

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**Financial Statements
as of July 31, 2009
Together with
Independent Auditors' Report
and
Single Audit Reports**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

January 20, 2010

To the Board of Directors of:
Mohawk Valley Community Action Agency, Inc.:

We have audited the accompanying statement of financial position of Mohawk Valley Community Action Agency, Inc. (a New York not-for-profit corporation) as of July 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. The financial statements of the Agency as of July 31, 2008 were audited by other auditors whose report dated January 15, 2009, expressed an unqualified opinion on those financial statements

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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 audit provides 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 Mohawk Valley Community Action Agency, Inc. as of July 31, 2009 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principals generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2010 on our consideration of Mohawk Valley Community Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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INDEPENDENT AUDITOR'S REPORT

(Continued)

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Mohawk Valley Community Action Agency, Inc. 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 also not a required part of the basic financial statements. The supplemental information included in schedule II is presented for purposes of additional analysis 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.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENTS OF FINANCIAL POSITION JULY 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 755,402	\$ 603,298
Fees and grants receivable	645,287	389,060
Other receivables	67,018	36,450
Prepaid expenses and other assets	<u>58,226</u>	<u>50,760</u>
Total current assets	<u>1,525,933</u>	<u>1,079,568</u>
PROPERTY AND EQUIPMENT, net	<u>1,268,192</u>	<u>1,398,857</u>
Total assets	<u>\$ 2,794,125</u>	<u>\$ 2,478,425</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 227,461	\$ 171,472
Accrued expenses	494,256	508,957
Refundable advances	42,390	27,002
Deferred revenue	340,591	70,453
Other current liabilities	<u>31,774</u>	<u>28,908</u>
Total current liabilities	<u>1,136,472</u>	<u>806,792</u>
NET ASSETS:		
Unrestricted -		
Available for operations	378,663	262,068
Board designated	10,000	10,000
Investment in property	<u>1,120,157</u>	<u>1,238,882</u>
Total unrestricted	1,508,820	1,510,950
Temporarily restricted	<u>148,833</u>	<u>160,683</u>
Total net assets	<u>1,657,653</u>	<u>1,671,633</u>
Total liabilities and net assets	<u>\$ 2,794,125</u>	<u>\$ 2,478,425</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENT OF ACTIVITIES FOR THE YEARS ENDED JULY 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
UNRESTRICTED SUPPORT AND REVENUE:		
Fees and grants from governmental agencies	\$ 11,585,041	\$ 10,417,891
Section 8 housing assistance	1,360,027	1,111,315
Contributions and in-kind support	971,709	1,073,433
Program revenue	701,368	362,083
Daycare fees	263,435	246,101
Administrative fees	184,833	198,388
Rental income	30,710	33,364
Miscellaneous	17,799	26,893
United Way	11,950	28,801
Interest	3,664	17,087
Net assets released from restrictions	<u>11,850</u>	<u>11,850</u>
 Total unrestricted support and revenue	 <u>15,142,386</u>	 <u>13,527,206</u>
EXPENSES:		
Program -		
Child development	8,720,949	8,426,969
Housing	3,596,239	2,749,010
Family resource	<u>1,653,772</u>	<u>1,514,270</u>
 Total program	 13,970,960	 12,690,249
 Management and general	 <u>1,173,556</u>	 <u>1,062,594</u>
 Total expenses	 <u>15,144,516</u>	 <u>13,752,843</u>
 Change in unrestricted net assets	 (2,130)	 (225,637)
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions	<u>(11,850)</u>	<u>(11,850)</u>
 Change in net assets	 (13,980)	 (237,487)
 NET ASSETS - beginning of year	 <u>1,671,633</u>	 <u>1,909,120</u>
 NET ASSETS - end of year	 <u>\$ 1,657,653</u>	 <u>\$ 1,671,633</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2009

(With Comparative Totals for 2008)

