

FULMONT COMMUNITY  
ACTION AGENCY, INC.

Financial Statements and  
Supplementary Information

September 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

FULMONT COMMUNITY  
ACTION AGENCY, INC.

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**TOSKI, SCHAEFER & CO., P.C.**  
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INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Fulmont Community  
Action Agency, Inc.:

We have audited the accompanying statements of financial position of Fulmont Community Action Agency, Inc. as of September 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fulmont Community Action Agency, Inc. as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2010 on our consideration of Fulmont Community Action Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Williamsville, New York  
December 13, 2010

FULMONT COMMUNITY ACTION AGENCY, INC.  
 Statements of Financial Position  
 September 30, 2010 and 2009

<u>Assets</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and equivalents	\$ 814,451	479,203
Fees and grants receivable	266,129	415,098
Prepaid expenses	<u>11,663</u>	<u>7,656</u>
Total current assets	<u>1,092,243</u>	<u>901,957</u>
Certificates of deposit	116,419	114,383
Leasehold improvements and equipment, at cost	970,959	803,921
Less accumulated depreciation and amortization	<u>(539,104)</u>	<u>(496,936)</u>
Net leasehold improvements and equipment	<u>431,855</u>	<u>306,985</u>
Total assets	<u>\$ 1,640,517</u>	<u>1,323,325</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	53,747	146,928
Accrued expenses	265,720	196,664
Deferred revenue	<u>526,062</u>	<u>300,366</u>
Total current liabilities	<u>845,529</u>	<u>643,958</u>
Unrestricted net assets:		
Available for operations	363,133	372,382
Investment in leasehold improvements and equipment	<u>431,855</u>	<u>306,985</u>
Total unrestricted net assets	<u>794,988</u>	<u>679,367</u>
Commitments and contingencies (notes 8 and 9)	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 1,640,517</u>	<u>1,323,325</u>

See accompanying notes to financial statements.

FULMONT COMMUNITY ACTION AGENCY, INC.  
 Statements of Activities  
 Years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Unrestricted revenue:		
Fees and grants from governmental agencies	\$ 5,269,732	4,640,795
Contributions and in-kind support	874,448	850,915
Program revenue	42,288	31,630
Interest	3,459	3,634
Miscellaneous	<u>22,914</u>	<u>5,358</u>
Total unrestricted revenue	<u>6,212,841</u>	<u>5,532,332</u>
Unrestricted Expenses:		
Program services	5,630,903	5,049,775
Management and general	<u>466,317</u>	<u>386,609</u>
Total unrestricted expenses	<u>6,097,220</u>	<u>5,436,384</u>
Increase in unrestricted net assets	115,621	95,948
Unrestricted net assets at beginning of year	<u>679,367</u>	<u>583,419</u>
Unrestricted net assets at end of year	<u><u>\$ 794,988</u></u>	<u><u>679,367</u></u>

See accompanying notes to financial statements.

FULMONT COMMUNITY ACTION AGENCY, INC.  
Statement of Functional Expenses  
Year ended September 30, 2010  
with comparative totals for 2009

	Program services	Management and general	<u>Total</u>	
			<u>2010</u>	<u>2009</u>
Personnel costs	\$ 1,902,669	306,424	2,209,093	1,925,242
Payroll taxes and fringe benefits	726,712	96,555	823,267	652,818
In-kind expense	842,019	-	842,019	794,688
Sub-contract labor	81,138	-	81,138	61,703
Materials	211,341	-	211,341	304,480
Program expenses	97,707	-	97,707	90,419
Professional fees	4,713	19,341	24,054	17,857
Head Start contractual	750,315	-	750,315	865,984
Occupancy	110,463	-	110,463	136,288
Training	109,466	2,754	112,220	28,361
Postage	4,334	7,497	11,831	6,961
Supplies	85,201	9,055	94,256	80,983
Telephone	29,710	2,266	31,976	26,929
Advertising	12,681	900	13,581	15,146
Food	123,121	-	123,121	111,937
Vehicle expenses	317,223	-	317,223	118,770
Insurance	35,872	3,528	39,400	33,504
Travel	44,229	6,596	50,825	60,510
Printing	4,659	912	5,571	3,071
Dues and subscriptions	2,170	2,244	4,414	3,382
Depreciation and amortization	44,363	-	44,363	30,442
Miscellaneous	90,797	8,245	99,042	66,909
	<u>\$ 5,630,903</u>	<u>466,317</u>	<u>6,097,220</u>	<u>5,436,384</u>
Total unrestricted expenses	<u>\$ 5,630,903</u>	<u>466,317</u>	<u>6,097,220</u>	<u>5,436,384</u>

See accompanying notes to financial statements.

