

**PRO ACTION OF STEUBEN AND YATES, INC.**

**Financial Statements as of  
December 31, 2018  
Together with  
Independent Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# PRO ACTION OF STEUBEN AND YATES, INC.

## TABLE OF CONTENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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	<u>Page</u>
Independent Auditor's Report	1 - 2
Balance Sheet	3
Statement of Activities and Change in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14
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 <i>Government Auditing Standards</i>	15 - 16
Independent Auditor's Report on Compliance For Each Major Federal Program and On Internal Control Over Compliance Required by the Uniform Guidance	17 - 18
Schedule of Expenditures of Federal Awards	19 - 20
Notes to Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22
Schedule of Indirect Cost Rate Calculation	23 - 24

## INDEPENDENT AUDITOR'S REPORT

April 9, 2019

To the Board of Directors of  
Pro Action of Steuben and Yates, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pro Action of Steuben and Yates, Inc. (a New York not-for-profit corporation), which comprise the balance sheet as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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## **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 Pro Action of Steuben and Yates, Inc. as of December 31, 2018, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, Pro Action of Steuben and Yates, Inc. implemented Accounting Standards Update 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, and the effects have been included in these financial statements. Our opinion is not modified with respect to this matter.

### **Prior Period Financial Statements**

The summarized comparative information has been derived from the financial statements of Pro Action of Steuben and Yates, Inc. as of December 31, 2017, which were audited by other auditors whose report, dated April 10, 2018, expressed an unmodified opinion on those financial statements.

### **Report on Supplementary 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 Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the information presented on pages 23-24 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 April 9, 2019, 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 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 Pro Action of Steuben and Yates, Inc.'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 Pro Action of Steuben and Yates, Inc.'s internal control over financial reporting and compliance.

# PRO ACTION OF STEUBEN AND YATES, INC.

## BALANCE SHEET DECEMBER 31, 2018

(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,501,355	\$ 1,597,714
Certificates of deposit	92,975	91,608
Restricted cash	74,051	85,998
Grants receivable	1,872,380	1,333,325
Inventory	31,702	24,607
Prepaid expenses	<u>19,466</u>	<u>37,249</u>
Total current assets	<u>3,591,929</u>	<u>3,170,501</u>
PROPERTY AND EQUIPMENT:		
Building and improvements	776,999	776,999
Leasehold improvements	157,556	157,556
Furniture and equipment	722,928	658,513
Vehicles	<u>871,173</u>	<u>867,529</u>
	2,528,656	2,460,597
Less: Accumulated depreciation and amortization	<u>(1,853,185)</u>	<u>(1,790,126)</u>
Net property and equipment	<u>675,471</u>	<u>670,471</u>
Total assets	<u>\$ 4,267,400</u>	<u>\$ 3,840,972</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 421,097	\$ 392,151
Accrued payroll and related expenses	704,452	643,656
Program advances	571,186	688,724
Assets held for others	<u>74,051</u>	<u>85,998</u>
Total current liabilities	1,770,786	1,810,529
NET ASSETS:		
Without donor restrictions	2,279,887	1,917,133
With donor restrictions	<u>216,727</u>	<u>113,310</u>
Total net assets	<u>2,496,614</u>	<u>2,030,443</u>
Total liabilities and net assets	<u>\$ 4,267,400</u>	<u>\$ 3,840,972</u>

The accompanying notes are an integral part of these statements.

**PRO ACTION OF STEUBEN AND YATES, INC.****STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

(With Comparative Totals for 2017)

