

MOHAWK VALLEY COMMUNITY
ACTION AGENCY, INC.

Financial Statements and
Supplemental Information

July 31, 2019

(With Independent Auditors' Report Thereon)

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Mohawk Valley Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of July 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to 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 the 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 Agency'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 Agency'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 Mohawk Valley Community Action Agency, Inc. as of July 31, 2019, 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.

Prior Period Financial Statements

The financial statements of Mohawk Valley Community Action Agency, Inc. as of July 31, 2018, were audited by other auditors whose report dated January 30, 2019, expressed an unmodified opinion on those statements.

Adjustments to Prior Period Financial Statements

The financial statements of Mohawk Valley Community Action Agency, Inc. as of July 31, 2018, were audited by other auditors whose report dated January 30, 2019, expressed an unmodified opinion on those financial statements. As discussed in Note 14 to the financial statements, the Agency has adjusted its 2018 financial statements to record an asset that was not previously recognized. The other auditors reported on the financial statements before this adjustment.

As part of our audit of the 2019 financial statements, we also audited the adjustments to the 2018 financial statements to record the asset not previously recognized as described in Note 14. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the Agency's 2018 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements as a whole.

Other Matters

Other Information

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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 January 28, 2020, on our consideration of the Agency'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 solely 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 effectiveness of the Agency's 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 the Agency's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 28, 2020

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Statements of Financial Position
 July 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Current assets:		
Cash and equivalents	\$ 975,821	852,198
Fees and grants receivable	877,856	615,653
Other receivables	72,884	22,869
Prepaid expenses and other assets	<u>49,870</u>	<u>186,815</u>
Total current assets	<u>1,976,431</u>	<u>1,677,535</u>
Property and equipment	2,873,880	2,641,717
Less accumulated depreciation	<u>(2,046,194)</u>	<u>(2,080,305)</u>
Net property and equipment	<u>827,686</u>	<u>561,412</u>
Other assets	<u>193,847</u>	<u>252,764</u>
Total assets	<u>\$ 2,997,964</u>	<u>2,491,711</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	302,129	250,599
Accrued expenses	515,224	497,174
Refundable advances	31,539	17,529
Deferred revenue	<u>322,486</u>	<u>254,656</u>
Total current liabilities	<u>1,171,378</u>	<u>1,019,958</u>
Net assets:		
Net assets without donor restrictions - board designated	929,808	621,988
Net assets without donor restrictions - undesignated	<u>867,834</u>	<u>808,971</u>
	1,797,642	1,430,959
Net assets with donor restrictions	<u>28,944</u>	<u>40,794</u>
Total net assets	1,826,586	1,471,753
Commitments and contingencies (notes 11 and 13)	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 2,997,964</u>	<u>2,491,711</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Statements of Activities
 Years ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Revenue:		
Fees and grants from governmental agencies	\$14,430,566	14,105,074
Section 8 housing assistance	1,343,217	1,357,934
Contributions and in-kind support	1,538,218	1,504,119
Program revenue	261,476	388,195
Administrative fees	191,596	170,946
Rental income	-	24,709
United Way	30,137	31,338
Unrealized gain on investment	752	7,049
Miscellaneous	32,965	102,170
Net assets released from restrictions	<u>11,850</u>	<u>11,850</u>
Total revenue	<u>17,840,777</u>	<u>17,703,384</u>
Expenses:		
Program services:		
Child development	11,222,058	11,166,417
Housing	3,269,512	3,610,638
Family resource	<u>1,625,568</u>	<u>1,586,175</u>
Total program services	16,117,138	16,363,230
Management and general	1,333,914	1,224,146
Fundraising	<u>23,042</u>	<u>23,654</u>
Total expenses	<u>17,474,094</u>	<u>17,611,030</u>
Change in net assets without donor restrictions	366,683	92,354
Change in net assets with donor restrictions - net assets released from restrictions	<u>(11,850)</u>	<u>(11,850)</u>
Change in net assets	<u>354,833</u>	<u>80,504</u>
Net assets at beginning of year, as previously stated	1,471,753	1,226,660
Prior period adjustments (note 14)	<u>-</u>	<u>164,589</u>
Net assets at beginning of year, as restated	<u>1,471,753</u>	<u>1,391,249</u>
Net assets at end of year	<u>\$ 1,826,586</u>	<u>1,471,753</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Statement of Functional Expenses
Year ended July 31, 2019
with comparative totals for 2018