	Program Services					Totals	
	Child Development	Housing	Family Resource	Total Program Services	Management and General	2009	2008
Personnel	\$ 4,287,727	\$ 750,772	\$ 836,422	\$ 5,874,921	\$ 643,022	\$ 6,517,943	\$ 6,172,307
Contractual	859,802	1,856,331	6,634	2,722,767	42,509	2,765,276	1,863,267
Fringe	1,084,031	230,623	215,772	1,530,426	150,927	1,681,353	1,625,814
In-kind expense	805,836	-	132,591	938,427	-	938,427	1,050,447
Common costs	112,259	98,247	113,265	323,771	126,960	450,731	382,921
Supplies	342,421	75,374	9,505	427,300	17,586	444,886	353,071
Out of town	8,371	2,611	5,690	16,672	37,265	53,937	39,691
Equipment	2,236	-	2,295	4,531	-	4,531	-
Depreciation and amortization	158,320	51,959	13,461	223,740	16,950	240,690	303,593
Other	1,059,946	530,322	318,137	1,908,405	138,337	2,046,742	1,961,732
Total expenses	\$ 8,720,949	\$ 3,596,239	\$ 1,653,772	\$ 13,970,960	\$ 1,173,556	\$ 15,144,516	\$ 13,752,843

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2008**

	<u>Program Services</u>					
	<u>Child Development</u>	<u>Housing</u>	<u>Family Resource</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>2008 Total</u>
Personnel	\$ 4,223,586	\$ 627,835	\$ 732,298	\$ 5,583,719	\$ 588,588	\$ 6,172,307
Contractual	432,694	1,378,120	16,551	1,827,365	35,902	1,863,267
Fringe	1,095,993	191,240	198,358	1,485,591	140,223	1,625,814
In-kind expense	944,782	-	105,665	1,050,447	-	1,050,447
Common costs	77,084	78,134	124,102	279,320	103,601	382,921
Supplies	276,893	39,605	12,240	328,738	24,333	353,071
Depreciation and amortization	248,196	37,562	7,224	292,982	10,611	303,593
Out of town	5,225	1,814	5,787	12,826	26,865	39,691
Other	<u>1,122,516</u>	<u>394,700</u>	<u>312,045</u>	<u>1,829,261</u>	<u>132,471</u>	<u>1,961,732</u>
 Total expenses	 <u>\$ 8,426,969</u>	 <u>\$ 2,749,010</u>	 <u>\$ 1,514,270</u>	 <u>\$ 12,690,249</u>	 <u>\$ 1,062,594</u>	 <u>\$ 13,752,843</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JULY 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (13,980)	\$ (237,487)
Adjustments to reconcile net cash flow from operating activities:		
Depreciation and amortization	240,690	303,593
(Gain) loss on disposal of equipment	(12,275)	10,732
Bad debt expense	2,067	-
Changes in:		
Receivables	(288,862)	226,818
Prepaid expenses and other assets	(7,466)	(2,861)
Accounts payable	55,989	(1,653)
Accrued expenses	(14,701)	(83,594)
Refundable advances	15,388	(16,784)
Deferred revenue	270,138	(71,559)
Other liabilities	<u>2,866</u>	<u>4,730</u>
Net cash flow from operating activities	<u>249,854</u>	<u>131,935</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(110,025)	(135,026)
Proceeds from sale of property and equipment	12,275	-
Additions to other assets	<u>-</u>	<u>(10,000)</u>
Net cash flow from investing activities	<u>(97,750)</u>	<u>(145,026)</u>
CHANGE IN CASH AND EQUIVALENTS	152,104	(13,091)
CASH AND EQUIVALENTS - beginning of year	<u>603,298</u>	<u>616,389</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 755,402</u>	<u>\$ 603,298</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS JULY 31, 2009 AND 2008

1. THE AGENCY

Mohawk Valley Community Action Agency, Inc. (the Agency) is a non-profit corporation formed to encourage and coordinate the development of community programs. The Agency's programs are designed to eliminate poverty and to develop research and evaluation procedures to aid in the struggle against poverty in Oneida and Herkimer Counties of the State of New York. The Agency also provides childcare services as part of its overall mission. The Agency's support comes primarily from fees and grants from governmental agencies and in-kind contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States.

