

FINANCIAL STATEMENTS

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

JANUARY 31, 2012 AND 2011

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, 2012 and 2011 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 the 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, 2012 and 2011 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 24, 2012, 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 on 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 conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Jestone, Marshall; Disenza

May 24, 2012
Syracuse, New York

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENTS OF FINANCIAL POSITION
JANUARY 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 377,731	\$ 2,234,192
Grants receivable	1,470,953	1,059,793
Program service fees receivable (net of allowance for doubtful accounts of approximately \$17,000 and \$29,000 in 2012 and 2011, respectively)	143,928	224,488
Inventory	126,124	138,934
Other current assets	170,956	70,169
Total current assets	<u>2,289,692</u>	<u>3,727,576</u>
LONG-TERM DEPOSITS	<u>16,600</u>	<u>16,600</u>
PROPERTY:		
Land	199,500	199,500
Buildings	2,742,270	2,742,270
Leasehold improvements	4,237,740	4,152,443
Vehicles	2,615,500	2,629,614
Equipment	816,482	737,034
Construction in progress	18,339	-
Total	<u>10,629,831</u>	<u>10,460,861</u>
Less accumulated depreciation	<u>7,037,945</u>	<u>6,457,981</u>
Property - net	<u>3,591,886</u>	<u>4,002,880</u>
TOTAL	<u>\$ 5,898,178</u>	<u>\$ 7,747,056</u>

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Short-term bank borrowings	\$ -	\$ 250,000
Accounts payable - Trade	841,399	904,273
Accrued payroll and related liabilities	432,547	430,721
Current portion of long-term debt	8,943	8,451
Accrued compensated absences	290,116	271,460
Deferred revenue	302,516	1,643,220
Custodial accounts	3,924	10,324
Deposits and other current liabilities	6,879	13,301
Total current liabilities	<u>1,886,324</u>	<u>3,531,750</u>
LONG-TERM DEBT - NET OF CURRENT PORTION	<u>22,944</u>	<u>31,887</u>
Total liabilities	<u>1,909,268</u>	<u>3,563,637</u>
NET ASSETS:		
Unrestricted	3,803,115	3,994,322
Temporarily restricted	185,795	189,097
Total net assets	<u>3,988,910</u>	<u>4,183,419</u>
TOTAL	<u>\$ 5,898,178</u>	<u>\$ 7,747,056</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT:			
Direct contributions	\$ 115,258	\$ 61,209	\$ 176,467
In-kind contributions	4,843,963	162	4,844,125
Fundraising	91,030	48,694	139,724
Net assets released from restrictions	125,103	(125,103)	-
Total support	<u>5,175,354</u>	<u>(15,038)</u>	<u>5,160,316</u>
REVENUE:			
Governmental agencies	24,814,484	14,976	24,829,460
Program service fees	1,653,049	-	1,653,049
Interest income	359	(3,240)	(2,881)
Rental income	60,091	-	60,091
Other income	116	-	116
Total revenue	<u>26,528,099</u>	<u>11,736</u>	<u>26,539,835</u>
Total support and revenue	<u>31,703,453</u>	<u>(3,302)</u>	<u>31,700,151</u>
EXPENSES:			
Program services	28,912,306	-	28,912,306
Management and general	2,930,144	-	2,930,144
Fundraising	52,210	-	52,210
Total expenses	<u>31,894,660</u>	<u>-</u>	<u>31,894,660</u>
DECREASE IN NET ASSETS	(191,207)	(3,302)	(194,509)
NET ASSETS - FEBRUARY 1, 2011	<u>3,994,322</u>	<u>189,097</u>	<u>4,183,419</u>
NET ASSETS - JANUARY 31, 2012	<u>\$ 3,803,115</u>	<u>\$ 185,795</u>	<u>\$ 3,988,910</u>

