economic impact. The future impact of this situation on the Agency and its results and financial position is not presently determinable.

3. LIQUIDITY

The following reflects the Agency's financial assets available within one year of the statements of financial position date for general expenditures at January 31 as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 887,944	\$ 691,090
Grants receivable	1,404,343	1,698,650
Program service fees receivable	127,997	168,551
Other receivables	<u>120,529</u>	<u>61,087</u>
Financial assets, at year end	<u>2,540,813</u>	<u>2,619,378</u>

3. LIQUIDITY (Continued)

	<u>2021</u>	<u>2020</u>
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purposes restrictions	<u>(254,416)</u>	<u>(545,460)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,286,397</u>	<u>\$ 2,073,918</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 (3.25% as of January 31, 2021) and are not collateralized. The outstanding balance on the line of credit was zero as of January 31, 2021 and 2020.

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>2021</u>	<u>2020</u>
Head Start/Early Head Start	\$ 14,379	\$ 293,584
Family Resource Centers	51,875	71,952
Big Brothers Big Sisters	123,200	130,803
Foster Grandparents	7,201	7,107
Community Development	966	916
Senior Services	430	430
EITC	3,643	3,617
Employee training	2,451	2,500
Employee emergency	1,100	-
Food services	3,956	1,549
Weatherization	18,204	6,217
Frank DeFrancisco Eastwood Community Center	4,190	2,425
Foundation for the future	1,500	1,500
Maintenance	30	30
Camp fund	16,137	17,637
Crop walk	477	477
Adopt-a-family	4,660	4,674
KIDS (Kids in Distressed Situations)	17	17
Information technology	<u>-</u>	<u>25</u>
Total	<u>\$ 254,416</u>	<u>\$ 545,460</u>

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the following:

	<u>2021</u>	<u>2020</u>
Head Start/Early Head Start	\$ 280,409	\$ 9,137
Family Resource Centers	14,273	17,686
Big Brothers Big Sisters	63,636	56,976
Foster Grandparents	6	5,154
Community Development	8,771	-
Senior Services	140	1,726
Employee training	49	-
Food services	9,760	12,050
Weatherization	-	2,977
Camp fund	500	-
Adopt-a-family	5,715	1,245
Information technology	<u>25</u>	<u>-</u>
Total	<u>\$ 383,284</u>	<u>\$ 106,951</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, 2020 and 2019, respectively.

Retirement plan expense was \$213,107 and \$197,612 for 2021 and 2020, 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, 2021 are as follows:

2022	\$ 1,185,676
2023	501,136
2024	437,268
2025	299,652
2026	119,387
Thereafter	<u>404,936</u>
Total	<u>\$ 2,948,055</u>

Total lease expense for space and equipment included in occupancy costs, equipment and telephone expense was \$1,360,062 and \$1,336,095 for the years ended January 31, 2021 and 2020, 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 \$12,400,000 and \$12,200,000 for year ended January 31, 2021 and 2020, respectively. Accounts receivable related to this grant were approximately \$752,000 and \$1,100,000 at January 31, 2021 and 2020, 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.

Paycheck Protection Program Arrangement

In April 2020, the Agency entered into an arrangement with a bank as part of the US. Small Business Administration's Paycheck Protection Program (PPP) under the Coronavirus Aid Relief, and Economic Security (CARES) Act and received \$322,290. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Agency's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements.

The Agency has elected to account for the PPP arrangement as a conditional contribution, where revenue is recorded as the conditions meeting the requirements for forgiveness are met. Through January 31, 2021, the Agency estimated that it has administered the PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness of the \$181,776. This amount is recorded in governmental agencies revenue on the statements of activities. The remaining \$140,514 has been recorded as a refundable advance in the statements of financial position. The Agency's forgiveness application for \$181,776 was approved by the Small Business Administration in April 2021. The Agency expects to repay \$140,514 during 2021.

The Agency's PPP arrangement calls for the Agency to claim certain operating costs as support for its PPP forgiveness. The possibility exists that one or more of the Agency's recurring funders might view the funding received through the PPP arrangement as reducing their obligation to fund the Agency at previously planned or committed levels. Such funders may choose to retroactively modify funding amounts covering services rendered

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 13, 2021, 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 13, 2021

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, 2021, 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 13, 2021.

