



Finance Committee Presentation

May 13, 2021

THE BONADIO GROUP
CPAs, Consultants & More



MEETING AGENDA

Required Communications

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Financial Highlights

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Draft Financial Statements

May 13, 2021

To the Finance Committee of
People's Equal Action and Community Effort, Inc.:

We are pleased to meet with you today for the purpose of discussing the results of the 2021 annual audit of People's Equal Action and Community Effort, Inc. (the Agency).

Our audit approach was developed after careful consideration and review of the overall business environment, the Agency's control environment, and industry specific matters affecting your business.

The purpose of this meeting is to assist the Finance Committee in meeting its governance and compliance responsibilities. Our discussion of these documents with you helps ensure that you understand the results of the audit procedures we performed and provides discussion regarding future considerations for the Agency. We value and encourage your observations and your input.

We are committed to providing you with the highest level of professional service.

A summary of the following materials are as follows:

- Pending your acceptance, we plan to issue an unmodified (clean) opinion on the financial statements and Uniform Guidance in accordance with GAAP.
- There were no material weaknesses in internal controls identified during our audit.
- PEACE, Inc. has had no material weaknesses for the past 15 years
- PEACE, Inc. has qualified as a low risk auditee for the past 13 years.

Yours truly,

THE BONADIO GROUP

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

www.bonadio.com

REQUIRED COMMUNICATIONS

Matter to be Communicated

Auditor's Response

Auditor's Responsibility

We have audited the financial statements of People's Equal Action and Community Effort, Inc. (the Agency) for the year ended January 31, 2021, and will issue our report thereon. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated October 30, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 2 to the financial statements.

New Accounting Pronouncements

No new accounting policies were adopted and the application of existing policies was not changed during the year.

Accounting Transactions

We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

- The disclosure of self-insurance liability.
- The disclosure of restrictions on net assets.
- The disclosure of liquidity.

The financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in working with management in performing and completing our audit.

REQUIRED COMMUNICATIONS

Matter to be Communicated	Auditor's Response
Corrected and Uncorrected Misstatements	<p>Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.</p> <p>There were no uncorrected or corrected misstatements noted during our audit. There were no audit adjustments.</p>
Disagreements with Management	<p>For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.</p>
Management Representations	<p>We have requested certain representations from management that will be included in the management representation letters.</p>
Management Consultations with Other Independent Accountants	<p>In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" in certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.</p>
Other Audit Findings or Issues	<p>We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
Other Matters	<p>With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.</p>

FINANCIAL HIGHLIGHTS

People's Equal Action and Community Effort, Inc.

STATEMENTS OF FINANCIAL POSTION January 31:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Cash	\$ 525,908	\$ 641,708	\$ 512,242	\$ 691,090	\$ 887,944
Fees and grants receivable	\$ 1,878,153	\$ 1,698,755	\$ 1,580,665	\$ 1,867,201	\$ 1,532,340
Property and equipment, net	\$ 2,296,364	\$ 2,769,893	\$ 2,744,666	\$ 2,879,485	\$ 2,890,563
Total assets	\$ 5,017,255	\$ 5,400,381	\$ 5,097,739	\$ 5,795,920	\$ 5,794,498
Short-term bank borrowing	\$ 350,000	\$ 150,000	\$ -	\$ -	\$ -
Refundable advance	\$ -	\$ -	\$ -	\$ -	\$ 140,514
Accounts payable	\$ 462,563	\$ 184,024	\$ 245,370	\$ 343,506	\$ 180,610
Accrued payroll and compensated absences	\$ 1,129,188	\$ 1,637,272	\$ 1,458,055	\$ 1,549,225	\$ 1,246,928
Deferred revenue	\$ 178,256	\$ 186,879	\$ 215,723	\$ 230,828	\$ 273,831
Total liabilities	\$ 2,120,546	\$ 2,158,714	\$ 1,919,548	\$ 2,125,298	\$ 1,843,649
Net assets	\$ 2,896,711	\$ 3,241,668	\$ 3,178,191	\$ 3,670,622	\$ 3,950,849

- Cash increased \$197K or 29% due to cash received from Paycheck Protection Program funding not spent of \$141K as well timing of payments to vendors.
- Fees and grants receivable decreased \$335K or 18%. Much of the decrease was due to the ability to carryover unspent grant funds for the Head Start program.
- Property and equipment, net was consistent with the prior year. During the year purchases totaled \$539K and depreciation expense amounted to \$515K.
- Total assets remained consistent at \$5.8M.
- The Agency did not have any outstanding borrowings on the line of credit at year end.
- Total liabilities decreased \$281K or 13% due to a decrease in the self insurance reserve of \$326K offset by timing of payments to vendors.
- Net assets increased from \$3.7M to \$4M. \$3.7M of the Agency's net assets are without donor restrictions.

