

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

**Financial Statements as of  
January 31, 2015 and 2014  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

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

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## INDEPENDENT AUDITOR'S REPORT

May 22, 2015

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of People's Equal Action and Community Effort, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of People's Equal Action and Community Effort, Inc. as of January 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Prior Period Financial Statements**

The financial statements as of January 31, 2014 were audited by Testone, Marshall & Discenza, LLP, who merged with Bonadio & Co. LLP as of January 1, 2015, and whose report dated May 22, 2014 expressed an unmodified opinion on those statements.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2015, on our consideration of People's Equal Action and Community Effort, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering People's Equal Action and Community Effort, Inc.'s internal control over financial reporting and compliance.

**PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.****STATEMENTS OF FINANCIAL POSITION  
JANUARY 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 537,513	\$ 349,839
Grants receivable	1,038,441	1,067,176
Program service fees receivable (net of allowance for doubtful accounts of \$15,000 and \$2,500 in 2015 and 2014, respectively)	217,922	368,354
Inventory	110,849	128,385
Other current assets	<u>160,365</u>	<u>159,241</u>
Total current assets	<u>2,065,090</u>	<u>2,072,995</u>
LONG-TERM DEPOSITS	<u>40,877</u>	<u>10,000</u>
PROPERTY:		
Land	200,500	200,500
Buildings	2,742,270	2,742,270
Leasehold improvements	4,327,601	4,352,468
Vehicles	2,554,754	2,573,251
Equipment	823,905	805,340
Construction in progress	<u>8,750</u>	<u>-</u>
Total	10,657,780	10,673,829
Less accumulated depreciation	<u>8,428,585</u>	<u>8,128,835</u>
Property, net	<u>2,229,195</u>	<u>2,544,994</u>
Total	<u>\$ 4,335,162</u>	<u>\$ 4,627,989</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Short-term bank borrowings	\$ -	\$ 100,000
Accounts payable - Trade	337,806	326,350
Accrued payroll and related liabilities	699,206	532,737
Current portion of long-term debt	3,466	10,014
Accrued compensated absences	266,264	260,539
Deferred revenue	254,752	245,503
Custodial accounts	163	588
Deposits and other current liabilities	<u>1,199</u>	<u>7,332</u>
Total current liabilities	1,562,856	1,483,063
LONG-TERM DEBT, NET OF CURRENT PORTION	<u>-</u>	<u>3,466</u>
Total liabilities	<u>1,562,856</u>	<u>1,486,529</u>
NET ASSETS:		
Unrestricted	2,609,064	2,975,522
Temporarily restricted	<u>163,242</u>	<u>165,938</u>
Total net assets	<u>2,772,306</u>	<u>3,141,460</u>
Total	<u>\$ 4,335,162</u>	<u>\$ 4,627,989</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 31, 2015**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Direct contributions	\$ 153,662	\$ 47,310	\$ 200,972
In-kind contributions	5,165,180	-	5,165,180
Fundraising	70,338	30,200	100,538
Net assets released from restrictions	<u>96,440</u>	<u>(96,440)</u>	<u>-</u>
Total support	<u>5,485,620</u>	<u>(18,930)</u>	<u>5,466,690</u>
<b>REVENUE:</b>			
Governmental agencies	16,487,865	16,221	16,504,086
Program service fees	1,575,697	-	1,575,697
Interest income	262	13	275
Rental income	60,076	-	60,076
Other income	<u>7,135</u>	<u>-</u>	<u>7,135</u>
Total revenue	<u>18,131,035</u>	<u>16,234</u>	<u>18,147,269</u>
Total support and revenue	<u>23,616,655</u>	<u>(2,696)</u>	<u>23,613,959</u>
<b>EXPENSES:</b>			
Program services	21,181,335	-	21,181,335
Management and general	2,773,844	-	2,773,844
Fundraising	<u>27,934</u>	<u>-</u>	<u>27,934</u>
Total expenses	<u>23,983,113</u>	<u>-</u>	<u>23,983,113</u>
CHANGE IN NET ASSETS	(366,458)	(2,696)	(369,154)
NET ASSETS - FEBRUARY 1, 2014	<u>2,975,522</u>	<u>165,938</u>	<u>3,141,460</u>
NET ASSETS - JANUARY 31, 2015	<u>\$ 2,609,064</u>	<u>\$ 163,242</u>	<u>\$ 2,772,306</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JANUARY 31, 2014**

