

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
AUDIT REPORT
Years Ended September 30, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020

PA CLEANWAYS
 dba KEEP PENNSYLVANIA BEAUTIFUL
 STATEMENTS OF FINANCIAL POSITION
 September 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 330,836	\$ 319,781
Accounts Receivable	67,474	90,431
Unbilled Receivables	44,413	79,216
Prepaid Expenses	<u>15,785</u>	<u>14,869</u>
Total Current Assets	458,508	504,297
NONCURRENT ASSETS		
Capital Assets:		
Furniture and Equipment	83,728	83,728
Less: Accumulated Depreciation	<u>(76,240)</u>	<u>(70,393)</u>
Net Capital Assets	7,488	13,335
Investments	<u>115,135</u>	<u>107,867</u>
Total Noncurrent Assets	<u>122,623</u>	<u>121,202</u>
TOTAL ASSETS	<u><u>\$ 581,131</u></u>	<u><u>\$ 625,499</u></u>

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

	<u>2020</u>	<u>2019</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,983	\$ 32,427
Accrued Expenses	1,966	2,891
Accrued Salary	22,431	19,519
Accrued PTO	3,271	5,072
Line of Credit	0	0
Payroll Protection Program Loan Payable	<u>89,400</u>	<u>0</u>
 TOTAL LIABILITIES	 <u>126,051</u>	 <u>59,909</u>
NET ASSETS		
Without Donor Restrictions	357,615	421,156
With Donor Restrictions	<u>97,465</u>	<u>144,434</u>
 Total Net Assets	 <u>455,080</u>	 <u>565,590</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 581,131</u>	 <u>\$ 625,499</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, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Summarized Totals
REVENUES, GAINS AND OTHER SUPPORT:				
Government Grants	\$ 446,517	\$ 0	\$ 446,517	\$ 737,606
Contributions	293,453	55,295	348,748	472,390
Sales, net	4,065	0	4,065	20
Investment return, net	7,426	0	7,426	876
In-Kind Contributions	6,301	0	6,301	103,759
Membership Fees	800	0	800	46,126
Other Income	8,155	0	8,155	3,750
<i>Net Assets Released From Restrictions:</i>				
Satisfaction of Donor Restrictions	102,264	(102,264)	0	0
Total Revenues, Gains and Other Support	868,981	(46,969)	822,012	1,364,527
FUNCTIONAL EXPENSES:				
Program Services	774,208	0	774,208	1,161,179
Management and General	129,919	0	129,919	131,552
Fund Raising	28,395	0	28,395	28,870
Total Expenses	932,522	0	932,522	1,321,601
INCREASE (DECREASE) IN NET ASSETS	(63,541)	(46,969)	(110,510)	42,926
NET ASSETS-BEGINNING	421,156	144,434	565,590	522,664
NET ASSETS-ENDING	\$ 357,615	\$ 97,465	\$ 455,080	\$ 565,590

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, 2020 and 2019

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2020 TOTAL	2019 SUMMARIZED TOTAL
Salaries	\$ 274,344	\$ 73,158	\$ 18,290	\$ 365,792	376,796
Payroll Taxes	22,868	6,098	1,524	30,490	32,093
Employee Benefits	61,019	16,272	4,068	81,359	76,112
Grant Expense	2,270	0	0	2,270	0
Legal and Professional	0	14,651	0	14,651	14,021
Supplies	8,315	2,218	554	11,087	12,892
Cleanup Expenses	137,637	0	0	137,637	336,411
Program Subcontracts	49,801	0	0	49,801	191,220
Public Education and Outreach	138,430	0	0	138,430	174,743
Telephone	3,086	823	206	4,115	4,624
Postage	3,957	1,055	264	5,276	7,309
Printing and Photography	10,596	0	0	10,596	14,141
Occupancy Expense	20,396	5,439	1,360	27,195	27,195
Organization Fee	1,601	427	107	2,135	1,200
Travel	4,188	1,117	279	5,584	17,348
Depreciation	4,386	1,170	292	5,848	6,206
Interest	0	2	0	2	0
Insurance	10,861	2,896	724	14,481	15,350
Consultants	10,172	2,713	678	13,563	0
Education and Training	9,545	1,684	0	11,229	13,652
Miscellaneous Expense	736	196	49	981	288
TOTAL EXPENSES	\$ 774,208	\$ 129,919	\$ 28,395	\$ 932,522	\$ 1,321,601

