

DUTCHESS COUNTY COMMUNITY  
ACTION AGENCY, INC. AND SUBSIDIARY

Consolidated Financial Statements  
and Supplementary Information

December 31, 2013

(With Independent Auditors' Reports Thereon)

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Dutchess County Community Action  
Agency, Inc.:

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dutchess County Community Action Agency, Inc. and Subsidiary (collectively the Agency) which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dutchess County Community Action Agency, Inc. and Subsidiary as of December 31, 2013, and the consolidated changes in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of Federal awards in Schedule 3 as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

## Report on Summarized Comparative Information

We previously audited the Agency's 2012 consolidated financial statements, and our report dated May 15, 2013, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived. As discussed in note 14 to the financial statements, the 2012 financial statements have been restated to correct a misstatement.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2014, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control over financial reporting and compliance.

Toski & Co., CPAs, P.C.

Williamsville, New York  
May 21, 2014

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY  
Consolidated Statement of Financial Position  
December 31, 2013  
with comparative totals for 2012

	<u>Assets</u>	<u>2013</u>	<u>2012</u> (As restated)
Current assets:			
Cash		\$ 88,234	43,475
Grants and contracts receivable		98,957	240,220
Prepaid expenses		21,846	6,323
Inventory		15,769	60,094
Total current assets		<u>224,806</u>	<u>350,112</u>
Property and equipment, at cost		2,518,230	2,528,967
Less accumulated depreciation		<u>(1,485,320)</u>	<u>(1,361,538)</u>
Net property and equipment		<u>1,032,910</u>	<u>1,167,429</u>
Other assets - security deposit		<u>4,800</u>	<u>4,800</u>
Total assets		<u><u>\$ 1,262,516</u></u>	<u><u>1,522,341</u></u>
	<u>Liabilities and Net Assets</u>		
Current liabilities:			
Accounts payable		109,249	164,274
Accrued expenses		71,372	65,642
Deferred revenue		75,555	90,527
Tenant security deposits		7,267	6,132
Owners' investment		3,477	26,417
Lines of credit		387,854	397,074
Current installments of mortgage and loan payable		<u>34,593</u>	<u>41,744</u>
Total current liabilities		689,367	791,810
Mortgage and loan payable, net of current installments		<u>486,956</u>	<u>467,815</u>
Total liabilities		1,176,323	1,259,625
Unrestricted net assets		<u>86,193</u>	<u>262,716</u>
Commitment and contingencies (notes 11 and 12)		<u>          </u>	<u>          </u>
Total liabilities and net assets		<u><u>\$ 1,262,516</u></u>	<u><u>1,522,341</u></u>

See accompanying notes to consolidated financial statements.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Consolidated Statement of Activities  
Year ended December 31, 2013  
with comparative totals for 2012

	<u>2013</u>	<u>2012</u> (As restated)
Unrestricted revenue:		
Contracts and grants	\$ 2,053,432	2,305,775
In-kind support	199,708	205,408
Contributions	31,407	45,252
Rental income	77,610	69,653
Town and Villages	33,760	35,338
Program income	-	3,032
Sales	158,211	236,104
Miscellaneous	<u>71,156</u>	<u>118,780</u>
Total unrestricted revenue	<u>2,625,284</u>	<u>3,019,342</u>
Unrestricted expenses:		
Personnel	1,179,014	1,518,763
Client assistance	224,654	163,451
Other programs	1,099,234	1,246,552
Management and general	<u>298,905</u>	<u>359,253</u>
Total unrestricted expenses	<u>2,801,807</u>	<u>3,288,019</u>
Decrease in unrestricted net assets	<u>(176,523)</u>	<u>(268,677)</u>
Unrestricted net assets at beginning of year, as previously stated	262,716	335,327
Prior period adjustment	<u>-</u>	<u>196,066</u>
Unrestricted net assets at beginning of year, as restated	<u>262,716</u>	<u>531,393</u>
Unrestricted net assets at end of year	<u><u>\$ 86,193</u></u>	<u><u>262,716</u></u>

