

PRO ACTION OF STEUBEN AND YATES, INC.

BATH, NEW YORK

AUDITED FINANCIAL STATEMENTS

OTHER FINANCIAL INFORMATION

AND

INDEPENDENT AUDITOR'S REPORTS

DECEMBER 31, 2017 AND 2016



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pro Action of Steuben and Yates, Inc.
Bath, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Pro Action of Steuben and Yates, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro Action of Steuben and Yates, Inc. as of December 31, 2017 and 2016, 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.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards (pages 21 through 24) is presented for purposes of additional analysis as required by 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), and is not a required part of the financial statements. The accompanying schedule of indirect cost rate calculation (pages 26 to 27) is also 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 audits 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 schedule of expenditures of federal awards and the schedule of indirect cost rate calculation are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018 on our consideration of Pro Action of Steuben and Yates, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pro Action of Steuben and Yates, Inc.'s internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Elmira, New York
April 10, 2018

PRO ACTION OF STEUBEN AND YATES, INC.

STATEMENTS OF FINANCIAL POSITION

<u>ASSETS</u>	December 31,	
	<u>2017</u>	<u>2016</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 1,597,714	\$ 1,088,570
Certificate of deposit	91,608	84,873
Restricted cash	85,998	113,716
Grants receivable	1,333,325	1,666,476
Inventory	24,607	20,562
Prepaid expenses	<u>37,249</u>	<u>49,701</u>
TOTAL CURRENT ASSETS	3,170,501	3,023,898
 <u>PROPERTY AND EQUIPMENT</u>		
Building and improvements	776,999	740,411
Leasehold improvements	157,556	126,962
Furniture and equipment	658,513	632,904
Transportation equipment	<u>867,529</u>	<u>866,732</u>
	2,460,597	2,367,009
Less allowances for depreciation and amortization	<u>1,790,126</u>	<u>1,662,219</u>
	<u>670,471</u>	<u>704,790</u>
	<u>\$ 3,840,972</u>	<u>\$ 3,728,688</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 392,151	\$ 413,206
Accrued payroll and related withholdings	369,630	355,423
Accrued vacation	274,026	275,990
Program advances	688,724	604,994
Assets held for others	<u>85,998</u>	<u>113,716</u>
TOTAL CURRENT LIABILITIES	1,810,529	1,763,329
 <u>NET ASSETS</u>		
Unrestricted	1,917,133	1,852,049
Temporarily restricted	<u>113,310</u>	<u>113,310</u>
	<u>2,030,443</u>	<u>1,965,359</u>
	<u>\$ 3,840,972</u>	<u>\$ 3,728,688</u>

The accompanying notes are an integral part of the financial statements.

PRO ACTION OF STEUBEN AND YATES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended December 31,					
	2017			2016		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Federal agencies	\$ 8,851,465	\$ -	\$ 8,851,465	\$ 9,259,009	\$ -	\$ 9,259,009
State agencies	1,947,478	-	1,947,478	1,952,080	-	1,952,080
County agencies	3,210,415	-	3,210,415	3,363,372	-	3,363,372
Organizational grants	520,526	-	520,526	475,794	-	475,794
Donations, fees and fundraising	357,537	-	357,537	344,792	-	344,792
Non-federal cash match	98,245	-	98,245	97,495	-	97,495
In-kind revenue	233,882	-	233,882	273,825	-	273,825
Other	187,880	-	187,880	139,311	-	139,311
TOTAL SUPPORT AND REVENUE	15,407,428	-	15,407,428	15,905,678	-	15,905,678
Expenses:						
Program services:						
Adult nutrition services	939,777	-	939,777	887,818	-	887,818
Early childhood services	9,756,386	-	9,756,386	9,860,711	-	9,860,711
Energy services	904,977	-	904,977	1,055,642	-	1,055,642
Employment services	1,273,576	-	1,273,576	1,401,297	-	1,401,297
Other aging programs	671,293	-	671,293	652,930	-	652,930
CSBG operating and other	617,517	-	617,517	796,975	-	796,975
Program depreciation	158,902	-	158,902	169,232	-	169,232
TOTAL PROGRAM EXPENSES	14,322,428	-	14,322,428	14,824,605	-	14,824,605
Supporting services:						
Management and general	1,019,916	-	1,019,916	1,069,663	-	1,069,663
TOTAL EXPENSES	15,342,344	-	15,342,344	15,894,268	-	15,894,268
INCREASE IN NET ASSETS	65,084	-	65,084	11,410	-	11,410
Net assets at beginning of year	1,852,049	113,310	1,965,359	1,840,639	113,310	1,953,949
NET ASSETS AT END OF YEAR	\$ 1,917,133	\$ 113,310	\$ 2,030,443	\$ 1,852,049	\$ 113,310	\$ 1,965,359

The accompanying notes are an integral part of the financial statements.

