

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
AUDIT REPORT
Years Ended September 30, 2016 and 2015

Means & Vance, PC
Certified Public Accountants

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL

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Independent Auditors' Report

To the Board of Directors
PA CleanWays
dba Keep Pennsylvania Beautiful
105 West 4th Street
Greensburg, Pennsylvania 15601

We have audited the accompanying statements of PA CleanWays dba Keep Pennsylvania Beautiful (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PA CleanWays dba Keep Pennsylvania Beautiful as of September 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Means & Vance, PC

Means & Vance, PC
Latrobe, Pennsylvania
December 16, 2016

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
STATEMENTS OF FINANCIAL POSITION
September 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 300,056	\$ 159,498
Accounts Receivable	45,171	102,657
Unbilled Receivables	58,417	108,166
Prepaid Expenses	<u>13,137</u>	<u>12,567</u>
Total Current Assets	416,781	382,888
NONCURRENT ASSETS		
Capital Assets:		
Furniture and Equipment	68,247	55,737
Less: Accumulated Depreciation	<u>(53,293)</u>	<u>(50,664)</u>
Net Capital Assets	14,954	5,073
Investments	<u>82,609</u>	<u>77,060</u>
Total Noncurrent Assets	<u>97,563</u>	<u>82,133</u>
TOTAL ASSETS	<u>\$ 514,344</u>	<u>\$ 465,021</u>

The Notes to the Financial Statements are an Integral Part of these Statements

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 13,442	\$ 17,590
Accrued Expenses	1,967	2,287
Accrued Salary	15,400	10,185
Accrued Vacation Pay	3,038	4,211
Grant Commitment	0	1,470
Line of Credit	<u>0</u>	<u>0</u>
Total Current Liabilities	33,847	35,743
NET ASSETS		
Unrestricted	330,685	291,883
Temporarily Restricted	<u>149,812</u>	<u>137,395</u>
Total Net Assets	<u>480,497</u>	<u>429,278</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>514,344</u></u>	\$ <u><u>465,021</u></u>

The Notes to the Financial Statements are an Integral Part of these Statements

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For The Years Ended September 30, 2016 and 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	2016 TOTAL	2015 SUMMARIZED TOTALS
REVENUES, GAINS AND OTHER SUPPORT:				
Government Grants	\$ 424,606	\$ 0	\$ 424,606	\$ 536,287
Contributions	289,281	210,201	499,482	525,007
Sales, net	9,254	0	9,254	128
Interest Income	108	0	108	61
Gain (Loss) on Investments	5,768	0	5,768	(3,927)
In-Kind Contributions	145,820	31,776	177,596	152,501
Membership Fees	49,869	0	49,869	38,365
Other Income	7,405	0	7,405	3,442
Net Assets Released From Restrictions	229,560	(229,560)	0	0
Total Revenues, Gains and Other Support	1,161,671	12,417	1,174,088	1,251,864
FUNCTIONAL EXPENSES:				
Program Services	992,534	0	992,534	1,010,555
Management and General	107,555	0	107,555	117,233
Fund Raising	22,780	0	22,780	22,710
Total Expenses	1,122,869	0	1,122,869	1,150,498
INCREASE (DECREASE) IN NET ASSETS	38,802	12,417	51,219	101,366
NET ASSETS-BEGINNING	291,883	137,395	429,278	327,912
NET ASSETS-ENDING	\$ 330,685	\$ 149,812	\$ 480,497	\$ 429,278

The Notes to the Financial Statements are an Integral Part of these Statements

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
SCHEDULE OF FUNCTIONAL EXPENSES
Years Ended September 30, 2016 and 2015

