

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL  
AUDIT REPORT  
Years Ended September 30, 2019 and 2018

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

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL

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# Means & Vance, PC

CERTIFIED PUBLIC ACCOUNTANTS

5927 Route 981, Suite 4  
Latrobe, PA 15650  
Phone: 724-539-2299 Fax: 724-539-2220

LOREN M. MEANS, CPA  
GLEN W. VANCE, CPA

loren@meansvancecpas.com  
glen@meansvancecpas.com

## 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019

PA CLEANWAYS  
 dba KEEP PENNSYLVANIA BEAUTIFUL  
 STATEMENTS OF FINANCIAL POSITION  
 September 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 319,781	\$ 278,857
Accounts Receivable	90,431	101,158
Unbilled Receivables	79,216	36,695
Prepaid Expenses	14,869	14,932
Total Current Assets	504,297	431,642
NONCURRENT ASSETS		
Capital Assets:		
Furniture and Equipment	83,728	82,739
Less: Accumulated Depreciation	(70,393)	(64,187)
Net Capital Assets	13,335	18,552
Investments	107,867	107,112
Total Noncurrent Assets	121,202	125,664
TOTAL ASSETS	\$ 625,499	\$ 557,306

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

LIABILITIES AND NET ASSETS	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 32,427	\$ 12,542
Accrued Expenses	2,891	3,282
Accrued Salary	19,519	15,158
Accrued PTO	5,072	3,660
Grant Commitment	0	0
Line of Credit	<u>0</u>	<u>0</u>
Total Current Liabilities	59,909	34,642
NET ASSETS		
Without Donor Restrictions	421,156	438,425
With Donor Restrictions	<u>144,434</u>	<u>84,239</u>
Total Net Assets	<u>565,590</u>	<u>522,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 625,499</u>	<u>\$ 557,306</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, 2019 and 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Summarized Totals
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Government Grants	\$ 737,606	\$ 0	\$ 737,606	\$ 567,551
Contributions	312,120	160,270	472,390	537,211
Sales, net	20	0	20	3,412
Investment return, net	876	0	876	5,367
In-Kind Contributions	96,865	6,894	103,759	72,509
Membership Fees	46,126	0	46,126	55,756
Other Income	3,750	0	3,750	2,020
<i>Net Assets Released From Restrictions:</i>				
Satisfaction of Donor Restrictions	106,969	(106,969)	0	0
<b>Total Revenues, Gains and Other Support</b>	<b>1,304,332</b>	<b>60,195</b>	<b>1,364,527</b>	<b>1,243,826</b>
<b>FUNCTIONAL EXPENSES:</b>				
Program Services	1,161,179	0	1,161,179	1,016,846
Management and General	131,552	0	131,552	116,703
Fund Raising	28,870	0	28,870	25,849
<b>Total Expenses</b>	<b>1,321,601</b>	<b>0</b>	<b>1,321,601</b>	<b>1,159,398</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(17,269)</b>	<b>60,195</b>	<b>42,926</b>	<b>84,428</b>
<b>NET ASSETS-BEGINNING</b>	<b>438,425</b>	<b>84,239</b>	<b>522,664</b>	<b>438,236</b>
<b>NET ASSETS-ENDING</b>	<b>\$ 421,156</b>	<b>\$ 144,434</b>	<b>\$ 565,590</b>	<b>\$ 522,664</b>

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, 2019 and 2018

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2019 TOTAL	2018 SUMMARIZED TOTAL
Salaries	\$ 282,597	\$ 75,359	\$ 18,840	\$ 376,796	335,932
Payroll Taxes	24,070	6,419	1,604	32,093	31,006
Employee Benefits	57,084	15,222	3,806	76,112	65,968
Grant Expense	0	0	0	0	13,000
Legal and Professional	0	14,021	0	14,021	12,970
Supplies	9,669	2,578	645	12,892	11,084
Cleanup Expenses	336,411	0	0	336,411	403,145
Program Subcontracts	191,220	0	0	191,220	10,498
Public Education and Outreach	174,743	0	0	174,743	189,517
Telephone	3,468	925	231	4,624	4,725
Postage	5,482	1,462	365	7,309	6,250
Printing and Photography	14,141	0	0	14,141	11,044
Occupancy Expense	20,396	5,439	1,360	27,195	25,384
Organization Fee	900	240	60	1,200	1,141
Travel	13,011	3,470	867	17,348	14,736
Depreciation	4,654	1,241	311	6,206	6,096
Interest	0	0	0	0	0
Insurance	11,513	3,070	767	15,350	14,682
Education and Training	11,604	2,048	0	13,652	2,220
Miscellaneous Expense	216	58	14	288	0
<b>TOTAL EXPENSES</b>	<b>\$ 1,161,179</b>	<b>\$ 131,552</b>	<b>\$ 28,870</b>	<b>\$ 1,321,601</b>	<b>\$ 1,159,398</b>