PRO ACTION OF STEUBEN AND YATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Adult Nutrition Services	Early Childhood Services	Energy Services	Employment Services	Other Aging Programs	CSBG Operating and Other	Program Depreciation	Total Program Services	Supporting Services Management and General	Total Expenses
Salaries	\$ 423,272	\$ 4,472,456	\$ 419,040	\$ 1,024,888	\$ 392,375	\$ 296,724	\$ -	\$ 7,028,755	\$ 546,418	\$ 7,575,173
Employee benefits and payroll taxes	117,332	1,321,114	168,714	216,233	111,902	113,696	-	2,048,991	165,181	2,214,172
Contractual	3,507	131,073	-	175	82,640	8,776	-	226,171	132,885	359,056
Travel	74,572	160,336	30,176	8,113	27,208	14,851	-	315,256	9,205	324,461
Staff development	-	55,896	6,575	1,574	2,766	10,719	-	77,530	11,798	89,328
Occupancy	7,375	218,283	20,483	2,400	-	55,349	-	303,890	24,789	328,679
Consumable supplies	53,922	208,579	245,369	1,290	89	23,772	-	533,021	10,010	543,031
Communications	11,334	53,033	8,154	767	19,642	14,565	-	107,495	43,815	151,310
Food	237,212	270,084	-	-	1,843	-	-	509,139	-	509,139
Insurance	2,227	15,884	5,904	-	-	843	-	24,858	35,426	60,284
Provider payments	-	2,494,781	-	-	-	-	-	2,494,781	-	2,494,781
Direct assistance	-	41,933	-	15,945	7,436	8,073	-	73,387	-	73,387
Printing	-	14,705	256	-	18,236	670	-	33,867	25,708	59,575
Small equipment	7,486	79,324	-	2,142	1,807	410	-	91,169	14,406	105,575
Miscellaneous	738	46,584	306	49	5,349	8,308	-	61,334	275	61,609
Depreciation and amortization	-	-	-	-	-	-	158,902	158,902	-	158,902
In-kind	800	172,321	-	-	-	60,761	-	233,882	-	233,882
	<u>\$ 939,777</u>	<u>\$ 9,756,386</u>	<u>\$ 904,977</u>	<u>\$ 1,273,576</u>	<u>\$ 671,293</u>	<u>\$ 617,517</u>	<u>\$ 158,902</u>	<u>\$ 14,322,428</u>	<u>\$ 1,019,916</u>	<u>\$ 15,342,344</u>

The accompanying notes are an integral part of the financial statements.

PRO ACTION OF STEUBEN AND YATES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Adult Nutrition Services	Early Childhood Services	Energy Services	Employment Services	Other Aging Programs	CSBG Operating and Other	Program Depreciation	Total Program Services	Supporting Services Management and General	Total Expenses
Salaries	\$ 383,349	\$ 4,427,925	\$ 501,694	\$ 1,126,685	\$ 373,021	\$ 334,498	\$ -	\$ 7,147,172	\$ 569,905	\$ 7,717,077
Employee benefits and payroll taxes	110,722	1,294,696	186,759	234,858	106,792	95,988	-	2,029,815	174,545	2,204,360
Contractual	3,742	137,415	110	2,355	82,556	9,460	-	235,638	142,264	377,902
Travel	73,121	154,943	31,811	7,424	24,201	19,270	-	310,770	9,191	319,961
Staff development	205	55,348	16,348	25	3,344	23,059	-	98,329	12,124	110,453
Occupancy	7,140	181,593	17,914	2,554	-	48,381	-	257,582	19,125	276,707
Consumable supplies	57,555	184,823	283,803	1,672	-	25,484	-	553,337	10,198	563,535
Communications	10,883	46,729	7,278	2,566	25,066	7,450	-	99,972	57,486	157,458
Food	227,134	270,788	-	-	-	-	-	497,922	-	497,922
Insurance	3,035	17,718	6,532	-	4,000	923	-	32,208	29,646	61,854
Provider payments	-	2,718,583	-	-	-	-	-	2,718,583	-	2,718,583
Direct assistance	-	68,603	-	20,932	5,854	122,657	-	218,046	-	218,046
Printing	-	12,322	274	722	20,840	600	-	34,758	34,125	68,883
Small equipment	10,007	77,439	410	1,504	3,070	2,611	-	95,041	9,726	104,767
Miscellaneous	125	44,629	2,709	-	4,186	726	-	52,375	1,328	53,703
Depreciation and amortization	-	-	-	-	-	-	169,232	169,232	-	169,232
In-kind	800	167,157	-	-	-	105,868	-	273,825	-	273,825
	<u>\$ 887,818</u>	<u>\$ 9,860,711</u>	<u>\$ 1,055,642</u>	<u>\$ 1,401,297</u>	<u>\$ 652,930</u>	<u>\$ 796,975</u>	<u>\$ 169,232</u>	<u>\$ 14,824,605</u>	<u>\$ 1,069,663</u>	<u>\$ 15,894,268</u>