Basis of Presentation

The Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Agency does not have any permanently restricted net assets. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**

Unrestricted net assets include resources that are available for the support of the Agency's operating activities. In addition, they include net assets designated by the Agency's Board of Directors and the Agency's investment in property.

- **Temporarily Restricted Net Assets**

Temporarily restricted net assets include resources that have been donated to the Agency subject to donor-imposed stipulations that limit their use and/or are subject to the passage of time.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposit accounts and money market accounts. At times, the balances in these accounts may exceed federally insured limits. The Agency has not experienced any losses in these accounts and believes it is not exposed to any significant risk with respect to cash and cash equivalents.

Receivables

Fees and grants and other receivables include obligations from numerous sources including local, New York State, and federal grant contracts and tuition receivables from daycare facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (continued)

The carrying amount of the receivable is reduced by a valuation that reflects management's best estimate of amounts that will not be collected. Management reviews the receivable balances and estimates the portion that will not be collected based on historical collections percentages and review of open accounts. After all collection efforts are exhausted the account is written off. At July 31, 2009 and 2008, no allowance for doubtful accounts was considered necessary.

Property and Equipment

Property and equipment are stated at cost or fair market value if donated, less accumulated depreciation. The Agency capitalizes all property and equipment expenditures over \$1,000 with an estimated useful life in excess of one year. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the asset's estimated useful life. Depreciation and amortization expense is recorded on property and equipment using a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 - 20
Furniture, fixtures, and equipment	3 - 10
Vehicles	5

Property and equipment are considered to be owned by the Agency. However, federal, state and county funding sources may maintain equitable interest in property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Deferred Revenue and Revenue Recognition

The Agency receives grants to assist in carrying out its programs. Grant revenue is recognized as eligible expenses are incurred and the related services are provided. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of the related costs being incurred and the related services provided are recorded as deferred revenue in the accompanying statement of financial position. Deferred revenue amounted to \$340,591 and \$70,453 at July 31, 2009 and 2008, respectively.

Refundable Advances

Refundable advances represent unspent grant amounts received by the Agency that will be paid back to the grantor and amounted to \$42,390 and \$27,002 at July 31, 2009 and 2008, respectively.

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions

The Agency receives in-kind donations from outside parties. The donations include, but are not limited to, equipment, clothing, services and food. All donations are unrestricted and used to support and further the Agency's objectives. The donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt as provided by the donor. In addition, many skilled and unskilled individuals have contributed significant amounts of time to the activities of the Agency without compensation.

Contributed services are recognized as in-kind revenue and expense by the Agency when they meet the requirements of generally accepted accounting principles. In-kind contributions of \$938,427 and \$1,050,447 for the years ended July 31, 2009 and 2008, respectively, have been recognized as in-kind revenue and expense by the Agency. In addition, the Agency received unskilled services that do not meet the recognition requirement. Management estimates these services had a value of \$903,790 and \$891,722 for the years ended July 31, 2009 and 2008, respectively.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Indirect Cost Rate

The Agency uses an indirect cost rate for the purpose of allocating indirect costs. The methodology used to develop the indirect cost rate was approved by the U.S. Department of Health and Human Services. The indirect cost allocation plan for the years ended July 31, 2009 and 2008 was approved by the Agency's Federal Cognizant Agency, the U.S. Department of Health and Human Services. The costs, bases, and methods of allocation per the plan were in accordance with the provisions of *OMB Circular A-122, Cost Principles for Nonprofit Organizations*. The actual indirect cost rates for the years ended July 31, 2009 and 2008 were 10.4% and 10.6%, respectively. The Agency's rates are based on actual indirect costs of \$1,173,556 and \$1,062,594, and a total direct cost base of \$11,232,179 and \$10,028,691, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Agency is a not-for-profit corporation and is exempt from income taxes as an Agency qualified under Section 501(c)(3) of the Internal Revenue Code. The Agency has also been classified by the Internal Revenue Service as an entity that is not a private foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Financial Accounting Standards Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes (FIN 48). FIN 48 requires entities to disclose in their financial statements the nature of any uncertainty in their tax position. For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. The Agency implemented FIN 48 as of July 31, 2009 and their current accounting policy for evaluating uncertain tax positions is in accordance with generally accepted accounting principles. The Agency has not recognized any benefits from uncertain tax positions for the open tax years, 2009, 2008 or 2007 and believes it has no uncertain tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within 12 months of the statement of financial position date.

