

PRO ACTION OF STEUBEN AND YATES, INC.

**Financial Statements as of
December 31, 2020
Together with
Independent Auditor's Report**

Bonadio & Co., LLP
Certified Public Accountants

PRO ACTION OF STEUBEN AND YATES, INC.

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INDEPENDENT AUDITOR'S REPORT

April 13, 2021

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, 2020, 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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(Continued)

INDEPENDENT AUDITOR'S REPORT

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro Action of Steuben and Yates, Inc. as of December 31, 2020, and the change 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.

Report on Summarized Comparative Information

We have previously audited Pro Action of Steuben and Yates, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 schedule of indirect cost rate calculation are presented for purposes of additional analysis and are 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 13, 2021, 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, 2020

(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,869,538	\$ 1,647,274
Certificates of deposit	95,691	94,272
Restricted cash	42,704	36,174
Grants receivable	1,739,231	1,972,587
Inventory	32,380	27,128
Prepaid expenses	-	16,004
Total current assets	<u>4,779,544</u>	<u>3,793,439</u>
PROPERTY AND EQUIPMENT:		
Building and improvements	800,579	776,999
Leasehold improvements	159,886	157,556
Furniture and equipment	808,368	786,116
Vehicles	913,189	921,757
	<u>2,682,022</u>	<u>2,642,428</u>
Less: Accumulated depreciation and amortization	<u>(2,062,595)</u>	<u>(1,994,192)</u>
Net property and equipment	<u>619,427</u>	<u>648,236</u>
Total assets	<u>\$ 5,398,971</u>	<u>\$ 4,441,675</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 354,131	\$ 515,148
Accrued payroll and related expenses	631,185	736,746
Program advances	965,160	630,820
Assets held for others	42,704	36,174
Total current liabilities	1,993,180	1,918,888
PAYCHECK PROTECTION PROGRAM REFUNDABLE ADVANCE	<u>700,407</u>	<u>-</u>
Total liabilities	<u>2,693,587</u>	<u>1,918,888</u>
NET ASSETS:		
Without donor restrictions	2,628,472	2,445,256
With donor restrictions	76,912	77,531
Total net assets	<u>2,705,384</u>	<u>2,522,787</u>
Total liabilities and net assets	<u>\$ 5,398,971</u>	<u>\$ 4,441,675</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, 2020**

(With Comparative Totals for 2019)

	Net Assets Without <u>Donor Restrictions</u>	Net Assets With <u>Donor Restrictions</u>	Total	
			<u>2020</u>	<u>2019</u>
SUPPORT AND REVENUE:				
Federal agencies	\$ 8,933,434	\$ -	\$ 8,933,434	\$ 9,241,744
State agencies	1,887,485	-	1,887,485	1,653,022
County agencies	3,720,755	-	3,720,755	3,523,787
Organizational grants	1,031,622	11,233	1,042,855	1,081,500
Donations, fees and fundraising	294,837	70,654	365,491	401,020
Non-federal cash match	98,901	-	98,901	98,483
In-kind revenue	127,419	-	127,419	233,978
Other	147,573	-	147,573	200,617
Net assets released from restrictions	<u>82,506</u>	<u>(82,506)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>16,324,532</u>	<u>(619)</u>	<u>16,323,913</u>	<u>16,434,151</u>
EXPENSES:				
Program services	15,003,559	-	15,003,559	15,289,912
Management and general	<u>1,137,757</u>	<u>-</u>	<u>1,137,757</u>	<u>1,118,066</u>
Total expenses	<u>16,141,316</u>	<u>-</u>	<u>16,141,316</u>	<u>16,407,978</u>
CHANGE IN NET ASSETS	183,216	(619)	182,597	26,173
NET ASSETS - beginning of year	<u>2,445,256</u>	<u>77,531</u>	<u>2,522,787</u>	<u>2,496,614</u>
NET ASSETS - end of year	<u>\$ 2,628,472</u>	<u>\$ 76,912</u>	<u>\$ 2,705,384</u>	<u>\$ 2,522,787</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, 2020**

(With Comparative Totals for 2019)