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT:</b>			
Direct contributions	\$ 196,087	\$ 63,730	\$ 259,817
In-kind contributions	5,014,311	-	5,014,311
Fundraising	72,391	35,747	108,138
Net assets released from restrictions	<u>149,750</u>	<u>(149,750)</u>	<u>-</u>
Total support	<u>5,432,539</u>	<u>(50,273)</u>	<u>5,382,266</u>
<b>REVENUE:</b>			
Governmental agencies	17,153,895	16,113	17,170,008
Program service fees	2,055,913	-	2,055,913
Interest income	143	109	252
Rental income	<u>59,463</u>	<u>-</u>	<u>59,463</u>
Total revenue	<u>19,269,414</u>	<u>16,222</u>	<u>19,285,636</u>
Total support and revenue	<u>24,701,953</u>	<u>(34,051)</u>	<u>24,667,902</u>
<b>EXPENSES:</b>			
Program services	22,301,934	-	22,301,934
Management and general	2,892,241	-	2,892,241
Fundraising	<u>38,893</u>	<u>-</u>	<u>38,893</u>
Total expenses	<u>25,233,068</u>	<u>-</u>	<u>25,233,068</u>
CHANGE IN NET ASSETS	(531,115)	(34,051)	(565,166)
NET ASSETS - FEBRUARY 1, 2013	<u>3,506,637</u>	<u>199,989</u>	<u>3,706,626</u>
NET ASSETS - JANUARY 31, 2014	<u>\$ 2,975,522</u>	<u>\$ 165,938</u>	<u>\$ 3,141,460</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 9,757,507	\$ 1,401,341	\$ 465	\$ 11,159,313
Payroll taxes and fringe benefits	2,659,369	317,868	51	2,977,288
Professional fees and contract services	2,051,900	67,167	395	2,119,462
Conferences and travel	213,193	29,426	-	242,619
Occupancy costs	1,461,151	135,407	-	1,596,558
Program service fee overhead	66,305	-	-	66,305
Consumable supplies	4,019,866	34,257	16,887	4,071,010
Equipment expense	214,326	41,469	2,820	258,615
Insurance	284,727	23,331	3	308,061
Telephone	88,956	17,973	-	106,929
Advertising, printing, postage and dues	92,990	36,055	7,108	136,153
Vehicle maintenance	239,874	3,684	-	243,558
Interest expense	507	1,046	-	1,553
Depreciation	6,426	577,512	-	583,938
Loss on disposal of property	-	42,547	-	42,547
Other costs	24,238	44,761	205	69,204
	<u>\$ 21,181,335</u>	<u>\$ 2,773,844</u>	<u>\$ 27,934</u>	<u>\$ 23,983,113</u>
Total expenses	<u>\$ 21,181,335</u>	<u>\$ 2,773,844</u>	<u>\$ 27,934</u>	<u>\$ 23,983,113</u>

The accompanying notes are an integral part of these statements.



PEOPLE'S EQUAL ACTION AND COMMUNITY EFFORT, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JANUARY 31, 2014

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	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 10,224,289	\$ 1,471,652	\$ 478	\$ 11,696,419
Payroll taxes and fringe benefits	2,749,597	342,024	53	3,091,674
Professional fees and contract services	2,397,207	61,483	-	2,458,690
Conferences and travel	187,551	29,540	-	217,091
Occupancy costs	1,527,696	141,373	-	1,669,069
Program service fee overhead	109,535	-	-	109,535
Consumable supplies	4,263,279	42,493	27,748	4,333,520
Equipment expense	158,988	48,354	2,686	210,028
Insurance	275,432	23,565	11	299,008
Telephone	78,882	20,811	-	99,693
Advertising, printing, postage and dues	51,140	30,344	7,705	89,189
Vehicle maintenance	250,645	2,684	-	253,329
Interest expense	1,058	1,508	-	2,566
Depreciation	7,273	628,958	-	636,231
Loss on disposal of property	-	2,435	-	2,435
Other costs	<u>19,362</u>	<u>45,017</u>	<u>212</u>	<u>64,591</u>
Total expenses	<u>\$ 22,301,934</u>	<u>\$ 2,892,241</u>	<u>\$ 38,893</u>	<u>\$ 25,233,068</u>

The accompanying notes are an integral part of these statements.