	Program Services				Management and		Total	
	Child development	Housing	Family resource	Total	general	Fundraising	2019	2018 (As restated)
Personnel	\$ 5,615,831	606,389	958,143	7,180,363	718,816	2,418	7,901,597	7,658,496
Contractual	883,333	1,807,593	27,538	2,718,464	50,267	838	2,769,569	3,340,586
Fringe	1,272,925	169,959	246,516	1,689,400	238,938	834	1,929,172	1,969,922
In-kind expense	1,363,979	-	22,354	1,386,333	-	-	1,386,333	1,468,664
Common costs	602,742	103,293	123,366	829,401	125,849	1,471	956,721	893,455
Supplies	204,052	101,504	12,444	318,000	25,475	3,992	347,467	286,479
Depreciation and loss on disposals	86,027	29,397	1,600	117,024	-	-	117,024	80,811
Out of town travel	29,411	1,477	10,259	41,147	31,836	-	72,983	91,510
Other	1,163,758	449,900	223,348	1,837,006	142,733	13,489	1,993,228	1,821,107
Total expenses	<u>\$ 11,222,058</u>	<u>3,269,512</u>	<u>1,625,568</u>	<u>16,117,138</u>	<u>1,333,914</u>	<u>23,042</u>	<u>17,474,094</u>	<u>17,611,030</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Statements of Cash Flows

Years ended July 31, 2019 and 2018

	<u>2019</u>	<u>2018</u> <u>(As restated)</u>
Cash flows from operating activities:		
Change in net assets	\$ 354,833	80,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	146,925	163,256
Gain on disposal of property and equipment	(29,901)	(82,445)
Changes in:		
Fees and grant receivable	(262,203)	172,911
Other receivables	(50,015)	9,690
Prepaid expenses and other assets	136,945	(101,306)
Other assets	58,917	(68,430)
Accounts payable	51,530	(64,742)
Accrued expenses	18,050	73,844
Refundable advances	14,010	(11,782)
Deferred revenue	<u>67,830</u>	<u>45,457</u>
Net cash provided by operating activities	<u>506,921</u>	<u>216,957</u>
Cash flows from investing activities:		
Purchases of property and equipment	(413,199)	-
Proceeds from sale of property and equipment	<u>29,901</u>	<u>87,632</u>
Net cash provided by (used in) investing activities	<u>(383,298)</u>	<u>87,632</u>
Net change in cash and equivalents	123,623	304,589
Cash and equivalents at beginning of year	<u>852,198</u>	<u>547,609</u>
Cash and equivalents at end of year	<u>\$ 975,821</u>	<u>852,198</u>
Supplemental schedule of cash flow - disposal of fully depreciated property and equipment	<u>\$ 181,036</u>	<u>-</u>

See accompanying notes to financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements

July 31, 2019

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Mohawk Valley Community Action Agency, Inc. (the Agency) is a New York State nonprofit corporation. The Agency was formed to encourage and coordinate the development of holistic community programs that focus on child development, housing and family resources. The programs are designed to eliminate poverty or reduce barriers to self-sufficiency for families in the Mohawk Valley. The Agency's support is primarily from fees and grants from government agencies and local in-kind investments.

(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 reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions represents resources available for the general support of the Agency's activities. Net assets with donor restrictions are those whose use has been limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Agency.

(d) Estimates

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

(e) Cash and Equivalents

For purposes of the statements 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) Concentrations of Credit Risk

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash accounts in financial institutions. Although the accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institution. The amounts on deposit are swept into U.S. Treasury bills nightly.

(g) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment 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 receivables. Changes in the valuation allowance have not been material to the financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(h) 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 property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. The Agency capitalizes all property and equipment expenditures over \$5,000 with an estimated useful life in excess of one year. 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 and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the financial statements.