The accompanying notes are an integral part of the financial statements.

PRO ACTION OF STEUBEN AND YATES, INC.

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 65,084	\$ 11,410
Adjustments to reconcile increase in net assets to net cash provided from operating activities:		
Depreciation and amortization	158,902	169,232
Reinvested interest income	(735)	(343)
Changes in certain assets and liabilities affecting operations:		
Grants receivable	333,151	(81,772)
Inventory	(4,045)	11,180
Prepaid expenses	12,452	(49,701)
Accounts payable	(21,055)	(22,199)
Accrued payroll and related withholdings	14,207	42,370
Accrued vacation	(1,964)	9,878
Program advances	<u>83,730</u>	<u>170,823</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	639,727	260,878
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Increase in certificate of deposit	(6,000)	-
Purchase of property and equipment, net of disposal	<u>(124,583)</u>	<u>(28,896)</u>
NET CASH USED FOR INVESTING ACTIVITIES	(130,583)	(28,896)
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Principal payments on long-term debt	<u>-</u>	<u>(3,754)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>-</u>	<u>(3,754)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	509,144	228,228
Cash and cash equivalents at beginning of year	<u>1,088,570</u>	<u>860,342</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,597,714</u>	<u>\$ 1,088,570</u>

The accompanying notes are an integral part of the financial statements.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization and revenue recognition

Pro Action of Steuben and Yates, Inc. is a private, nonprofit, anti-poverty agency serving the counties of Steuben and Yates. The Organization administers a variety of federal, state and locally sponsored programs which are directed toward reducing or eliminating the primary causes of poverty throughout the community. Revenues from these sources are recorded as services are rendered. The funding sources may amend the grant and contract amounts or request return of funds for non-allowable costs. The Organization records such amendments as an adjustment to revenue in the year of the amendment.

Financial statement presentation

The Organization reports 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.

Unrestricted net assets: Represents all resources over which the Board of Directors has discretionary control to use in carrying on the Organization's operations.

Temporarily restricted net assets: Consists of all resources currently available for use, but limited by donor imposed restrictions that expire by the passage of time or can be fulfilled or otherwise removed by actions of the Organization. Temporarily restricted net assets reflect amounts received for the Senior Nutrition program.

The Organization has no permanently restricted net assets at December 31, 2017 or 2016.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues at their fair values in the period received. Additionally, contributions received are classified as additions to permanently restricted net assets, temporarily restricted net assets or unrestricted net assets, as appropriate. Restricted contributions received whose restrictions are met during the year are reflected as unrestricted support.

Cash and cash equivalents

For the purposes of cash flows the Organization considers all highly liquid debt instruments with original maturity dates of three months or less to be cash equivalents.

Cash and certificate of deposit balances are maintained at financial institutions located in Upstate New York and are insured by the FDIC up to \$250,000 at each institution. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2017 AND 2016

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grants receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management reviews grants receivable periodically to determine if any receivables will potentially be uncollectible. After all attempts to collect a receivable have failed, the receivable is written off to bad debt expense.

Inventory

Inventory, consisting of energy program supplies, is stated at the lower of cost and net realizable value, with cost being determined using the first-in, first-out basis

Property and equipment

Property and equipment are stated on the basis of cost when purchased or at fair value when donated. Depreciation and amortization are computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range from five to twenty years.

Expenditures for renewals and betterments are capitalized while expenditures for repairs and maintenance are charged to operations as incurred. Upon sale or retirement, the related cost and allowances for depreciation and amortization are removed from the accounts and the related gain or loss is reflected in activities.

