

FINANCIAL STATEMENTS

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

JANUARY 31, 2010 AND 2009

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of People's Equal Action and Community Effort, Inc. (a nonprofit organization) as of January 31, 2010 and 2009 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2010 on our consideration of People's Equal Action and Community Effort, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of People's Equal Action and Community Effort, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended January 31, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jestone, Marshall & Wisenberg

May 27, 2010
Syracuse, New York

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,292,591	\$ 70,497
Grants receivable	1,431,946	971,953
Program service fees receivable (net of allowance for doubtful accounts of \$10,000 and \$5,000 in 2010 and 2009, respectively)	236,458	315,954
Inventory	48,913	51,791
Other current assets (net allowance for doubtful accounts of \$1,275 in 2010)	276,969	166,149
Total current assets	3,286,877	1,576,344
 PROPERTY:		
Land	199,500	199,500
Buildings	2,742,270	2,742,270
Leasehold improvements	3,988,319	3,973,348
Vehicles	2,270,133	2,004,682
Equipment	635,916	556,335
Total	9,836,138	9,476,135
Less accumulated depreciation	5,922,436	5,364,474
Property - net	3,913,702	4,111,661
TOTAL	\$ 7,200,579	\$ 5,688,005

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term bank borrowings	\$ -	\$ 301,111
Accounts payable - Trade	947,881	412,359
Accrued payroll and related liabilities	363,255	317,749
Current portion of long-term debt	7,728	7,198
Accrued compensated absences	265,083	236,677
Deferred revenue	1,644,555	344,530
Custodial accounts	46,922	124,822
Deposits	8,587	9,574
Total current liabilities	<u>3,284,011</u>	<u>1,754,020</u>
LONG-TERM DEBT - NET OF CURRENT PORTION	<u>40,467</u>	<u>48,171</u>
Total liabilities	<u>3,324,478</u>	<u>1,802,191</u>
NET ASSETS:		
Unrestricted	3,708,752	3,733,472
Temporarily restricted	167,349	152,342
Total net assets	<u>3,876,101</u>	<u>3,885,814</u>
TOTAL	<u>\$ 7,200,579</u>	<u>\$ 5,688,005</u>

See Accompanying Notes and Independent Auditor's Report

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 117,845	\$ 66,783	\$ 184,628
In-kind contributions	4,634,317	25	4,634,342
Fundraising	98,301	48,776	147,077
Net assets released from restrictions	100,577	(100,577)	-
Total support	<u>4,951,040</u>	<u>15,007</u>	<u>4,966,047</u>
REVENUE:			
Governmental agencies	18,190,077	-	18,190,077
Program service fees	1,760,677	-	1,760,677
Interest income	356	-	356
Rental income	65,321	-	65,321
Other income	401	-	401
Gain on disposal of equipment	4,749	-	4,749
Total revenue	<u>20,021,581</u>	<u>-</u>	<u>20,021,581</u>
Total support and revenue	<u>24,972,621</u>	<u>15,007</u>	<u>24,987,628</u>
EXPENSES:			
Program services	21,974,641	-	21,974,641
Management and general	2,968,232	-	2,968,232
Fundraising	54,468	-	54,468
Total expenses	<u>24,997,341</u>	<u>-</u>	<u>24,997,341</u>
INCREASE (DECREASE) IN NET ASSETS	(24,720)	15,007	(9,713)
NET ASSETS - FEBRUARY 1, 2009	<u>3,733,472</u>	<u>152,342</u>	<u>3,885,814</u>
NET ASSETS - JANUARY 31, 2010	<u>\$ 3,708,752</u>	<u>\$ 167,349</u>	<u>\$ 3,876,101</u>