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.

(i) Contributions

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 net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

(j) 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. A receivable is recognized to the extent support earned exceeds cash advances. Amounts unspent are recorded in the statements of financial position as deferred revenue. Deferred revenue amounted to \$322,486 and \$254,656 at July 31, 2019 and 2018, respectively.

(k) Refundable Advances

Refundable advances represent unspent grant amounts received by the Agency that will be paid back to the grantor and amounted to \$31,539 and \$17,529 at July 31, 2019 and 2018, respectively.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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

The Agency receives donations of various goods and services 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. 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 support and expense by the Agency when certain provisions are met. In-kind support and expenses amounted to \$1,386,333 and \$1,468,664 for the years ended July 31, 2019 and 2018, respectively. In addition, the Agency received unskilled services that do not meet the recognition requirement. Management estimates these services had a value of \$899,161 and \$850,622 for the years ended July 31, 2019 and 2018, respectively.

(m) 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 statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocation of expenses is based on direct usage.

(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, 2019 and 2018 was approved by the Agency's Federal Cognizant Agency and 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, 2019 and 2018 were 10%. The Agency's rates are based on actual indirect costs of \$1,333,914 and \$1,311,589, and a total direct cost base of \$13,352,606 and \$12,998,643 for the years ended July 31, 2019 and 2018, respectively.

(o) Subsequent Events

The Agency has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(p) Income Taxes

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), therefore, no provision for income taxes is reflected in the financial statements. The Agency has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. The Agency presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that the Agency has taken no uncertain tax positions that require adjustment in its financial statements. U.S. Forms 990 filed by the Agency are subject to examination by taxing authorities.

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

(1) Summary of Significant Accounting Policies, Continued

(q) Recent Accounting Standards Issued

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, “Not-for-Profit Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities.” ASU 2016-14 contains several provisions that change the presentation of and disclosures within the financial statements of a not-for-profit entity. These changes include an updated net asset classification scheme from three classes to two classes, quantitative and qualitative disclosures regarding liquidity, a requirement to report expenses by function, nature, and an analysis showing the relationship between function and nature and the removal of the requirement for a reconciliation for statements of cash flows done on the direct basis. This guidance is effective for fiscal years beginning after December 15, 2017. These financial statements and notes reflect adoption of this new standard.

(r) Reclassifications

Reclassifications have been made to certain 2018 balances in order to conform them to the 2019 presentation.

(2) Liquidity

The Agency has \$1,926,561 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures, consisting of \$975,821 of cash and \$950,740 of receivables. None of these financial assets are subject to donor or contractual restrictions that make them unavailable for general expenditure within one year of the 2019 statement of financial position date. As more fully described in note 8, the Agency has a line of credit in the amount of \$300,000, which it could draw upon in the event of an unanticipated liquidity need.

(3) Fees and Grants Receivable

Fees and grants receivable consist of the following at July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Department of Health and Human Services	\$ 399,344	347,741
Division of Housing and Community Renewal	97,084	145,652
NYS Office for People with Developmental Disabilities	10,880	15,177
Oneida County	116,334	31,539
Department of Agriculture	80,386	6,605
Department of Housing and Urban Development	50,997	-
New York State Department of Education	-	19,540
Other receivables	<u>122,831</u>	<u>49,399</u>
	<u>\$ 877,856</u>	<u>615,653</u>

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

(4) Property and Equipment

Property and equipment at July 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 117,645	117,645
Buildings and improvements	1,664,638	1,374,539
Equipment and vehicles	974,668	1,051,507
Leasehold improvements	<u>116,929</u>	<u>98,026</u>
	2,873,880	2,641,717
Less accumulated depreciation and amortization	<u>(2,046,194)</u>	<u>(2,080,305)</u>
Net property and equipment	\$ <u>827,686</u>	<u>561,412</u>

(5) Other Assets

Other assets at July 31, 2019 and 2018 consist of the following:

(a) Investments Held in the Community Foundation

The Agency has an account at the Community Foundation of Herkimer and Oneida Counties, Inc. (the Community Foundation). This account is included in the accompanying statements of financial position as other assets at fair value. Withdrawals from the account require approval by the Agency's Board of Directors and may be made in amounts equal to or greater than \$1,000. The Agency must maintain a minimum balance in the account of \$10,000. At July 31, 2019 and 2018, the investment in the Community Foundation was \$102,122 and \$101,370, respectively.