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

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JANUARY 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (369,154)	\$ (565,166)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	583,938	636,231
Loss on disposal of property	42,547	2,435
Bad debt expense	14,000	2,500
Changes in operating assets and liabilities:		
Grants receivable	28,735	297,607
Program service fees receivable	136,432	(15,662)
Inventory	17,536	3,427
Other current assets	(1,124)	86,127
Long-term deposits	(30,877)	6,600
Accounts payable - Trade	11,456	(519,204)
Accrued payroll and related liabilities	166,469	8,859
Accrued compensated absences	5,725	(36,997)
Deferred revenue	9,249	108,683
Custodial accounts, deposits, and other current liabilities	<u>(6,558)</u>	<u>(17,542)</u>
Total adjustments	<u>977,528</u>	<u>563,064</u>
Net cash from operating activities	<u>608,374</u>	<u>(2,102)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisitions of property	<u>(310,686)</u>	<u>(100,755)</u>
Net cash from investing activities	<u>(310,686)</u>	<u>(100,755)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on long-term debt	(10,014)	(9,464)
Payments on short-term bank borrowings	(1,070,000)	(496,000)
Proceeds from short-term bank borrowings	<u>970,000</u>	<u>596,000</u>
Net cash from financing activities	<u>(110,014)</u>	<u>90,536</u>
NET CHANGE IN CASH	187,674	(12,321)
CASH - beginning of year	<u>349,839</u>	<u>362,160</u>
CASH - end of year	<u>\$ 537,513</u>	<u>\$ 349,839</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 1,553	\$ 2,566

The accompanying notes are an integral part of these statements.

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

## NOTES TO FINANCIAL STATEMENTS JANUARY 31, 2015 AND 2014

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### 1. THE ORGANIZATION

People's Equal Action and Community Effort, Inc. (the Agency) provides community action programs primarily throughout Onondaga County. The programs of the Agency include senior citizen services; transportation services for elderly, disabled and isolated; activities and one-on-one interaction with a role model; programs and services covering prenatal care and early childhood education; family endeavors; emergency food needs; energy services; home weatherization; community health and social service introduction to families.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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, LaFayette Central School District, Solvay Union Free School District, Syracuse City School District, Corporation for National and Community Service, Big Brothers Big Sisters of America, United Way, 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.

#### **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 Department of Energy and Housing Fee-For-Service, EmPower New York, Multifamily Performance Program, and Assisted Home Performance.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Property and Depreciation**

Property \$5,000 and greater is capitalized and stated at cost if purchased or fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets ranging from 3 to 40 years. Long-lived donated property and equipment is recognized as unrestricted support when received. Depreciation expense for the years ended January 31, 2015 and 2014 was \$583,938 and \$636,231, respectively.

Property acquired with grant resources is owned by the Agency for use in authorized programs. The funding sources retain reversionary interest in property purchased with grant funds. Disposition of such assets, as well as any sale proceeds, are subject to a recorded Notice of Federal Interest. Property - net purchased with grant funds was approximately \$1,102,000 and \$1,350,000 as of January 31, 2015 and 2014, respectively.

### **Deferred Revenue**

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

### **Self-Insurance**

Effective October 1, 2014, the Agency established a self-insurance program for its employees' health care costs. The Agency is liable for losses on claims up to \$60,000 per claim. The Agency has third-party insurance coverage for any losses in excess of such amounts. Self-insurance costs are accrued based on claims reported as of the statement of financial position date as well as an estimated liability for claims incurred but not reported. The total accrued liability for self-insurance costs was \$149,827 as of January 31, 2015, and is included in accrued payroll and related liabilities.

### **Income Taxes**

People's Equal Action and Community Effort, Inc. is a New York not-for-profit corporation, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Agency has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(2) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

### **Contributed Materials, Facilities and Services**

The Agency records as revenue and expenses the estimated fair value of donated services meeting recognition criteria under GAAP, 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 24.8%. 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

## 3. SHORT-TERM BANK BORROWINGS

The Agency has a \$2,000,000 revolving loan with First Niagara Bank, N.A. Borrowings accrue interest at the prime rate (3.25% as of January 31, 2015) and are not collateralized.