Reclassifications

Certain amounts have been reclassified in the 2008 financial statements to conform to the current year presentation.

3. FEES AND GRANTS RECEIVABLE

Fees and grants receivable consisted of the following at July 31:

	<u>2009</u>	<u>2008</u>
Department of Health and Human Services	\$ 415,178	\$ 75,685
Department of Agriculture	95,879	201,948
Department of Energy	-	37,116
NYS Office of Mental Retardation Developmental Disabilities	56,241	-
Other receivables	<u>77,989</u>	<u>74,311</u>
Total fees and grants receivable	<u>\$ 645,287</u>	<u>\$ 389,060</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 117,645	\$ 117,645
Buildings and improvements	1,460,522	1,455,991
Equipment and vehicles	1,498,370	1,589,145
Leasehold improvements	<u>80,832</u>	<u>97,036</u>
	3,157,369	3,259,817
Less: Accumulated depreciation and amortization	<u>(1,889,177)</u>	<u>(1,860,960)</u>
	<u>\$ 1,268,192</u>	<u>\$ 1,398,857</u>

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at July 31:

	<u>2009</u>	<u>2008</u>
Child development	\$ 148,125	\$ 159,975
Youth services	<u>708</u>	<u>708</u>
	<u>\$ 148,833</u>	<u>\$ 160,683</u>

Temporarily restricted net assets were released from donor restrictions by satisfying the restricted child development purposes during the years ended July 31, 2009 and 2008.

6. LINE-OF-CREDIT

The Agency has a \$230,000 annually renewable bank line-of-credit, which is only used should a poor cash flow situation arise due to timing of receipts from funding sources. Amounts borrowed on the line bear interest at the bank's prime rate plus 1% (4.25 at July 31, 2009). There were no amounts outstanding on the line at July 31, 2009 and 2008.

7. RENTAL ASSISTANCE PROGRAM

The Agency entered into agreements with ten towns and villages in Oneida County to administer their Federal Rental Assistance programs. Each year the towns and villages enter into a grant agreement with the Federal government to receive funds under this program. Awarded funds are received and deposited by the towns and villages. The governmental entities then transfer the amounts to the Agency who disburses the money for them. During the years ended July 31, 2009 and 2008 the Agency administered \$1,360,027 and \$1,111,315, respectively, of rental assistance payments.

The Agency is paid by an administrative fee by the towns and villages for its administrative duties which it carries out on behalf of the entities. The total administrative fees received by the Agency for the years ended July 31, 2009 and 2008 were \$184,833 and \$198,388, respectively.

8. RETIREMENT PLAN

The Agency sponsors a defined contribution retirement plan (the Plan). All full-time employees who meet the years of service and age requirement are eligible to participate in the Plan. The Agency's contributions to the plan are discretionary. For the years ended July 31, 2009 and 2008, the Agency made discretionary contributions of \$168,564 and \$144,161, respectively.

9. COMMITMENTS

The Agency has several noncancelable operating leases, primarily for program sites, which expire through March 2018. Leases with respect to program sites generally do not exceed a one-year period or the remaining length of the grant contracts funding the program. Total rent expense amounted to \$569,081 and \$486,688 for the years ended July 31, 2009 and 2008, respectively.