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) as a basis for designing 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 financial statements. 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.

Bonadio & Co., LLP

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

May 13, 2021

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, 2021. 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, 2021.

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.

Bonadio & Co., LLP

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2021**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditures
U.S. Department of Health and Human Services					
Head Start	93.600	02/01/19-01/31/20	02CH3086/06	\$ 12,244,127	\$ 34,609
Head Start	93.600	02/01/20-01/31/21	02CH011394/01	12,784,312	11,607,994
COVID-19 - Head Start	93.600	02/01/20-01/31/21	02CH011394/C3	916,596	759,258
Total Head Start				<u>25,945,035</u>	<u>12,401,861</u>
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/18-03/31/20	C1000771	1,828,168	77,009
Community Services Block Grant	93.569	10/01/19-09/30/20	C1001476	1,573,172	936,664
Community Services Block Grant	93.569	08/01/18-12/31/20	C1001220	190,000	65,283
Community Services Block Grant	93.569	10/01/20-09/30/21	C1001476	1,568,002	595,134
Community Services Block Grant	93.569	03/01/20-09/30/20	T1001759	50,000	50,000
COVID-19 - Community Services Block Grant	93.569	04/01/20-09/30/22	T1001809	2,133,526	414,038
Total Community Services Block Grant				<u>7,342,868</u>	<u>2,138,128</u>
NYS Division of Housing & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/19-03/31/21	C093490-19	3,148,854	534,836
Total Low-Income Home Energy Assistance				<u>3,148,854</u>	<u>534,836</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	01/01/20-12/31/20	PEA220002	25,000	23,371
Grants for Supportive Services and Senior Centers	93.044	01/01/21-12/31/21	PEA220002	25,000	1,650
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>25,021</u>
Special Programs for the Aging - Title III, Part C -					
Nutrition Services	93.045	01/01/20-12/31/20	PEA220001	612,141	553,337
Special Programs for the Aging - Title III, Part C -					
Nutrition Services	93.045	01/01/21-12/31/21	PEA220001	34,064	34,064
Total Special Programs for the Aging - Title III, Part C				<u>646,205</u>	<u>587,401</u>
Total Aging Cluster				<u>696,205</u>	<u>612,422</u>
Subtotal - U.S. Department of Health and Human Services				<u>37,132,962</u>	<u>15,687,247</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, 2021

<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>The Corporation for National Service</u>					
Foster Grandparent Program	94.011	07/01/19-06/30/20	19SFANY006	420,546	179,891
Foster Grandparent Program	94.011	07/01/20-06/30/21	19SFANY006	447,841	264,161
COVID-19 - Foster Grandparent Program	94.011	07/01/20-06/30/21	19SFANY006	10,000	-
Subtotal - The Corporation for National Service				<u>878,387</u>	<u>444,052</u>
<u>U.S. Department of Agriculture</u>					
Pass-through from:					
NYS Department of Health					
Child and Adult Care Food Program (CACFP)	10.558	10/01/19-09/30/20	2139	261,527	78,660
Child and Adult Care Food Program (CACFP)	10.558	10/01/20-09/30/21	2139	63,063	63,063
Subtotal - U.S. Department of Agriculture				<u>324,590</u>	<u>141,723</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	04/01/19-03/31/21	C093490-19	1,786,540	1,016,834
Subtotal - U.S. Department of Energy				<u>1,786,540</u>	<u>1,016,834</u>
<u>U.S. Department of Housing & Urban Renewal</u>					
Pass-through from:					
City of Syracuse Department of Neighborhood and Business Development					
Community Development Block Grant Program for Entitlement Communities	14.218	05/01/20-04/30/21	Year 46	17,583	5,778
Subtotal - U.S. Department of Housing & Urban Renewal				<u>17,583</u>	<u>5,778</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	234,489	134,722
Subtotal - U.S. Department of Labor				<u>234,489</u>	<u>134,722</u>
Total				<u>\$ 40,374,551</u>	<u>\$ 17,430,356</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, 2021

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with GAAP. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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.

5. SUBRECIPIENTS

The Organization does not have any subrecipients of federal awards.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JANUARY 31, 2021**

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:

CFDA Number

Program Title

U.S. Department of Health and Human Services:

93.600
96.569

Head Start
Community Service Block Grant

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, 2021**

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.