

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**Financial Statements
as of July 31, 2016 and 2015
Together with
Independent Auditor's Report
and
Single Audit Reports**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

January 17, 2017

To the Board of Directors of:
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), which comprise the statements of financial position as of July 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures for the rural preservation program and the 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* are presented for purposes of additional analysis and are not required parts 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 17, 2017 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mohawk Valley Community Action Agency, Inc.'s internal control over financial reporting and compliance.

Bonadio & Co., LLP

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**STATEMENTS OF FINANCIAL POSITION
JULY 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 423,939	\$ 265,118
Fees and grants receivable	519,851	637,401
Other receivables	45,643	51,300
Prepaid expenses and other assets	<u>161,113</u>	<u>158,891</u>
Total current assets	<u>1,150,546</u>	<u>1,112,710</u>
INVESTMENT IN THE COMMUNITY FOUNDATION	30,000	30,000
PROPERTY AND EQUIPMENT, net	<u>743,232</u>	<u>929,720</u>
Total assets	<u>\$ 1,923,778</u>	<u>\$ 2,072,430</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 240,094	\$ 322,936
Accrued expenses	380,317	383,562
Refundable advances	49,062	47,698
Deferred revenue	141,058	85,252
Other current liabilities	<u>-</u>	<u>25,661</u>
Total current liabilities	<u>810,531</u>	<u>865,109</u>
NET ASSETS:		
Unrestricted -		
Available for operations	338,882	246,468
Board designated	30,000	30,000
Investment in property	<u>679,871</u>	<u>854,509</u>
Total unrestricted	1,048,753	1,130,977
Temporarily restricted	<u>64,494</u>	<u>76,344</u>
Total net assets	<u>1,113,247</u>	<u>1,207,321</u>
Total liabilities and net assets	<u>\$ 1,923,778</u>	<u>\$ 2,072,430</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JULY 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED SUPPORT AND REVENUE:		
Fees and grants from governmental agencies	\$ 13,762,322	\$ 13,502,983
Section 8 housing assistance	1,257,380	1,249,729
Contributions and in-kind support	1,032,977	1,228,178
Program revenue	404,200	362,211
Administrative fees	174,229	129,274
Rental income	60,154	48,114
United Way	12,935	4,843
Miscellaneous	88,219	96,480
Net assets released from restrictions	<u>11,850</u>	<u>11,850</u>
 Total unrestricted support and revenue	 <u>16,804,266</u>	 <u>16,633,662</u>
EXPENSES:		
Program -		
Child development	8,717,791	9,174,491
Housing	3,182,283	2,920,909
Family resource	<u>3,697,147</u>	<u>3,130,135</u>
 Total program	 15,597,221	 15,225,535
Management and general	1,266,486	1,265,323
Fundraising	<u>22,783</u>	<u>11,496</u>
 Total expenses	 <u>16,886,490</u>	 <u>16,502,354</u>
 Change in unrestricted net assets	 (82,224)	 131,308
TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restrictions	<u>(11,850)</u>	<u>(11,850)</u>
 Change in net assets	 (94,074)	 119,458
 NET ASSETS - beginning of year	 <u>1,207,321</u>	 <u>1,087,863</u>
 NET ASSETS - end of year	 <u>\$ 1,113,247</u>	 <u>\$ 1,207,321</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2016

(With comparative totals for 2015)

	Program Services						Totals	
	Child Development	Housing	Family Resource	Total Program Services	Management and General	Fundraising	2016	2015
Personnel	\$ 4,366,520	\$ 625,309	\$ 1,086,689	\$ 6,078,518	\$ 658,999	\$ 4,953	\$ 6,742,470	\$ 6,741,856
Contractual	621,225	1,672,775	49,793	2,343,793	54,292	-	2,398,085	2,124,624
Fringe	1,205,738	262,726	269,257	1,737,721	224,224	1,211	1,963,156	1,980,584
In-kind expense	884,492	-	85,724	970,216	-	-	970,216	1,176,243
Common costs	477,051	86,461	104,040	667,552	131,981	3,763	803,296	827,451
Supplies	257,054	168,974	28,109	454,137	22,730	2,133	479,000	450,023
Depreciation and loss on disposal	125,519	45,096	15,644	186,259	229	-	186,488	184,345
Out of town	41,801	762	5,568	48,131	32,809	-	80,940	56,517
Other	738,391	320,160	2,052,323	3,110,894	141,222	10,723	3,262,839	2,960,711
Total expenses	\$ 8,717,791	\$ 3,182,283	\$ 3,697,147	\$ 15,597,221	\$ 1,266,486	22,783	\$ 16,886,490	\$ 16,502,354