FULMONT COMMUNITY ACTION AGENCY, INC.  
Statement of Functional Expenses  
Year ended September 30, 2009

	<u>Program services</u>	<u>Management and general</u>	<u>Total</u>
Personnel costs	\$ 1,668,096	257,146	1,925,242
Payroll taxes and fringe benefits	578,745	74,073	652,818
In-kind expense	794,688	-	794,688
Sub-contract labor	61,703	-	61,703
Materials	304,480	-	304,480
Program expenses	90,419	-	90,419
Professional fees	4,242	13,615	17,857
Head Start contractual	865,984	-	865,984
Occupancy	136,288	-	136,288
Training	25,179	3,182	28,361
Postage	285	6,676	6,961
Supplies	74,216	6,767	80,983
Telephone	25,066	1,863	26,929
Advertising	14,188	958	15,146
Food	111,937	-	111,937
Vehicle expenses	118,770	-	118,770
Insurance	29,741	3,763	33,504
Travel	50,882	9,628	60,510
Printing	2,206	865	3,071
Dues and subscriptions	2,106	1,276	3,382
Depreciation and amortization	30,442	-	30,442
Miscellaneous	60,112	6,797	66,909
	<u>\$ 5,049,775</u>	<u>386,609</u>	<u>5,436,384</u>
Total unrestricted expenses			

See accompanying notes to financial statements.

FULMONT COMMUNITY ACTION AGENCY, INC.  
 Statements of Cash Flows  
 Years ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 115,621	95,948
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	44,363	30,442
Changes in:		
Receivables	148,969	(165,994)
Prepaid expenses	(4,007)	14,944
Accounts payable	(93,181)	33,897
Accrued expenses	69,056	67,163
Deferred revenue	<u>225,696</u>	<u>196,150</u>
Net cash provided by operating activities	<u>506,517</u>	<u>272,550</u>
Cash flows from investing activities:		
Increase in certificates of deposit	(2,036)	(2,310)
Additions to leasehold improvements and equipment	<u>(169,233)</u>	<u>(67,217)</u>
Net cash used in investing activities	<u>(171,269)</u>	<u>(69,527)</u>
Net increase in cash and equivalents	335,248	203,023
Cash and equivalents at beginning of year	<u>479,203</u>	<u>276,180</u>
Cash and equivalents at end of year	<u>\$ 814,451</u>	<u>479,203</u>
Supplemental schedule of cash flow information:		
In-kind revenue	<u>\$ 842,019</u>	<u>794,688</u>
In-kind expense	<u>\$ 842,019</u>	<u>794,688</u>
Disposal of fully depreciated equipment	<u>\$ 2,195</u>	<u>28,174</u>

See accompanying notes to financial statements.

FULMONT COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements

September 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

(a) Nature of Activities

Fulmont Community Action Agency, Inc. (the Agency) is a non-profit corporation serving the counties of Fulton and Montgomery and surrounding counties. Its primary purpose is to operate and administer programs to combat poverty and promote self-sufficiency among its target population. The Agency operates the following programs amongst others: Head Start, Nutrition, Energy Conservation, Children Services, Federal Emergency Management Agency (FEMA).

(b) Basis of Accounting

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

(c) 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 in 2010 and 2009.

(d) Estimates

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

(e) Cash

For purposes of the statements of cash flows, the Agency considers all highly liquid debt instruments purchased with a maturity of three months or less, including overnight repurchase agreements, to be cash equivalents.

(f) 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 accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

FULMONT COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Investments

Investments in certificates of deposit have been classified as investments held-to-maturity. These are investments in debt securities in which the Agency has the ability and intent to hold to maturity. The amortized cost equals fair value for the investments held-to-maturity.

(h) Fair Value Measurements

A framework has been established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 assets and liabilities are those whose inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access. Investments held by the Agency are classified as Level 1 in the fair value hierarchy.

(i) 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. 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. 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 statements of activities.