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2018</u>	<u>2017</u>
<b>SUPPORT AND REVENUE:</b>				
Federal agencies	\$ 8,903,715	\$ -	\$ 8,903,715	\$ 8,851,465
State agencies	2,139,736	-	2,139,736	1,947,478
County agencies	3,250,917	-	3,250,917	3,210,415
Organizational grants	771,654	109,269	880,923	520,526
Donations, fees and fundraising	389,761	-	389,761	357,537
Non-federal cash match	101,802	-	101,802	98,245
In-kind revenue	188,739	-	188,739	233,882
Other	277,177	-	277,177	187,880
Net assets released from restrictions	<u>5,852</u>	<u>(5,852)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>16,029,353</u>	<u>103,417</u>	<u>16,132,770</u>	<u>15,407,428</u>
<b>EXPENSES:</b>				
Program services	14,566,662	-	14,566,662	14,322,428
Management and general	<u>1,099,937</u>	<u>-</u>	<u>1,099,937</u>	<u>1,019,916</u>
Total expenses	<u>15,666,599</u>	<u>-</u>	<u>15,666,599</u>	<u>15,342,344</u>
CHANGE IN NET ASSETS	362,754	103,417	466,171	65,084
NET ASSETS - beginning of year	<u>1,917,133</u>	<u>113,310</u>	<u>2,030,443</u>	<u>1,965,359</u>
NET ASSETS - end of year	<u>\$ 2,279,887</u>	<u>\$ 216,727</u>	<u>\$ 2,496,614</u>	<u>\$ 2,030,443</u>

The accompanying notes are an integral part of these statements.

**PRO ACTION OF STEUBEN AND YATES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

(With Comparative Totals for 2017)

	2018								Totals	
	Program							Management and General	2018	2017
	Adult Nutrition Services	Early Childhood Services	Energy Services	Employment Services	Other Aging Programs	CSBG Operating and other	Total Program			
Salaries and wages	\$ 445,567	\$ 4,609,467	\$ 576,750	\$ 921,966	\$ 406,689	\$ 320,625	\$ 7,281,064	\$ 587,621	\$ 7,868,685	\$ 7,575,173
Employee benefits and payroll taxes	120,299	1,370,603	200,484	186,384	116,867	89,470	2,084,107	172,273	2,256,380	2,214,172
Provider payments	-	2,187,418	-	-	-	-	2,187,418	-	2,187,418	2,494,781
Consumable supplies	64,939	170,678	369,635	3,607	578	25,438	634,875	9,802	644,677	543,031
Contractual	3,507	152,679	1,436	53,170	156,784	16,588	384,164	151,555	535,719	359,056
Food	238,367	274,473	-	-	-	-	512,840	-	512,840	509,139
Occupancy	7,560	225,218	19,165	4,626	1,049	69,043	326,661	24,679	351,340	328,679
Travel	77,029	159,832	41,896	12,361	32,366	15,316	338,800	10,051	348,851	324,461
In-Kind	-	143,743	-	-	-	44,996	188,739	-	188,739	233,882
Communications	9,159	52,926	7,019	1,339	19,806	7,193	97,442	49,800	147,242	151,310
Staff development	-	65,065	26,746	488	863	24,067	117,229	11,716	128,945	89,328
Small equipment	4,056	66,797	2,971	4,203	2,372	18,223	98,622	3,784	102,406	105,575
Printing	-	17,393	152	-	14,657	130	32,332	28,956	61,288	59,575
Insurance	944	3,457	133	-	-	523	5,057	32,856	37,913	60,284
Direct assistance	-	10,202	-	8,347	3,879	7,392	29,820	-	29,820	73,387
Miscellaneous	370	68,385	4,761	18,115	9,667	3,425	104,723	275	104,998	61,609
<b>Total expenses before depreciation and amortization</b>	<b>971,797</b>	<b>9,578,336</b>	<b>1,251,148</b>	<b>1,214,606</b>	<b>765,577</b>	<b>642,429</b>	<b>14,423,893</b>	<b>1,083,368</b>	<b>15,507,261</b>	<b>15,183,442</b>
Depreciation and amortization	27,160	110,426	3,489	-	1,694	-	142,769	16,569	159,338	158,902
<b>Total expenses</b>	<b>\$ 998,957</b>	<b>\$ 9,688,762</b>	<b>\$ 1,254,637</b>	<b>\$ 1,214,606</b>	<b>\$ 767,271</b>	<b>\$ 642,429</b>	<b>\$ 14,566,662</b>	<b>\$ 1,099,937</b>	<b>\$ 15,666,599</b>	<b>\$ 15,342,344</b>

The accompanying notes are integral part of these statements.