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, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ (110,510)	\$ 42,926
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided By (Used In) Operating Activities:		
Depreciation	5,848	6,206
Net (Gain) Loss on Investments	(7,483)	(1,349)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	22,957	10,727
Unbilled Receivables	34,803	(42,521)
Prepaid Expenses	(916)	63
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(23,444)	19,885
Grant Commitment	0	0
Accrued Expenses	(925)	(391)
Accrued Salaries	2,912	4,361
Accrued PTO	(1,801)	1,412
	(78,559)	41,319
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Proceeds (Purchase) of Investments	214	594
Purchase of Capital Assets	0	(989)
	214	(395)
NET CASH USED IN INVESTING ACTIVITIES		
FINANCING ACTIVITIES		
Proceeds (Payments) - Note Payable	89,400	0
	11,055	40,924
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS-BEGINNING	319,781	278,857
CASH AND CASH EQUIVALENTS-ENDING	\$ 330,836	\$ 319,781

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. 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*. Under 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. REVENUE AND REVENUE RECOGNITION

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the statement of financial position.

F. 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.

G. CASH AND CASH EQUIVALENTS

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

H. 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.

NOTE (1) SIGNIFICANT ACCOUNTING POLICIES “CONTINUED”

I. 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.

J. 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.

K. 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.

L. 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.

M. 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 96% and 99% of the Organization's government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2020 and 2019, respectively. Approximately 98% and 99% of the accounts receivable as of September 30, 2020 and 2019, 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, 2020, the Organization's uninsured cash balance was \$66,726.

NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit. At September 30, 2020 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, 2021. 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted for programming in specific Counties	\$ 38,560	\$ 47,098
Richard King Mellon Foundation	52,015	82,975
Miscellaneous Foundations	1,164	500
Miscellaneous Restrictions	<u>5,726</u>	<u>13,861</u>
Total Net Assets with Donor Restrictions – <i>Purpose Restrictions</i>	<u>\$ 97,465</u>	<u>\$ 144,434</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 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Restricted for programming in specific Counties	\$ 35,883	\$ 50,479
Richard King Mellon Foundation	30,960	17,025
Miscellaneous Foundations	1,336	0
Miscellaneous Restrictions	<u>34,085</u>	<u>39,465</u>
Total Net Assets Released from Restrictions	<u>\$ 102,264</u>	<u>\$ 106,969</u>

NOTE (8) INVESTMENTS

The Organization’s investments at September 30, 2020 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.

	<u>2020</u>	<u>2019</u>
Mutual Funds	\$ <u>115,135</u>	\$ <u>107,867</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, 2020 and 2019, the Organization contributed \$7,454 and \$7,693 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, 2019 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 \$27,195 for the years ended September 30, 2020 and 2019, respectively. The future minimum rental payments under the lease for the fiscal years ended are as follows:

2021	\$	15,094
2022		0
2023		<u>0</u>
Total Future Lease Payments	\$	<u>15,094</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	\$	445,971
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to specific purpose		<u>97,465</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>348,506</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) PAYROLL PROTECTION PROGRAM LOAN PAYABLE

On May 5, 2020, the Organization received a loan pursuant to the Payroll Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of \$89,400 (the "PPP Loan"). The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020 principal and interest payments will be required through the maturity date in May 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

NOTE (13) CONTINGENCIES

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

NOTE (14) SUBSEQUENT EVENTS

The organization has evaluated subsequent events through December 16, 2020, the date the financial statements were available to be issued.