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, 2015**

	Program Services						Total 2015
	Child Development	Housing	Family Resource	Total Program Services	Management and General	Fundraising	
Personnel	\$ 4,370,550	\$ 585,148	\$ 1,127,585	\$ 6,083,283	\$ 656,389	\$ 2,184	\$ 6,741,856
Contractual	539,421	1,480,547	49,225	2,069,193	55,431	-	2,124,624
Fringe	1,233,066	245,256	278,187	1,756,509	223,493	582	1,980,584
In-kind expense	1,128,373	-	47,870	1,176,243	-	-	1,176,243
Common costs	491,101	84,225	103,695	679,021	144,428	4,002	827,451
Supplies	245,564	162,210	22,745	430,519	18,514	990	450,023
Depreciation and amortization	110,443	56,984	16,689	184,116	229	-	184,345
Out of town	31,816	256	3,803	35,875	20,642	-	56,517
Other	1,024,157	306,283	1,480,336	2,810,776	146,197	3,738	2,960,711
Total expenses	\$ 9,174,491	\$ 2,920,909	\$ 3,130,135	\$ 15,225,535	\$ 1,265,323	\$ 11,496	\$ 16,502,354

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (94,074)	\$ 119,458
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	184,893	184,345
Loss on disposal of equipment	1,595	-
Donated assets	-	(24,000)
Changes in:		
Receivables	123,207	(62,668)
Prepaid expenses and other assets	(2,222)	(36,481)
Investment in the Community Foundation	-	(20,000)
Accounts payable	(82,842)	168,441
Accrued expenses	(3,245)	(178,392)
Refundable advances	1,364	(10,273)
Deferred revenue	55,806	(18,544)
Other current liabilities	(25,661)	6,697
	<u>158,821</u>	<u>128,583</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>-</u>	<u>(239,282)</u>
	<u>-</u>	<u>(239,282)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	158,821	(110,699)
CASH AND CASH EQUIVALENTS - beginning of year	<u>265,118</u>	<u>375,817</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 423,939</u>	<u>\$ 265,118</u>
SUPPLEMENTAL DATA - Interest paid	<u>\$ 151</u>	<u>\$ 157</u>

The accompanying notes are an integral part of these statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS JULY 31, 2016 AND 2015

1. THE AGENCY

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.

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 of America (GAAP).

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. The amounts on deposit are swept into U.S. Treasury bills nightly.

Contributions

Contributions are recognized when a 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)

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.

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 collection percentages and a review of open accounts. After all collection efforts are exhausted the account is written off. At July 31, 2016 and 2015, no allowance for doubtful accounts was considered necessary.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Agency's investments is discussed in Note 5.

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 \$5,000 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 and Section 8 housing assistance 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 statements of financial position. Deferred revenue amounted to \$141,058 and \$85,252 at July 31, 2016 and 2015, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances

Refundable advances represent unspent grant amounts received by the Agency that will be paid back to the grantor and amounted to \$49,062 and \$47,698 at July 31, 2016 and 2015, respectively.

In-kind Contributions

The Agency receives in-kind donations from outside parties. The donations include, but are not limited to, equipment, clothing, services, vehicles 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 GAAP. In-kind contributions of \$970,216 and \$1,176,243 for the years ended July 31, 2016 and 2015, 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 \$641,519 and \$582,547 for the years ended July 31, 2016 and 2015, 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, 2016 and 2015 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, 2016 and 2015 were 11.2% and 11.1%, respectively. The Agency's rates are based on actual indirect costs of \$1,266,486 and \$1,265,323, and a total direct cost base of \$11,301,838 and \$11,350,509, respectively.

Income Taxes

The Agency is a not-for-profit corporation and is exempt from income taxes as an organization 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.

Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Estimates

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

3. FEES AND GRANTS RECEIVABLE

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

	<u>2016</u>	<u>2015</u>
Department of Health and Human Services	\$ 180,733	\$ 243,684
Division of Housing and Community Renewal	1,163	51,479
NYS Office for People with Developmental Disabilities	44,450	12,525
Oneida County	117,619	61,245
Department of Agriculture	111,640	169,366
New York State Department of Education	21,550	77,535
Other receivables	<u>42,696</u>	<u>21,567</u>
	<u>\$ 519,851</u>	<u>\$ 637,401</u>

4. INVESTMENT 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 investment in the Community Foundation 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, 2016 and 2015, the investment in the Community Foundation was \$30,000.