See accompanying notes to consolidated financial statements.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Consolidated Statement of Functional Expenses  
Year ended December 31, 2013  
with comparative totals for 2012

	Program Services					Management and general	Total	
	Housing	Client assistance	County services	Other	Total program services		2013	2012 (As restated)
Personnel:								
Salaries	\$ 304,080	62,230	216,260	362,155	944,725	100,551	1,045,276	1,342,210
Payroll taxes and employee benefits	76,158	17,872	56,401	83,858	234,289	25,371	259,660	315,062
Total personnel	380,238	80,102	272,661	446,013	1,179,014	125,922	1,304,936	1,657,272
Non-personnel - client assistance	-	207,025	5,086	12,543	224,654	20,760	245,414	172,782
Other:								
Supplies	196,193	-	29,800	291,056	517,049	35,719	552,768	665,147
Professional fees	9,390	3,484	15,321	19,533	47,728	2,917	50,645	49,522
Depreciation	-	-	-	134,753	134,753	-	134,753	138,465
Repairs and maintenance	3,606	1,813	7,961	13,239	26,619	7,193	33,812	29,389
Subcontractors	44,514	-	-	-	44,514	3,871	48,385	89,672
Travel	16,210	1,273	5,516	8,024	31,023	3,448	34,471	45,344
Occupancy	7,409	5,720	22,524	28,744	64,397	13,367	77,764	80,056
Insurance	13,136	5,892	20,280	26,764	66,072	5,353	71,425	88,056
Service contracts	528	35	6,343	325	7,231	895	8,126	25,978
Telephone	5,356	2,623	14,999	15,443	38,421	3,314	41,735	59,446
Advertising	650	135	66	55	906	233	1,139	2,414
Utilities	4,747	4,017	12,987	22,808	44,559	5,207	49,766	41,585
Interest expense	5,571	2,314	7,811	9,306	25,002	20,466	45,468	50,496
Conferences and training	-	-	-	10,259	10,259	889	11,148	16,517
Office expense	2,245	610	2,505	4,693	10,053	934	10,987	10,731
Payroll processing	-	-	-	-	-	9,297	9,297	11,027
Equipment rental	1,389	585	2,142	2,863	6,979	606	7,585	8,762
Memberships and dues	2,481	476	1,376	3,922	8,255	992	9,247	10,848
Printing	393	148	535	2,220	3,296	287	3,583	4,744
Postage	552	221	891	1,122	2,786	271	3,057	4,029
Taxes	-	-	-	-	-	1,006	1,006	2,615
Miscellaneous	1,544	168	672	6,948	9,332	35,958	45,290	23,119
Total other	315,914	29,514	151,729	602,077	1,099,234	152,223	1,251,457	1,457,962
Total expenses	\$ 696,152	316,641	429,476	1,060,633	2,502,902	298,905	2,801,807	3,288,019

See accompanying notes to consolidated financial statements.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Consolidated Statement of Cash Flows  
Year ended December 31, 2013  
with comparative totals for 2012

	<u>2013</u>	2012 (As restated)
Cash flow from operating activities:		
Decrease in unrestricted net assets	\$ (176,523)	(268,677)
Adjustments to reconcile decrease in unrestricted net assets to net cash used in operating activities:		
Depreciation	134,753	138,465
Gain on disposal of property and equipment	-	(461)
Changes in:		
Grants and contracts receivable	141,263	29,037
Prepaid expenses	(15,523)	19,567
Inventory	44,325	(23,288)
Other assets - security deposit	-	550
Accounts payable	(55,025)	(53,446)
Accrued expenses	5,730	(7,517)
Deferred revenue	(14,972)	(58,775)
Tenant security deposits	1,135	1,098
Owners' investment	<u>(22,940)</u>	<u>(22,516)</u>
Net cash provided by (used in) operating activities	<u>42,223</u>	<u>(245,963)</u>
Cash flow from investing activities:		
Purchases of property and equipment	(234)	(19,467)
Proceeds from sale of property and equipment	<u>-</u>	<u>56,157</u>
Net cash provided by (used in) investing activities	<u>(234)</u>	<u>36,690</u>
Cash flow from financing activities:		
Net proceeds from line of credit	(9,220)	197,074
Payments on mortgage and note payable, net	<u>11,990</u>	<u>(39,604)</u>
Net cash provided by financing activities	<u>2,770</u>	<u>157,470</u>
Net increase (decrease) in cash	44,759	(51,803)
Cash at beginning of year	<u>43,475</u>	<u>95,278</u>
Cash at end of year	<u><u>\$ 88,234</u></u>	<u><u>43,475</u></u>
Supplemental schedule of cash flow information:		
Cash paid for interest	<u>\$ 45,468</u>	<u>50,496</u>
In-kind revenue	<u>\$ 199,708</u>	<u>205,408</u>
In-kind expense	<u><u>\$ 199,708</u></u>	<u><u>205,408</u></u>