	2020								Totals	
	Program							Management and General		
	Adult Nutrition Services	Early Childhood Services	Energy Services	Employment Services	Other Aging Programs	CSBG Operating and other	Total Program		2020	2019
Salaries and wages	\$ 464,531	\$ 4,631,176	\$ 621,717	\$ 889,666	\$ 450,648	\$ 454,396	\$ 7,512,134	\$ 582,534	\$ 8,094,668	\$ 7,984,806
Provider payments	-	2,628,199	-	-	-	-	2,628,199	-	2,628,199	2,502,157
Employee benefits and payroll taxes	110,188	1,338,389	176,411	180,866	117,844	13,222	1,936,920	153,172	2,090,092	2,296,035
Consumable supplies	62,514	203,529	267,154	20,972	23,724	39,201	617,094	8,686	625,780	690,123
Contractual	68	186,952	-	300	206,231	4,565	398,116	219,784	617,900	509,962
Food	214,632	100,171	-	11,793	27,608	22,475	376,679	-	376,679	526,684
Occupancy	7,026	228,873	21,389	5,470	85	69,235	332,078	19,155	351,233	359,351
Travel	66,797	75,593	35,071	13,795	10,589	13,793	215,638	175	215,813	346,321
Small equipment	5,139	113,399	1,384	33,927	3,065	37,949	194,863	16,239	211,102	202,190
Communications	14,640	65,267	6,925	5,333	24,779	38,048	154,992	50,659	205,651	158,179
Direct assistance	24	116,521	-	21,369	4,502	50,985	193,401	-	193,401	71,436
In-Kind	-	127,419	-	-	-	-	127,419	-	127,419	233,978
Staff development	-	51,098	10,272	4,499	421	12,129	78,419	4,558	82,977	133,482
Insurance	1,253	7,333	167	-	380	839	9,972	53,556	63,528	45,637
Printing	-	15,233	89	-	11,518	73	26,913	20,499	47,412	62,587
Miscellaneous	819	44,979	-	276	6,462	4,393	56,929	806	57,735	124,742
Total expenses before depreciation and amortization	947,631	9,934,131	1,140,579	1,188,266	887,856	761,303	14,859,766	1,129,823	15,989,589	16,247,670
Depreciation and amortization	32,351	96,023	6,979	-	6,827	1,613	143,793	7,934	151,727	160,308
Total expenses	\$ 979,982	\$ 10,030,154	\$ 1,147,558	\$ 1,188,266	\$ 894,683	\$ 762,916	\$ 15,003,559	\$ 1,137,757	\$ 16,141,316	\$ 16,407,978

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, 2020 (With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 182,597	\$ 26,173
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	151,727	160,308
Gain on sale of property and equipment	(4,165)	-
Changes in:		
Grants receivable	233,356	(100,207)
Inventory	(5,252)	4,574
Prepaid expenses	16,004	3,462
Accounts payable	(161,017)	94,051
Accrued payroll and related expenses	(105,561)	32,294
Assets held for others	6,530	(37,877)
Program advances	<u>334,340</u>	<u>59,634</u>
Net cash flow from operating activities	<u>648,559</u>	<u>242,412</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Increase in certificate of deposit	(1,419)	(1,297)
Proceeds from sale of property and equipment	4,165	-
Purchases of property and equipment	<u>(122,918)</u>	<u>(133,073)</u>
Net cash flow from investing activities	<u>(120,172)</u>	<u>(134,370)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Paycheck Protection Program loan	<u>700,407</u>	<u>-</u>
Net cash flow from financing activities	<u>700,407</u>	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	1,228,794	108,042
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year	<u>1,683,448</u>	<u>1,575,406</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - end of year	<u>\$ 2,912,242</u>	<u>\$ 1,683,448</u>

The accompanying notes are an integral part of these statements.

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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 not-for-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 (60) 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 (60) 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, 2019, 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 restrictions.

Revenue, Receivables and Program Advances

The Organization recognizes revenue from government grants from federal, state, and county agencies as revenue when eligible costs are incurred, or services provided. A receivable is recognized to the extent revenue earned exceeds cash advances. Conversely, program advances, a contract liability, are recorded when cash advances exceed support and revenue earned.

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.

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.