The valuation technique used to measure fair value for the Agency's investments held in the Community Foundation was based on the Agency's percentage of the fair value of the underlying investments, consistent with the market approach, which are valued using quoted market prices. There were no changes to valuation techniques during 2019 and 2018. The Community Foundation's investment objective is to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets. There are no unfunded commitments.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(5) Other Assets, Continued

(b) Unemployment Savings Program

The Agency is enrolled in a self-insured unemployment program with First Nonprofit Unemployment Savings Program, LLC (the Company). The Company was organized to facilitate its members in making payments to their respective states as reimbursement for claims in lieu of contributions. The Agency is required to make periodic contributions to fund such payments in lieu of contributions and to pay a pro rata share of administrative expenses of the Agency. Such contributions are maintained in a custodial account. Should payments on behalf of the Agency together with expenses exceed contributions, the Agency is authorized to make payments on behalf of the Agency in lieu of contributions to State unemployment agencies and to pay the Agency's pro rata share of administrative expenses. The balance in the account at July 31, 2019 and 2018 amounted to \$91,017 and \$150,686, respectively, and is included in other assets in the accompanying statements of financial position.

(c) Marketable Security

The Agency holds a common stock in the amount of \$708 at July 31, 2019 and 2018 and is included in other assets in the accompanying statements of financial position.

(6) Board Designated Net Assets

Board designated net assets are assets restricted by the Board of Directors for the years ended July 31, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Property and equipment	\$ 827,686	520,618
Investments	<u>102,122</u>	<u>101,370</u>
	\$ <u>929,808</u>	<u>621,988</u>

(7) Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at July 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Child development	\$ 28,236	40,086
Youth services	<u>708</u>	<u>708</u>
	\$ <u>28,944</u>	<u>40,794</u>

(8) Line of Credit

The Agency has a \$300,000 bank line-of-credit, which is used by the Agency only to fund cash flow deficits arising from timing of receipts from funding sources. Amounts borrowed on the line bear interest at the bank's prime rate plus 1% (6.5% at July 31, 2019). There were no amounts outstanding on the line at July 31, 2019 and 2018.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(9) Rental Assistance Program

The Agency entered into an agreement with the Village of New Hartford (the Village) to administer their Federal Rental Assistance program. Awarded funds are received and deposited by the Village. The Village then transfers the funds to the Agency who disburses them. During the years ended July 31, 2019 and 2018, the Agency administered \$1,343,217 and \$1,357,934, respectively, of rental assistance payments.

The Agency receives an administrative fee for its services from the Village. The total administrative fees received by the Agency for the years ended July 31, 2019 and 2018 were \$191,596 and \$170,946, respectively.

(10) 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, 2019 and 2018, the Agency made discretionary contributions of \$268,791 and \$254,803, respectively.

(11) Commitments

The Agency has several noncancelable operating leases, primarily for program sites, which expire through November 2029. 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 \$831,099 and \$839,908 for the years ended July 31, 2019 and 2018, respectively.

The following is a schedule of estimated future minimum rental payments required under the above operating leases at July 31, 2019:

2020	\$ 739,569
2021	624,124
2022	489,790
2023	489,204
2024	497,380
Thereafter	<u>2,651,942</u>
	\$ <u>5,492,009</u>

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(12) Concentration of Credit Risk

During 2019 and 2018, the Agency derived approximately 64% and 66%, respectively, of its revenue from the Department of Health and Human Services. The Agency's receivables from the Department of Health and Human Services represented approximately 45% and 56% of fees and grants receivable at July 31, 2019 and 2018, respectively. Additionally, 11% and 24% of the Agency's accounts receivable was from the Division of Housing and Community Renewal at July 31, 2019 and 2018, respectively.