## PRO ACTION OF STEUBEN AND YATES, INC.

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018 (With Comparative Totals for 2017)

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	<u>2018</u>	<u>2017</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 466,171	\$ 65,084
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	159,338	158,902
Changes in:		
Grants receivable	(539,055)	333,151
Inventory	(7,095)	(4,045)
Prepaid expenses	17,783	12,452
Accounts payable	28,946	(21,055)
Accrued payroll and related expenses	60,796	12,243
Program advances	<u>(117,538)</u>	<u>83,730</u>
Net cash flow from operating activities	<u>69,346</u>	<u>640,462</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in certificate of deposit	(1,367)	(6,735)
Purchases of property and equipment	<u>(164,338)</u>	<u>(124,583)</u>
Net cash flow from investing activities	<u>(165,705)</u>	<u>(131,318)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(96,359)	509,144
CASH AND CASH EQUIVALENTS - beginning of year	<u>1,597,714</u>	<u>1,088,570</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,501,355</u>	<u>\$ 1,597,714</u>

The accompanying notes are an integral part of these statements.

# PRO ACTION OF STEUBEN AND YATES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018

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### 1. THE ORGANIZATION

Pro Action of Steuben and Yates, Inc. (the Organization) is a private, nonprofit, anti-poverty agency serving the counties of Steuben and Yates, New York. 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. The Organization is a New York State non-profit corporation, incorporated in 1965.

The specific purpose of the Organization is to build a community of resilient individuals and families who can meet their basic needs, overcome adversity, and prosper.

The following are descriptions of the prominent programs administered by the Organization:

#### **Early Childhood Services**

Early Childhood Services includes Head Start, Early Head Start, and Universal Pre-Kindergarten programs that assist preschoolers and their families in preparation for school. The program provides family centered services which promote healthy development of the children and families.

#### **Employment Services**

Employment Services includes career search centers, summer youth employment, and wheels to work programs that provide training and employment assistance for income and age eligible people.

#### **Adult Nutrition Services**

Adult Nutrition Services provides nutritious meals to the over sixty population at both congregate meal sites and via home delivered meals. Congregate meal sites also provide the opportunity for socialization and a forum for educational programming. Home delivered meals contribute to assisting individuals in staying in their homes for as long as possible, while ensuring that these people receive a nutritious meal and a personal contact from the driver each day.

#### **Energy Services**

Energy Services programs assist eligible households with meeting the demands of home heating costs and with reducing those costs through energy conservations measures.

#### **Other Aging Services**

Other Aging Services are provided in an effort to maximize the quality of life for the over sixty population. These services include transportation, health care counseling, legal services, and personal care services. These services extended the time that seniors are able to maintain a level of independence and remain in their own homes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Accounting**

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Comparative Information**

The financial statements include certain prior year summarized comparative information in total but not by net asset or functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements of the Organization for the year ended December 31, 2017, from which the summarized information was obtained.

### **Classification of Net Assets**

The Organization reports activities and the related net assets using the following net asset categories:

- **Net Assets Without Donor Restrictions**

Net assets without donor restrictions represent resources that are generally available for support of the Organization's activities without donor-imposed restrictions.

- **Net Assets With Donor Restrictions**

Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor. When a donor restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. If donor imposed restrictions were met in the same reporting period as the recognition of the contribution, the contribution was reported as without donor restriction.

### **Program Advances and Revenue Recognition**

The Organization classifies grants from governmental agencies as without restrictions. However, these government grants have restrictions as to time and purpose. The Organization recognizes grant revenue from funding sources when eligible costs are incurred. A receivable is recognized to the extent support earned exceeds cash advances. Amounts received in advance of the related costs being incurred are recorded as program advances.

Funding sources may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursements, and returns of funds as an adjustment to revenue in the year of the amendment.

### **Contributions**

Contributions are recorded at the time of receipt, or when evidence of a non-conditional promise to give has been received. Promises subject to conditions are not recorded as income until those conditions have been met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded without donor restrictions, unless they are subject to donor restrictions, or are required to be used or expected to be received in future years.