5. FAIR VALUE MEASUREMENTS

The following are measured at fair value on a recurring basis at July 31, 2016:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investment in the Community Foundation	\$ -	\$ 30,000	\$ -	\$ 30,000
Total	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

The following are measured at fair value on a recurring basis at July 31, 2015:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Investment in the Community Foundation	\$ -	\$ 30,000	\$ -	\$ 30,000
Total	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>

The valuation technique used to measure fair value for the Agency's investment 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 2016 and 2015.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at July 31:

	<u>2016</u>	<u>2015</u>
Land and improvements	\$ 117,645	\$ 117,645
Buildings and improvements	1,586,168	1,530,819
Equipment and vehicles	1,062,880	1,302,697
Leasehold improvements	118,834	152,745
Construction in progress	<u>-</u>	<u>59,880</u>
	2,885,527	3,163,786
Less: Accumulated depreciation and amortization	<u>(2,142,295)</u>	<u>(2,234,066)</u>
	<u>\$ 743,232</u>	<u>\$ 929,720</u>

7. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Child development	\$ 63,786	\$ 75,636
Youth services	<u>708</u>	<u>708</u>
	<u>\$ 64,494</u>	<u>\$ 76,344</u>

Temporarily restricted net assets were released from donor restrictions by satisfying the restricted child development purposes during the years ended July 31, 2016 and 2015.

8. LINE-OF-CREDIT

The Agency has a \$300,000 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, 2016). There were no amounts outstanding on the line at July 31, 2016 and 2015.

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, 2016 and 2015, the Agency administered \$1,257,380 and \$1,249,729, 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, 2016 and 2015 were \$174,229 and \$129,274, 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, 2016 and 2015, the Agency made discretionary contributions of \$168,771 and \$174,887, respectively.

11. COMMITMENTS

The Agency has several noncancelable operating leases, primarily for program sites, which expire through October 2028. 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 \$744,190 and \$794,879 for the years ended July 31, 2016 and 2015, respectively.

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>
2017	\$ 514,661
2018	433,798
2019	437,007
2020	172,284
2021	96,357
Thereafter	<u>665,467</u>
	<u>\$ 2,319,574</u>

12. CONCENTRATION OF CREDIT RISK

During 2016 and 2015, the Agency derived approximately 51% and 59% of its revenue from the Department of Health and Human Services, respectively. The Agency's receivables from the Department of Health and Human Services represented approximately 35% and 38% of fees and grants receivable at July 31, 2016 and 2015, respectively. Additionally, 21% and 27% of the Agency's accounts receivable was from the Department of Agriculture at July 31, 2016 and 2015, respectively.

13. 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.

13. CONTINGENCIES (Continued)

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. In a letter dated October 25, 2016, HHAC released the lien on the property.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 17, 2017, which is the date the financial statements were available to be issued.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**SCHEDULE OF EXPENDITURES FOR THE RURAL PRESERVATION PROGRAM
FOR THE YEAR ENDED JULY 31, 2016**

	Expenditures for grant year ended <u>June 30, 2016</u>	Expenditures for the year ended <u>July 31, 2016</u>
Grant revenue	\$ 86,825	\$ 87,897
Expenses:		
Salaries	51,902	52,461
Fringe benefits	22,005	22,376
Consultants	566	565
Travel	212	230
Office supplies	236	217
Dues	372	371
Telephone	661	665
Printing and postage	123	192
Advertising	147	148
Meetings and conferences	240	225
Employee recruitment, recognition and benefit administration	368	369
Insurance	107	109
Audit	198	201
Legal fees	24	26
Housing special allocation/rent information technology	<u>9,664</u>	<u>9,742</u>
Total expense	<u>86,825</u>	<u>87,897</u>
Program income	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these schedules.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JULY 31, 2016**