FINANCIAL HIGHLIGHTS

People's Equal Action and Community Effort, Inc.

STATEMENTS OF ACTIVITIES

For the years ended January 31:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenue:					
Direct contributions	\$ 250,379	\$ 201,664	\$ 218,967	\$ 204,072	\$ 109,050
In-kind contributions	2,923,546	2,823,024	2,341,058	2,282,912	1,726,534
Fundraising	122,945	102,392	109,854	106,117	34,995
Governmental agencies	17,923,764	18,670,277	18,880,738	20,577,971	20,045,397
Program service fees	1,240,397	1,086,928	1,000,945	1,084,566	740,298
Other income	65,014	78,191	72,667	68,047	15,425
Total revenue and support	<u>22,526,045</u>	<u>22,962,476</u>	<u>22,624,229</u>	<u>24,323,685</u>	<u>22,671,699</u>
Expenses -					
Program services	19,983,085	19,887,455	19,906,804	20,967,170	19,601,831
Management and general	2,571,805	2,714,780	2,743,994	2,833,332	2,783,424
Fundraising	32,176	32,998	36,908	30,753	6,218
Total expenses	<u>22,587,066</u>	<u>22,635,233</u>	<u>22,687,706</u>	<u>23,831,255</u>	<u>22,391,473</u>
Change in net assets	<u>\$ (61,021)</u>	<u>\$ 327,243</u>	<u>\$ (63,477)</u>	<u>\$ 492,430</u>	<u>\$ 280,226</u>
Personnel costs as a % of total costs	46.1%	46.7%	48.9%	48.7%	52.3%
Management and general as a % of total	11.4%	12.0%	12.1%	11.9%	12.4%

- In-kind contributions decreased \$556K or 24%, majority of the decrease is due to the decrease of volunteer hours as sites were operating differently due to pandemic restrictions.
- Governmental agencies decreased \$532K or 3%. During the year many programs operated differently due to pandemic restrictions. The weatherization program was most impacted and saw decrease in revenue of \$820K. The Agency also had decreases in funding from the Child and Adult Food Program as well as SCSD UPK. Funding decreases were offset by CARES funding received from CSBG as well as CNYCC phase 4 and COVID Fragile Partner Program.
- Program service fee revenue decreased \$344K or 32%, majority of the decrease is due a decline in revenue from Centro, due decreased hours worked by employees during the pandemic as well as a decrease in DEHS FFS of \$108K.
- Total revenue and support decreased from \$1.7M or 7%. The decrease in revenue and support is consistent with the decrease in total expenses.
- Program services expenses decreased \$1.4M or 7% due to reduced spending in various programs due to pandemic restrictions.
- Total expenses decreased \$1.4M or 7%.
- Total change in net assets was \$280K.

FINANCIAL HIGHLIGHTS

People's Equal Action and Community Effort, Inc.

EXPENSES BY NATURAL CLASSIFICATION

For the years ended January 31:

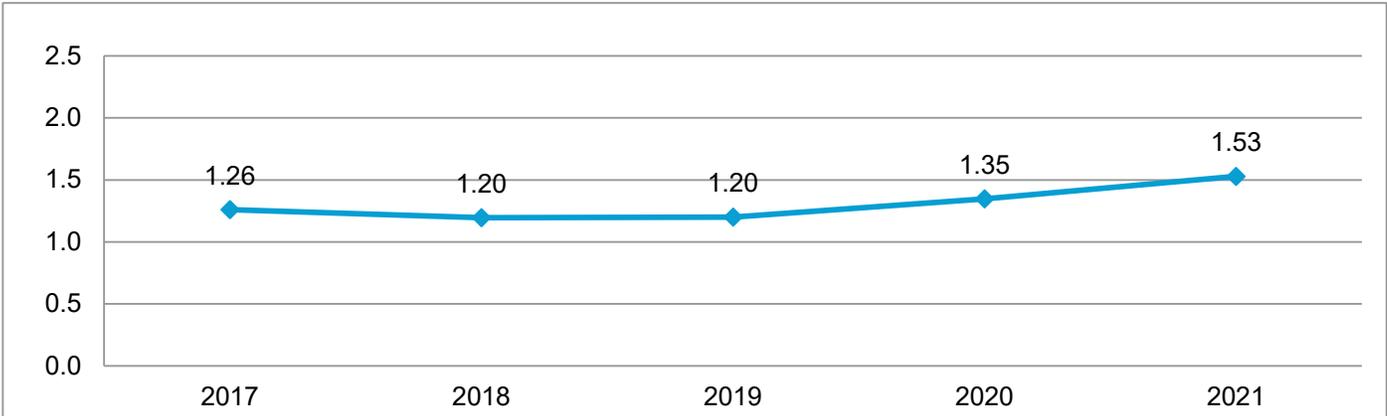
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Salaries, payroll taxes, and fringe benefits	\$ 13,731,934	\$ 13,857,653	\$ 14,285,064	\$ 14,771,405	\$ 14,531,097
Professional fees and contract services	1,466,414	1,420,146	1,375,195	1,632,841	1,090,085
Occupancy costs	1,565,565	1,542,974	1,454,286	1,621,193	1,588,142
Consumable supplies	4,077,120	3,850,347	3,565,593	3,561,618	2,825,346
Equipment expense	270,857	345,049	327,802	386,690	474,983
Insurance	317,163	316,340	332,710	359,745	389,972
Depreciation	358,309	427,524	491,476	576,216	514,979
Other expenses	799,704	875,200	855,580	921,547	976,869
	<u>\$ 22,587,066</u>	<u>\$ 22,635,233</u>	<u>\$ 22,687,706</u>	<u>\$ 22,687,706</u>	<u>\$ 22,391,473</u>

