

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL  
AUDIT REPORT  
Years Ended September 30, 2022 and 2021

**Vance & Company, PC**  
*A Certified Public Accounting Firm*

PA CLEANWAYS  
dba KEEP PENNSYLVANIA BEAUTIFUL

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# VANCE & COMPANY PC

A Certified Public Accounting Firm

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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

### **Opinion**

We have audited the accompanying financial statements of PA Cleanways dba Keep Pennsylvania Beautiful (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PA Cleanways dba Keep Pennsylvania Beautiful and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PA Cleanways dba Keep Pennsylvania Beautiful's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 PA Cleanways dba Keep Pennsylvania Beautiful's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about PA Cleanways dba Keep Pennsylvania Beautiful's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Vance & Company, PC*

Vance & Company, PC  
Latrobe, Pennsylvania  
January 11, 2023

PA CLEANWAYS  
 dba KEEP PENNSYLVANIA BEAUTIFUL  
 STATEMENTS OF FINANCIAL POSITION  
 September 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 344,109	\$ 329,471
Accounts Receivable	105,139	88,078
Unbilled Receivables	92,715	42,335
Unconditional Promises To Give	22,500	0
Prepaid Expenses	<u>16,881</u>	<u>31,208</u>
 Total Current Assets	 581,344	 491,092
<b>NONCURRENT ASSETS</b>		
Capital Assets:		
Furniture and Equipment	96,263	84,768
Less: Accumulated Depreciation	<u>(84,724)</u>	<u>(81,464)</u>
 Net Capital Assets	 11,539	 3,304
 Investments	 <u>108,857</u>	 <u>138,419</u>
 Total Noncurrent Assets	 <u>120,396</u>	 <u>141,723</u>
 <b>TOTAL ASSETS</b>	 <b>\$ <u>701,740</u></b>	 <b>\$ <u>632,815</u></b>

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

LIABILITIES AND NET ASSETS	<u>2022</u>	<u>2021</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 25,351	\$ 25,617
Accrued Expenses	5,807	2,424
Accrued Salary	9,616	24,784
Accrued PTO	2,028	3,326
Line of Credit	0	0
Payroll Protection Program Loan Payable	<u>0</u>	<u>0</u>
 TOTAL LIABILITIES	 <u>42,802</u>	 <u>56,151</u>
NET ASSETS		
Without Donor Restrictions	522,995	494,184
With Donor Restrictions	<u>135,943</u>	<u>82,480</u>
 Total Net Assets	 <u>658,938</u>	 <u>576,664</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 701,740</u>	 <u>\$ 632,815</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, 2022 and 2021

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Summarized Totals
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Government Grants	\$ 649,501	\$ 0	\$ 649,501	\$ 655,152
Program Income	0	360,000	360,000	591,937
Contributions	192,765	135,959	328,724	251,997
Sales, net	0	0	0	21
Investment return, net	(29,493)	0	(29,493)	24,546
In-Kind Contributions	37,341	0	37,341	34,700
Membership Fees	700	0	700	800
Other Income	250	0	250	300
<i>Net Assets Released From Restrictions:</i>				
Satisfaction of Donor Restrictions	442,496	(442,496)	0	0
<b>Total Revenues, Gains and Other Support</b>	<b>1,293,560</b>	<b>53,463</b>	<b>1,347,023</b>	<b>1,559,453</b>
<b>FUNCTIONAL EXPENSES:</b>				
Program Services	1,064,767	0	1,064,767	1,275,406
Management and General	137,793	0	137,793	133,133
Fund Raising	62,189	0	62,189	29,330
<b>Total Expenses</b>	<b>1,264,749</b>	<b>0</b>	<b>1,264,749</b>	<b>1,437,869</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>28,811</b>	<b>53,463</b>	<b>82,274</b>	<b>121,584</b>
<b>NET ASSETS-BEGINNING</b>	<b>494,184</b>	<b>82,480</b>	<b>576,664</b>	<b>455,080</b>
<b>NET ASSETS-ENDING</b>	<b>\$ 522,995</b>	<b>\$ 135,943</b>	<b>\$ 658,938</b>	<b>\$ 576,664</b>

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



PA CLEANWAYS  
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SCHEDULE OF FUNCTIONAL EXPENSES  
Years Ended September 30, 2022 and 2021