The Organization received approximately \$6,911,000 and \$6,965,000 in 2020 and 2019, respectively, in federal grant funding from the U.S. Department of Health and Human Services in support of its programmatic activities. This represents 42% of the Organization's total support and revenue in both 2020 and 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and cash equivalents and restricted cash as reported in the statements of cash flows consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,869,538	\$ 1,647,274
Restricted cash	<u>42,704</u>	<u>36,174</u>
	<u>\$ 2,912,242</u>	<u>\$ 1,683,448</u>

Certificates of Deposit

Certificates of deposit, with original maturities of one year or less, are recorded at 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 these assets.

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 and amortization expense was \$151,727 and \$160,308 for the years ended December 31, 2020 and 2019, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 functions, 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 also been classified by the Internal Revenue Service as an entity that is not a private foundation.

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 are 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. 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 \$127,419 and \$233,978 for the years ended December 31, 2020 and 2019, 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.

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.

3. LIQUIDITY (Continued)

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 grants receivable. The Organization's grants 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.

The Organization's financial assets, including cash and cash equivalents, certificates of deposit, restricted cash, and grants receivable, available within one year of the balance sheet date for general expenditures at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at December 31	\$ 4,747,164	\$ 3,750,307
Less those unavailable for general expenditures within one year, due to:		
Assets held for others	42,704	36,174
Program advances	965,160	630,820
Subject to satisfaction of donor restrictions	<u>76,912</u>	<u>77,531</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,662,388</u>	<u>\$ 3,005,782</u>

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, 2020 and 2019.

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$76,912 and \$77,531 at December 31, 2020 and 2019, respectively, were restricted to be used for the Hope Center.

Net assets were released from donor restrictions in the amount of \$82,506 for the Hope Center during the year ended December 31, 2020. Net assets were released from donor restrictions in the amount of \$107,458 for the Senior Nutrition Program and \$95,455 for the Hope Center during the year ended December 31, 2019.

5. LINE-OF-CREDIT

The Organization has an unsecured line-of-credit agreement with a bank providing for maximum borrowings of \$500,000 with interest on amounts borrowed at the bank's prime rate, with an interest rate floor of 4.25% (4.25% at December 31, 2020). This arrangement is subject to annual review and approval by the bank on October 6, 2021. There were no borrowings outstanding on the line-of-credit at December 31, 2020 or 2019.

6. PAYCHECK PROTECTION PROGRAM ARRANGEMENT

In May 2020, the Organization entered into an arrangement with a bank under the auspices of the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) under which the Organization received \$750,000. This arrangement is evidenced by a loan agreement that includes provisions whereby the loan balance can be fully or partially forgiven based on the Organization's use of the funds, maintenance of its personnel complement, and compliance with certain reporting elements to the Bank in accordance with the requirements of the PPP Program.

The Organization has elected to account for its PPP arrangement as a conditional contribution, meaning that revenue is recorded as the conditions meeting the requirements for forgiveness are met. Ultimately, forgiveness will be adjudicated by the Bank and approved by the U.S. Small Business Administration. The final outcome of whether this arrangement will be forgiven has not been determined as of the date these financial statements were available to be issued. The Organization expects this determination to be made during its fiscal year ending December 31, 2021.

Through December 31, 2020, the Organization estimates that it administered the proceeds of its PPP arrangement and managed its staff complement in a manner that met the conditions for forgiveness for \$49,593 of the balance received under the PPP arrangement. This amount is included in Organizational grants in the accompanying statement of activities and change in net assets for the year ended December 31, 2020. The remaining balance of \$700,407 is recorded as Paycheck Program Refundable Advance on the accompanying balance sheet as of December 31, 2020.

The portion of the PPP arrangement that is not forgiven will be repaid either in equal monthly repayments, including interest at 1.00%, through 2026 or in one lump sum payment. As of the date these financial statements were available to be issued, the Organization had not yet decided on their selected repayment terms as they have not yet received their formal forgiveness approval of the \$49,593 portion by the SBA.

These estimates, while considered reasonable as of the date the financial statements were available to be issued, are subject to change based on the Organization's administration of its PPP arrangement subsequent to year-end.

7. ASSETS HELD FOR OTHERS

Assets held for others include amounts related to the Wheels II purchase guaranteed loan program of \$42,704 and \$36,174 at December 31, 2020 and 2019, respectively. 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 the federal agency.