### **Cash and Cash Equivalents**

Cash and cash equivalents include bank demand deposit accounts that may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to cash and cash equivalents.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Certificates of Deposit**

Certificates of deposit, with original maturities of one year or less, are recorded as cost, and at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to the certificates of deposit.

### **Restricted Cash and Assets Held for Others**

The Organization has assets that are held on behalf of others related to the guaranteed loan program and the independence program. These assets consist of cash in demand deposit accounts at a financial institution that may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes they are not exposed to any significant credit risk with respect to Assets held for others.

### **Grants Receivable**

Grants receivable are stated at the amount management expects to collect. Amounts that management believes to be uncollectible, after collection efforts have been exhausted, are written off. Historically, collection losses have been minimal; therefore, an allowance for doubtful accounts is not recorded. Uncollectible accounts are charged to bad debt expense in the year they are determined to be uncollectible. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

### **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 is recorded at cost or at fair value at the date of donation. The Organization capitalizes property and equipment with a cost of over \$2,000 and an estimated useful life greater than one year. Depreciation and amortization is computed using the straight-line method over the assets' useful lives ranging from five (5) to twenty (20) years.

Depreciation expense was \$159,338 and \$158,902 for the years ended December 31, 2018 and 2017, respectively.

### **Allocation of Certain Expenses**

The accompanying statement of functional expenses presents expenses by both functional and natural classification. Certain categories of expenses are attributable to one or more program or supporting function, and these expenses are allocated to the reported functional columns. These expenses include salaries and wages, employee benefits and payroll taxes, occupancy, depreciation and amortization. Salaries and wages, employee benefits and payroll taxes are directly charged whenever possible and practicable and otherwise are allocated based on time spent in the various programs. Occupancy and depreciation and amortization are directly charged whenever possible and practicable and otherwise are allocated based on square footage.

### **Income Taxes**

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Estimates**

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **Donated Services**

Volunteers have donated significant amounts of time in support of the Organization's activities. However, the value of these services is not reflected in the accompanying financial statements, as they do not meet the criteria for recognition set forth in GAAP.

### **In-Kind Revenue**

The Organization receives in-kind donations from outside parties. The donations include, but are not limited to, donated services, materials and facilities. All donations are without donor restrictions and used to support and further the Organization'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 Organization without compensation.

Contributed services are recognized as in-kind revenue and expense by the Organization when they meet the criteria of GAAP. In-kind contributions of \$188,739 and \$233,882 for the years ended December 31, 2018 and 2017, respectively, have been recognized by the Organization and are included in in-kind revenue and various program expenses in the accompanying statement of activities and change in net assets.

### **Change in Accounting Principle**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, with the purpose of improving financial reporting by not-for-profit (NFP) entities.

ASU 2016-14 includes many changes affecting the presentation and accounting for the Organization's financial statements including:

- Reducing the number of classes of net assets from three to two (net assets with donor restrictions and net assets without donor restrictions);
- Requiring the presentation of expenses in both natural and functional classifications;
- Eliminating the requirement to disclose the components of investment return as well as reporting investment return net of external and direct internal investment expenses; and
- Requiring qualitative and quantitative disclosure regarding the Organization's liquidity and availability of resources (Note 3).

ASU 2016-14 is effective for the Organization's year ending December 31, 2018, and was applied retrospectively with the exception of the presentation of expenses in both natural and functional classifications and the disclosures regarding liquidity and availability of resources, which are presented for the current year only. The effects of this ASU have been included in these financial statements. There was no effect on total net assets or changes in net assets as a result of implementing this ASU.

### 3. LIQUIDITY

The Organization is substantially supported by support from federal, state and county agencies, organizational grants, and other revenue generated by its operations that are without contractual or donor restrictions. In addition, some support is received in the form of restricted contributions from donors. Because a donor restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's financial assets available within one year of the balance sheet date for general expenditures at December 31, 2018 are as follows:

Financial assets at December 31, 2018	\$ 3,537,086
Less those unavailable for general expenditures within one year, due to:	
Assets held for others	74,051
Program advances	571,186
Subject to satisfaction of donor restrictions	<u>216,727</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,675,122</u>

The Organization maintains sufficient cash that is readily available for general expenditures. Additionally, the Organization's ability to meet its cash needs is further dependent, in part, on timely collection of its accounts receivable. The Organization's accounts receivable are due primarily from federal agencies, New York State agencies and various New York Counties. The Organization employs procedures specifically designed to collect from these payers as quickly as possible. However, timeliness of payment from these payers varies and is sometimes difficult to predict.