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2016 TOTAL	2015 SUMMARIZED TOTAL
Salaries	\$ 218,762	\$ 58,336	\$ 14,584	\$ 291,682	281,107
Payroll Taxes	21,113	5,630	1,407	28,150	26,760
Employee Benefits	39,726	10,593	2,648	52,967	55,873
Grant Expense	20,000	0	0	20,000	0
Legal and Professional	0	14,781	0	14,781	24,628
Supplies	7,834	2,089	522	10,445	13,372
Cleanup Expenses	482,937	0	0	482,937	493,899
Program Subcontracts	19,500	0	0	19,500	67,931
Public Education and Outreach	114,421	0	0	114,421	103,827
Telephone	3,277	874	218	4,369	4,238
Postage	6,499	1,733	433	8,665	6,301
Printing and Photography	11,094	0	0	11,094	4,918
Occupancy Expense	19,490	5,198	1,299	25,987	23,980
Organization Fee	532	1,502	277	2,311	2,759
Travel	7,933	2,115	529	10,577	18,140
Depreciation	1,971	526	131	2,628	2,025
Interest	0	30	0	30	189
Insurance	10,693	2,851	713	14,257	13,751
Education and Training	6,752	1,192	0	7,944	6,162
Miscellaneous Expense	0	105	19	124	638
TOTAL EXPENSES	\$ 992,534	\$ 107,555	\$ 22,780	\$ 1,122,869	\$ 1,150,498

The Notes to the Financial Statements are an Integral Part of this Statement

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
STATEMENTS OF CASH FLOWS
For The Years Ended September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 51,219	\$ 101,366
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	2,628	2,025
Net (Gain) Loss on Investments	(5,768)	3,927
(Increase) Decrease in Operating Assets:		
Accounts Receivable	57,486	(74,643)
Unbilled Receivables	49,749	23,780
Prepaid Expenses	(570)	2,671
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(4,148)	(9,727)
Grant Commitment	(1,470)	1,470
Accrued Expenses	(320)	406
Accrued Salaries	5,215	(1,263)
Accrued Vacation Pay	(1,173)	3,110
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>152,848</u>	<u>53,122</u>
INVESTING ACTIVITIES		
Proceeds (Purchase) of Investments	219	228
Purchase of Capital Assets	(12,509)	(3,448)
NET CASH USED IN INVESTING ACTIVITIES	<u>(12,290)</u>	<u>(3,220)</u>
FINANCING ACTIVITIES		
Proceeds (Payments) - Line of Credit - Net	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,558	49,902
CASH AND CASH EQUIVALENTS-BEGINNING	<u>159,498</u>	<u>109,596</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 300,056</u>	<u>\$ 159,498</u>

The Notes to the Financial Statements are an Integral Part of these Statements

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
NOTES TO THE FINANCIAL STATEMENTS

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND NATURE OF ACTIVITIES

PA CleanWays dba Keep Pennsylvania Beautiful (a Pennsylvania nonprofit corporation) is a 501(c)(3) statewide nonprofit organization that empowers organized volunteer groups and individuals to eliminate illegal dumping and littering in Pennsylvania. Cleanups focus on volunteer safety, community involvement and ongoing stewardship of these cleaned areas. The Organization has a comprehensive approach to cleaning and monitoring that includes public education, enforcement and beautification. In addition to organizing cleanups of illegal dump sites, the Organization also contributes and facilitates the adoption of non-state maintained roads and other areas, as well as addressing ways to dispose of and/or recycle problem disposal items and materials. The Organization also provides educational tools for the general public, as well as providing startup assistance, organizational support, educational supplies, and technical and management consultations to seventeen local chapters and affiliates.

B. ESTIMATES

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

C. BASIS OF ACCOUNTING

The accompanying financial statements are presented on the accrual basis of accounting. Under this method, revenues are recognized as they are earned, and expenditures are recorded when a liability is incurred.

D. BASIS OF PRESENTATION

The financial statements are presented in accordance with FASB ASC 958-205. Under FASB ASC 958-205, the Organization is required to report 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 financial statements are presented in accordance with FASB Accounting Standards Codification ASC 958-605 and subsections.

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES "CONTINUED"

Under FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

F. ACCOUNTS RECEIVABLE

Accounts receivable are stated at the moment management expects to collect from outstanding balances. The Organization provides for losses on accounts receivable using the allowance method. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Since accounts receivable are due from government contracts, the receivable balance is considered fully collectible.

G. INVESTMENTS

Investments with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment return, including net realized and unrealized gains and losses on investments, interest, and dividends, is included in the increase in net assets in the accompanying statement of activities and changes in net assets. In accordance with FASB ASC 820-10, *Fair Value Measurements and Disclosures*, the Organization's investments are valued at quotable market prices, placing the investments into Level 1 of the fair value hierarchy.

