

MOHAWK VALLEY COMMUNITY
ACTION AGENCY, INC.

Financial Statements and
Supplementary Information

July 31, 2006 and 2005

(With Independent Auditor's Report Thereon)

MOHAWK VALLEY COMMUNITY
ACTION AGENCY, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Mohawk Valley Community Action Agency, Inc. as of July 31, 2006, 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 Mohawk Valley Community Action Agency, Inc. as of July, 31, 2005 were audited by other auditors whose report dated November 18, 2005, expressed an unqualified opinion on those statements.

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 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, 2006, and the changes in its net assets and its cash flows for the year 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 December 19, 2006 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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. 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.

Toski, Schaefer & Co., P.C.

Williamsville, New York
December 19, 2006

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Statements of Financial Position
 July 31, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current assets:		
Cash and equivalents	\$ 402,142	627,381
Fees and grants receivable	490,486	399,307
Other receiveables	13,509	15,430
Prepaid expenses	31,430	30,819
Total current assets	937,567	1,072,937
Investments, at fair value	708	708
Property and equipment, at cost	3,122,231	3,068,034
Less accumulated depreciation	(1,381,015)	(1,217,032)
Net property and equipment	1,741,216	1,851,002
Total assets	\$ 2,679,491	2,924,647
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts payable	116,147	281,979
Accrued expenses	417,963	265,965
Refundable advance	19,548	251,754
Deferred revenue	141,408	205,318
Other liabilities	25,755	35,564
Total current liabilities	720,821	1,040,580
Net Assets:		
Unrestricted:		
Available for operations	217,454	29,093
Investment in property	1,741,216	1,851,002
Total unrestricted	1,958,670	1,880,095
Temporarily restricted	-	3,972
Total net assets	1,958,670	1,884,067
Total liabilities and net assets	\$ 2,679,491	2,924,647

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY
 Statements of Activities
 Years ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Changes in unrestricted net assets:		
Support and revenue:		
Fees and grants from governmental agencies	\$ 10,507,822	10,791,534
Section 8 Housing Assistance	1,106,155	1,245,568
Contributions and in-kind support	1,754,856	2,027,471
Program revenue	362,777	160,391
Daycare fees	324,915	246,777
Rental income	28,434	26,315
United Way	113,891	39,751
Administrative fees	279,573	206,953
Interest	14,218	5,529
City of Rome	-	40,138
Miscellaneous	72,336	48,024
Net assets released from restrictions	<u>3,972</u>	<u>-</u>
Total support and revenue	<u>14,568,949</u>	<u>14,838,451</u>
Expenses:		
Program services:		
Child Development	8,799,182	8,854,223
Housing	2,724,316	3,029,347
Family Resource	1,136,756	1,135,159
Youth Services	<u>732,603</u>	<u>906,465</u>
Total program services	13,392,857	13,925,194
Management and general	<u>1,097,517</u>	<u>1,052,532</u>
Total expenses	<u>14,490,374</u>	<u>14,977,726</u>
Increase (decrease) in unrestricted net assets	78,575	(139,275)
Changes in temporarily restricted net assets	<u>(3,972)</u>	<u>3,972</u>
Increase (decrease) in net assets	74,603	(135,303)
Net assets at beginning of year	<u>1,884,067</u>	<u>2,019,370</u>
Net assets at end of year	<u>\$ 1,958,670</u>	<u>1,884,067</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Statement of Functional Expenses
Year ended July 31, 2006
with comparative totals for 2005

	<u>Program Services</u>					Management and General	<u>Total</u>	
	<u>Child Development</u>	<u>Housing</u>	<u>Family Resource</u>	<u>Youth Services</u>	<u>Total Program Services</u>		<u>2006</u>	<u>2005</u>
Personnel	\$ 4,265,995	603,215	648,215	346,300	5,863,725	626,125	6,489,850	6,534,990
Fringe	1,095,782	174,209	151,056	102,052	1,523,099	166,557	1,689,656	1,587,752
Out of town	5,604	1,605	897	3,039	11,145	30,487	41,632	45,888
Supplies	218,925	39,404	9,071	23,929	291,329	28,620	319,949	331,719
Contractual	385,992	1,420,834	3,541	71,931	1,882,298	31,654	1,913,952	2,350,568
Other	1,036,980	392,923	171,993	45,162	1,647,058	125,920	1,772,978	1,599,535
Common costs	13,529	54,927	77,782	25,120	171,358	82,306	253,664	207,997
In-kind expense	1,546,519	-	68,123	101,818	1,716,460	-	1,716,460	2,007,355
Depreciation and loss on disposal	229,856	37,199	6,078	13,252	286,385	5,848	292,233	311,922
Total expenses	<u>\$ 8,799,182</u>	<u>2,724,316</u>	<u>1,136,756</u>	<u>732,603</u>	<u>13,392,857</u>	<u>1,097,517</u>	<u>14,490,374</u>	<u>14,977,726</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Statement of Functional Expenses
Year ended July 31, 2005