Should liquidity issues arise, the Organization also has a committed line-of-credit in the amount of \$500,000. There were no amounts outstanding on the line-of-credit as of December 31, 2018.

### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31:

<u>Nature of Restriction</u>	<u>2018</u>	<u>2017</u>
Hope Center	\$ 109,269	\$ -
Senior Nutrition Program	<u>107,458</u>	<u>113,310</u>
Total	<u>\$ 216,727</u>	<u>\$ 113,310</u>

Net assets were released from donor restrictions in the amount of \$5,852 for the Senior Nutrition Program during the year ended December 31, 2018. There were no net assets released from donor restrictions during the year ended December 31, 2017.

## 5. LINE-OF-CREDIT

The Organization has an unsecured line-of-credit agreement with a bank providing for a maximum borrowing of \$500,000 with interest on amounts borrowed at the bank's prime rate, with an interest rate floor of 4.25% (5.50% at December 31, 2018). There were no borrowings outstanding on the line-of-credit at December 31, 2018 or 2017.

## 6. ASSETS HELD FOR OTHERS

Assets held for others include amounts related to the guaranteed loan program as well as assets for the 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 Organization's assets held for others consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Wheels II purchase - Steuben	\$ 38,051	\$ 37,998
Assets for independence program	<u>36,000</u>	<u>48,000</u>
Total	<u>\$ 74,051</u>	<u>\$ 85,998</u>

These funds are also recorded on the accompanying balance sheet at December 31, 2018 and 2017 as restricted cash in the amount of \$74,051 and \$85,998, respectively.

## 7. DONATED SERVICES, MATERIALS, AND FACILITIES

Several of the programs the Organization administers received grants that include a matching provision which requires that an amount equal to a stated percentage of the grant be matched with public contributions. This matching element may be in the form of other non-federal grants, public cash contributions, or donated services, materials and facilities. Grants and cash donations used as matching dollars are included in donations, fees and fundraising on the accompanying statement of activities and change in net assets. Contributed services, materials and facilities that meet certain requirements are also recorded and reflected in the accompanying financial statements.

Donations of materials are recorded at their fair market value at the date of receipt. Donated use of facilities is calculated based on the square footage occupied, multiplied by the fair market value of the space as determined by appraisal. The Organization records service contributions based upon an estimated average hourly wage for that service in the geographical location, or in the case of professional services, the donors' normal billing rate.

**7. DONATED SERVICES, MATERIALS, AND FACILITIES (Continued)**

During the years ended December 31, 2018 and 2017, donated facilities in the amounts of \$98,239 and \$230,600, respectively, and donated services and materials in the amounts of \$90,500 and \$3,282, respectively, are reported as in-kind revenue and program expense in the accompanying statement of activities and change in net assets.

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 program expense in the accompanying statement of activities and change in net assets in the amount of approximately \$95,000 for each of the years ended December 31, 2018 and 2017.

**8. 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 to participate in the Plan after one year of service. Participants are fully vested immediately. The Plan was amended on July 1, 2018 for the Organization to make a non-elective employer contribution of 3% to all employees eligible to participate and enroll in the plan. In addition, the employer will match employee contributions up to 2% for employees with 5 years or more of service and 4% for employees with 10 years or more of service. Prior to July 1, 2018, the Organization contributed a percentage of the employee's salary based upon years of service up to a maximum of seven percent. Employer contributions of \$290,686 and \$284,157 were made during the years ended December 31, 2018 and 2017, respectively.