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Contract/Grantor Number	Expenditures for the year ended July 31, 2016
Major Programs			
Department of Health and Human Services:			
Head Start	93.600	02CH3089/02	6,358,670
Head Start	93.600	02CH3089/03	<u>1,155,400</u>
Total Department of Health and Human Services			7,514,070
Department of Housing and Urban Development:			
Pass through Village of New Hartford -			
Section 8 Housing and Choice Vouchers	14.871	NY522	789,606
Section 8 Housing and Choice Vouchers	14.871	NY522	<u>642,003</u>
Total Section 8 Housing and Choice Vouchers			1,431,609
Pass through NYS Division of Housing and Community Renewal -			
Section 8 Housing and Choice Vouchers	14.871	V00135	<u>64,572</u>
Total Department of Housing and Urban Development			<u>1,496,181</u>
Total major programs			<u>9,010,251</u>
Other Federal Assistance			
Department of Health and Human Services:			
Pass through NYS Division of Housing and Community Renewal -			
Low-Income Home Energy Assistance	93.568	C092048-15	670,872
Low-Income Home Energy Assistance	93.568	MOU	<u>16,887</u>
Total Low-Income Home Energy Assistance			687,759
Pass through Oneida County -			
Social Services Block Grant - Parent Aide	93.667	14901	161,178
Social Services Block Grant - Parent Aide	93.667	14901	<u>259,659</u>
Total Social Services Block Grant - Parent Aide			<u>420,837</u>
Pass through New York State Department of State -			
Community Services Block Grant	93.569	C1000308	516,800
Community Services Block Grant	93.569	C1000308	<u>99,747</u>
Total Community Services Block Grant			<u>616,547</u>
Basic Center Grant	93.623	90CY6760-01-01	<u>82,303</u>
Total Basic Center Grant			<u>82,303</u>
Total Department of Health and Human Services			<u>1,807,446</u>
Department of Labor:			
Pass through WFD Board of Herkimer, Madison and Oneida Counties, Inc. -			
WIA/WIOA Youth Activities	17.259	YWPS-001	44,469
WIA Dislocated Workers	17.260	LEAP-001	<u>2,184</u>
Total Department of Labor			<u>46,653</u>

(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JULY 31, 2016**

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Contract/Grantor Number	Expenditures for the year ended July 31, 2016
Other Federal Assistance (Continued)			
Department of Agriculture:			
Pass through New York State Department of Health -			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):			
Administrative grant	10.557	CO25783A	64,669
Administrative grant	10.557	CO25783A	480,170
Food vouchers	10.557	CO25783	<u>1,844,964</u>
Total Special Supplemental Nutrition Program for Women, Infants and Children (WIC):			<u>2,389,803</u>
Pass through New York State Department of Health -			
Child and Adult Care Food Program	10.558	2050	12,501
Child and Adult Care Food Program	10.558	2050	<u>534,856</u>
Total Child and Adult Care Food Program			<u>547,357</u>
Total Department of Agriculture			<u>2,937,160</u>
Department of Transportation:			
Pass through Governor's Traffic Safety Committee -			
Occupant Protection Incentive Grants (Herkimer Child Passenger Safety Seat)	20.600	CPS-2015/00113	3,384
Occupant Protection Incentive Grants (Herkimer Child Passenger Safety Seat)	20.600	CPS-2016/00232	<u>43</u>
Total Department of Transportation			<u>3,427</u>
Department of Energy:			
Pass through New York State Division of Housing and Community Renewal -			
Weatherization Assistance for Low-Income Persons	81.042	C092048-15	258,049
Weatherization Assistance for Low-Income Persons	81.042	C092048-16	<u>282,512</u>
Total Department of Energy			<u>540,561</u>
Corporation for National and Community Service:			
Foster Grandparent Program	94.011	13SFANY009	10,426
Foster Grandparent Program	94.011	13SFANY009	<u>149,069</u>
Total Corporation for National and Community Service			<u>159,495</u>
Total other federal assistance			<u>5,494,742</u>
Total federal awards			<u>\$ 14,504,993</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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The schedule includes expenditures of federal programs received directly from federal agencies, as well as federal assistance passed through other organizations.

Nonmonetary Assistance

Nonmonetary assistance is reported in the schedule of expenditures of Federal awards at value of the WIC checks received. The total Federal share of instruments distributed by the Agency amounted to \$1,844,964.

Indirect Costs

The Agency uses a Federally approved indirect cost rate of 11.2%.

**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**

January 17, 2017

To the Board of Directors of
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), which comprise the statement of financial position as of July 31, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2017.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

16

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

(Continued)

Compliance and Other Matters

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

Bonadio & Co., LLP

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

January 17, 2017

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

Report on Compliance for Each Major Federal Program

We have audited Mohawk Valley Community Action Agency, Inc. (the Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended July 31, 2016. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). 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 the 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 each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Programs

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2016.

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(Continued)

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

(Continued)

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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.

Bonadio & Co., LLP

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JULY 31, 2016**

A. SUMMARY OF AUDITORS' RESULTS

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Mohawk Valley Community Action Agency, Inc. (the Agency) were prepared in accordance with generally accepted accounting principles.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The independent auditor's report expresses an unmodified opinion on compliance for the major federal award programs for the Agency.
6. There are no audit findings relative to the major federal award programs for the Agency.
7. The programs tested as major programs were:
 - Head Start, CFDA No. 93.600
 - Section 8 Housing and Choice Vouchers, CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The Agency was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None