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, 2019 and 2018

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 42,926	\$ 84,428
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	6,206	6,096
Net (Gain) Loss on Investments	(1,349)	(5,551)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	10,727	(20,766)
Unbilled Receivables	(42,521)	4,571
Prepaid Expenses	63	(1,506)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	19,885	(2,312)
Grant Commitment	0	0
Accrued Expenses	(391)	(598)
Accrued Salaries	4,361	396
Accrued Vacation Pay	1,412	808
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>41,319</b>	<b>65,566</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds (Purchase) of Investments	594	(8,717)
Purchase of Capital Assets	(989)	(1,499)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(395)</b>	<b>(10,216)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds (Payments) - Line of Credit - Net	0	0
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>40,924</b>	<b>55,350</b>
<b>CASH AND CASH EQUIVALENTS-BEGINNING</b>	<b>278,857</b>	<b>223,507</b>
<b>CASH AND CASH EQUIVALENTS-ENDING</b>	<b>\$ 319,781</b>	<b>\$ 278,857</b>

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. FINANCIAL STATEMENT PRESENTATION

The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. During 2018, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2016-14: *Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities*, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organization's liquidity, financial performance, and cash flows.

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES "CONTINUED"

E. RECOGNITION OF DONOR RESTRICTIONS

Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restrictions expire in the fiscal year in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

F. CASH AND CASH EQUIVALENTS

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

G. 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.

H. 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.

I. 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 net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

J. 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.

K. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been presented in the Statement of Functional Expenses by program, management and general and fundraising services. The expenses require allocation on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort and also on the actual allocation when available.

The majority of the expenses are in support of local affiliates, communities and their programs.

L. 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 99% and 95% of the Organization’s government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2019 and 2018, respectively. Approximately 99% and 93% of the accounts receivable as of September 30, 2019 and 2018, 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, 2019, the Organization’s uninsured cash balance was \$69,312.

NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit. At September 30, 2019 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, 2020. 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.

NOTE (6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with restrictions subject to expenditure for a specific purpose are available for the following purposes as of September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Restricted for programming in specific Counties	\$ 47,098	\$ 55,055
Richard King Mellon Foundation	82,975	0
Miscellaneous Foundations	500	500
Miscellaneous Restrictions	<u>13,861</u>	<u>28,684</u>
Total Net Assets with Donor Restrictions – <i>Purpose Restrictions</i>	<u>\$ 144,434</u>	<u>\$ 84,239</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 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Restricted for programming in specific Counties	\$ 50,479	\$ 44,348
Richard King Mellon Foundation	17,025	0
Miscellaneous Foundations	0	0
Miscellaneous Restrictions	<u>39,465</u>	<u>81,291</u>
Total Net Assets Released from Restrictions	<u>\$ 106,969</u>	<u>\$ 125,639</u>

NOTE (8) INVESTMENTS

The Organization's investments at September 30, 2019 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.

		2019		2018
Mutual Funds	\$	<u>107,867</u>	\$	<u>107,112</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, 2019 and 2018, the Organization contributed \$7,693 and \$8,233 to the plan, respectively.

NOTE (10) OPERATING LEASES

PA CleanWays leases its offices under a lease agreement at the rate of \$12.50 per square foot for 2070 square feet at an annual rental of \$25,875. The lease began on May 1, 2018 and continues to April 30, 2021. The Organization also rents storage facilities on a month to month basis. Rent expense amounted to \$27,195 and \$25,384 for the years ended September 30, 2019 and 2018, respectively. The future minimum rental payments under the lease for the fiscal years ended are as follows:

2020	\$	25,875
2021		15,094
2022		<u>0</u>
Total Future Lease Payments	\$	<u>40,969</u>

NOTE (11) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets at year-end	\$	427,648
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to specific purpose		<u>144,434</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>283,214</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in short-term investments. In addition to the above amounts, the Organization has a line of Credit from PNC Bank in the amount of \$150,000.

NOTE (12) CONTINGENCIES

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

NOTE (13) SUBSEQUENT EVENTS

The organization has evaluated subsequent events through December 16, 2019, the date the financial statements were available to be issued.