- Salaries, payroll taxes and fringe benefits decreased \$240K or 2%. Majority of the decrease is due to turnover in weatherization as well as decreased hours worked for Centro employees. These decreases were offset by a 2% cost of living adjustment given to most employees.
- Professional fees and contract services decreased \$542K due to a reduction in HS/EHS contractual services as well as a decrease in fees paid for home inspections as the Agency was not able to perform inspections due to COVID restrictions. The Agency also had a reduction in costs for trainings/group meetings due to travel restrictions with COVID.
- Consumable supplies decreased \$736K or 21%. The majority of the decrease is due to the decrease of the inkind supplies \$244K and \$451K decrease in DEHS materials installed due to COVID.
- Equipment expense increased \$88K due to the need for more laptops, notebooks and surface pros needed for staff to work remotely during COVID. Many of the Agency's grants had to purchase these devices to continue to work and serve clients remotely.

FINANCIAL HIGHLIGHTS

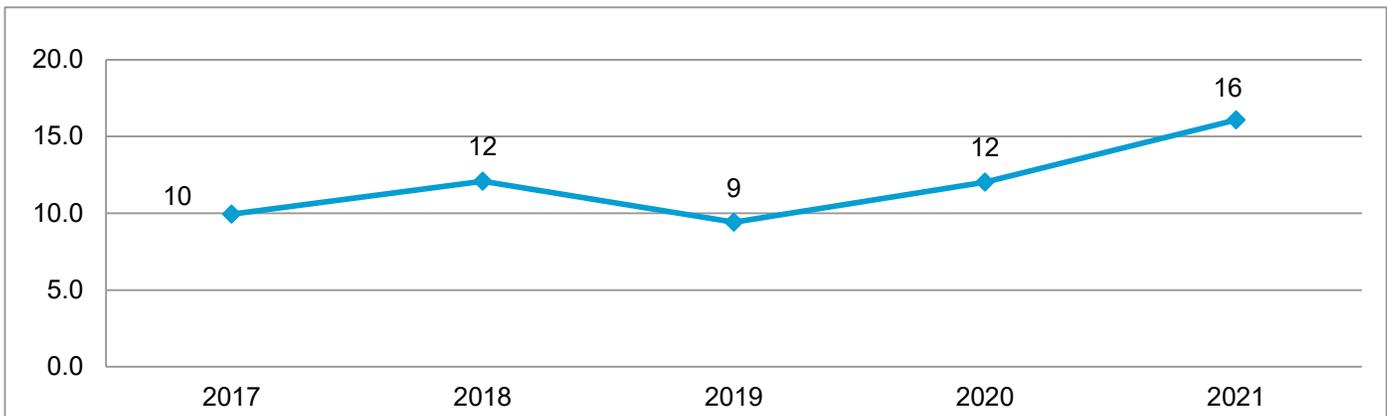
People's Equal Action and Community Effort, Inc.

CURRENT RATIO



- This ratio is a measure of liquidity – the Agency's ability to pay current liabilities utilizing current assets. Our target is 2:1.

DAYS CASH ON HAND



- This ratio is a measure of how many days the Agency can operate without converting other assets to cash. Our target is 15 days.

FINANCIAL HIGHLIGHTS

People's Equal Action and Community Effort, Inc.