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUND RAISING	2022 TOTAL	2021 SUMMARIZED TOTAL
Salaries	\$ 314,724	\$ 80,698	\$ 8,070	\$ 403,492	383,591
Payroll Taxes	27,035	7,209	1,802	36,046	31,336
Employee Benefits	48,892	13,038	3,259	65,189	74,494
Grant Expense	326,086	0	0	326,086	541,200
Legal and Professional	0	17,961	0	17,961	14,178
Supplies	11,021	2,939	735	14,695	12,170
Cleanup Expenses	56,599	0	0	56,599	151,047
Program Subcontracts	29,183	0	0	29,183	20,076
Public Education and Outreach	180,857	0	0	180,857	106,007
Telephone	3,329	888	222	4,439	4,746
Postage	4,214	1,124	281	5,619	9,512
Printing and Photography	6,932	0	0	6,932	14,495
Fundraising	0	0	44,810	44,810	0
Occupancy Expense	22,667	6,044	1,511	30,222	28,086
Organization Fee	1,028	274	68	1,370	1,870
Travel	5,848	1,559	390	7,797	820
Depreciation	2,444	652	163	3,259	5,224
Interest	0	0	0	0	1,172
Insurance	12,266	3,271	818	16,355	16,446
Consultants	900	240	60	1,200	17,732
Education and Training	10,741	1,896	0	12,637	3,110
Miscellaneous Expense	1	0	0	1	557
<b>TOTAL EXPENSES</b>	<b>\$ 1,064,767</b>	<b>\$ 137,793</b>	<b>\$ 62,189</b>	<b>\$ 1,264,749</b>	<b>\$ 1,437,869</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, 2022 and 2021

	2022	2021
<b>OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ 82,274	\$ 121,584
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation	3,259	5,224
Net (Gain) Loss on Investments	28,590	(24,017)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(17,061)	(20,604)
Unbilled Receivables	(50,380)	2,078
Unconditional Promises To Give	(22,500)	0
Prepaid Expenses	14,327	(15,423)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(266)	16,634
Accrued Expenses	3,383	458
Accrued Salaries	(15,168)	2,353
Accrued PTO	(1,298)	55
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>25,160</b>	<b>88,342</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds (Purchase) of Investments	973	733
Purchase of Capital Assets	(11,495)	(1,040)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(10,522)</b>	<b>(307)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds (Payments) - Note Payable	0	(89,400)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>14,638</b>	<b>(1,365)</b>
<b>CASH AND CASH EQUIVALENTS-BEGINNING</b>	<b>329,471</b>	<b>330,836</b>
<b>CASH AND CASH EQUIVALENTS-ENDING</b>	<b>\$ 344,109</b>	<b>\$ 329,471</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*. 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 86% and 93% of the Organization's government grants are provided by the Pennsylvania Department of Environmental Protection for the years ended September 30, 2022 and 2021, respectively. Approximately 69% and 92% of the accounts receivable as of September 30, 2022 and 2021, 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, 2022, the Organization's uninsured cash balance was \$97,211.

#### NOTE (4) REVOLVING LINE OF CREDIT

The Organization has a \$150,000 revolving line of credit. At September 30, 2022 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, 2023. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for programming in specific Counties	\$ 37,710	\$ 32,142
Miscellaneous Restrictions	<u>98,233</u>	<u>50,338</u>
Total Net Assets with Donor Restrictions – <i>Purpose Restrictions</i>	<u>\$ 135,943</u>	<u>\$ 82,480</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 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Restricted for programming in specific Counties	\$ 33,391	\$ 40,386
Richard King Mellon Foundation	0	52,015
Miscellaneous Foundations	0	1,164
Miscellaneous Restrictions	<u>409,105</u>	<u>585,826</u>
Total Net Assets Released from Restrictions	<u>\$ 442,496</u>	<u>\$ 679,391</u>

NOTE (8) INVESTMENTS

The Organization's investments at September 30, 2022 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>2022</u>	<u>2021</u>
Mutual Funds	\$ <u>108,857</u>	\$ <u>138,419</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, 2022 and 2021, the Organization contributed \$13,694 and \$8,304 to the plan, respectively.

NOTE (10) OPERATING LEASES

PA CleanWays leases its offices under a lease agreement at the rate of \$13.50 per square foot for 2070 square feet at an annual rental of \$27,945. The lease began on May 1, 2021 and continues to April 30, 2024. The Organization also rents storage facilities on a month to month basis. Rent expense amounted to \$30,222 and \$28,087 for the years ended September 30, 2022 and 2021, respectively. The future minimum rental payments under the lease for the fiscal years ended are as follows:

2023	\$	27,945
2024		<u>13,972</u>
Total Future Lease Payments	\$	<u>41,917</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	\$	452,966
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to specific purpose		<u>135,943</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u>317,023</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.

The Organization applied for forgiveness and the forgiveness amount remitted was \$89,400 in principal and \$1,172 in interest approved on August 20, 2021. Once the loan was forgiven the proceeds were reclassified as grant and interest income respectively.

#### 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 January 11, 2023, the date the financial statements were available to be issued.