	<u>Program Services</u>					Management and General	<u>Total</u>
	<u>Child Development</u>	<u>Housing</u>	<u>Family Resource</u>	<u>Youth Services</u>	<u>Total Program Services</u>		
Personnel	\$ 4,298,866	579,448	672,871	370,328	5,921,513	613,477	6,534,990
Fringe	1,032,505	160,013	142,936	102,524	1,437,978	149,774	1,587,752
Out of town	7,744	3,502	2,654	3,244	17,144	28,744	45,888
Supplies	197,288	41,465	17,217	48,388	304,358	27,361	331,719
Contractual	446,924	1,770,070	11,861	84,823	2,313,678	36,890	2,350,568
Other	920,904	368,352	120,641	77,663	1,487,560	111,975	1,599,535
Common costs	20,138	44,016	46,118	20,415	130,687	77,310	207,997
In-kind Expenses	1,704,102	-	115,170	188,083	2,007,355	-	2,007,355
Depreciation and loss on disposal	225,752	62,481	5,691	10,997	304,921	7,001	311,922
Total Expenses	<u>\$ 8,854,223</u>	<u>3,029,347</u>	<u>1,135,159</u>	<u>906,465</u>	<u>13,925,194</u>	<u>1,052,532</u>	<u>14,977,726</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Statements of Cash Flows
 Years ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 74,603	(135,303)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	286,061	299,192
Loss on disposal of equipment	6,172	12,730
Changes in:		
Receivables	(89,258)	28,903
Prepaid expenses	(611)	(5,748)
Accounts payable	(165,832)	(80,664)
Accrued expenses	151,998	1,263
Refundable advance	(232,206)	28,243
Deferred revenue	(63,910)	87,076
Other liabilities	<u>(9,809)</u>	<u>6,816</u>
Net cash provided by (used in) operating activities	(42,792)	242,508
Cash flows from investing activities - additions to property and equipment	<u>(182,447)</u>	<u>(170,805)</u>
Net increase (decrease) in cash	(225,239)	71,703
Cash and equivalents at beginning of year	<u>627,381</u>	<u>555,678</u>
Cash and equivalents at end of year	<u>\$ 402,142</u>	<u>627,381</u>
Supplemental schedule of cash flow information:		
In-kind revenue	<u>\$ 1,716,460</u>	<u>2,007,355</u>
In-kind expense	<u>\$ 1,716,460</u>	<u>2,007,355</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements

July 31, 2006 and 2005

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Mohawk Valley Community Action Agency, Inc. (the Agency) is a non-profit corporation formed to encourage and coordinate the development of community programs designed to eliminate poverty and to develop research and evaluation procedures in connection with all programs designed 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.

(b) Basis of Accounting

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.

(c) Basis of Presentation

The Agency follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, 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 did 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 - Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Agency's Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.

(d) 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.

(e) Cash

For purposes of the statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less, including overnight repurchase agreements, to be cash equivalents.

(f) Investments

Investments are stated at fair value. The fair value of investments is based on quotations obtained from national securities exchanges. In accordance with the policy of carrying investments at fair value, the change in net unrealized appreciation or depreciation is included in the statements of activities. Donated securities are reflected as contributions at their fair value at the date of receipt.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of activities.

Donations of property are reflected in the accompanying statements at their estimated fair market value at the date of receipt. The Agency's policy is to imply a time restriction on donated property. Donated property is recorded as temporarily restricted support and the restriction expires over the useful life of property. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(h) Long-Lived Assets

The Agency complies with Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement requires that long-lived assets to be held and used by the Agency be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Agency compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At July 31, 2006 no impairment in value has been recognized.