(13) 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.

(b) 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.

(14) Adjustments to Net Assets

Certain adjustments to the 2018 financial statements were required to record a balance held by the Agency in an unemployment savings account that was previously not recognized as an asset of the Agency. A summary of the restatement is as follows:

	As previously stated	<u>Adjustments</u>	<u>Restated amounts</u>
Other assets	\$ <u>102,078</u>	<u>150,686</u>	<u>252,764</u>
Accrued expenses	\$ <u>554,798</u>	<u>(57,624)</u>	<u>497,174</u>
Fringe	\$ <u>2,013,643</u>	<u>(43,721)</u>	<u>1,969,922</u>
Net assets	\$ <u>1,226,660</u>	<u>164,589</u>	<u>1,391,249</u>

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Schedule of Expenditures for the Rural Preservation Program
 Year ended July 31, 2019

	Expenditures for grant year ended <u>June 30, 2019</u>	Expenditures for the year ended <u>July 31, 2019</u>
Grant revenue	\$ 88,305	83,900
Expenses:		
Salaries	47,069	44,576
Fringe benefits	14,587	13,754
Dues	700	700
Telephone	13	11
Cell phone	397	397
Licenses and fees	5	5
Indirect costs	6,542	6,196
Cost allocation - copier	9	9
Workers' compensation	3,825	3,600
Housing - special allocations	<u>10,191</u>	<u>9,685</u>
Total expenses	<u>83,338</u>	<u>78,933</u>
Deferred income	<u>\$ 4,967</u>	<u>4,967</u>

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
 Schedule of Expenditures of Federal Awards
 Year ended July 31, 2019

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Housing and Urban Development:				
Passed through City of Rome, New York:				
Community Development Block Grants/Entitlement Grants	14.218	2017 CDBG	\$ 11,861	-
Community Development Block Grants/Entitlement Grants	14.218	2018 CDBG	<u>20,000</u>	<u>-</u>
Total Community Development Block/ Grants Entitlement Grants			<u>31,861</u>	<u>-</u>
Passed through Village of New Hartford:				
Section 8 Housing Choice Vouchers	14.871	NY522	652,037	-
Section 8 Housing Choice Vouchers	14.871	NY522	<u>882,776</u>	<u>-</u>
Total Section 8 Housing Choice Vouchers			<u>1,534,813</u>	<u>-</u>
Passed through NYS Division of Housing and Community Renewal - Home Investment Partnerships Program				
	14.239	20163124	<u>251,173</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>1,817,847</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Passed through NYS Division of Housing and Community Renewal:				
Low-Income Home Energy Assistance	93.568	C093480-18	354,605	-
Low-Income Home Energy Assistance	93.568	MOU	12,658	-
Low-Income Home Energy Assistance	93.568	MOU	12,937	-
Low-Income Home Energy Assistance	93.568	MOU	<u>5,459</u>	<u>-</u>
Total Low-Income Home Energy Assistance			<u>385,659</u>	<u>-</u>
Head Start (1)	93.600	02CH3089-05	6,808,924	-
Head Start (1)	93.600	02CH010445-03	1,298,799	-
Head Start (1)	93.600	02CH3089-06	1,191,434	-
Head Start (1)	93.600	02CH3089-04	281,718	-
Head Start (1)	93.600	02CH010445-04	<u>195,396</u>	<u>-</u>
Total Head Start			<u>9,776,271</u>	<u>-</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