See Accompanying Notes.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JANUARY 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT:			
Direct contributions	\$ 115,095	\$ 41,121	\$ 156,216
In-kind contributions	5,429,755	-	5,429,755
Fundraising	84,115	61,112	145,227
Net assets released from restrictions	95,859	(95,859)	-
Total support	<u>5,724,824</u>	<u>6,374</u>	<u>5,731,198</u>
REVENUE:			
Governmental agencies	25,407,868	12,078	25,419,946
Program service fees	1,641,112	-	1,641,112
Interest income	775	3,296	4,071
Rental income	61,542	-	61,542
Other income	1,427	-	1,427
Total revenue	<u>27,112,724</u>	<u>15,374</u>	<u>27,128,098</u>
Total support and revenue	<u>32,837,548</u>	<u>21,748</u>	<u>32,859,296</u>
EXPENSES:			
Program services	29,317,282	-	29,317,282
Management and general	3,185,706	-	3,185,706
Fundraising	48,990	-	48,990
Total expenses	<u>32,551,978</u>	<u>-</u>	<u>32,551,978</u>
INCREASE IN NET ASSETS	285,570	21,748	307,318
NET ASSETS - FEBRUARY 1, 2010	<u>3,708,752</u>	<u>167,349</u>	<u>3,876,101</u>
NET ASSETS - JANUARY 31, 2011	<u>\$ 3,994,322</u>	<u>\$ 189,097</u>	<u>\$ 4,183,419</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2012

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 11,307,133	\$ 1,460,951	\$ 723	\$ 12,768,807
Payroll taxes and fringe benefits	2,903,431	309,619	107	3,213,157
Professional fees and contract services	4,733,897	78,008	1,072	4,812,977
Conferences and travel	340,922	29,176	-	370,098
Occupancy costs	1,722,198	139,103	-	1,861,301
Program service fee overhead	81,400	-	-	81,400
Consumable supplies	6,898,855	43,481	37,619	6,979,955
Equipment expense	118,878	36,321	3,725	158,924
Insurance	282,423	21,076	7	303,506
Telephone	59,863	24,540	-	84,403
Advertising, printing, postage and dues	137,239	34,527	8,744	180,510
Vehicle maintenance	307,308	2,867	-	310,175
Interest expense	2,070	4,148	-	6,218
Depreciation	18,947	708,893	-	727,840
Other costs	(2,258)	37,434	213	35,389
Total expenses	\$ 28,912,306	\$ 2,930,144	\$ 52,210	\$ 31,894,660

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JANUARY 31, 2011

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 12,056,323	\$ 1,445,423	\$ 597	\$ 13,502,343
Payroll taxes and fringe benefits	2,785,813	291,047	60	3,076,920
Professional fees and contract services	4,010,457	49,069	1,801	4,061,327
Conferences and travel	350,178	57,954	(225)	407,907
Occupancy costs	1,740,841	139,507	-	1,880,348
Program service fee overhead	112,178	-	-	112,178
Consumable supplies	6,930,681	303,905	36,916	7,271,502
Equipment expense	194,883	48,560	3,617	247,060
Insurance	263,564	18,297	5	281,866
Telephone	141,291	23,669	-	164,960
Advertising, printing, postage and dues	389,123	41,804	5,387	436,314
Vehicle maintenance	255,129	4,881	-	260,010
Interest expense	2,818	458	-	3,276
Depreciation	20,344	714,567	-	734,911
Other costs	63,659	46,565	832	111,056
	<u>\$ 29,317,282</u>	<u>\$ 3,185,706</u>	<u>\$ 48,990</u>	<u>\$ 32,551,978</u>