RATIO ANALYSIS

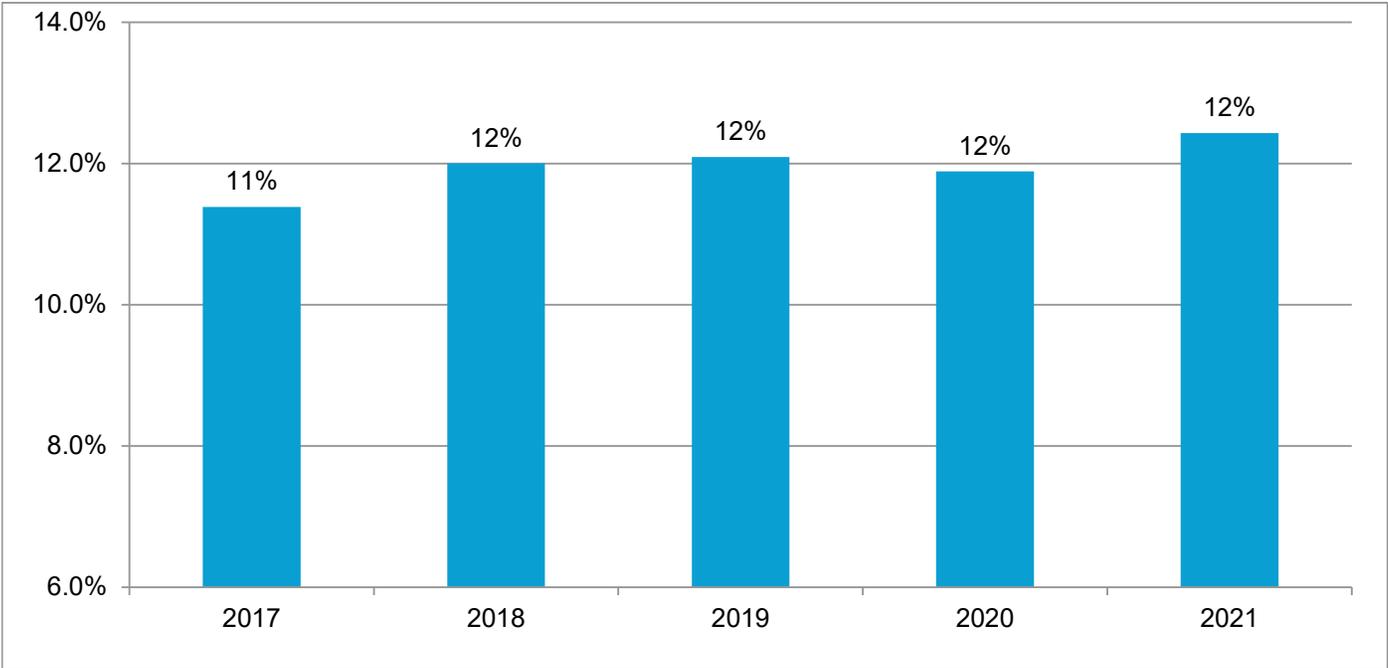
	<u>Target</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Days revenue in accounts receivable	30 - 45	30	27	26	28	25
Days outstanding in accounts payable	30 - 40	9	3	5	6	3
Total liabilities to net assets	< 2:1	0.73	0.67	0.60	0.58	0.47
Net book value of fixed assets as a % of gross fixed assets	> 50%	20%	23%	23%	23%	23%

- Days' revenue in accounts receivable is a measure of the effectiveness in collection of accounts receivable.
- Days outstanding in accounts payable is a measurement of the Agency's aging of its trade payables.
- Total liabilities to net assets is a measure of how assets have been acquired and an indication of capacity to incur additional debt.
- Net book value of fixed assets as a percentage of gross fixed assets is a measure of the age of the facilities.

FINANCIAL HIGHLIGHTS

People's Equal Action and Community Effort, Inc.

ADMINISTRATIVE PERCENTAGE OF EXPENSES



Our target is 10 to 12% of every dollar spent on administrative expenses. The above percentages were calculated from the Agency's financial statements. It should be noted; however, that there are various ways to compute administrative expenses. Two of those methods are as follows:

- Financial statement
- Form 990

FINANCIAL HIGHLIGHTS

People's Equal Action and Community Effort, Inc.

SINGLE AUDIT RESULTS

- We plan on issuing an unmodified opinion on the financial statements.
- *Government Auditing Standards*
 - No material weaknesses in internal control were identified.
 - No material weaknesses in internal controls over compliance were identified.
- Uniform Guidance Compliance
 - No material weaknesses in internal controls over compliance were identified.
 - The auditor's report over compliance was unmodified.
- Type A threshold was \$750,000.
- The Agency was determined to be a low risk auditee.
- The major programs were:
 - U.S. Department of Health and Human Services:
 - Head Start
 - Community Service Block Grant

MANAGEMENT CONSIDERATIONS

We have not identified any deficiencies in internal control that we consider to be material weaknesses. Additionally, we are pleased to report that our audit process did not identify any deficiencies to be reported to the Board. It is important to note that the continued oversight provided by the Board is an important component of maintaining a strong internal control environment.