These funds are also recorded on the accompanying balance sheet at December 31, 2020 and 2019 as restricted cash in the amount of \$42,704 and \$36,174, respectively.

8. 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 in 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.

During the years ended December 31, 2020 and 2019, donated facilities in the amounts of \$59,245 and \$224,718, respectively, and donated services and materials in the amounts of \$68,174 and \$9,260, 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 both of the years ended December 31, 2020 and 2019.

9. 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 Organization makes a non-elective employer contribution of 3% to all employees eligible to participate and enroll in the plan. In addition, the Organization matches 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. Retirement plan expenses were \$298,162 and \$307,190 for the years ended December 31, 2020 and 2019, respectively.

10. 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 July 2024. The future minimum operating lease payments payable under non-cancelable leases having initial or remaining lease terms in excess of one year as of December 31, 2020, are as follows:

2021	\$	112,918
2022		68,689
2023		15,000
2024		<u>8,750</u>
	\$	<u>205,357</u>

Rent expense under all lease agreements totaled \$116,975 and \$123,773 for the years ended December 31, 2020 and 2019, respectively.

11. 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.

12. COVID-19

The United States is presently in the midst of a national health emergency related to a virus, commonly known as Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a national, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of this situation on the Organization and its future results and financial position is not presently determinable.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 13, 2021, 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 13, 2021

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, 2020, 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 13, 2021.

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) as a basis for designing 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, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

April 13, 2021

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 each of the Organization's major federal programs for the year ended December 31, 2020. 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 each of 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 each major federal program. 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 each of its major federal programs for the year ended December 31, 2020.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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, 2020**

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	\$ 3,920,216
COVID-19 Head Start	93.600	N/A	<u>20,000</u>
			<u>3,940,216</u>
Community Services Block Grant			
Passed through the NYS Department of State	93.569	N/A	511,228
COVID-19 Community Services Block Grant			
Passed through the NYS Department of State	93.569	N/A	<u>69,310</u>
			<u>580,538</u>
Temporary Assistance for Needy Families			
Passed through:			
Steuben County Department of Social Services Summer Youth Program	93.558	N/A	176,554
Yates County Department of Social Services Job Coach	93.558	N/A	106,247
Yates County Department of Social Services Summer Youth Program	93.558	N/A	<u>3,832</u>
			<u>286,633</u>
Low Income Home Energy Assistance			
Passed through:			
NYS Division of Housing and Community Renewal	93.568	C093660-19	281,209
NYS Office of Temporary and Disability Assistance	93.568	N/A	219,375
Yates County Department of Social Services	93.568	N/A	44,495
Steuben County Department of Social Services	93.568	N/A	<u>76,322</u>
			<u>621,401</u>
Community-Based Child Abuse Prevention Grants			
Passed through:			
NYS Office of Children and Family Services	93.590	N/A	167,307
NYS Office of Children and Family Services - Family Enrichment Collaborative	93.590	N/A	<u>157,584</u>
			<u>324,891</u>
Child Care and Development Block Grant			
Passed through:			
NYS Department of Social Services	93.575	N/A	268,419
Steuben County Department of Social Services	93.575	N/A	134,737
Schuyler County Department of Social Services	93.575	N/A	42,700
COVID-19 Child Care and Development Block Grant			
Passed through:			
NYS Department of Social Services	93.575	N/A	<u>194,441</u>
			<u>640,297</u>
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	N/A	32,644
COVID-19 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	7,437
Special Programs for the Aging Title III, Part C, Nutrition Services			
Passed through Steuben County Office of the Aging	93.045	N/A	254,387
Passed through NYS Office of the Aging	93.045	N/A	66,510
COVID-19 Special Programs for the Aging Title III, Part C, Nutrition Services			
Passed through NYS Office of the Aging	93.045	N/A	9,637
Nutrition Services Incentive Program			
Passed through Steuben County Office of the Aging	93.053	N/A	66,244
Passed through NYS Office for the Aging	93.053	N/A	<u>14,111</u>
			<u>450,970</u>

PRO ACTION OF STEUBEN AND YATES, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