A substantial portion of property and equipment is used in program activities. The Organization does not allocate depreciation expense to the individual programs that are benefited.

Program advances

The Organization recognizes revenue from governmental grants and contracts as related expenditures are incurred. Program advances represent grant awards received that have not been spent.

Tax exempt status

The Organization is a non-profit organization exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations.

The Organization has filed for and received income tax exemptions in the various jurisdictions where it is required to do so. The Organization files Form 990 tax returns in the U.S. federal jurisdiction and in New York State. With few exceptions, as of December 31, 2017, the Organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ended prior to December 31, 2014. The tax returns for the years ended December 31, 2014 through December 31, 2017 are still subject to potential audit by the IRS and the taxing authorities in New York State. Management of the Organization believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2017 AND 2016

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the statement of financial position date through April 10, 2018, which is the date the financial statements are available to be issued. No subsequent events requiring disclosure were noted.

NOTE B: PROGRAM ADVANCES.

Program advances consist of the following:

	December 31,	
	<u>2017</u>	<u>2016</u>
Child and Adult Care Food Program	\$ 30,865	\$ 32,254
Community Services Block Grant	88,759	131,721
Weatherization	-	107,211
Child Care Resource and Referral	102,347	75,285
Women Infant and Children (WIC)	35,427	33,469
SCCP Child Care Subsidy	150,000	150,000
Strategic Investment Fund	46,658	-
Child Care Aware Early Literacy	44,143	-
Hope Center	113,671	-
Various other	76,854	75,054
	<u>\$ 688,724</u>	<u>\$ 604,994</u>

NOTE C: DEBT

The Organization has a \$500,000 unsecured line of credit with a financial institution with interest at prime with floor of 4.25%. There were no borrowings outstanding at December 31, 2017 or 2016.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2017 AND 2016

NOTE D: ASSETS HELD FOR OTHERS

Assets held for others include amounts related to the guaranteed loan program as well as the assets for independence program.

The guaranteed loan program liability consists of monies received from a federal agency to administer guaranteed loan programs for various purposes to low-income families of Steuben and Yates Counties. The loans are made by a local financial institution and repayment is guaranteed, in the event of default, with these funds. Upon completion or termination of these programs any unspent funds must be returned to a federal agency.

The assets for independence program liability consists of monies received from a federal agency to assist low-income individuals through matched savings accounts. The use and impact of this program helps these individuals move toward greater self-sufficiency.

The balance in these funds as of December 31 are as follows:

	December 31,	
	2017	2016
Wheels II purchase - Steuben	\$ 37,998	\$ 59,650
Wheels II purchase - Yates	-	3,561
Wheels II purchase - Chemung	-	14,505
Assets for independence program	48,000	36,000
	<u>\$ 85,998</u>	<u>\$ 113,716</u>

These funds are also recorded on the statement of financial position at December 31, 2017 and 2016 as restricted cash in the amount of \$85,998 and \$113,716, respectively.

NOTE E: DONATED SERVICES, MATERIALS, AND FACILITIES

The Organization occupies space free of charge or at below market rates, at various locations to operate programs. These donated facilities are reported as revenue and expense in the accompanying statements of activities amounting to \$233,882 and \$273,825, respectively.

In addition, the Organization occupies, without charge, space in a government owned building used for the Organization's central administration. The estimated fair rental value is reported as other revenue and occupancy expense in the accompanying financial statements in the amount of approximately \$95,000 for each of the years ended December 31, 2017 and 2016.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2017 AND 2016

NOTE F: RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) retirement plan. All employees of the Organization working 20 hours or more per week are eligible, after one year, to participate in this plan. Participants are fully vested immediately. The Organization contributes a percentage of the individual's salary based upon years of service as follows:

One to five years	3%
Six to ten years	5%
After ten years	7%

Retirement expense for the years ended December 31, 2017 and 2016 amounted to \$284,157 and \$281,417, respectively.