See accompanying notes to consolidated financial statements.



DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2013

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Dutchess County Community Action Agency, Inc. (DCCAA) is a not-for-profit organization incorporated in New York in 1979. Its stated purpose is to serve low-income residents of Dutchess County by creating opportunities and advocacy for systemic changes that will support them in their journey to be self-sufficient and enjoy maximum feasible participation in the community. The core values of DCCAA are to create family centered opportunities that will support those on their journey towards self-sufficiency, provide all services and activities in a dignified manner through a strength-based, mutually respectful approach, increase and enhance the skills of low-income individuals seeking greater economic self-sufficiency, commit to advocacy for systemic change, provide and support related programs including but not limited to Community Development, Career Development, Youth Development, Family Development, Senior Assistance and Housing and Education, secure funding from sources both public and private to meet the mission and keep up-to-date on emerging issues.

DCCAA is the sole shareholder of North East Home Improvement and Energy Conservation LLC (NEHI). NEHI provides energy efficiency solutions to the public.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of DCCAA and its wholly-owned subsidiary, NEHI (collectively, the Agency). All significant intercompany accounts and transactions have been eliminated.

(c) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(d) Basis of Presentation

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Agency had only unrestricted net assets at December 31, 2013 and 2012.

(e) Estimates

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

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(f) Cash

For purposes of the consolidated statement of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

(g) Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the receivable. Changes in the valuation allowance have not been material to the consolidated financial statements.

(h) Deferred Revenue and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

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

The Agency receives unrestricted donations from outside parties. The donations include, but are not limited to, equipment, clothing, services, and food. All donations are unrestricted but used to support and further the Agency's objectives. The donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt. In addition, many skilled and unskilled individuals have contributed significant amounts of time to the activities of the Agency without compensation. Contributed services are recognized as in-kind revenue and expense by the Agency when the contributed service creates or enhances nonfinancial assets or requires specialized skills that would be purchased if not provided by the donation. In-kind contributions of \$199,708 and \$205,408 for the years ended December 31, 2013 and 2012, respectively, have been recognized as in-kind revenue and expense by the Agency.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Agency. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(k) Capitalization and Depreciation

Property and equipment are recorded at cost or fair market value at the date of the gift in the case of donated equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities.

(l) Long-Lived Assets

The Agency reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In determining whether there is an impairment of long-lived assets, the Agency compares the sum of the expected future net cash flows (undiscounted and without interest charges) to the carrying amount of the assets. At December 31, 2013 and 2012, no impairment in value has been recognized.

(m) Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(n) Subsequent Events

The Agency has evaluated events after December 31, 2013, and through May 21, 2014, which is the date the consolidated financial statements were available to be issued, and determined that any events or transactions occurring during this period that would require recognition or disclosure are properly addressed in these consolidated financial statements.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(o) Income Taxes

DCCAA is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is reflected in the consolidated financial statements. DCCAA has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. DCCAA presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that DCCAA has taken no uncertain tax positions that require adjustment in its consolidated financial statements. U.S. Forms 990 filed by DCCAA are subject to tax examination by taxing authorities. DCCAA is no longer subject to tax examinations for the years ended December 31, 2009, and prior.