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (194,509)	\$ 307,318
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (utilized in) operating activities:		
Depreciation	727,840	734,911
Bad debt expense	1,473	30,168
Changes in operating assets and liabilities:		
Grants receivable	(411,160)	372,153
Program service fees receivable	80,560	(14,030)
Inventory	12,810	(90,021)
Other current assets	(83,231)	227,616
Long-term deposits	-	(10,000)
Accounts payable - Trade	(62,874)	(43,608)
Accrued payroll and related liabilities	1,826	67,466
Accrued compensated absences	18,656	6,377
Deferred revenue	(1,340,704)	(1,335)
Custodial accounts, deposits, and other current liabilities	(12,822)	(31,884)
Total adjustments	(1,067,626)	1,247,813
Net cash provided by (utilized in) operating activities	(1,262,135)	1,555,131
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property	(335,875)	(855,673)
Net cash utilized in investing activities	(335,875)	(855,673)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(8,451)	(7,857)
Payments on short-term bank borrowings	(1,230,000)	(270,000)
Proceeds from short-term bank borrowings	980,000	520,000
Net cash provided by (utilized in) financing activities	(258,451)	242,143
INCREASE (DECREASE) IN CASH	(1,856,461)	941,601
CASH - BEGINNING OF YEAR	2,234,192	1,292,591
CASH - END OF YEAR	\$ 377,731	\$ 2,234,192
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 6,286	\$ 3,208

See Accompanying Notes

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 including assistance with utility bills and home weatherization; community health and social service introduction to families and education classes on healthy relationships.

The Agency is a nonprofit corporation, 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. Therefore, no provision for income taxes is made in the accompanying financial statements. However, fiscal years 2009 and later remain subject to examination by the IRS and state authorities, generally for three years after filing.

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, Homes and Community Renewal and Office of People with Developmental Disabilities, County of Onondaga, City of Syracuse, LaFayette Central School District, North Syracuse Central School District, Corporation for National and Community Services, Big Brothers Big Sisters of America, United Way, and various foundations, and corporations.

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, 2012 AND 2011

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, and Assisted Home Performance.

Property

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. 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 \$2,250,000 and \$2,504,000 as of January 31, 2012 and 2011, respectively.

Deferred Revenue

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

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.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2012 AND 2011

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

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 by management through May 24, 2012, the date the financial statements were available to be issued.

2. SHORT-TERM BANK BORROWINGS

The Agency has a \$1,400,000 revolving loan with HSBC Bank USA, N.A. Borrowings accrue interest at the prime rate (3.25% as of January 31, 2012) and are not collateralized.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2012 AND 2011

3. LONG-TERM DEBT

Long-term debt represents a mortgage payable to M&T Real Estate, Inc. payable in monthly installments of \$877, 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. Land and building with a net book value of approximately \$25,700 at January 31, 2012 are pledged as collateral to this obligation.

Maturities of the long-term portion at January 31, 2012 are as follows:

YEAR ENDING <u>JANUARY 31,</u>	<u>AMOUNT</u>
2014	\$ 9,464
2015	10,014
2016	<u>3,466</u>
Total	<u>\$ 22,944</u>

4. RESTRICTIONS ON NET ASSETS

Unrestricted net assets include board designated amounts of \$10,111 and \$202,776 for reserve for unemployment insurance at January 31, 2012 and 2011, 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>2012</u>	<u>2011</u>
Head Start/Early Head Start	\$ 11,265	\$ 10,088
Family Resource Centers	24,474	28,798
Big Brothers Big Sisters	91,502	88,138
Foster Grandparents	9,837	7,815
Community Development	3,087	3,296
Project R.O.S.E.	1,961	1,827
Food Services	8,589	9,627
Weatherization	13,626	16,246
Frank DeFrancisco Eastwood Community Center	16,850	15,281
Foundation for the Future	1,500	1,500
Maintenance	30	30

(Continued)

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2012 AND 2011

4. RESTRICTIONS ON NET ASSETS (CONT'D)

	<u>2012</u>	<u>2011</u>
KIDS (Kids in Distressed Situations)	376	3,417
Transportation	-	220
Crop Walk	66	716
Adopt-A-Family	2,618	1,784
Employee Assistance	14	314
Total	<u>\$ 185,795</u>	<u>\$ 189,097</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 for the plan years ended December 31, 2011 and 2010, respectively.