**9. COMMITMENTS**

The Organization leases facilities at various sites for the use of the Organization's programs under non-cancelable leases for program facilities and office space. These leases expire at various dates through September 2022. The future minimum operating lease payment payable to others under non-cancelable leases having initial or remaining lease terms in excess of one year as of December 31, 2018 are as follows:

2019	\$	87,089
2020		45,269
2021		37,144
2022		<u>27,000</u>
	\$	<u>196,502</u>

Rent expense under all lease agreements totaled approximately \$107,978 and \$109,580 for the years ended December 31, 2018 and 2017, respectively.

**10. 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.

## **11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through April 9, 2019, which is the date the financial statements were available to be issued.

**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**

April 9, 2019

To the Board of Directors of  
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. (the Organization), which comprise the balance sheet as of December 31, 2018, and the related statements of activities and change 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 9, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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(Continued)

**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 Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

April 9, 2019

To the Board of Directors of  
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 (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2018. The Organization'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 the Organization'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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 programs. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Organization 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 programs for the year ended December 31, 2018.

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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 Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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 Organization'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.

**PRO ACTION OF STEUBEN AND YATES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/ Pass-through Grantor/Program Title	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Health and Human Services:			
Head Start	93.600	N/A	\$ 4,020,363
Community Services Block Grant Passed through the NYS Department of State	93.569	N/A	372,234
Temporary Assistance for Needy Families Passed through:			
Steuben County Department of Social Services Summer Youth Program	93.558	N/A	197,441
Yates County Department of Social Services Job Coach Summer Youth Program	93.558	N/A	106,207
	93.558	N/A	5,040
			308,688
Low Income Home Energy Assistance Passed through:			
NYS Division of Housing and Community Renewal	93.568	C092066-18	188,464
NYS Division of Housing and Community Renewal	93.568	C092066-17	301,394
NYS Office of Temporary and Disability Assistance	93.568	N/A	150,697
Yates County Department of Social Services	93.568	N/A	12,682
Steuben County Department of Social Services	93.568	N/A	48,183
Steuben County Office of the Aging	93.568	N/A	9,370
			710,790
Community-Based Child Abuse Prevention Grants Passed through New York State	93.590	N/A	52,809
Child Care and Development Block Grant Passed through:			
NYS Department of Social Services	93.575	N/A	364,848
Steuben County Department of Social Services	93.575	N/A	149,587
Schuyler County Department of Social Services	93.575	N/A	53,375
			567,810
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services Passed through NYS Office of the Aging	93.043	N/A	3,451
Aging Center 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	N/A	43,679
Special Programs for the Aging Title III, Part C, Nutrition Services Passed through Steuben County	93.045	N/A	211,704
Passed through NYS Office of the Aging	93.045	N/A	94,141
Nutrition Services Incentive Program Passed through Steuben County	93.053	N/A	66,287
Passed through NYS Office for the Aging	93.053	N/A	10,847
			426,658

**PRO ACTION OF STEUBEN AND YATES, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(Continued)**

Federal Grantor/ Pass-through Grantor/Program Title	CFDA Number	Contract/Grant Number	Expenditures
National Family Caregiver Support, Title III, Part E Passed through NYS Office for the Aging	93.052	N/A	\$ 33,956
Medicare Enrollment Assistance Program Passed through New York State	93.071	N/A	13,204
Centers for Medicare and Medicaid Services (CMS) Research, Demonstration and Evaluations Passed through NYS Office for the Aging	93.779	N/A	<u>20,625</u>
Total Department of Health and Human Services			6,530,588
Department of Labor			
Senior community Service Employment Program Passed through Senior Service America Inc. Passed through NYS Office for the Aging	17.235 17.235	N/A N/A	280,050 <u>8,505</u>
			288,555
Workforce Investment Act Cluster Passed through Chemung, Schuylar, Steuben Workforce New York: Youth Activities	17.259	N/A	224,417
Workforce Innovation and Opportunity Act Dislocated Worker Program Passed through New York State	17.278	N/A	<u>42,500</u>
Total Department of Labor			<u>555,472</u>
Department of Agriculture			
Eat Well Play Hard Program Passed through NYS Department of Health	10.551	N/A	122,602
Special Supplemental Nutrition Program for Women, Infants, and Children Passed through NYS Department of Health	10.557	N/A	1,748,800
Child and Adult Care Food Program Passed through NYS Department of Health	10.558	N/A	<u>676,313</u>
Total Department of Agriculture			<u>2,547,715</u>
Department of Energy			
Weatherization Assistance for Low-Income Persons Passed through NYS Department of Housing and Community Renewal	81.042	C092066-18	<u>312,503</u>
Total Department of Energy			<u>312,503</u>
Total Federal Awards			<u>\$ 9,946,278</u>