9. COMMITMENTS (Continued)

The following is a schedule of future minimum rental payments required under the above mentioned leases as of July 31:

<u>Year</u>	<u>Total</u>
2010	\$ 443,128
2011	443,128
2012	442,175
2013	389,810
Thereafter	<u>1,894,644</u>
	<u>\$ 3,612,885</u>

10. CONCENTRATION OF CREDIT RISK

During 2009 and 2008, the Agency derived approximately 48% and 53% of its revenue from the Department of Health and Human Services, respectively. The Agency's accounts receivable from the Department of Health and Human Services represented approximately 64% and 19% of receivables at July 31, 2009 and 2008, respectively.

11. CONTINGENCIES

Grants

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

U.S. Department of Health and Human Services

The U.S. Department of Health and Human Services (HHS) provided \$675,000 to the Agency to purchase the property known as the Cornerstone Building. In addition, HHS transferred the property known as the Calvary Building to the Agency, which had an estimated market value of \$323,000 at the date of transfer. These properties are subject to certain conditions such as the properties may not be used for any purposes inconsistent with its intended purpose and applicable regulations. Additionally, the properties may not be mortgaged or otherwise used as collateral, or sold or transferred to another party without the written permission of HHS.

New York State Homeless Housing Assistance Corporation

The New York State Homeless Housing Assistance Corporation (HHAC) provided \$219,265 to the Agency to acquire, rehabilitate, and operate two duplexes to provide housing for homeless people. HHAC has a lien on this property for 20 years, which began on the date of occupancy (December 1, 1996). Under the terms of the agreement, the property must be used to provide housing for homeless people and may not be sold or transferred without the prior consent of HHAC. If the project does not comply with the terms of agreement, it will be considered to be in default and HHAC has the right to takeover the operations of the property.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 20, 2010, which is the date the financial statements were available to be issued.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JULY 31, 2009**

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract/Grantor Number</u>	<u>Total Expenditures through July 31, 2009</u>	<u>Expenditures for the year ended July 31, 2009</u>
Major Programs				
Department of Health and Human Services:				
Head Start	93.600	02ch1194/43	\$ 7,194,326	\$ 6,095,791
Head Start	93.600	02ch1194/44	1,243,063	1,243,063
Pass through New York State Department of State -				
Community Services Block Grant	93.569	C005528-08	609,093	80,500
Community Services Block Grant	93.569	C005528-09	624,467	624,467
Community Services Block Grant Discretionary Phase I	93.569	C005528-09	20,088	20,088
Community Services Block Grant Discretionary Phase I	93.569	T005623-09	20,088	20,088
Pass through New York State Division of Housing and Community Renewal -				
Low-Income Home Energy Assistance	93.568	C093848-08	25,993	7,798
Low-Income Home Energy Assistance	93.568	C090048-08	<u>860,562</u>	<u>562,846</u>
Total Department of Health and Human Services			<u>10,597,680</u>	<u>8,654,641</u>
Department of Energy - pass through New York State Division of Housing and Community Renewal:				
Weatherization Assistance for Low-Income Persons	81.042	C090048-08	379,422	359,075
Weatherization Assistance for Low-Income Persons	81.042	C090048-09	<u>465,252</u>	<u>465,252</u>
Total Department of Energy			<u>844,674</u>	<u>824,327</u>
Total major programs			<u>11,442,354</u>	<u>9,478,968</u>
Other Federal Assistance				
Department of Health and Human Services:				
Head Start COLA Recovery Act	93.708	02SE1194/01	5,621	5,621
Runaway and Homeless Youth	93.623	02CY0176/03	137,500	33,892
Pass through Oswego Opportunities, Inc.				
Street Outreach	93.557		45,089	12,176
Street Outreach	93.557		45,486	45,486
Pass through New York State Department of State -				
Community Services Block Grant Recovery Act	93.710		48,909	48,909
Pass through New York State Community Action Association, Inc.				
Community Services Block Grant - Discretionary Award	93.570		1,000	1,000
Pass through New York State Office of Temporary Disability Assistance				
Homeless Intervention	93.558	C020575	8,730	8,730
Pass through Oneida County -				
Social Services Block Grant - Parent Aide	93.667	14901	195,438	78,265
Social Services Block Grant - Parent Aide	93.667	14901	<u>172,964</u>	<u>172,964</u>
Total Department of Health and Human Services			<u>660,737</u>	<u>407,043</u>

