

**PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL**

AUDIT REPORT

Years Ended September 30, 2013 and 2012

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013

PA CLEANWAYS
 dba KEEP PENNSYLVANIA BEAUTIFUL
 STATEMENTS OF FINANCIAL POSITION
 September 30, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 124,626	\$ 258,093
Accounts Receivable	143,615	63,984
Unbilled Receivables	91,713	128,200
Prepaid Expenses	16,427	18,424
Total Current Assets	376,381	468,701
NONCURRENT ASSETS		
Capital Assets:		
Furniture and Equipment	51,640	50,785
Less: Accumulated Depreciation	(46,213)	(43,965)
Net Capital Assets	5,427	6,820
Investments	76,391	68,436
Total Noncurrent Assets	81,818	75,256
TOTAL ASSETS	\$ 458,199	\$ 543,957

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

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 35,500	\$ 31,343
Accrued Expenses	2,035	6,034
Accrued Salary	7,598	7,894
Accrued Vacation Pay	1,449	5,554
Advance	0	1,530
Line of Credit	<u>0</u>	<u>0</u>
 Total Current Liabilities	 46,582	 52,355
NET ASSETS		
Unrestricted	328,470	395,070
Temporarily Restricted	<u>83,147</u>	<u>96,532</u>
 Total Net Assets	 <u>411,617</u>	 <u>491,602</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u>458,199</u>	 \$ <u>543,957</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, 2013 and 2012

	UNRESTRICTED	TEMPORARILY RESTRICTED	2013 TOTAL	2012 SUMMARIZED TOTALS
REVENUES, GAINS AND OTHER SUPPORT:				
Government Grants	\$ 376,641	\$ 0	\$ 376,641	\$ 569,738
Contributions	315,781	346,854	662,635	625,258
Sales, net	0	0	0	2,353
Interest Income	180	0	180	180
Gain (Loss) on Investments	8,555	0	8,555	3,837
In-Kind Contributions	89,979	60,354	150,333	75,853
Membership Fees	33,186	0	33,186	34,560
Other Income	3,896	0	3,896	1,397
Net Assets Released From Restrictions	420,593	(420,593)	0	0
Total Revenues, Gains and Other Support	1,248,811	(13,385)	1,235,426	1,313,176
FUNCTIONAL EXPENSES:				
Program Services	1,140,049	0	1,140,049	1,123,466
Management and General	149,977	0	149,977	147,341
Fund Raising	25,385	0	25,385	26,173
Total Expenses	1,315,411	0	1,315,411	1,296,980
INCREASE (DECREASE) IN NET ASSETS	(66,600)	(13,385)	(79,985)	16,196
NET ASSETS-BEGINNING	395,070	96,532	491,602	475,406
NET ASSETS-ENDING	\$ 328,470	\$ 83,147	\$ 411,617	\$ 491,602

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, 2013 and 2012

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2013 TOTAL	2012 SUMMARIZED TOTAL
Salaries	\$ 235,402	\$ 62,774	\$ 15,694	\$ 313,870	327,355
Payroll Taxes	23,572	6,286	1,571	31,429	33,892
Employee Benefits	34,187	9,117	2,279	45,583	42,240
Legal and Professional	0	46,253	0	46,253	45,518
Supplies	15,725	4,193	1,048	20,966	9,524
Cleanup Expenses	714,587	0	0	714,587	636,291
Chapter Support	47	0	0	47	0
Grant Expense	(1,672)	0	0	(1,672)	39,498
Public Education and Outreach	35,167	0	0	35,167	36,599
Telephone	4,476	1,194	298	5,968	5,886
Postage	6,585	1,756	439	8,780	8,102
Printing and Photography	12,892	0	0	12,892	19,332
Occupancy Expense	18,015	4,804	1,201	24,020	23,534
Travel	20,403	5,441	1,360	27,204	33,857
Depreciation	1,685	450	112	2,247	1,943
Interest Expense	0	0	0	0	0
Insurance	12,711	3,390	847	16,948	21,028
Consultants	0	0	0	0	(6,280)
Conferences and Meetings	5,579	985	0	6,564	10,572
Education and Training	289	288	0	577	973
Volunteer Recognition	399	0	0	399	1,752
Miscellaneous Expense	0	3,046	536	3,582	5,364
TOTAL EXPENSES	\$ 1,140,049	\$ 149,977	\$ 25,385	\$ 1,315,411	\$ 1,296,980