NEHI, whose accounts are consolidated in these financial statements, is a limited liability company, taxed as a C-Corporation for Federal income taxes, and a Partnership in New York, not subject to New York State taxes. NEHI presently discloses or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable that a liability has been incurred for unrecognized income taxes. Management has concluded that NEHI has taken no uncertain tax positions that require adjustment in the consolidated financial statements. U.S. Forms 1120 filed by the NEHI are subject to examination by taxing authorities. NEHI is no longer subject to tax examinations for the years ended December 31, 2009, and prior.

(2) Concentration of Credit Risk

The Agency provides social services primarily in Dutchess County of the State of New York. A substantial portion of the Agency's receivables are due from Federal and New York State governmental agencies.

(3) Receivables

A summary of receivables at December 31, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
New York State Department of State	\$ 655	98,270
Dutchess County Department of Social Services	47,740	65,443
Selective Insurance Company of America	13,726	-
Other	<u>36,836</u>	<u>76,507</u>
	\$ <u>98,957</u>	<u>240,220</u>

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(4) Property and Equipment

Property and equipment at December 31, 2013 and 2012 are recorded at cost and are summarized as follows:

	<u>2013</u>	<u>2012</u> (As restated)
Land	\$ 242,135	242,133
Buildings and improvements	1,430,956	1,424,315
Leasehold improvements	60,977	60,977
Vehicles	342,940	367,320
Equipment	<u>441,222</u>	<u>434,222</u>
	2,518,230	2,528,967
Less accumulated depreciation	<u>(1,485,320)</u>	<u>(1,361,538)</u>
Net property and equipment	\$ <u>1,032,910</u>	<u>1,167,429</u>

(5) Vested Vacation Wages

Included in accrued expenses is the Agency's liability for future payments of accrued vested vacation wages which amounted to \$24,049 and \$15,146 at December 31, 2013 and 2012, respectively.

(6) Deferred Revenue

Deferred revenue amounted to \$75,555 and \$90,527 at December 31, 2013 and 2012, respectively. These amounts represent cash provided to the Agency in advance of the period to be benefited in order to provide working capital for the operation of the various programs of the Agency.

(7) Lines of Credit

	<u>2013</u>	<u>2012</u>
Annually renewable \$150,000 line of credit with Ulster Savings Bank, bearing interest at the prime rate less .25% (3.0% at December 31, 2013).	\$ 150,000	150,000
Annually renewable \$250,000 line of credit with M&T Bank, bearing interest at the prime rate plus 1.35% (4.6% at December 31, 2013) with a minimum rate of 4.0%.	<u>237,854</u>	<u>247,074</u>
	\$ <u>387,854</u>	<u>397,074</u>

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(8) Mortgage and Note Payable

	<u>2013</u>	<u>2012</u>
Mortgage payable to Ulster Savings Bank that requires monthly installments of \$5,393, including interest at 7%, through August 2023. This note is collateralized by property located in Red Hook, Beacon, and Poughkeepsie, New York. Effective April 1, 2013, this mortgage was refinanced in the amount of \$525,000 payable to Ulster Savings Bank in monthly installments of \$4,220, including interest at 5.25%, through March 2028.	\$ 507,382	485,392
Note payable to M&T Bank that requires monthly installments of principal of \$833 plus interest at 5.75% through May 2015.	<u>14,167</u>	<u>24,167</u>
	521,549	509,599
Less current installments	<u>(34,593)</u>	<u>(41,744)</u>
Mortgage and note payable, net of current installments	\$ <u>486,956</u>	<u>467,815</u>
The aggregate annual maturity of the mortgage and note payable for the five years following December 31, 2013 and thereafter, is as follows:		
2014	\$ 34,593	
2015	30,083	
2016	27,309	
2017	28,778	
2018	30,326	
Thereafter	<u>370,460</u>	
	\$ <u>521,549</u>	

(9) Pension Plan

The Agency maintains a 401(k) plan for its eligible staff. All employees of the Agency are eligible for participation in the plan upon completion of six months of employment. The Agency and its eligible employees both contribute a percentage of eligible employees' gross salary to the plan. During the years ended December 31, 2013 and 2012, the Agency contributed \$31,888 and \$46,692, respectively, to the plan on behalf of its eligible employees while employees contributed \$43,001 and \$59,369, respectively, to the plan.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(10) Economic Dependency

A material part of the Agency's funding is dependent upon a few grants, the loss of any one would have a material adverse effect on the Agency. During the years ended December 31, 2013 and 2012, 56% and 62%, respectively, of the Agency's total revenue was derived from four government grants.