Retirement plan expense was \$176,178 and \$156,304 for 2012 and 2011, 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 December 2019.

Future minimum lease payments at January 31, 2012 are as follows:

<u>YEAR ENDING</u> <u>JANUARY 31,</u>	<u>AMOUNT</u>
2013	\$ 1,157,303
2014	609,272
2015	439,825
2016	267,693
2017	200,995
Thereafter	<u>367,294</u>
Total	<u>\$ 3,042,382</u>

Total lease expense for space and equipment included in occupancy costs and equipment expense was \$1,141,820 and \$1,268,390 for 2012 and 2011, respectively.

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
NOTES TO FINANCIAL STATEMENTS
JANUARY 31, 2012 AND 2011

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>2012</u>	<u>2011</u>
In-kind contributions:		
Donated volunteer services	\$ 1,483,394	\$ 1,571,574
Donated professional and contract services	1,449,586	1,430,490
Donated facilities	695,657	644,790
Donated supplies	1,194,664	1,701,130
Donated advertising	20,824	81,771
Total In-kind contributions	<u>\$ 4,844,125</u>	<u>\$ 5,429,755</u>
Expenses:		
Salaries	\$ 1,483,394	\$ 1,571,574
Professional fees and contract services	1,449,586	1,430,490
Occupancy costs	695,657	644,790
Consumable supplies	1,194,664	1,701,130
Advertising, printing, postage and dues	20,824	81,771
Total expenses	<u>\$ 4,844,125</u>	<u>\$ 5,429,755</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 approximately \$10,500,000 and \$10,000,000 in 2012 and 2011, respectively.

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

(Continued)

9. CONTINGENT LIABILITY

The Agency occupies certain real property, which is subject to a mortgage payable to the City of Syracuse. The Agency has previously recorded the mortgage as satisfied based on the intention to fulfill all requirements of the agreement with the City of Syracuse. 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.



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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, 2012, and have issued our report thereon dated , 2012. 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

Management of People's Equal Action and Community Effort, Inc. is responsible for establishing and maintaining effective 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 People's Equal Action and Community Effort, Inc.'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 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.

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.

Testone, Marshall & Discepolo

May 24, 2012
Syracuse, New York



TESTONE
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HELPING OUR CLIENTS'
VISIONS ADD UP

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 People's Equal Action and Community Effort, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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 People's Equal Action and Community Effort, Inc.'s management. Our responsibility is to express an opinion on 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 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 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 the 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, 2012.

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 the 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 the requirements that could have a direct and material effect on a major federal program to determine the 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 Circular 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 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.

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.

Jestone, Marshall & Disenzy

May 24, 2012
Syracuse, New York

**PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2012**

<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 Expenditure</u>
U.S. Department of Health and Human Services					
Direct:					
Head Start	93.600	02/01/11-01/31/12	02CH1424/44	\$ 10,681,023	\$ 10,530,132
ARRA - Head Start	93.708	09/30/10-09/29/11	02SH1424/02	1,162,805	800,777
	93.708	09/29/10-02/28/12	90ST0085/01	<u>225,000</u>	<u>182,095</u>
Total Head Start Cluster				<u>12,068,828</u>	<u>11,513,004</u>
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	09/30/10-09/29/11	90FE0107/05	<u>477,586</u>	<u>278,523</u>
Community Services Block Grant	93.569	06/01/10-05/31/11	90ET0381/03	50,000	25,217
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/10-06/30/11	C005529	239,410	239,410
	93.569	10/01/10-09/30/11	C001335	1,443,637	748,503
	93.569	10/01/11-09/30/12	C001335	1,556,286	551,701
	93.569	12/01/11-09/30/12	C001405	<u>100,000</u>	<u>18,934</u>
Total Community Services Block Grant				<u>3,389,333</u>	<u>1,583,765</u>
NYS Division of Housing & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/10-06/30/11	C091049-10	1,515,376	1,066,947
	93.568	04/01/10-05/31/12	C091049-11	1,520,476	206,532
County of Onondaga Department of Aging & Youth					
Low-Income Home Energy Assistance	93.568	04/01/10-03/31/11	42908-R2	80,000	8,399
	93.568	04/01/11-03/31/12	42908-R2	<u>80,000</u>	<u>55,613</u>
Total Low-Income Home Energy Assistance				<u>3,195,852</u>	<u>1,337,491</u>
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	01/01/11-12/31/11	14905-R6	25,000	18,765
	93.044	01/01/12-12/31/12	14905-R6	<u>25,000</u>	<u>4,082</u>
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>22,847</u>
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	01/01/11-12/31/11	10305-R6	229,421	211,395
	93.045	01/01/12-12/31/12	10305-R6	<u>16,645</u>	<u>16,645</u>
Total Special Programs for the Aging - Title III, Part C				<u>246,066</u>	<u>228,040</u>

PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JANUARY 31, 2012

Federal Grantor/Pass-through Grantor/Program Title (Cont'd)	CFDA Number	Grant Period	Agency or Pass-through Number	Program or Award Amount	Federal Expenditure
Pass through from: Big Brothers Big Sisters of Ulster County Mentoring Children of Prisoners	93.616	10/1/10-9/30/11	90CV0377	32,400	19,273
Subtotal - U.S. Department of Health and Human Services				19,460,065	14,982,943
<u>The Corporation for National and Community Service</u>					
Direct:					
Foster Grandparent Program	94.011	04/01/10-03/31/11	10SFANY006	361,675	52,935
	94.011	04/01/11-03/31/12	10SFANY006	421,464	300,152
Subtotal - The Corporation for National and Community Service				783,139	353,087
<u>U.S. Department of Agriculture</u>					
Pass-through from:					
NYS Department of Health Child and Adult Care Food Program (CACFP)	10.558	10/01/10-09/30/11	2139	466,021	284,075
	10.558	10/01/11-09/30/12	2139	200,507	200,507
Subtotal - U.S. Department of Agriculture				666,528	484,582
<u>U.S. Department of Energy</u>					
Pass-through from:					
NYS Division of Housing and Community Renewal Weatherization Assistance for Low-Income Persons	81.042	04/01/10-06/30/11	C091049-10	417,748	86,095
	81.042	04/01/11-05/31/12	C091049-11	628,638	85,390
ARRA - Weatherization Assistance for Low-Income Persons	81.042	01/01/10-03/31/12	C092308-10	4,000,000	3,280,516
	81.042	07/01/09-03/31/12	C092249-09	10,134,122	3,479,725
Subtotal - U.S. Department of Energy				15,180,508	6,931,726
<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	05/01/10-04/30/11	Year 36	18,950	6,048
Big Brothers Big Sisters	14.218	05/01/10-04/30/11	Year 36	6,111	2,192
Subtotal - U.S. Department of Housing and Urban Development				25,061	8,240
Total				\$ 36,115,301	\$ 22,760,578

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, 2012

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 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 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.

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 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, 2012

Part I - Summary of Auditor's Results

- The Independent Auditor's Report on the financial statements expressed an unqualified opinion.
- No significant deficiencies in internal control were reported.
- No instances of noncompliance material to the financial statements were disclosed during the audit.
- No significant deficiencies in internal control over the major federal award programs were reported.
- The independent auditor's report on compliance with requirements applicable to the major federal award programs expressed an unqualified opinion.
- No audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 were disclosed during the audit.
- People's Equal Action and Community Effort, Inc. qualified as a low risk auditee for the year ended January 31, 2012.
- The dollar threshold used to distinguish between Type A and Type B programs was \$682,817. The major federal programs of the Agency for the year ended January 31, 2012 were as follows:

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