See Accompanying Notes and Independent Auditor's Report

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 118,623	\$ 76,165	\$ 194,788
In-kind contributions	4,825,108	-	4,825,108
Fundraising	89,682	33,903	123,585
Net assets released from restrictions	111,604	(111,604)	-
Total support	<u>5,145,017</u>	<u>(1,536)</u>	<u>5,143,481</u>
REVENUE:			
Governmental agencies	15,040,902	4,090	15,044,992
Program service fees	1,851,417	-	1,851,417
Interest income	315	-	315
Rental income	71,447	-	71,447
Other income	340	-	340
Net assets released from restrictions	6,474	(6,474)	-
Total revenue	<u>16,970,895</u>	<u>(2,384)</u>	<u>16,968,511</u>
Total support and revenue	<u>22,115,912</u>	<u>(3,920)</u>	<u>22,111,992</u>
EXPENSES:			
Program services	19,474,275	-	19,474,275
Management and general	3,010,718	-	3,010,718
Fundraising	84,698	-	84,698
Total expenses	<u>22,569,691</u>	<u>-</u>	<u>22,569,691</u>
DECREASE IN NET ASSETS	(453,779)	(3,920)	(457,699)
NET ASSETS - FEBRUARY 1, 2008	<u>4,187,251</u>	<u>156,262</u>	<u>4,343,513</u>
NET ASSETS - JANUARY 31, 2009	<u>\$ 3,733,472</u>	<u>\$ 152,342</u>	<u>\$ 3,885,814</u>

See Accompanying Notes and Independent Auditor's Report

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2010

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 10,580,686	\$ 1,337,565	\$ 888	\$ 11,919,139
Payroll taxes and fringe benefits	2,312,064	287,570	95	2,599,729
Professional fees and contract services	2,031,889	72,493	1,835	2,106,217
Conferences and travel	220,764	45,975	2,685	269,424
Occupancy costs	1,479,021	135,425	-	1,614,446
Program service fee overhead	136,399	-	-	136,399
Consumable supplies	4,091,880	309,887	37,993	4,439,760
Equipment expense	237,175	66,815	3,511	307,501
Insurance	233,115	14,814	-	247,929
Telephone	74,425	23,257	143	97,825
Advertising, printing, postage and dues	368,804	33,371	6,422	408,597
Vehicle maintenance	175,672	2,222	-	177,894
Interest expense	3,717	5,478	-	9,195
Depreciation	21,179	582,820	666	604,665
Other costs	7,851	50,540	230	58,621
Total expenses	\$ 21,974,641	\$ 2,968,232	\$ 54,468	\$ 24,997,341

See Accompanying Notes and Independent Auditor's Report

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2009

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 9,605,298	\$ 1,234,663	\$ 1,833	\$ 10,841,794
Payroll taxes and fringe benefits	2,123,454	254,787	204	2,378,445
Professional fees and contract services	1,751,672	57,210	5,769	1,814,651
Conferences and travel	166,590	44,378	2,571	213,539
Occupancy costs	1,409,009	133,980	-	1,542,989
Program service fee overhead	147,274	-	-	147,274
Consumable supplies	3,259,219	526,562	53,164	3,838,945
Equipment expense	115,669	38,301	3,376	157,346
Insurance	229,055	20,474	-	249,529
Telephone	99,183	22,628	-	121,811
Advertising, printing, postage and dues	278,182	30,613	13,149	321,944
Vehicle maintenance	223,125	2,762	-	225,887
Interest expense	4,209	14,984	-	19,193
Depreciation	27,455	539,194	1,998	568,647
Loss on disposal of asset held for sale and equipment	18,644	44,288	-	62,932
Other costs	16,237	45,894	2,634	64,765
Total expenses	<u>\$19,474,275</u>	<u>\$ 3,010,718</u>	<u>\$ 84,698</u>	<u>\$ 22,569,691</u>

See Accompanying Notes and Independent Auditor's Report

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (9,713)	\$ (457,699)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	604,665	568,647
(Gain) loss on disposal of equipment	(4,749)	62,932
Bad debt expense	13,955	6,183
Changes in operating assets and liabilities:		
Grants receivable	(459,993)	327,373
Program service fees receivable	66,816	34,304
Inventory	2,878	(2,680)
Other current assets	(75,157)	24,066
Accounts payable - Trade	535,522	241
Accrued payroll and related liabilities	45,506	(363,866)
Accrued compensated absences	28,406	(3,393)
Deferred revenue	1,300,025	173,682
Custodial accounts and deposits	(78,887)	(29,642)
Total adjustments	1,978,987	797,847
Net cash provided by operating activities	1,969,274	340,148
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of assets	4,749	27,275
Acquisitions of property	(443,644)	(367,682)
Net cash utilized in investing activities	(438,895)	(340,407)
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(7,174)	(6,681)
Payments on short-term bank borrowings	(1,389,453)	(1,906,542)
Proceeds from short-term bank borrowings	1,088,342	1,527,221
Net cash utilized in financing activities	(308,285)	(386,002)
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,222,094	(386,261)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	70,497	456,758
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,292,591	\$ 70,497
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 9,195	\$ 18,375