NOTE G: COMMITMENTS

The Organization leases facilities at various sites for use in the Organization's programs under non-cancelable leases in terms of one year or more as follows:

- Three Rivers Development (Corning) – 3 year lease requiring monthly payments of \$695, final payment due June 2019.
- Judson & Paulina Reid (Penn Yan) – 3 year lease requiring monthly payments of \$900, final payment due February 2021.
- Penn Yan Central School District – 1 year lease requiring ten monthly payments of \$1,210, final payment due June 2018.
- Dormann Library – 5 year lease requiring current monthly payments of \$2,721 through September 2018, increasing by approximately 2.5% yearly until final payment due September 2022.
- Hope Center in Penn Yan– 2 year lease ending August 2019, requiring monthly payments of \$800.
- Bath Plaza Warehouse for HeadStart – 5 year lease requiring monthly payments of \$1,100 through July 2017, increasing to monthly payments of \$1,150 until final payment due July 2019.
- Schuyler County SCCP – 1 year lease ending December 2018, requiring an annual payment of \$9,300.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS, Cont'd

DECEMBER 31, 2017 AND 2016

NOTE G: COMMITMENTS, Cont'd

Future minimum lease payments under these leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2018	\$ 88,936
2019	63,068
2020	45,269
2021	37,144
2022	<u>27,000</u>
	<u>\$ 261,417</u>

Rent expense for the above leases and other short-term leases for the years ended December 31, 2017 and 2016 amounted to \$109,580 and \$101,108, respectively.

NOTE H: CONTINGENCIES

The Organization receives various grants from federal and state agencies which are subject to audit by these agencies. Such audits may result in disallowances and a request for a return of funds. Based on past audits the Organization believes disallowances, if any, will not be significant.

PRO ACTION OF STEUBEN AND YATES, INC.

OTHER FINANCIAL INFORMATION

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

Board of Directors
Pro Action of Steuben and Yates, 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 Pro Action of Steuben and Yates, Inc. (a non-profit Organization), which comprise the statement of financial position as of December 31, 2017, 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 April 10, 2018.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Mengel, Metzger, Barw & Co. LLP

Elmira, New York
April 10, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
Pro Action of Steuben and Yates, Inc.

Report on Compliance for Each Major Federal Program

We have audited Pro Action of Steuben and Yates, Inc.'s (a non-profit Organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pro Action of Steuben and Yates, Inc.'s major federal programs for the year ended December 31, 2017. Pro Action of Steuben and Yates, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pro Action of Steuben and Yates, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Pro Action of Steuben and Yates, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Pro Action of Steuben and Yates, Inc.'s compliance.

Opinion on Each Major Program

In our opinion, Pro Action of Steuben and Yates, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of Pro Action of Steuben and Yates, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pro Action of Steuben and Yates, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Pro Action of Steuben and Yates, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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.

Mengel, Metzger, Baw & Co. LLP

Elmira, New York
April 10, 2018

PRO ACTION OF STEUBEN AND YATES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start	93.600		\$ 4,118,717
Community Services Block Grant Passed through the NYS Department of State	93.569		503,576
Temporary Assistance For Needy Families Passed through:			
Steuben County Department of Social Services Summer Youth program	93.558		176,565
Yates County Department of Social Services Job Coach	93.558		94,012
Summer Youth program	93.558		<u>8,063</u>
			278,640
Low Income Home Energy Assistance Passed through:			
NYS Division of Housing and Community Renewal	93.568	C092066-16	131,334
NYS Division of Housing and Community Renewal	93.568	C092066-17	181,659
NYS Office of Temporary and Disability Assistance	93.568		132,069
Yates County Department of Social Services	93.568		11,786
Steuben County Department of Social Services	93.568		120,305
Steuben County Office for the Aging	93.568		<u>4,685</u>
			581,838
Community-Based Child Abuse Prevention Grants Passed through New York State	93.590		43,497

PRO ACTION OF STEUBEN AND YATES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Child Care and Development Block Grant			
Passed through:			
NYS Department of Social Services	93.575		\$ 177,998
Steuben County Department of Social Services	93.575		126,654
Schuyler County Department of Social Services	93.575		<u>32,025</u>
			336,677
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services			
Passed through Steuben County	93.043		6,496
Passed through NYS Office of the Aging	93.043		<u>3,112</u>
			9,608
Aging Cluster			
Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers			
Passed through NYS Office of the Aging	93.044		42,648
Special Programs for the Aging Title III, Part C, Nutrition Services			
Passed through Steuben County	93.045		188,715
Passed through NYS Office for the Aging	93.045		65,088
Nutrition Services Incentive Program			
Passed through Steuben County	93.053		69,171
Passed through NYS Office for the Aging	93.053		<u>11,321</u>
			376,943
National Family Caregiver Support, Title III, Part E			
Passed through NYS Office for the Aging	93.052		17,725
Medicare Enrollment Assistance Program			
Passed through New York State	93.071		9,313
Assets for Independence Demonstration Program	93.602		10,750
Medical Assistance Program			
Passed through Steuben County	93.778		75,683
Centers for Medicare and Medicaid Services (CMS)			
Research, Demonstrations and Evaluations			
Passed through NYS Office for the Aging	93.779		<u>21,820</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			6,384,787