(i) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(j) Donated Materials, Food, Supplies and Personal Services

The Agency receives unrestricted donations from outside parties. The donations include, but are not limited to, equipment, clothing, services, and food. All donations are unrestricted but 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. 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 the provisions of SFAS No. 116, "Accounting for Contributions Received and Contributions Made" are met. In-kind contributions of \$1,716,460 and \$2,007,355 for 2006 and 2005, 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 \$537,611 and \$534,269 for 2006 and 2005, respectively.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(k) 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.

(l) 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.

(m) Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, no provision for income taxes is reflected in the financial statements.

(n) 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, 2006 and 2005 was approved by the Agency's Federal Cognizant Agency, the U.S. Department of Health and Human Services, with a proposed indirect cost rate. 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, 2006 and 2005 were 10.92% and 10.35%, respectively. The Agency's rates are based on actual indirect costs of \$1,097,517 and \$1,052,532, respectively, and a total direct cost base of \$10,057,593 and \$10,173,039, respectively.

The Agency uses a fringe rate for the purpose of allocating fringe benefit costs. The methodology used to develop the fringe rate was approved by the U.S. Department of Health and Human Services. The applied fringe benefit cost rate for the year ended July 31, 2006 ranged from 10.60% to 30.20%. Actual fringe benefit costs amounted to \$1,610,112 and deferred fringe costs amounted to \$129,192.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(2) Concentration of Credit Risk

(a) Cash

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution.

(b) Revenues and Receivables

The Agency provides social services primarily in Oneida and Herkimer Counties of the State of New York. A substantial portion of the Agency's receivables are due from Federal and New York State governmental agencies.

(3) Property and Equipment

Property and equipment at July 31, 2006 and 2005 are summarized as follows:

	<u>2006</u>	<u>2005</u>
Land and improvements	\$ 118,645	118,645
Buildings and improvements	1,405,005	1,391,910
Equipment and vehicles	1,562,298	1,527,596
Leasehold improvements	<u>36,283</u>	<u>29,883</u>
	3,122,231	3,068,034
Less accumulated depreciation	<u>(1,381,015)</u>	<u>(1,217,032)</u>
Net property and equipment	\$ <u>1,741,216</u>	<u>1,851,002</u>

(4) Vested Vacation Wages

Included in accrued expenses is the Agency's liability for future payments of accrued vested vacation wages which amounted to \$86,769 and \$73,837 at July 31, 2006 and 2005, respectively. Under the terms of the existing personnel manual, the Agency's employees receive annual vacation leave. The number of days allowed is dependent on the employees' years of service. Vacation leave represents the only leave paid to employees upon termination.

(5) Deferred Revenue

Deferred revenue amounted to \$141,408 and \$205,318 at July 2006 and 2005, respectively. These amounts represent cash provided to the Agency in advance of the period to be benefited in order to provide working capital for the operation of the various programs of the Agency.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Notes to Financial Statements, Continued

(6) Rental Assistance Program

The Agency entered into agreements with 10 towns and villages on 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, 2006 and 2005, the Agency administered \$1,106,155 and \$1,245,569, 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, 2006 and 2005 were \$190,731 and \$159,653, respectively.

(7) Commitments

The Agency has several noncancelable operating leases, primarily for program sites, which expire through June 30, 2010. 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 \$424,193 and \$430,396 for the years ended July 31, 2006 and 2005, respectively. The following is a schedule of future minimum rental payments required under the above mentioned leases as of July 31, 2006.

<u>Years ending</u>	<u>Minimum rental payments</u>
2007	\$ 331,474
2008	7,632
2009	7,632
2010	<u>6,996</u>
	\$ <u>353,734</u>

(8) Contingencies

(a) 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.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(8) Contingencies, Continued

(b) New York State Homeless Housing Assistance Corporation

The New York State Homeless Housing and Assistance Corporation (HHAC) provided \$219,265 to the Agency to acquire, rehabilitate and operate two duplexes to provide housing for homeless people. The mortgage is for twenty years at no interest, with no schedule of payments, and will be forgiven at the end of the term which began on the date of occupancy (December 1, 1996). Under the term of the agreement, the property must be used to provide housing for homeless people for twenty years and may not be sold or transferred without the prior consent of HHAC. If the Project does not comply with the terms of agreement, the amount provided will be considered to be in default and the original amount provided shall be immediately due and payable.

(c) 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.