(Continued)

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JULY 31, 2009**

(Continued)

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Contract/Grantor Number	Total Expenditures through July 31, 2009	Expenditures for the year ended July 31, 2009
Other Federal Assistance (Continued)				
Corporation for National and Community Service:				
Foster Grandparent Program	94.011	07FANY004	195,215	135,126
Foster Grandparent Program	94.011	07FANY004	<u>68,334</u>	<u>68,334</u>
Total Corporation for National and Community Service			<u>263,549</u>	<u>203,460</u>
Department of Housing and Urban Development:				
Pass through City of Utica Grants -				
Community Development Block Grant	14.218		10,415	1,414
Section 8 Housing and Choice Vouchers	14.871		60,893	60,893
Pass through Individual Municipalities (Schedule II) -				
Section 8 Housing and Choice Vouchers	14.871	Administration	184,833	184,833
Section 8 Housing and Choice Vouchers	14.871	2007 - 2008	1,189,456	439,657
Section 8 Housing and Choice Vouchers	14.871	2008 - 2009	<u>920,370</u>	<u>920,370</u>
Total Department of Housing and Urban Development			<u>2,365,967</u>	<u>1,607,167</u>
Department of Agriculture - pass through New York State Department of Health				
Child and Adult Care Food Program	10.558	2050	451,999	379,103
Child and Adult Care Food Program	10.558	2050	9,788	8,109
Child and Adult Care Food Program	10.558	2050	2,121	2,121
Child and Adult Care Food Program	10.558	2050	<u>84,560</u>	<u>84,560</u>
Total Department of Agriculture			<u>548,468</u>	<u>473,893</u>
Department of Homeland Security - pass through Oneida and Herkimer Counties:				
Emergency Food and Shelter National Board Program	97.024		7,500	7,500
Emergency Food and Shelter National Board Program	97.024		5,580	1,788
Emergency Food and Shelter National Board Program Recovery Act	97.024		<u>1,401</u>	<u>1,401</u>
Total Department of Homeland Security			<u>14,481</u>	<u>10,689</u>
Department of Labor				
Pass through Herkimer-Madison-Oneida Consortium				
WIA Youth Activities	17.259	SST-001	<u>92,134</u>	<u>92,134</u>
Total Department of Labor			<u>92,134</u>	<u>92,134</u>
Total other federal assistance			<u>3,945,336</u>	<u>2,794,386</u>
Total federal awards			<u>\$ 15,387,690</u>	<u>\$ 12,273,354</u>

Basis of Presentation

The schedule of expenditures of Federal awards includes the Federal grant activity of Mohawk Valley Community Action Agency, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**SCHEDULE OF SECTION 8 RENTAL VOUCHER PROGRAM PASS-THROUGH ENTITIES
 FOR THE YEAR ENDED JULY 31, 2009**

<u>Housing Authority</u>	Pass-Through and Project Number	Annual Contribution Number	Expenditures			
			<u>2007-08</u>	<u>2008-09</u>	<u>Total</u>	<u>Administration</u>
Village of New Hartford	NY552VO0014	NY - 1108	\$ 144,452	\$ 208,748	\$ 353,200	\$ 53,384
Town of Whitestown	NY542VO0013	NY - 1083	31,097	142,178	173,275	26,877
Town of Camden	NY542VO0015	NY - 1051	21,790	138,592	160,382	21,416
Town of New Hartford	NY423VO0007	NY - 1095	47,247	70,308	117,555	16,369
Town of Vernon	NY533VO0012	NY - 1047	19,352	72,255	91,607	14,808
Town of Forestport	NY425VO0014	NY - 1110	79,637	38,575	118,212	13,255
Village of Sylvan Beach	NY419VO0007	NY - 1104	48,110	75,763	123,873	12,600
Village of Clinton	NY418VO0011	NY - 1102	29,473	48,207	77,680	10,459
Village of Waterville	NY524VO0014	NY - 1049	9,620	73,656	83,276	9,250
Town of Clayville	NY525VO0017	NY - 1050	8,879	52,088	60,967	6,415
Total			<u>\$ 439,657</u>	<u>\$ 920,370</u>	<u>\$ 1,360,027</u>	<u>\$ 184,833</u>