Donations of property are reflected in the accompanying statements at their estimated fair market value at the date of receipt. The Agency's policy is to imply a time restriction on donated property. Donated property is recorded as temporarily restricted support and the restriction expires over the useful life of property. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

(j) Deferred Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenditures have been incurred in compliance with the grant restrictions. Amounts unspent are recorded in the statements of financial position as deferred revenue.

(k) 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 and used to support and further the Agency's objectives. The donations are reflected in the accompanying statements at their estimated fair market value at the date of receipt. 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 certain provisions are met. In-kind contributions of \$842,019 and \$794,688 for the years ended December 31, 2010 and 2009, respectively, have been recognized as in-kind revenue and expense by the Agency.

FULMONT COMMUNITY ACTION AGENCY, INC.  
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(l) 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.

(m) Expense Allocation

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

(n) Subsequent Events

The Agency has evaluated events after September 30, 2010, and through December 13, 2010, which is the date the 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 financial statements.

(o) Income Taxes

The Agency 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 financial statements.

(2) Concentration of Credit Risk

The Agency provides social services primarily in the counties of Fulton and Montgomery and surrounding counties 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) Certificates of Deposit

Certificates of deposit at September 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Certificate of deposit maturing December 13, 2009, bearing interest at 3.25%	\$ -	62,424
Certificate of deposit maturing March 9, 2011, bearing interest at 3.85%	53,995	51,959
Certificate of deposit maturing December 13, 2014, bearing interest at 1.98%	<u>62,424</u>	<u>-</u>
	<u>\$ 116,419</u>	<u>114,383</u>

FULMONT COMMUNITY ACTION AGENCY, INC.  
Notes to Financial Statements, Continued

(4) Leasehold Improvements and Equipment

Leasehold improvements and equipment at September 30, 2010 and 2009 are summarized as follows:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 341,969	269,031
Playground equipment	52,294	52,294
Vehicles	357,825	264,068
Furniture and equipment	179,301	178,958
Computers and software	<u>39,570</u>	<u>39,570</u>
	970,959	803,921
Less accumulated depreciation	<u>(539,104)</u>	<u>(496,936)</u>
Net leasehold improvements and equipment	\$ <u>431,855</u>	<u>306,985</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 \$81,649 and \$67,145 at September 30, 2010 and 2009, respectively. Under the terms of the existing personnel manual, the Agency's employees receive annual vacation leave. The number of days allowed is dependent on the employees' years of service. Vacation leave represents the only leave paid to employees upon termination.

(6) Deferred Revenue

Deferred revenue amounted to \$526,062 and \$300,366 at September 30, 2010 and 2009, respectively. This amount represents 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) Line of Credit

The Agency has an unsecured line of credit agreement with its bank in the amount of \$200,000. Any borrowings under the agreement are subject to a variable interest rate of 1% over the highest Wall Street Journal prime base lending rate (4.25% at September 30, 2010). There was no outstanding balance on this agreement at September 30, 2010 and 2009.

FULMONT COMMUNITY ACTION AGENCY, INC.  
Notes to Financial Statements, Continued

(8) Commitments

The Agency has several operating leases, primarily for program sites, which expire through June 30, 2013. Leases with respect to program sites generally do not exceed a one-year period or the remaining length of the grant contracts funding the program. Total rent expense amounted to \$38,196 and \$39,711 for the years ended September 30, 2010 and 2009, respectively. The following is a schedule of future minimum rental payments required under the above lease arrangements:

<u>Years ending</u>	<u>Minimum rental payments</u>
2011	\$ 19,777
2012	11,100
2013	<u>8,325</u>
	\$ <u>39,202</u>

(9) Contingencies - Grants

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

FULMONT COMMUNITY ACTION AGENCY, INC.  
Schedule of Expenditures of Federal Awards  
Year ended September 30, 2010