Federal Grantor/ Pass-through Grantor/Program Title	CFDA Number	Contract/Grant Number	Expenditures
U.S. Department of Health and Human Services: (Continued)			
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	<u>3,297</u>
National Family Caregiver Support, Title III, Part E Passed through NYS Office for the Aging	93.052	N/A	34,267
COVID-19 National Family Caregiver Support, Title III, Part E Passed through NYS Office for the Aging	93.052	N/A	<u>3,063</u>
			<u>37,330</u>
Centers for Medicare and Medicaid Services (CMS) Research, Demonstration and Evaluations Passed through NYS Office for the Aging	93.779	N/A	<u>25,538</u>
Total Department of Health and Human Services			<u>6,911,111</u>
U.S. Department of Labor:			
Senior community Service Employment Program Passed through Senior Service America, Inc.	17.235	N/A	297,069
Workforce Innovation and Opportunity Act Dislocated Worker Formula Grants Passed through New York State Department of Labor	17.278	N/A	<u>171,844</u>
Total Department of Labor			<u>468,913</u>
U.S. Department of Agriculture:			
SNAP Cluster Supplemental Nutrition Assistance Program Passed through NYS Department of Health	10.551	N/A	51,989
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Passed through NYS Department of Health	10.561	N/A	<u>88,013</u>
			140,002
Special Supplemental Nutrition Program for Women, Infants, and Children Passed through NYS Department of Health	10.557	N/A	1,556,774
Child and Adult Care Food Program Passed through NYS Department of Health	10.558	N/A	<u>445,122</u>
Total Department of Agriculture			<u>2,141,898</u>
U.S. Department of Energy:			
Weatherization Assistance for Low-Income Persons Passed through: NYS Division of Housing and Community Renewal	81.042	C093660-19	<u>295,618</u>
Total Department of Energy			<u>295,618</u>
Total Expenditures of Federal Awards			<u>\$ 9,817,540</u>

PRO ACTION OF STEUBEN AND YATES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL

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, 2020. 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, change in net assets, or cash flows of the Organization.

2. BASIS OF ACCOUNTING

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Amounts included in the accompanying Schedule are actual expenditures for the year ended December 31, 2020. Differences between amounts included in the Schedule and amounts reported to funding agencies for these programs result from report timing.

4. 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 \$884,106.

5. 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, 2020

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, 2020**

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

	<u>2020</u>	<u>2019</u>
Salaries and wages	\$ 551,466	\$ 556,433
Employee benefits and payroll taxes	145,466	158,682
Supplies	11,950	9,593
Contractual	249,784	211,562
Occupancy	19,155	23,520
Travel	175	8,048
Communications	16,025	12,483
Staff development	4,570	18,909
Small equipment and maintenance	23,059	23,507
Insurance	53,556	33,571
Miscellaneous	806	275
Costs allocated directly to daycare providers	<u>(30,000)</u>	<u>(30,000)</u>
	<u>\$ 1,046,012</u>	<u>\$ 1,026,583</u>
Management and administrative salaries and wages	\$ 551,466	\$ 556,433
Management and administrative fringe	145,466	158,682
Non-salary indirect costs	<u>349,080</u>	<u>311,468</u>
	<u>\$ 1,046,012</u>	<u>\$ 1,026,583</u>

(Continued)

PRO ACTION OF STEUBEN AND YATES, INC.

**SCHEDULE OF INDIRECT COST RATE CALCULATION (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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>2020</u>	<u>2019</u>
Total expenses	\$ 16,141,316	\$ 16,407,978
Less:		
Depreciation and amortization	151,727	160,308
In-kind expenses	127,419	233,978
Management and administrative salaries and wages	551,466	556,433
Management and administrative fringe	145,466	158,682
Management and administrative non-salary costs	349,080	311,468
Provider payments	2,628,199	2,502,157
Occupancy	101,535	98,324
Miscellaneous	<u>96,625</u>	<u>185,022</u>
	<u>4,151,517</u>	<u>4,206,372</u>
	<u>\$ 11,989,799</u>	<u>\$ 12,201,606</u>
Indirect cost rate calculation:		
Indirect costs	\$ 1,046,012	\$ 1,026,583
Divided by base	\$ 11,989,799	\$ 12,201,606
Percentage	<u>8.72%</u>	<u>8.41%</u>