(11) Commitment

The Agency leases space in the City of Beacon, New York under a commercial lease terminating in January 2015. Total rent expense for the years ended December 31, 2013 and 2012 amounted to \$54,364 and \$57,633, respectively, which are included in the accompanying consolidated statement of activities as occupancy expenses. At December 31, 2013, the future minimum lease payments required under the above lease is as follows:

2014	\$ 15,401
2015	<u>1,400</u>
	\$ <u>16,801</u>

(12) Contingencies

Contingencies at December 31, 2013 consist of the following:

(a) Grants

Under the terms of various grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such questioned costs could lead to reimbursement to the grantor agencies. Management believes that it would be able to provide support acceptable to the grantor and that any disallowances would not be material.

(b) Home Investment Partnership Program

The Home Investment Partnership Program through Dutchess County provided \$172,700 to the Agency to invest in low-income dwelling units in its Beacon, New York property. The mortgage is for fifteen years at no interest, with no schedule of payments, and will be forgiven on June 22, 2016. Under the terms of the agreement, the property must continue to meet the restrictions of the program for the fifteen years. If at any time the restrictions are not met, the Agency is subject to foreclosure or repayment of the mortgage.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

(13) Economic Condition

The Agency has encountered cash flow difficulties in recent years and has \$689,367 in total current liabilities as of December 31, 2013. Additionally, the Agency has incurred recurring decreases in unrestricted net assets the past four years of \$176,523, \$268,677, \$232,453 and \$256,314. Management believes it can reverse this trend and has addressed several issues. In 2013, the Agency refinanced its mortgage at a lower interest rate, established a fundraising committee to raise unrestricted dollars, renegotiated a lease saving approximately \$45,000 a year in rent expense, reduced staff through layoffs and attrition, reduced the pension match and reduced the Agency's fleet size and audit insurance expense. In 2014, management will continue its efforts by negotiating to sell property owned, apply for more grant opportunities and continue to raise unrestricted funds through a plan put into place with its subsidiary, NEHI, monitoring all areas to build cash reserves and review additional operational cost cutting strategies where feasible.

(14) Adjustments to Unrestricted Net Assets at Beginning of Year

Adjustments were recorded to the 2012 beginning of year net assets to correct building, land and accumulated depreciation which were previously incorrectly recorded by the Agency. The adjustments recorded to increase beginning of year unrestricted net assets amounted to \$196,066. A summary of the adjustments to unrestricted net assets at the beginning of year is as follows:

Building	\$ 68,825
Land	165,783
Accumulated depreciation	<u>(38,542)</u>
Total adjustments to unrestricted net assets	\$ <u>196,066</u>



DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY  
Consolidating Statement of Financial Position  
December 31, 2013

<u>Assets</u>	<u>Agency</u>	<u>NEHI</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:				
Cash	\$ 81,292	6,942	-	88,234
Receivables:				
Grants and contracts	68,464	30,493	-	98,957
Other	<u>54,481</u>	<u>-</u>	<u>(54,481)</u>	<u>-</u>
Total receivables	<u>122,945</u>	<u>30,493</u>	<u>(54,481)</u>	<u>98,957</u>
Prepaid expenses	21,846	-	-	21,846
Inventory	<u>15,769</u>	<u>-</u>	<u>-</u>	<u>15,769</u>
Total current assets	<u>241,852</u>	<u>37,435</u>	<u>(54,481)</u>	<u>224,806</u>
Property and equipment, at cost	2,518,230	-	-	2,518,230
Less accumulated depreciation	<u>(1,485,320)</u>	<u>-</u>	<u>-</u>	<u>(1,485,320)</u>
Total property and equipment	<u>1,032,910</u>	<u>-</u>	<u>-</u>	<u>1,032,910</u>
Other assets:				
Security deposit	4,800	-	-	4,800
Investment in subsidiary	<u>(42,821)</u>	<u>-</u>	<u>42,821</u>	<u>-</u>
Total other assets	<u>(38,021)</u>	<u>-</u>	<u>42,821</u>	<u>4,800</u>
Total assets	<u>\$ 1,236,741</u>	<u>37,435</u>	<u>(11,660)</u>	<u>1,262,516</u>