The accompanying notes are an integral part of these schedules.

**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**

January 20, 2010

To the Board of Directors of
Mohawk Valley Community Action Agency, Inc.:

We have audited the financial statements of Mohawk Valley Community Action Agency, Inc. as of and for the year ended July 31, 2009, and have issued our report thereon dated January 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Mohawk Valley Community Action Agency, 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 Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described as item 2009-1 of the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

**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)

Internal Control Over Financial Reporting (Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mohawk Valley Community Action Agency, 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*.

We noted certain matters that we reported to management of Mohawk Valley Community Action Agency, Inc. in a separate letter dated January 2010.

This report is intended solely for the information and use of Mohawk Valley Community Action Agency, Inc.'s management, the Board of Directors, others within the entity, 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.

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

January 20, 2010

To the Board of Directors of
Mohawk Valley Community Action Agency, Inc.:

Compliance

We have audited the compliance of Mohawk Valley Community Action Agency, Inc. 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 its major federal programs for the year ended July 31, 2009. Mohawk Valley Community Action Agency, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Mohawk Valley Community Action Agency, Inc.'s management. Our responsibility is to express an opinion on Mohawk Valley Community Action Agency, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; 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 Mohawk Valley Community Action Agency, 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 on Mohawk Valley Community Action Agency, Inc.'s compliance with those requirements.

In our opinion, Mohawk Valley Community Action Agency, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended July 31, 2009.

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(Continued)

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

(Continued)

Internal Control Over Compliance

The management of Mohawk Valley Community Action Agency, 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 Mohawk Valley Community Action Agency, 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, but not for the purpose of expressing an opinion on the effectiveness of Mohawk Valley Community Action Agency, Inc.'s internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mohawk Valley Community Action Agency, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Mohawk Valley Community Action Agency, Inc.'s management, the Board of Directors, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JULY 31, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Mohawk Valley Community Action Agency, Inc. (the Agency).
2. A significant deficiency relating to the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of Mohawk Valley Community Action Agency, Inc. were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award program are reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditors' report on compliance for the major federal award program for Mohawk Valley Community Action Agency, Inc. expresses an unqualified opinion on the major federal program.
6. There were no audit findings relative to the major federal award program for Mohawk Valley Community Action Agency, Inc.
7. The programs tested as major programs were Head Start, CFDA No. 93.600, Community Services Block Grant CFDA No. 93.569, Low-Income Home Energy Assistance, CFDA No. 93,568 and Weatherization Assistance for Low-Income Persons, CFDA No. 81.042.
8. The threshold for distinguishing Types A and B programs was \$368,200.
9. The Agency was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2009-1 Finding -

Condition: The payroll clerk and individual employees in the human resources department have access to change information in the employee master file, including pay rates, deductions, hours worked, and other key information. Mohawk Valley Community Action Agency, Inc. (the Agency) does not have adequate procedures in place to limit user access to the payroll master file.

Criteria: Access to the Agency's payroll master file should be limited in order to ensure changes could not be made without proper approval.

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

2009-1 Finding - (Continued)

Effect: This situation increases the risk of unauthorized changes to the payroll master file data.

Cause: Payroll master file information technology controls are not adequate.

Recommendation: We recommend that the Agency implement access rights controls over the payroll master file.

Agency's Response: The Agency agrees with this recommendation and will work with the payroll software vendor to implement access rights controls.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None.