H. DONATED EQUIPMENT

Donations of equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose.

I. DONATED SERVICES

Donated services are recognized as contributions in accordance with ASC 958-605, *Accounting for Contributions Received and Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by PA CleanWays.

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

J. EXPENSE ALLOCATION

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

K. CAPITAL ASSETS

Capital assets are recorded at cost when purchased. Depreciation of capital assets is based on the estimated useful lives of the assets and is calculated on the straight-line method of depreciation. The Organization defines capital assets as assets with an initial, individual cost of \$1,000 and an estimated useful life exceeding one year. The costs associated with normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE (2) INCOME TAX STATUS

PA CleanWays is a Pennsylvania not-for-profit corporation that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. The Organization maintains a Group Exemption Letter (#3373) that covers its affiliated local chapters.

NOTE (3) CONCENTRATIONS

Approximately 90% and 93% of the Organization’s government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2016 and 2015, respectively. Approximately 71% and 82% of the accounts receivable as of September 30, 2016 and 2015, respectively, is due from the Pennsylvania Department of Environmental Protection.

The Organization maintains cash balances at several financial institutions located in Southwestern PA. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2016, the Organization’s uninsured cash balances total \$59,884.

NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit. At September 30, 2016 the full amount of the line of credit was available and there was no balance due. Bank advances on the credit line are payable on the expiration date of March 9, 2017. Interest is charged at the Wall Street Journal published prime rate (which may change daily). The credit line is secured by substantially all assets of the Organization.

NOTE (5) RELATED ENTITIES

The Organization has sixteen affiliates and eleven chapters. The Organization has no ownership or voting interests in the affiliates. However, Chapter and Affiliate Agreements give PA CleanWays control over how they carry out certain activities. The Organization provides direct cash grants to the local chapters and affiliates as funds are available. The direct cash grants made to the local chapters or affiliates for the years ended September 30, 2016 and 2015 was \$20,000 and \$0, respectively.

NOTE (6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2016 and 2015:

	2016	2015
Restricted for programming in specific Counties	\$ 62,887	\$ 53,300
Mellon Foundation	61,586	59,997
Miscellaneous Foundations	500	500
Miscellaneous Restrictions	24,839	23,598
Total Temporarily Restricted Net Assets	<u>\$ 149,812</u>	<u>\$ 137,395</u>

NOTE (7) NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors during 2016 and 2015 as follows:

	2016	2015
Restricted for programming in specific Counties	\$ 25,326	\$ 26,239
Mellon Foundation	129,211	40,446
Miscellaneous Foundations	0	3,787
Miscellaneous Restrictions	75,023	70,466
Total Temporarily Restricted Net Assets	<u>\$ 229,560</u>	<u>\$ 140,938</u>

NOTE (8) INVESTMENTS

The Organization's investments at September 30, 2016 consisted of a Mutual funds held with Morgan Stanley Smith Barney and they are recorded at market value. The investment account was opened during fiscal year 2016.

	2016	2015
Mutual Funds	\$ <u>82,609</u>	\$ <u>77,060</u>

NOTE (9) RETIREMENT PLAN

The Agency has in effect a SIMPLE IRA plan which covers substantially all employees who have met minimum compensation levels. Under the terms of the plan, employees may elect to make pre-tax contributions to the plan. The Organization matches up to 3% of compensation for the eligible employees. For the years ended September 30, 2016 and 2015, the Organization contributed \$7,187 and \$7,853 to the plan, respectively.

NOTE (10) OPERATING LEASES

PA CleanWays leases its offices under a lease agreement at the rate of \$11.00 per square foot for 2070 square feet at an annual rental of \$22,770. The lease began on March 1, 2013 and continues to February 28, 2015. Currently the office space lease is on a month to month basis. The Organization also rents storage facilities on a month to month basis. Rent expense amounted to \$25,988 and \$23,980 for the years ended September 30, 2016 and 2015, respectively.

NOTE (11) CONTINGENCIES

PA CleanWays dba Keep Pennsylvania Beautiful currently has no asserted litigation that would materially affect the financial statements.

NOTE (12) SUBSEQUENT EVENTS

The organization has evaluated subsequent events through December 16, 2016, the date the financial statements were available to be issued.