(Continued)

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY  
Consolidating Statement of Financial Position, Continued

<u>Liabilities and Net Assets</u>	<u>Agency</u>	<u>NEHI</u>	<u>Eliminations</u>	<u>Total</u>
Current liabilities:				
Accounts payable	\$ 83,474	80,256	(54,481)	109,249
Accrued expenses	71,372	-	-	71,372
Deferred revenue	75,555	-	-	75,555
Tenant security deposits	7,267	-	-	7,267
Owners' investment	3,477	-	-	3,477
Line of credit	387,854	-	-	387,854
Current installments of mortgage and loan payable	<u>34,593</u>	<u>-</u>	<u>-</u>	<u>34,593</u>
Total current liabilities	663,592	80,256	(54,481)	689,367
Mortgage and loan payable, less current installments	<u>486,956</u>	<u>-</u>	<u>-</u>	<u>486,956</u>
Total liabilities	1,150,548	80,256	(54,481)	1,176,323
Unrestricted net assets (deficit)	<u>86,193</u>	<u>(42,821)</u>	<u>42,821</u>	<u>86,193</u>
Total liabilities and net assets	<u>\$ 1,236,741</u>	<u>37,435</u>	<u>(11,660)</u>	<u>1,262,516</u>

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY  
Consolidating Statement of Activities  
Year ended December 31, 2013

	<u>Agency</u>	<u>NEHI</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted revenue:				
Grants and contracts	\$ 2,053,432	-	-	2,053,432
In-kind support	199,708	-	-	199,708
Contributions	31,407	-	-	31,407
Rental income	77,610	-	-	77,610
Town and Villages	33,760	-	-	33,760
Management fee	20,000	-	(20,000)	-
Sales	-	158,211	-	158,211
Miscellaneous	69,464	1,692	-	71,156
Total unrestricted revenue	<u>2,485,381</u>	<u>159,903</u>	<u>(20,000)</u>	<u>2,625,284</u>
Unrestricted expenses:				
Salaries	1,004,589	40,687	-	1,045,276
Payroll taxes and employee benefits	259,660	-	-	259,660
Client assistance	245,414	-	-	245,414
Supplies	445,444	107,324	-	552,768
Professional fees	50,095	550	-	50,645
Depreciation	134,753	-	-	134,753
Repairs and maintenance	33,812	-	-	33,812
Subcontractors	48,385	-	-	48,385
Travel	34,471	-	-	34,471
Occupancy	77,764	-	-	77,764
Insurance	71,425	-	-	71,425
Service contracts	8,126	-	-	8,126
Telephone	41,735	-	-	41,735
Advertising	1,139	-	-	1,139
Utilities	49,766	-	-	49,766
Interest expense	45,468	-	-	45,468
Conferences and training	11,148	-	-	11,148
Office expense	10,987	-	-	10,987
Payroll processing	9,297	-	-	9,297
Equipment rental	7,585	-	-	7,585
Memberships and dues	9,247	-	-	9,247
Printing	3,583	-	-	3,583
Postage	3,057	-	-	3,057
Investments loss in subsidiary	9,273	-	(9,273)	-
Taxes	1,006	-	-	1,006
Management fee	-	20,000	(20,000)	-
Miscellaneous	44,675	615	-	45,290
Total unrestricted expenses	<u>2,661,904</u>	<u>169,176</u>	<u>(29,273)</u>	<u>2,801,807</u>
Decrease in unrestricted net assets	(176,523)	(9,273)	9,273	(176,523)
Unrestricted net assets (deficit) at beginning of year	<u>262,716</u>	<u>(33,548)</u>	<u>33,548</u>	<u>262,716</u>
Unrestricted net assets (deficit) at end of year	<u>\$ 86,193</u>	<u>(42,821)</u>	<u>42,821</u>	<u>86,193</u>