See Accompanying Notes and Independent Auditor's Report

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

People's Equal Action and Community Effort, Inc. is a nonprofit corporation. People's Equal Action and Community Effort, Inc. (the "Agency") is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. The Agency provides community action programs 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 including assistance with utility bills and home weatherization; community health and social service introduction to families and education classes on healthy relationships.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified into permanently restricted, temporarily restricted or unrestricted net assets based on the existence or absence of donor-imposed restrictions.

Support and Revenue

Funding for Agency programs is provided through grants from the U.S. Department of Health and Human Services, New York State Departments of State, Health, Social Services, Division of Housing and Community Renewal and Office of Mental Retardation and Developmental Disabilities, County of Onondaga, City of Syracuse, LaFayette Central School District, Liverpool Central School District, North Syracuse Central School District, Corporation for National Services, Big Brothers Big Sisters of America, United Way, U.S. Department of Labor and Various Legislative Member Items.

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents for the purpose of the statement of cash flows.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventory

Inventory of supplies and materials is stated at cost using the first-in, first-out method.

Other Current Assets

Included in other current assets are fee for service weatherization program costs related to projects that have not been completed. Revenue is recognized when projects have been finalized in accordance with grant agreements. These programs include EmPower New York, Multifamily Performance Program, Assisted Home Performance and Assisted Multifamily Program.

Property

Property \$5,000 and greater is capitalized and stated at cost if purchased or fair market value if donated, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Long-lived donated property and equipment is recognized as unrestricted support when received.

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 \$2,197,000 and \$2,170,000 as of January 31, 2010 and 2009, respectively.

Deferred Revenue

Deferred revenue represents funds received but not yet earned. It is anticipated that such revenues will be earned currently.

Custodial Accounts

Custodial accounts represent liabilities for community organizations and New York State Department of State legislative member items. Liabilities for community organizations were \$7,707 and \$7,176 as of January 31, 2010 and 2009, respectively. New York State Department of State legislative member items were \$39,215 and \$117,646 as of January 31, 2010 and 2009, respectively. Liabilities for community organizations are funded currently. New York State Department of State legislative member items are not currently funded.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributed Materials, Facilities and Services

The Agency records as revenue and expenses the estimated fair value of donated services, consumable supplies and space in the period received. Value for salaries is determined by using a reasonable wage and the number of hours donated. Estimated value as provided by the Salvation Army guidelines is used for consumable supplies. Donated space is recorded based on estimated fair market value of the leased space as determined by professional appraisals and third party published sources.

Indirect Cost Rate

The Agency has been approved by its cognizant agency, U.S. Department of Health and Human Services, to apply a provisional indirect cost rate not to exceed 24.7%. Indirect costs are allocated to all programs of the Agency. Total direct salaries are used as the base to calculate the Agency's indirect cost rate.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs benefited based on management's estimate of time spent, occupancy or usage. Other costs specifically identified to a program are charged directly to that program.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Subsequent Events

Subsequent events have been evaluated through May 27, 2010, the date the financial statements were available to be issued.

2. SHORT-TERM BANK BORROWINGS

The Agency has an available \$1,400,000 revolving loan with HSBC Bank USA, N.A. Borrowings accrue interest at the prime rate and are not collateralized.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

3. LONG-TERM DEBT

Long-term debt represents a mortgage payable to M&T Real Estate, Inc. payable in monthly installments of \$908, including interest at the five year U.S. Treasury rate plus 3% per annum through May 2016. Interest is subject to adjustment in five year increments, through May 2015. Property with a net book value of approximately \$29,600 at January 31, 2010 is pledged as collateral to this obligation.

