

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL

AUDIT REPORT

Years Ended September 30, 2014 and 2013

**Means & Vance, PC**  
*Certified Public Accountants*

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL

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# Means & Vance, PC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2014 and 2013, 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, 2014 and 2013, 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, 2014

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL  
STATEMENTS OF FINANCIAL POSITION  
September 30, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 109,596	\$ 124,626
Accounts Receivable	28,014	143,615
Unbilled Receivables	131,946	91,713
Prepaid Expenses	<u>15,238</u>	<u>16,427</u>
Total Current Assets	284,794	376,381
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Furniture and Equipment	52,289	51,640
Less: Accumulated Depreciation	<u>(48,639)</u>	<u>(46,213)</u>
Net Capital Assets	3,650	5,427
Investments	<u>81,215</u>	<u>76,391</u>
Total Noncurrent Assets	<u>84,865</u>	<u>81,818</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 369,659</u></u>	<u><u>\$ 458,199</u></u>

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

	<u>2014</u>	<u>2013</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 27,317	\$ 35,500
Accrued Expenses	1,881	2,035
Accrued Salary	11,448	7,598
Accrued Vacation Pay	1,101	1,449
Advance	0	0
Line of Credit	<u>0</u>	<u>0</u>
Total Current Liabilities	41,747	46,582
NET ASSETS		
Unrestricted	304,154	328,470
Temporarily Restricted	<u>23,758</u>	<u>83,147</u>
Total Net Assets	<u>327,912</u>	<u>411,617</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>369,659</u></u>	\$ <u><u>458,199</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, 2014 and 2013

	UNRESTRICTED	TEMPORARILY RESTRICTED	2014 TOTAL	2013 SUMMARIZED TOTALS
REVENUES, GAINS AND OTHER SUPPORT:				
Government Grants	\$ 372,600	\$ 0	\$ 372,600	\$ 376,641
Contributions	143,447	134,158	277,605	662,635
Sales, net	7,309	0	7,309	0
Interest Income	68	0	68	180
Gain (Loss) on Investments	5,484	0	5,484	8,555
In-Kind Contributions	138,766	23,675	162,441	150,333
Membership Fees	41,415	0	41,415	33,186
Other Income	3,969	0	3,969	3,896
Net Assets Released From Restrictions	217,222	(217,222)	0	0
Total Revenues, Gains and Other Support	930,280	(59,389)	870,891	1,235,426
FUNCTIONAL EXPENSES:				
Program Services	827,456	0	827,456	1,140,049
Management and General	107,044	0	107,044	149,977
Fund Raising	20,096	0	20,096	25,385
Total Expenses	954,596	0	954,596	1,315,411
INCREASE (DECREASE) IN NET ASSETS	(24,316)	(59,389)	(83,705)	(79,985)
NET ASSETS-BEGINNING	328,470	83,147	411,617	491,602
NET ASSETS-ENDING	\$ 304,154	\$ 23,758	\$ 327,912	\$ 411,617

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, 2014 and 2013

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2014 TOTAL	2013 SUMMARIZED TOTAL
Salaries	\$ 189,270	\$ 50,472	\$ 12,618	\$ 252,360	313,870
Payroll Taxes	18,309	4,882	1,221	24,412	31,429
Employee Benefits	33,444	8,918	2,230	44,592	45,583
Legal and Professional	0	25,257	0	25,257	46,253
Supplies	7,045	1,879	469	9,393	20,966
Cleanup Expenses	471,741	0	0	471,741	714,587
Public Education and Outreach	53,792	0	0	53,792	35,566
Telephone	3,273	873	218	4,364	5,968
Postage	2,945	785	197	3,927	8,780
Printing and Photography	4,006	0	0	4,006	12,892
Occupancy Expense	18,150	4,840	1,210	24,200	24,020
Travel	10,078	2,688	672	13,438	27,204
Depreciation	1,820	485	122	2,427	2,247
Insurance	10,100	2,693	673	13,466	16,948
Education and Training	3,483	615	0	4,098	7,141
Miscellaneous Expense	0	2,657	466	3,123	1,957
TOTAL EXPENSES	\$ <u>827,456</u>	\$ <u>107,044</u>	\$ <u>20,096</u>	\$ <u>954,596</u>	\$ <u>1,315,411</u>

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



PA CLEANWAYS  
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STATEMENTS OF CASH FLOWS  
For The Years Ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (83,705)	\$ (79,985)
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided By (Used In) Operating Activities:		
Depreciation	2,427	2,247
Net (Gain) Loss on Investments	(5,484)	(8,555)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	115,601	(79,631)
Unbilled Receivables	(40,233)	36,487
Prepaid Expenses	1,189	1,997
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(8,183)	4,157
Refundable Advance	0	(1,530)
Accrued Expenses	(154)	(3,999)
Accrued Salaries	3,850	(296)
Accrued Vacation Pay	(348)	(4,105)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(15,040)</u>	<u>(133,213)</u>
INVESTING ACTIVITIES		
Proceeds (Purchase) of Investments	660	600
Purchase of Capital Assets	(650)	(854)
NET CASH USED IN INVESTING ACTIVITIES	<u>10</u>	<u>(254)</u>
FINANCING ACTIVITIES		
Proceeds (Payments) - Line of Credit - Net	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,030)	(133,467)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>124,626</u>	<u>258,093</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 109,596</u>	<u>\$ 124,626</u>

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

PA CLEANWAYS  
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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 83% and 64% of the Organization’s government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2014 and 2013, respectively. Approximately 62% and 39% of the accounts receivable as of September 30, 2014 and 2013, 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, 2014, the Organization’s cash balances were completely insured.

## NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit. At September 30, 2014 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, 2015. 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. There were no direct cash grants made to the local chapters or affiliates for the years ended September 30, 2014 and 2013.

#### NOTE (6) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2014 and 2013:

	2014	2013
Restricted for programming in specific Counties	\$ 16,805	\$ 56,186
Mellon Foundation	0	0
Home Depot	0	8,696
Clean & Green Fund	0	0
Miscellaneous Foundations	4,042	293
Miscellaneous Restrictions	2,911	17,972
Total Temporarily Restricted Net Assets	\$ 23,758	\$ 83,147

#### 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 2014 and 2013 as follows:

	2014	2013
Restricted for programming in specific Counties	\$ 46,535	\$ 44,374
Mellon Foundation	30,565	100,585
Clean & Green Fund	0	9,572
Miscellaneous Foundations	16,251	215
Miscellaneous Restrictions	123,871	265,847
Total Temporarily Restricted Net Assets	\$ 217,222	\$ 420,593

#### NOTE (8) INVESTMENTS

The Organization's investments at September 30, 2014 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 2014.

	2014	2013
Mutual Funds	\$ <u>81,215</u>	\$ <u>76,391</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, 2014 and 2013, the Organization contributed \$6,257 and \$6,853 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. The Organization also rents storage facilities on a month to month basis. Rent expense amounted to \$24,200 and \$24,020 for the years ended September 30, 2014 and 2013, respectively. The future minimum rental payments under the lease for the fiscal years ended are as follows:

2015	\$ <u>9,488</u>
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#### 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, 2014, the date the financial statements were available to be issued.