## 4. 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 2015. Interest is subject to adjustment in five year increments through May 2015. Land and building with a net book value of approximately \$22,500 at January 31, 2015 are pledged as collateral to this obligation. The outstanding balance on the mortgage payable of \$3,466 will be satisfied in May 2015.

## 5. RESTRICTIONS ON NET ASSETS

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

	<u>2015</u>	<u>2014</u>
Head Start/Early Head Start	\$ 12,035	\$ 11,151
Family Resource Centers	25,514	26,595
Big Brothers Big Sisters	52,880	75,008
Foster Grandparents	7,057	7,426
Community Development	2,073	2,521
Senior Services	822	822
Food Services	2,787	4,381
Weatherization	30,600	14,365
Frank DeFrancisco Eastwood Community Center	14,741	18,488
Foundation for the Future	1,500	1,500
Maintenance	30	30
Camp Fund	11,546	1,756
KIDS (Kids in Distressed Situations)	-	258
Crop Walk	112	263
Adopt-A-Family	1,445	1,374
Information Technology	<u>100</u>	<u>-</u>
Total	<u>\$ 163,242</u>	<u>\$ 165,938</u>

## 6. RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution profit sharing plan covering employees who have completed one year of service and are 18 years of age. Employees may contribute a percentage of their compensation on a pre-tax basis, subject to limitations by the Internal Revenue Service. Agency contributions to the plan are at the sole discretion of the Board of Directors. The Board elected to match up to 3% of employee deferred compensation for the plan years ended December 31, 2014 and 2013, respectively.

Retirement plan expense was \$166,698 and \$169,674 for 2014 and 2013, respectively.

## 7. OPERATING LEASES

The Agency leases space and equipment under arrangements accounted for as operating leases. Agreements require monthly payments expiring at various dates through December 2019.

Future minimum lease payments at January 31, 2015 are as follows:

2016	\$	1,243,025
2017		508,644
2018		466,290
2019		253,574
2020		<u>77,465</u>
Total	\$	<u>2,548,998</u>

Total lease expense for space and equipment included in occupancy costs, equipment and telephone expense was \$1,109,311 and \$1,121,414 for the years ended January 31, 2015 and 2014, respectively.

## 8. 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>2015</u>	<u>2014</u>
In-kind contributions:		
Donated volunteer services	\$ 1,087,044	\$ 1,332,857
Donated professional and contract services	1,368,850	1,311,389
Donated facilities	528,475	586,056
Donated supplies	<u>2,180,811</u>	<u>1,784,009</u>
Total In-kind contributions	<u>\$ 5,165,180</u>	<u>\$ 5,014,311</u>
Expenses:		
Salaries	\$ 1,087,044	\$ 1,332,857
Professional fees and contract services	1,368,850	1,311,389
Occupancy costs	528,475	586,056
Consumable supplies	<u>2,180,811</u>	<u>1,784,009</u>
Total expenses	<u>\$ 5,165,180</u>	<u>\$ 5,014,311</u>

## **9. 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 \$10,800,000 and \$10,500,000 in 2015 and 2014, respectively. Accounts receivable related to this grant were approximately \$700,000 at January 31, 2015 and 2014.

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

## **10. SUBSEQUENT EVENTS**

Subsequent events have been evaluated by management through May 22, 2015, the date the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

May 22, 2015

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of People's Equal Action and Community Effort, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 22, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered People's Equal Action and Community Effort, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of People's Equal Action and Community Effort, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether People's Equal Action and Community Effort, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

May 22, 2015

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

**Report on Compliance for Each Major Federal Program**

We have audited People's Equal Action and Community Effort, Inc.'s compliance with the types of compliance requirements described in the *OMB 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, 2015. People's Equal Action and Community Effort, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of People's Equal Action and Community Effort, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of People's Equal Action and Community Effort, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, People's Equal Action and Community Effort, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2015.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

(Continued)