Maturities of the long-term portion at January 31, 2010 are as follows:

<u>YEAR ENDING JANUARY 31,</u>	<u>AMOUNT</u>
2012	\$ 8,297
2013	8,909
2014	9,565
2015	10,270
Thereafter	<u>3,426</u>
Total	<u>\$ 40,467</u>

4. RESTRICTIONS ON ASSETS

Unrestricted net assets include board designated amounts of \$196,010 and \$185,385 for reserve for unemployment insurance at January 31, 2010 and 2009, respectively.

Temporarily restricted net assets include donor restricted contributions and restricted program income to be used to support the following activities at January 31:

	<u>2010</u>	<u>2009</u>
Head Start/Early Head Start	\$ 10,262	\$ 12,168
Family Resource Centers	23,565	20,676
Big Brothers Big Sisters	75,553	72,739
Foster Grandparents	13,397	12,740
Community Development	519	519
Project R.O.S.E.	1,705	760
County West Kidz Rule	3,249	3,238
Food Services	11,977	4,977
Weatherization	873	873
Frank DeFrancisco Eastwood Community Center	17,891	16,353
Foundation for the Future	1,500	1,500
Information Technology (IT Tech Program)	1,273	1,283
Maintenance	30	30

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

4. RESTRICTIONS ON ASSETS (CONT'D)

	<u>2010</u>	<u>2009</u>
KIDS (Kids in Distressed Situations)	3,000	-
Transportation	146	-
Crop Walk	597	1,397
Adopt-A-Family	937	2,380
Project Connection	875	709
Total	<u>\$ 167,349</u>	<u>\$ 152,342</u>

5. RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution profit sharing plan covering employees who have completed one year of service and are 18 years of age. Employees may contribute a percentage of their compensation on a pre-tax basis, subject to limitations by the Internal Revenue Service. Agency contributions to the plan are at the sole discretion of the Board of Directors. The Board elected to match up to 3% of employee deferred compensation through January 2010.

Retirement plan expense was \$135,520 and \$127,243 for 2010 and 2009, respectively.

6. OPERATING LEASES

The Agency leases space and equipment under arrangements accounted for as operating leases. Agreements require monthly payments expiring at various dates through August 2018. Future minimum lease payments at January 31, 2010 are as follows:

<u>YEAR ENDING</u> <u>JANUARY 31,</u>	<u>AMOUNT</u>
2011	\$ 1,124,858
2012	495,600
2013	374,833
2014	331,650
2015	283,067
Thereafter	<u>223,279</u>
Total	<u>\$ 2,833,287</u>

Total lease expense for space and equipment included in occupancy costs and equipment expense was \$1,009,421 and \$973,316 for 2010 and 2009, respectively.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

7. DONATED MATERIALS, FACILITIES AND SERVICES

Donated materials, facilities and services included in the financial statements for the years ended January 31 are as follows:

	<u>2010</u>	<u>2009</u>
In-kind contributions:		
Donated volunteer services	\$ 1,406,755	\$ 1,291,009
Donated professional and contract services	1,079,462	1,127,042
Donated travel	1,134	6,408
Donated facilities	568,845	509,968
Donated supplies	1,503,253	1,839,213
Donated advertising	74,893	51,468
Total In-kind contributions	<u>\$ 4,634,342</u>	<u>\$ 4,825,108</u>
Expenses:		
Salaries	\$ 1,406,755	\$ 1,291,009
Professional fees and contract services	1,079,462	1,127,042
Conferences and travel	1,134	6,408
Occupancy costs	568,845	509,968
Consumable supplies	1,503,253	1,839,213
Advertising, printing, postage and dues	74,893	51,468
Total property and expenses	<u>\$ 4,634,342</u>	<u>\$ 4,825,108</u>

8. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Agency to credit risk consist principally of unsecured receivables.

A significant portion of the Agency's revenue is generated through Federal, New York State and County grants that are renewed annually, without which there would be an impact on the Agency's level of service and operation. The Agency derives a substantial portion of its revenues from one grant. Total revenues related to this grant were \$10,168,501 and \$9,627,873 in 2010 and 2009, respectively.