(d) Litigation

A job applicant has filed charges with the New York State Division of Human Rights alleging age discrimination for not being hired by the Agency. While the result of this matter cannot be predicted with certainty, the claim asserted is being vigorously contested by the Agency. Management and legal counsel of the Agency anticipate a favorable outcome. Accordingly, no provision for loss with regard to this claim has been recorded in the accompanying financial statements.

The Agency is also involved in litigation arising from the ordinary course of business. The cases are in the discovery stages and will be vigorously contested. Legal counsel has been unable to form an opinion regarding the outcome of the litigation, therefore, no provision for loss has been recorded in the accompanying financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Schedule of Expenditures of Federal Awards
 July 31, 2006

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Expenditures through July 31, 2006</u>	<u>Expenditures for the year ended July 31, 2006</u>
<u>Major Programs</u>				
Department of Health and Human Services:				
Head Start (1)	93.600	02CH1194/41	\$ 1,078,204	1,078,204
Head Start (1)	93.600	02CH1194/40	7,095,643	6,052,025
Pass through New York State Division of Community Renewal:				
Low-Income Home Energy Assistance	93.568	C090048.05	562,126	546,521
Low-Income Home Energy Assistance	93.568	C090048.06	245,428	245,428
Pass through New York State Department of State:				
Community Services Block Grant	93.569	C005528-06	442,415	442,415
Community Services Block Grant	93.569	C005428-05	706,509	115,400
Total Department of Health and Human Services			<u>10,130,325</u>	<u>8,479,993</u>
Department of Housing and Urban Development:				
Pass through Individual Municipalities (see schedule of pass-through entities):				
Section 8 Housing Choice Vouchers	14.871	Administration	190,731	190,731
Section 8 Housing Choice Vouchers	14.871	2004-2005	366,231	366,231
Section 8 Housing Choice Vouchers	14.871	2005-2006	739,924	739,924
Section 8 Housing Choice Voucher Program (1)	14.871	-	52,329	52,329
Total Department of Housing and Urban Development			<u>1,349,215</u>	<u>1,349,215</u>
Total Major Programs			<u>11,479,540</u>	<u>9,829,208</u>
<u>Other Federal Assistance</u>				
Department of Health and Human Services:				
Transitional Living for Homeless Youth (1)	93.550	02CX0035/03	223,203	38,205
Transitional Living for Homeless Youth (1)	93.550	02CX0035/04	163,564	163,564
Runaway and Homeless Youth (1)	93.623	02CY0176/02	113,705	113,705
Runaway and Homeless Youth (1)	93.623	02CY0176/01	128,115	14,464

(Continued)

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Schedule of Expenditures of Federal Awards, Continued

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Expenditures through July 31, 2006</u>	<u>Expenditures for the year ended July 31, 2006</u>
Pass-through Oswego Opportunities, Inc.:				
Street Outreach	93.557	-	\$ 22,175	22,175
Street Outreach	93.557	-	31,797	6,593
Pass-through NYS Office of Children and Family Services:				
Adolescent Pregnancy Prevention	93.558	-	32,586	32,586
Adolescent Pregnancy Prevention	93.558	-	121,468	75,701
Pass-through Oneida County:				
Parent Aide	93.667	14901	115,996	115,996
Parent Aide	93.667	14901	190,000	81,995
Total Department of Health and Human Services			<u>1,142,609</u>	<u>664,984</u>
Corporation for National and Community Service:				
Foster Grandparent Program (1)	94.011	04SFANY005	194,891	123,269
Foster Grandparent Program (1)	94.011	04SFANY006	56,583	56,583
Total Corporation for National and Community Service			<u>251,474</u>	<u>179,852</u>
Department of Agriculture - pass-through NYS Department of Health:				
Child and Adult Care Food Program	10.558	2050	24,314	19,994
Child and Adult Care Food Program	10.558	2050	4,392	4,392
Child and Adult Care Food Program	10.558	2050	378,165	311,469
Child and Adult Care Food Program	10.558	2050	71,786	71,786
Total Department of Agriculture			<u>478,657</u>	<u>407,641</u>
Department of Housing and Urban Development:				
Pass-through City of Utica - Community Development Block Grants - East Side Center	14.218	-	4,107	4,107
Pass-through NYS Housing Trust Fund Corporation - Home Investment Partnerships Program	14.239	20010017	300,000	269
Total Department of Housing and Urban Development			<u>304,107</u>	<u>4,376</u>

(Continued)