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, 2013 and 2012

	2013	2012
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (79,985)	\$ 16,196
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	2,247	1,943
Net (Gain) Loss on Investments	(8,555)	(3,837)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(79,631)	(13,455)
Unbilled Receivables	36,487	(679)
Prepaid Expenses	1,997	1,330
Increase (Decrease) in Operating Liabilities		
Accounts Payable	4,157	5,419
Refundable Advance	(1,530)	418
Accrued Expenses	(3,999)	(595)
Accrued Salaries	(296)	(10,254)
Accrued Vacation Pay	(4,105)	(12,464)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(133,213)	(15,978)
INVESTING ACTIVITIES		
Proceeds (Purchase) of Investments	600	(64,599)
Purchase of Capital Assets	(854)	(1,754)
NET CASH USED IN INVESTING ACTIVITIES	(254)	(66,353)
FINANCING ACTIVITIES		
Proceeds (Payments) - Line of Credit - Net	0	0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133,467)	(82,331)
CASH AND CASH EQUIVALENTS-BEGINNING	258,093	340,424
CASH AND CASH EQUIVALENTS-ENDING	\$ 124,626	\$ 258,093

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 64% and 63% of the Organization’s government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2013 and 2012, respectively. Approximately 39% and 30% of the accounts receivable as of September 30, 2013 and 2012, 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, 2013, the Organization’s cash balances were completely insured.

NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$300,000 revolving line of credit. At September 30, 2013 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 February 7, 2014, and carry an interest rate of 8% at September 30, 2013. The credit line is secured by substantially all assets of the Organization.

NOTE (5) RELATED ENTITIES

The Organization has five affiliates and thirteen local 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 grants and support to the local chapters and affiliates. The amount of support provided to the affiliates for the years ended September 30, 2013 and 2012 amounted to \$47 and \$0 respectively.

NOTE (6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Restricted for programming in specific Counties	\$ 56,186	\$ 30,856
Mellon Foundation	0	0
Home Depot	8,696	39,428
Clean & Green Fund	0	9,572
Miscellaneous Foundations	293	508
Miscellaneous Restrictions	<u>17,972</u>	<u>16,168</u>
Total Temporarily Restricted Net Assets	<u>\$ 83,147</u>	<u>\$ 96,532</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 2013 and 2012 as follows:

	<u>2013</u>	<u>2012</u>
Restricted for programming in specific Counties	\$ 44,374	\$ 54,709
Mellon Foundation	100,585	42,581
Clean & Green Fund	9,572	1,773
Miscellaneous Foundations	215	0
Miscellaneous Restrictions	<u>265,847</u>	<u>113,049</u>
Total Temporarily Restricted Net Assets	<u>\$ 420,593</u>	<u>\$ 212,112</u>

NOTE (8) INVESTMENTS

The Organization's investments at September 30, 2013 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 2013.

		2013		2012
Mutual Funds	\$	<u>76,391</u>	\$	<u>68,436</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, 2013 and 2012, the Organization contributed \$6,853 and \$7,044 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. The Organization also rents storage facilities on a month to month basis. Rent expense amounted to \$24,020 and \$23,534 for the years ended September 30, 2013 and 2012, respectively. The future minimum rental payments under the lease for the fiscal years ended are as follows:

2014	\$	22,770
2015		<u>9,488</u>
Total Future Lease Payments	\$	<u>32,258</u>

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, 2013, the date the financial statements were available to be issued.