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Schedule of Expenditures of Federal Awards  
Year ended December 31, 2013

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Passed through New York State Division of Housing and Community Renewal:			
Low-Income Home Energy Assistance	93.568	C091026-12	\$ 98,847
Low-Income Home Energy Assistance	93.568	C091026-13	377,057
Passed through Dutchess County:			
Low-Income Home Energy Assistance	93.568	11-0537-9/12-SSA2	249,592
Low-Income Home Energy Assistance	93.568	11-0537-9/12-A4	93,391
Passed through New York State Department of State:			
Community Services Block Grant	93.569	C001318-12	298,343
Community Services Block Grant	93.569	C001318-13	89,892
Total U.S. Department of Health and Human Services			<u>1,207,122</u>
U.S. Department of Energy - passed through New York State Division of Housing and Community Renewal:			
Weatherization Assistance for Low-Income Persons	81.042	C091026-12	89,494
Weatherization Assistance for Low-Income Persons	81.042	C091026-13	89,021
Total U.S. Department of Energy			<u>178,515</u>
U.S. Corporation for National Community Service - passed through New York State of Office of Aging - Retired and Senior Volunteer Program	94.002	N/A	<u>88,753</u>
U.S. Department of Homeland Security - Emergency Food and Shelter National Board Program	97.024	N/A	<u>30,180</u>
Total Federal Awards			<u>\$ 1,504,570</u>

See accompanying notes to schedule of expenditures of federal awards.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Note to Schedule of Expenditures of Federal Awards

December 31, 2013

(1) Basis of Presentation

(a) Reporting Entity

The schedule of expenditures of Federal awards includes the Federal grant activity of Dutchess County Community Action Agency, Inc. and Subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

(b) Pass-Through Programs

Where the Agency receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Catalog of Federal Domestic Assistance (CFDA) number advised by the pass-through grantor.

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

The Board of Directors  
Dutchess County Community Action  
Agency, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Dutchess County Community Action Agency, Inc. and Subsidiary (the Agency), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated May 21, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### Compliance and Other Matters

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

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Toski & Co., CPAs, P.C.

Williamsville, New York  
May 21, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors  
Dutchess County Community Action  
Agency, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Dutchess County Community Action Agency, Inc. and Subsidiary's (the Agency) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Agency's compliance.



### Opinion on Each Major Federal Program

In our opinion, Dutchess County Community Action Agency, Inc. and Subsidiary 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, 2013.

### Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Toski & Co., CPAs, P.C.*

Williamsville, New York  
May 21, 2014

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Schedule of Findings and Questioned Costs

Year ended December 31, 2013

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

1. Material weakness(es) identified?

\_\_\_\_ Yes   x   No

2. Significant deficiency(ies) identified not considered to be material weakness(es)?

\_\_\_\_ Yes   x   None reported

3. Noncompliance material to financial statements noted?

\_\_\_\_ Yes   x   No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified?

\_\_\_\_ Yes   x   No

5. Significant deficiency(ies) identified not considered to be material weakness(es)?

\_\_\_\_ Yes   x   None reported

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

Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))?

\_\_\_\_ Yes   x   No

7. The Agency's major program audited was:

Name of Federal Program

CFDA  
Number

Community Services Block Grant

93.569

8. Dollar threshold used to distinguish between Type A and Type B programs?

\$300,000

9. Auditee qualified as low-risk auditee?

  x   Yes \_\_\_\_ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings and questioned costs.

DUTCHESS COUNTY COMMUNITY ACTION AGENCY, INC.  
AND SUBSIDIARY

Schedule of Prior Audit Findings

December 31, 2013

There were no audit findings in the single audit report for the year ended December 31, 2012.