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Department of Agriculture - pass-through New York			
State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants and Children (2)	10.557	C025748	\$ 1,740,333
Child and Adult Care Food Program	10.558	02CH1168/44	67,500
Child and Adult Care Food Program	10.558	02CH1168/45	27,921
Total Department of Agriculture			<u>1,835,754</u>
Department of Energy - pass-through New York State			
Division of Housing and Community Renewal:			
Weatherization Assistance for Low-Income Persons	81.042	C091031-09	183,184
Weatherization Assistance for Low-Income Persons	81.042	C091031-10	15,399
ARRA - Weatherization Assistance for Low-Income Persons	81.042	C092231	304,632
Total Department of Energy			<u>503,215</u>
Department of Health and Human Services:			
Head Start Cluster:			
Head Start (1)	93.600	02CH1168/44	1,320,878
Head Start (1)	93.600	02CH1168/45	957,621
Head Start - Universal PreK	93.600	02CH1168/44	141,229
Head Start - Universal PreK	93.600	02CH1168/45	18,466
ARRA - Head Start (1)	93.708	02SE1168/01	125,708
Pass-through New York State Office of Temporary Disability Assistance - Temporary Assistance for Needy Families - Wheels to Work	93.558	C020518	157,334
Pass-through New York State Department of State - CSBG Cluster:			
Community Services Block Grant	93.569	C05516	313,414
Community Services Block Grant	93.569	T001125	15,319
ARRA - Community Services Block Grant	93.710	C001016	433,988

FULMONT COMMUNITY ACTION AGENCY, INC.  
Schedule of Expenditures of Federal Awards, Continued

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Department of Health and Human Services, Continued:			
Pass-through New York State Division of Housing and Community Renewal:			
Low-Income Home Energy Assistance	93.568	C091031-09	\$ 244,722
Low-Income Home Energy Assistance	93.568	C091031-10	<u>126,789</u>
Total Department of Health and Human Services			<u>3,855,468</u>
Department of Homeland Security - pass-through New York State - Emergency Food and Shelter National Board Program			
	97.024	Not available	<u>31,427</u>
Total Federal Financial Assistance			<u>\$ 6,225,864</u>

(1) Direct Federal Award

(2) Includes federal non-cash items, primarily nutrition vouchers totaling \$1,320,752.

Basis of Presentation

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

**TOSKI, SCHAEFER & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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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  
Fulmont Community  
Action Agency, Inc.:

We have audited the financial statements of Fulmont Community Action Agency, Inc. as of and for the year ended September 30, 2010 and have issued our report thereon dated December 13, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fulmont Community Action Agency, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted a matter that we have reported to the management of Fulmont Community Action Agency, Inc. in a separate letter dated December 13, 2010.

This report is intended solely for the information and use of the Board of Directors, management and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Williamsville, New York  
December 13, 2010

**TOSKI, SCHAEFER & CO., P.C.**  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
Fulmont Community  
Action Agency, Inc.:

Compliance

We have audited the Fulmont Community Action Agency, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on Fulmont Community Action Agency, Inc.'s major Federal programs for the year ended September 30, 2010. Fulmont Community Action Agency, Inc.'s major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major Federal programs is the responsibility of Fulmont Community Action Agency, Inc.'s management. Our responsibility is to express an opinion on Fulmont Community Action Agency, Inc.'s compliance based on our audit.

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 Fulmont Community Action Agency, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fulmont Community Action Agency, Inc.'s compliance with those requirements.

In our opinion, Fulmont Community Action Agency, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal programs for the year ended September 30, 2010.

## Internal Control Over Compliance

Management of Fulmont Community Action Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Fulmont Community Action Agency, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Fulmont Community Action Agency, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Williamsville, New York  
December 13, 2010

FULMONT COMMUNITY ACTION AGENCY, INC.

Schedule of Findings and Questioned Costs

Year ended September 30, 2010

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
1. Material weakness(es) identified?	____ Yes <u> x </u> No
2. Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes <u> x </u> None reported
3. Noncompliance material to financial statements noted?	____ Yes <u> x </u> No

Federal Awards:

Internal control over major programs:	
4. Material weakness(es) identified?	____ Yes <u> x </u> No
5. Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes <u> x </u> None reported

Type of auditors' report issued on compliance for major programs:	Unqualified
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6. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))	____ Yes <u> x </u> No
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7. The Agency's major programs audited were:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Head Start	93.600
ARRA - Head Start	93.708
Weatherization Assistance for Low-Income Persons	81.042
ARRA - Weatherization Assistance for Low-Income Persons	81.042
Low-Income Home Energy Assistance	93.568
Community Services Block Grant	93.569
ARRA - Community Services Block Grant	93.710

8. Dollar threshold used to distinguish between Type A and Type B programs?	\$300,000
9. Auditee qualified as low-risk auditee?	<u> x </u> Yes _____ No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings.

FULMONT COMMUNITY  
ACTION AGENCY, INC.  
Schedule of Prior Audit Findings  
September 30, 2010

There were no audit findings with regard to the prior year financial statements (September 30, 2009).