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Schedule of Expenditures of Federal Awards, Continued

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Total Expenditures through July 31, 2006</u>	<u>Expenditures for the year ended July 31, 2006</u>
Department of Energy - pass-through NYS Division of Housing and Community Renewal:				
Weatherization Assistance for Low-Income Persons	81.042	C90048-00	\$ 538,733	198,803
Weatherization Assistance for Low-Income Persons	81.042	C90048-06	<u>67,449</u>	<u>67,449</u>
Total Department of Energy			<u>606,182</u>	<u>266,252</u>
Federal Emergency Management Agency - pass-through Oneida and Herkimer Counties:				
Emergency Management Food and Shelter Program	83.523	-	8,700	3,665
Emergency Management Food and Shelter Program	83.523	-	<u>5,700</u>	<u>5,700</u>
Total Federal Emergency Management Agency			<u>14,400</u>	<u>9,365</u>
Total Other Federal Assistance			<u>2,797,429</u>	<u>1,532,470</u>
Total Federal Awards			<u>\$ 14,276,969</u>	<u>11,361,678</u>

(1) Direct Federal Award

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.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Schedule of Section 8 Rental Voucher
 Program Pass-Through Entities
 July 31, 2006

<u>Housing Authority</u>	Pass-through and project number	Annual contribution number	<u>Expenditures</u>			<u>Administration</u>
			<u>2004-05</u>	<u>2005-06</u>	<u>Total</u>	
Town of Camden	NY542VO0015	NY-1051	\$ 22,440	106,602	129,042	22,115
Town of Clayville	NY525VO0017	NY-1050	7,770	41,458	49,228	10,620
Village of Clinton	NY418VO0011	NY-1102	27,501	32,951	60,452	10,599
Town of Forestport	NY425VO0014	NY-1110	57,112	25,932	83,044	15,931
Town of New Hartford	NY423VO0007	NY-1095	42,584	54,037	96,621	14,728
Village of New Hartford	NY552VO0014	NY-1108	122,060	184,386	306,446	51,994
Village of Sylvan Beach	NY419VO0007	NY-1104	34,774	48,219	82,993	14,785
Town of Vernon	NY533VO0012	NY-1047	14,563	63,430	77,993	14,185
Village of Waterville	NY524VO0014	NY-1049	9,233	48,024	57,257	11,215
Town of Whitestown	NY542VO0013	NY-1083	28,194	134,885	163,079	24,559
Total			<u>\$ 366,231</u>	<u>739,924</u>	<u>1,106,155</u>	<u>190,731</u>

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

The Board of Directors
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, 2006, and have issued our report thereon dated December 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mohawk Valley Community Action Agency, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance and other matters 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 that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of Mohawk Valley Community Action Agency, Inc. in a separate letter dated December 19, 2006.

This report is intended solely for the information and use of the 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.

Toski, Schaefer & Co., P.C.

Williamsville, New York
December 19, 2006

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

The Board of Directors
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 each of its major Federal programs for the year ended July 31, 2006. Mohawk Valley Community Action Agency, 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 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 of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the standards prescribed by the Audit Guide for Recipients of New York State Housing Agency Funding. 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 programs for the year ended July 31, 2006.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the 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.

Toski, Schaefer & Co., P.C.

Williamsville, New York
December 19, 2006

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Schedule of Findings and Questioned Costs
Year ended July 31, 2006

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Mohawk Valley Community Action Agency, Inc.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Mohawk Valley Community Action Agency, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major Federal award programs.
5. The auditor's report on compliance for the major Federal award programs for Mohawk Valley Community Action Agency, Inc. expresses an unqualified opinion.
6. Audit findings relative to the major Federal award programs for Mohawk Valley Community Action Agency, Inc. are reported in Part C of this schedule.
7. The programs tested as a major program include:
 - a) Head Start and Early Head Start Program, CFDA #93.600
 - b) Community Services Block Grant, CFDA #93.569
 - c) Section 8 Housing Choice Voucher Programs, CFDA #14.871
 - d) Low-Income Home Energy Assistance, CFDA #93.568
8. The threshold for distinguishing Types A and B programs was \$340,849.
9. Mohawk Valley Community Action Agency, Inc. was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

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

None

MOHAWK VALLEY COMMUNITY
ACTION AGENCY, INC.
Schedule of Prior Audit Findings

There were no audit findings with regard to the prior year financial statements (July 31, 2005).