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

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2010 AND 2009

9. CONTINGENT LIABILITIES

The Agency occupies certain real property, which is subject to a mortgage payable to the Onondaga County Community Development HOME Program. The Agency has previously recorded the mortgage as satisfied based on their intention to fulfill all requirements of the agreement with the Onondaga County Community Development HOME Program. The agreement requires the Agency to provide low-income rentals to the tenants of this property. In the event of default, as defined by the agreement, the mortgage will become due and payable in full together with interest and penalties or late charges. No liability has been recorded because any potential loss cannot be estimated. This agreement expires August 2013.

10. RECLASSIFICATION

Certain amounts reported at January 31, 2009 have been reclassified to reflect information and assumptions existing at January 31, 2010. These reclassifications had no effect on total net assets or decrease in net assets as originally reported.



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**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***

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

We have audited the financial statements of People's Equal Action and Community Effort, Inc. (a nonprofit organization) as of and for the year ended January 31, 2010, and have issued our report thereon dated May 27, 2010. We conducted our audit 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered People's Equal Action and Community Effort, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of 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*.

This report is intended solely for the information and use of the finance committee, board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Iestone, Marshall & Disenza

May 27, 2010
Syracuse, New York



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

COMPLIANCE

We have audited the compliance of People's Equal Action and Community Effort, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended January 31, 2010. The 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the People's Equal Action and Community Effort, Inc.'s management. Our responsibility is to express an opinion on the People's Equal Action and Community Effort, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the 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. Our audit does not provide a legal determination of the People's Equal Action and Community Effort, Inc.'s compliance with those requirements.

In our opinion, People's Equal Action and Community Effort, Inc. complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended January 31, 2010.

INTERNAL CONTROL OVER COMPLIANCE

The management of People's Equal Action and Community Effort, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered People's Equal Action and Community Effort, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the finance committee, board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Destone, Marshall & Wisniewski

May 27, 2010
Syracuse, New York

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JANUARY 31, 2010

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
<u>U.S. Department of Health and Human Services</u>					
Direct:					
Head Start	93.600	02/01/09-01/31/10	02CH1424/42	\$ 10,199,931	\$ 10,168,501
ARRA - Head Start	93.708	07/01/09-09/30/10	02SE1424/01	573,767	92,544
	93.708	11/01/09-09/29/11	02SH1424/01	1,017,411	35,338
Total Head Start Cluster				11,791,109	10,296,383
Healthy Marriage Promotion and Responsible Fatherhood	93.086	09/30/08-09/29/09	90FE0107/03	465,937	386,233
	93.086	09/30/09-09/29/10	90FE0107/04	465,937	110,768
Total Healthy Marriage Promotion and Responsible Fatherhood				931,874	497,001
Community Services Block Grant	93.569	06/01/08-05/31/09	90ET0381/01	50,000	21,798
	93.569	06/01/09-05/31/10	90ET0381/02	50,000	43,953
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/08-09/30/09	C005529-09	1,547,829	849,432
	93.569	10/01/09-09/30/10	C005529-10	1,550,151	497,842
	93.569	10/01/08-09/30/09	C005529	47,647	47,647
	93.569	10/01/08-09/30/09	T005624	27,466	26,865
	93.569	10/01/09-09/30/10	T001147	30,000	-
ARRA - Community Services Block Grant	93.710	04/01/09-09/30/10	C001027	2,346,878	741,988
Total Community Services Block Grant Cluster				5,649,971	2,229,525
NYS Division of Housing & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/08-03/31/09	C090049-08	1,276,617	534,394
	93.568	04/01/09-06/30/10	C091049-09	2,179,313	1,720,331
Onondaga County Department of Aging & Youth					
Weatherization Referral and Packaging Program	93.568	11/01/08-03/31/09	42908-09	68,000	5,564
	93.568	04/01/09-03/31/10	42908-10	80,000	54,261
Total Low-Income Home Energy Assistance Cluster				3,603,930	2,314,550
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	01/01/09-12/31/09	14905-R4	25,000	19,689
	93.044	01/01/10-12/31/10	14905-R5	25,000	3,409
Total Special Programs for the Aging - Title III, Part B				50,000	23,098
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	01/01/09-12/31/09	10305-R4	242,446	228,286
	93.045	01/01/10-12/31/10	10305-R5	240,000	17,154
Total Special Programs for the Aging - Title III, Part C				482,446	245,440
Subtotal - U.S. Department of Health and Human Services				22,509,330	15,605,997