PRO ACTION OF STEUBEN AND YATES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Cont'd

YEAR ENDED DECEMBER 31, 2017

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF LABOR</u>			
Senior Community Service Employment Program			
Passed through Senior Service America Inc.	17.235		\$ 323,470
Passed through NYS Office for the Aging	17.235		<u>23,001</u>
			346,471
Workforce Investment Act Cluster			
Passed through Chemung, Schuyler, Steuben Workforce New York:			
Youth Activities	17.259		<u>380,030</u>
TOTAL DEPARTMENT OF LABOR			<u>726,501</u>
<u>DEPARTMENT OF AGRICULTURE</u>			
Special Supplemental Nutrition Program for Women, Infants, and Children			
Passed through NYS Department of Health	10.557		1,743,491
Child and Adult Care Food Program			
Passed through NYS Department of Health	10.558		<u>824,002</u>
TOTAL DEPARTMENT OF AGRICULTURE			2,567,493
<u>DEPARTMENT OF ENERGY</u>			
Weatherization Assistance for Low-Income Persons			
Passed through NYS Department of Housing and Community Renewal	81.042	C092066-17	<u>265,790</u>
TOTAL DEPARTMENT OF ENERGY			<u>265,790</u>
TOTAL FEDERAL AWARDS			<u>\$ 9,944,571</u>

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2017

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pro Action of Steuben and Yates, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: FOOD PROGRAM FOR WOMEN, INFANTS, CHILDREN

Non-monetary assistance is reported in the schedule for the fair market value of the food coupons redeemed during the year, totaling \$1,062,678.

NOTE C: INDIRECT COST RATE

Pro Action of Steuben and Yates, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

PRO ACTION OF STEUBEN AND YATES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? yes x no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? yes x no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a) yes x no

Identification of major programs:	
<i>CFDA Number:</i>	<i>Name of Federal Program or Cluster:</i>
10.558	Child and Adult Care Food Program
93.569	Community Service Block Grant
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

PRO ACTION OF STEUBEN AND YATES, INC.
SCHEDULE OF INDIRECT COST RATE CALCULATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

The calculation of the final indirect cost rates are presented below:

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries	\$ 549,234	\$ 568,936
Fringe	159,387	166,396
Consultants (contractual)	132,885	142,264
Travel and transportation	9,205	9,191
Communications	25,901	35,176
Equipment and maintenance	18,622	9,101
Insurance	35,426	29,646
Supplies	8,208	9,025
Occupancy	24,789	19,124
Staff development	11,798	12,099
Miscellaneous	275	1,327
Costs allocated directly to daycare providers	<u>(30,000)</u>	<u>(30,000)</u>
	<u>\$ 945,730</u>	<u>\$ 972,285</u>
 Management and administrative salaries	 \$ 549,234	 \$ 568,936
Management and administrative fringe	159,387	166,396
Non-salary indirect costs	<u>237,109</u>	<u>236,953</u>
	<u>\$ 945,730</u>	<u>\$ 972,285</u>

PRO ACTION OF STEUBEN AND YATES, INC.

SCHEDULE OF INDIRECT COST RATE CALCULATION, Cont'd

YEARS ENDED DECEMBER 31, 2017 AND 2016

Indirect cost base uses total direct costs adjusted for distorting items as defined in the Indirect Cost Proposal as follows:

	<u>Year ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Total expenses	\$ 15,342,344	\$ 15,894,268
Less:		
Depreciation and amortization	158,902	169,232
In-kind expenses	233,882	273,825
Management and administrative salaries	549,234	568,936
Management and administrative fringe	159,387	166,396
Management and administrative non-salary costs	237,109	236,953
Child care payments	2,494,781	2,718,583
Occupancy	102,731	90,098
Miscellaneous	121,421	144,617
	<u>4,057,447</u>	<u>4,368,640</u>
	<u>\$ 11,284,897</u>	<u>\$ 11,525,628</u>
Indirect cost rate calculation:		
Indirect costs	\$ 945,730	\$ 972,285
Divided by base	\$ 11,284,897	\$ 11,525,628
Percentage	<u>8.38%</u>	<u>8.44%</u>