## **PRO ACTION OF STEUBEN AND YATES, INC.**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2018**

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#### **1. BASIS OF PRESENTATION**

This schedule of expenditures of federal awards is presented on the accrual basis of accounting. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Pro Action of Steuben and Yates, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2018. The information in the 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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Amounts included in the accompanying Schedule are actual expenditures for the year ended December 31, 2018. Differences between amounts included in the Schedule and amounts reported to funding agencies for these programs result from report timing.

#### **3. FOOD PROGRAM FOR WOMEN, INFANTS, AND CHILDREN**

Non-monetary assistance is reported in the schedule for the fair market value of the food coupons redeemed during the year, totaling \$1,046,238.

#### **4. INDIRECT COSTS**

The Organization has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

## **PRO ACTION OF STEUBEN AND YATES, INC.**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2018**

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#### **A. SUMMARY OF AUDITOR'S RESULTS**

1. The independent auditor's report expresses an unmodified opinion on whether the financial statements of Pro Action of Steuben and Yates, Inc. (the Organization) were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No significant deficiencies or material weaknesses 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 Organization, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The independent auditor's report on compliance for the Organization's major federal award programs expresses an unmodified opinion.
5. No significant deficiencies or material weaknesses 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.
6. There were no audit findings relative to the major federal award programs for the Organization that are required to be reported in this schedule.
7. The programs tested as major programs were Head Start, CFDA number 93.600 and Child and Adult Care Food Program, CFDA number 10.558.
8. The threshold for distinguishing between Types A and B programs was \$750,000.
9. The Organization 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. SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**PRO ACTION OF STEUBEN AND YATES, INC.**

**SCHEDULE OF INDIRECT COST RATE CALCULATION  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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The calculation of the final indirect cost rates are presented below for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Salaries and wages	\$ 561,458	\$ 549,234
Employee benefits and payroll taxes	165,544	159,387
Supplies	11,601	8,208
Contractual	177,466	132,885
Occupancy	24,187	24,789
Travel	10,051	9,205
Communications	5,427	25,901
Staff development	10,925	11,798
Small equipment and maintenance	22,657	18,622
Insurance	32,856	35,426
Miscellaneous	275	275
Costs allocated directly to daycare providers	<u>(30,000)</u>	<u>(30,000)</u>
	<u>\$ 992,447</u>	<u>\$ 945,730</u>
Management and administrative salaries and wages	\$ 561,458	\$ 549,234
Management and administrative fringe	165,544	159,387
Non-salary indirect costs	<u>265,445</u>	<u>237,109</u>
	<u>\$ 992,447</u>	<u>\$ 945,730</u>

(Continued)

**PRO ACTION OF STEUBEN AND YATES, INC.**

**SCHEDULE OF INDIRECT COST RATE CALCULATION (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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Indirect cost base uses total direct costs adjusted for distorting items as defined in the Indirect Cost Proposal as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Total expenses	\$ 15,666,599	\$ 15,342,344
Less:		
Depreciation and amortization	159,338	158,902
In-kind expenses	188,739	233,882
Management and administrative salaries and wages	561,458	549,234
Management and administrative fringe	165,544	159,387
Management and administrative non-salary costs	265,445	237,109
Provider payments	2,187,418	2,494,781
Occupancy	103,407	102,731
Miscellaneous	<u>182,544</u>	<u>121,421</u>
	<u>3,813,893</u>	<u>4,057,447</u>
	<u>\$ 11,852,706</u>	<u>\$ 11,284,897</u>
Indirect cost rate calculation:		
Indirect costs	\$ 992,447	\$ 945,730
Divided by base	\$ 11,852,706	\$ 11,284,897
Percentage	<u>8.37%</u>	<u>8.38%</u>