**Report on Internal Control Over Compliance**

Management of People's Equal Action and Community Effort, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered People's Equal Action and Community Effort, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JANUARY 31, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Agency or Pass-through Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Health and Human Services</u></b>					
Head Start	93.600	02/01/13-06/30/14	02CH1424/46	\$ 15,403,061	\$ 4,850,901
	93.600	07/01/14-01/31/15	02CH3086/01	<u>6,636,575</u>	<u>6,636,575</u>
				<u>22,039,636</u>	<u>11,487,476</u>
Pass-through from:					
NYS Department of State					
Community Services Block Grant	93.569	10/01/12-03/31/14	C001335	1,458,014	12,113
	93.569	10/01/13-09/30/14	C1000309	1,418,461	847,677
	93.569	10/01/14-09/30/15	C1000309	<u>1,418,461</u>	<u>511,399</u>
Total Community Services Block Grant				<u>4,294,936</u>	<u>1,371,189</u>
NYS Homes & Community Renewal					
Low-Income Home Energy Assistance	93.568	04/01/13-03/31/14	C091049-13	1,561,850	136,210
	93.568	04/01/14-03/31/15	C091049-14	<u>1,318,439</u>	<u>1,020,042</u>
Total Low-Income Home Energy Assistance				<u>2,880,289</u>	<u>1,156,252</u>
Onondaga County Department of Aging & Youth					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	01/01/14-12/31/14	PEA160001	25,000	22,479
	93.044	01/01/15-12/31/15	PEA160001	<u>25,000</u>	<u>2,581</u>
Total Special Programs for the Aging - Title III, Part B				<u>50,000</u>	<u>25,060</u>
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	01/01/14-12/31/14	PEA160002	397,656	371,151
	93.045	01/01/15-12/31/15	PEA160002	<u>34,396</u>	<u>34,396</u>
Total Special Programs for the Aging - Title III, Part C				<u>432,052</u>	<u>405,547</u>
Subtotal - U.S. Department of Health and Human Services				<u>29,696,913</u>	<u>14,445,524</u>
<b><u>The Corporation for National Service</u></b>					
Foster Grandparent Program	94.011	07/01/13-06/30/14	13SFANY007	393,126	157,229
	94.011	07/01/14-06/30/15	13SFANY007	<u>743,126</u>	<u>268,598</u>
Subtotal - The Corporation for National Service				<u>1,136,252</u>	<u>425,827</u>
<b><u>U.S. Department of Agriculture</u></b>					
Pass-through from:					
NYS Department of Health					
Child and Adult Care Food Program (CACFP)	10.558	10/01/13-09/30/14	2139	454,212	273,857
	10.558	10/01/14-09/30/15	2139	<u>165,491</u>	<u>165,491</u>
Subtotal - U.S. Department of Agriculture				<u>619,703</u>	<u>439,348</u>
<b><u>U.S. Department of Energy</u></b>					
Pass-through from:					
NYS Homes & Community Renewal					
Weatherization Assistance for Low-Income Persons	81.042	04/01/13-03/31/14	C091049-13	628,762	368,123
	81.042	04/01/14-03/31/15	C091049-14	<u>582,662</u>	<u>582,662</u>
Subtotal - U.S. Department of Energy				<u>1,211,424</u>	<u>950,785</u>
Total				<u>\$ 32,664,292</u>	<u>\$ 16,261,484</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, 2015**

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#### **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 or used in the presentation of the financial statements.

#### **2. EXPENDITURES OF FEDERAL REVENUE**

The amounts reported as expenditures of federal awards were obtained from the accounting records utilized to record activity for the applicable program and periods. These accounting records are periodically reconciled to the appropriate federal financial reports for each program.

#### **3. INDIRECT COSTS**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports for each program.

#### **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, 2015**

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**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified?  yes  no  
Significant deficiencies identified?  yes  none reported  
Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiencies identified?  yes  none reported  
Type of auditor's report issued on compliance for major programs: Unmodified  
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no  
Identification of major programs:

**CFDA Number**

**Program Title**

U.S. Department of Health and Human Services:

93.600 Head Start  
93.569 Community Services Block Grant  
93.568 Low-Income Home Energy Assistance

U.S. Department of Energy:

81.042 Weatherization Assistance for Low-Income Persons

Dollar threshold used to distinguish between Type A and Type B programs: \$487,845

Auditee qualified as low-risk auditee  yes  no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JANUARY 31, 2015**

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**Part II - Status of Prior Year Federal Award Findings and Questioned Costs**

- There were no findings in the prior year