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>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Health and Human Services, Continued:				
Passed through Oneida County:				
Social Services Block Grant - Parent Aide	93.667	14901	\$ 246,456	-
Social Services Block Grant - Parent Aide	93.667	14901	232,669	-
Social Services Block Grant - Parent Aide	93.667	14901	<u>38,778</u>	<u>-</u>
Total Social Services Block Grant - Parent Aide			<u>517,903</u>	<u>-</u>
Passed through New York State Department of State:				
Community Services Block Grant	93.569	C1000770	144,541	-
Community Services Block Grant	93.569	C1000770	509,196	-
Community Services Block Grant	93.569	T1001244	<u>22,928</u>	<u>-</u>
Total Community Services Block Grant			<u>676,665</u>	<u>-</u>
Basic Center Grant	93.623	90CY6760-03	<u>9,937</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>11,366,435</u>	<u>-</u>
U.S. Department of Labor:				
Passed through WFD Board of Herkimer, Madison and Oneida Counties, Inc.:				
WIA/WIOA Youth Activities	17.259	WDB-WIOA-012	52,109	-
WIA/WIOA Youth Activities	17.259	WDB-WIOA-013	<u>4,236</u>	<u>-</u>
Total U.S. Department of Labor			<u>56,345</u>	<u>-</u>
U.S. Department of Agriculture:				
Passed through Hunger Solutions NY:				
NOEP	10.561	N/A	102,945	-
WIC	10.557	N/A	47,564	-
NOEP	10.561	N/A	8,485	-
Passed through New York State Department of Health:				
Child and Adult Care Food Program	10.558	2050	75,388	-
Child and Adult Care Food Program	10.558	2050	<u>578,762</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>813,144</u>	<u>-</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

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>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
U.S. Department of Energy:				
Passed through New York State Division of Housing and Community Renewal:				
Weatherization Assistance for Low-Income Persons	81.042	C093480-18	\$ 319,162	-
Weatherization Assistance for Low-Income Persons	81.042	C093480-19	<u>309,851</u>	<u>-</u>
Total U.S. Department of Energy			<u>629,013</u>	<u>-</u>
Corporation for National and Community Service:				
Foster Grandparent Program (1)	94.011	19SFANY007	9,761	-
Foster Grandparent Program (1)	94.011	16SFANY008	<u>133,881</u>	<u>-</u>
Total Corporation for National and Community Service			<u>143,642</u>	<u>-</u>
Total Federal Awards			<u>\$ 14,826,426</u>	<u>-</u>

(1) Direct Federal Award

See accompanying notes to schedule of expenditures of federal awards.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Notes to Schedule of Expenditures of Federal Awards

July 31, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes all federal award programs administered by Mohawk Valley Community Action Agency, Inc. (the Agency). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

(2) Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Costs

The Agency has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The Agency uses a Federally approved indirect cost rate of 11.21%.

INDEPENDENT AUDITORS' 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, 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 Mohawk Valley Community Action Agency, Inc. (the Agency) (a nonprofit organization), which comprise the statement of financial position as of July 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 the Agency'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 Agency'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 28, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Mohawk Valley Community Action Agency, Inc.'s (the Agency) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Agency's major federal program for the year ended July 31, 2019. The Agency's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Agency's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency'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 the major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Mohawk Valley Community Action Agency, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended July 31, 2019.

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Agency'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.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York
January 28, 2020

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

Schedule of Findings and Questioned Costs

Year ended July 31, 2019

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------|-----|--------------|---------------|
| 1. Material weakness(es) identified? | _____ | Yes | <u> x </u> | No |
| 2. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ | Yes | <u> x </u> | None reported |
| 3. Noncompliance material to financial statements noted? | _____ | Yes | <u> x </u> | No |

Federal Awards:

Internal control over major programs:

- | | | | | |
|---|-------|-----|--------------|---------------|
| 4. Material weakness(es) identified? | _____ | Yes | <u> x </u> | No |
| 5. Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ | Yes | <u> x </u> | None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

- | | | | | |
|--|-------|-----|--------------|----|
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? | _____ | Yes | <u> x </u> | No |
|--|-------|-----|--------------|----|

7. The Agency's major program audited was:

<u>Name of Federal Program</u>	CFDA Number
Head Start	93.600

8. Dollar threshold used to distinguish between Type A and Type B programs.	\$750,000
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- | | | | | |
|---|--------------|-----|-------|----|
| 9. Auditee qualified as low-risk auditee? | <u> x </u> | Yes | _____ | No |
|---|--------------|-----|-------|----|

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings or questioned costs.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
Schedule of Prior Year Audit Findings
July 31, 2019

There were no audit findings with regard to the prior year financial statements (July 31, 2018).