

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
AUDIT REPORT
Years Ended September 30, 2018 and 2017

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, 2018 and 2017, 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, 2018 and 2017, 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 21, 2018

PA CLEANWAYS
dba KEEP PENNSYLVANIA BEAUTIFUL
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 278,857	\$ 223,507
Accounts Receivable	101,158	80,392
Unbilled Receivables	36,695	41,266
Prepaid Expenses	<u>14,932</u>	<u>13,426</u>
Total Current Assets	431,642	358,591
NONCURRENT ASSETS		
Capital Assets:		
Furniture and Equipment	82,739	81,240
Less: Accumulated Depreciation	<u>(64,187)</u>	<u>(58,091)</u>
Net Capital Assets	18,552	23,149
Investments	<u>107,112</u>	<u>92,844</u>
Total Noncurrent Assets	<u>125,664</u>	<u>115,993</u>
TOTAL ASSETS	<u>\$ 557,306</u>	<u>\$ 474,584</u>

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

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 12,542	\$ 14,854
Accrued Expenses	3,282	3,880
Accrued Salary	15,158	14,762
Accrued Vacation Pay	3,660	2,852
Grant Commitment	0	0
Line of Credit	<u>0</u>	<u>0</u>
Total Current Liabilities	34,642	36,348
NET ASSETS		
Unrestricted	438,425	387,818
Temporarily Restricted	<u>84,239</u>	<u>50,418</u>
Total Net Assets	<u>522,664</u>	<u>438,236</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>557,306</u></u>	\$ <u><u>474,584</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, 2018 and 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	2018 TOTAL	2017 SUMMARIZED TOTALS
REVENUES, GAINS AND OTHER SUPPORT:				
Government Grants	\$ 567,551	\$ 0	\$ 567,551	\$ 474,422
Contributions	382,626	154,585	537,211	310,924
Sales, net	3,412	0	3,412	3,901
Interest Income	100	0	100	96
Gain (Loss) on Investments	5,551	0	5,551	10,463
In-Kind Contributions	67,634	4,875	72,509	88,208
Membership Fees	55,756	0	55,756	55,654
Other Income	2,020	0	2,020	1,097
Net Assets Released From Restrictions	125,639	(125,639)	0	0
Total Revenues, Gains and Other Support	1,210,289	33,821	1,244,110	944,765
FUNCTIONAL EXPENSES:				
Program Services	1,017,059	0	1,017,059	846,853
Management and General	116,760	0	116,760	115,468
Fund Raising	25,863	0	25,863	24,705
Total Expenses	1,159,682	0	1,159,682	987,026
INCREASE (DECREASE) IN NET ASSETS	50,607	33,821	84,428	(42,261)
NET ASSETS-BEGINNING	387,818	50,418	438,236	480,497
NET ASSETS-ENDING	\$ 438,425	\$ 84,239	\$ 522,664	\$ 438,236

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, 2018 and 2017

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2018 TOTAL	2017 SUMMARIZED TOTAL
Salaries	\$ 251,949	\$ 67,186	\$ 16,797	\$ 335,932	321,823
Payroll Taxes	23,255	6,201	1,550	31,006	31,739
Employee Benefits	49,476	13,194	3,298	65,968	56,777
Grant Expense	13,000	0	0	13,000	0
Legal and Professional	0	12,970	0	12,970	15,111
Supplies	8,313	2,217	554	11,084	12,702
Cleanup Expenses	403,145	0	0	403,145	306,717
Program Subcontracts	10,498	0	0	10,498	6,519
Public Education and Outreach	189,517	0	0	189,517	152,968
Telephone	3,544	945	236	4,725	4,576
Postage	4,688	1,250	312	6,250	5,828
Printing and Photography	11,044	0	0	11,044	5,427
Occupancy Expense	19,038	5,077	1,269	25,384	22,193
Organization Fee	1,069	285	71	1,425	1,526
Travel	11,052	2,947	737	14,736	15,514
Depreciation	4,572	1,219	305	6,096	4,799
Interest	0	0	0	0	0
Insurance	11,012	2,936	734	14,682	14,479
Education and Training	1,887	333	0	2,220	8,295
Miscellaneous Expense	0	0	0	0	33
TOTAL EXPENSES	\$ <u>1,017,059</u>	\$ <u>116,760</u>	\$ <u>25,863</u>	\$ <u>1,159,682</u>	\$ <u>987,026</u>

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 84,428	\$ (42,261)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	6,096	4,799
Net (Gain) Loss on Investments	(5,551)	(10,463)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(20,766)	(35,221)
Unbilled Receivables	4,571	17,151
Prepaid Expenses	(1,506)	(289)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(2,312)	1,412
Grant Commitment	0	0
Accrued Expenses	(598)	1,913
Accrued Salaries	396	(638)
Accrued Vacation Pay	808	(186)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>65,566</u>	<u>(63,783)</u>
INVESTING ACTIVITIES		
Proceeds (Purchase) of Investments	(8,717)	228
Purchase of Capital Assets	(1,499)	(12,994)
NET CASH USED IN INVESTING ACTIVITIES	<u>(10,216)</u>	<u>(12,766)</u>
FINANCING ACTIVITIES		
Proceeds (Payments) - Line of Credit - Net	<u>0</u>	<u>0</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	55,350	(76,549)
CASH AND CASH EQUIVALENTS-BEGINNING	<u>223,507</u>	<u>300,056</u>
CASH AND CASH EQUIVALENTS-ENDING	<u>\$ 278,857</u>	<u>\$ 223,507</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.

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

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 95% and 99% of the Organization’s government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2018 and 2017, respectively. Approximately 93% and 100% of the accounts receivable as of September 30, 2018 and 2017, 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, 2018, the Organization’s uninsured cash balance was \$40,064.

NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit. At September 30, 2018 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, 2019. 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) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2018 and 2017:

	2018	2017
Restricted for programming in specific Counties	\$ 55,055	\$ 40,669
Mellon Foundation	0	0
Miscellaneous Foundations	500	500
Miscellaneous Restrictions	28,684	9,249
Total Temporarily Restricted Net Assets	<u>\$ 84,239</u>	<u>\$ 50,418</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 2018 and 2017 as follows:

	2018	2017
Restricted for programming in specific Counties	\$ 44,348	\$ 68,490
Mellon Foundation	0	86,592
Miscellaneous Foundations	0	0
Miscellaneous Restrictions	81,291	26,465
Total Temporarily Restricted Net Assets	<u>\$ 125,639</u>	<u>\$ 181,547</u>

NOTE (8) INVESTMENTS

The Organization's investments at September 30, 2018 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.

	2018	2017
Mutual Funds	\$ <u>107,112</u>	\$ <u>92,844</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, 2018 and 2017, the Organization contributed \$8,233 and \$8,121 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 \$25,384 and \$22,193 for the years ended September 30, 2018 and 2017, respectively. The future minimum rental payments under the lease for the fiscal years ended are as follows:

2019	\$ 25,875
2020	25,875
2021	<u>15,094</u>
Total Future Lease Payments	\$ <u>66,844</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 21, 2018, the date the financial statements were available to be issued.