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JANUARY 31, 2010

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
<u>The Corporation for National Service</u>					
Direct:					
Foster Grandparent Program	94.011	04/01/08-03/31/09	07SEFANY006	356,611	51,031
	94.011	04/01/09-03/31/10	07SEFANY006	356,611	283,420
Subtotal - The Corporation for National Service				713,222	334,451
<u>U.S. Department of Agriculture</u>					
Pass-through from:					
NYS Department of Health					
Child and Adult Care Food Program (CACFP)	10.558	10/01/08-09/30/09	2139	423,964	252,720
	10.558	10/01/09-09/30/10	2139	176,646	176,646
Subtotal - U.S. Department of Agriculture				600,610	429,366
<u>U.S. Department of Energy</u>					
Pass-through from:					
NYS Division of Housing & Community Renewal					
Weatherization Assistance for Low-Income Persons	81.042	04/01/08-03/31/09	C090049-08	509,286	3,333
	81.042	04/01/08-06/30/10	C091049-09	527,538	416,434
ARRA - Weatherization Assistance for Low-Income Persons	81.042	01/01/10-06/30/11	C092308-10	4,000,000	-
ARRA - Weatherization Assistance for Low-Income Persons	81.042	07/01/09-09/30/11	C092249	5,939,753	1,086,282
Subtotal - U.S. Department of Energy				10,976,577	1,506,049

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JANUARY 31, 2010

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
<u>U.S. Department of Housing and Urban Development</u>					
Pass-through from:					
City of Syracuse					
Community Development Block Grants/Entitlement Grants					
Project Connection	14.218	05/01/09-04/30/10	Year 35	19,950	12,799
Big Brother Big Sister	14.218	05/01/08-04/30/09	Year 34	9,000	29
Big Brother Big Sister Facility Renovations	14.218	05/01/09-04/30/10	Year 35	9,000	-
Total Community Development Block Grants/Entitlement Grants	14.218	05/05/05-05/05/10	B-05-SP-NY-0564	248,000	4,979
				<u>285,950</u>	<u>17,807</u>
Subtotal - U.S. Department of Housing and Urban Development					
				<u>285,950</u>	<u>17,807</u>
<u>U.S. Department of Education</u>					
Pass-through from:					
Syracuse City School District					
Twenty-First Century Community Learning Center KICKS	84.287	06/01/09-05/31/10	NA	12,000	12,000
Subtotal - U.S. Department of Education					
				<u>12,000</u>	<u>12,000</u>
TOTAL				<u>\$ 35,097,689</u>	<u>\$ 17,905,670</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2010

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 in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

2. EXPENDITURES OF FEDERAL REVENUE

The amounts reported as expenditures of federal revenue 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. The federal expenditures are recorded on an accrual basis.

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.

4. MATCHING COSTS

Matching costs, i.e., the Agency's or State'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, 2010**

Part I - Summary of Auditor's Results

- An unqualified opinion, based on our audit, was issued on the financial statements of People's Equal Action and Community Effort, Inc. (the "Agency") as of and for the year ended January 31, 2010.
- The audit disclosed no deficiencies in internal control over financial reporting considered to be material weaknesses of the Agency as of and for the year ended January 31, 2010.
- The audit disclosed no instances of noncompliance which are material to the financial statements of the Agency as of and for the year ended January 31, 2010.
- The audit disclosed no material weaknesses in connection with compliance over federal programs for the year ended January 31, 2010.
- An unqualified opinion was issued on the Agency's compliance with its major federal programs for the year ended January 31, 2010.
- There were no audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended January 31, 2010.
- The dollar threshold to determine Type A programs was \$537,170. The major federal programs of the Agency for the year ended January 31, 2010 were as follows:

CFDA Number	Program Title
93.600/93.708	Head Start Cluster
93.569/93.710	Community Services Block Grant Cluster
93.568	Low-Income Home Energy Assistance
81.042	Weatherization Assistance for Low-Income Persons

- People's Equal Action and Community Effort, Inc. did qualify as a low risk auditee for the year ended January 31, 2010.