

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

St. Marys, Pennsylvania

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

June 30, 2018

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## SHARKEY PICCIRILLO & KEEN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

DuBois, Pennsylvania 15801

### INDEPENDENT AUDITORS' REPORT

To the Governing Board  
Community Education Council of  
Elk and Cameron Counties, Inc.  
St. Marys, Pennsylvania

We have audited the accompanying financial statements of the Community Education Council of Elk and Cameron Counties, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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.

#### Auditors' 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 plan and 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 auditors' 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 auditors consider 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 the Community Education Council of Elk and Cameron Counties, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Sharkey Piccirillo & Keen, LLP*

SHARKEY PICCIRILLO & KEEN, LLP  
October 3, 2018

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2018

|                                   | Unrestricted | Temporarily<br>Restricted | Total      |
|-----------------------------------|--------------|---------------------------|------------|
| <u>ASSETS</u>                     |              |                           |            |
| Current Assets:                   |              |                           |            |
| Cash and cash equivalents         | \$ 278,080   | \$ 11,243                 | \$ 289,323 |
| Investments                       | 214,534      | -                         | 214,534    |
| Accounts receivable               | 5,237        | -                         | 5,237      |
| Grants receivable                 | 29,053       | -                         | 29,053     |
| Prepaid insurance                 | 1,018        | -                         | 1,018      |
| Total Current Assets              | 527,922      | 11,243                    | 539,165    |
| Property and Equipment:           |              |                           |            |
| Land                              | 5,763        | -                         | 5,763      |
| Buildings and improvements        | 829,421      | -                         | 829,421    |
| Office equipment and furniture    | 4,470        | -                         | 4,470      |
| Computer lab equipment            | 157,453      | -                         | 157,453    |
|                                   | 997,107      | -                         | 997,107    |
| Less: Accumulated depreciation    | (588,184)    | -                         | (588,184)  |
| Total Property and Equipment      | 408,923      | -                         | 408,923    |
| Total Assets                      | \$ 936,845   | \$ 11,243                 | \$ 948,088 |
| <u>LIABILITIES AND NET ASSETS</u> |              |                           |            |
| Current Liabilities:              |              |                           |            |
| Accounts payable                  | \$ 1,677     | \$ -                      | \$ 1,677   |
| Payroll liabilities               | 56           | -                         | 56         |
| Deferred revenue                  | -            | 11,243                    | 11,243     |
| Total Current Liabilities         | 1,733        | 11,243                    | 12,976     |
| Net Assets                        | 935,112      | -                         | 935,112    |
| Total Liabilities and Net Assets  | \$ 936,845   | \$ 11,243                 | \$ 948,088 |

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

|  | Unrestricted      | Temporarily<br>Restricted | Total             |
|--|-------------------|---------------------------|-------------------|
| Revenues and Other Support:                |                   |                           |                   |
| Pennsylvania Department of Education grant | \$ 260,000        | \$ -                      | \$ 260,000        |
| Other non-government grants                | -                 | 59,253                    | 59,253            |
| Gifts and donations                        | 169               | 1,001                     | 1,170             |
| Program service fees                       | 68,982            | 6,940                     | 75,922            |
| Investment return                          | 12,000            | -                         | 12,000            |
| Rental income (net)                        | 14,362            | -                         | 14,362            |
| Net assets released from restrictions      | 67,194            | (67,194)                  | -                 |
| Total Revenues and Other Support           | <u>422,707</u>    | <u>-</u>                  | <u>422,707</u>    |
| Expenses and Losses:                       |                   |                           |                   |
| Salaries and wages                         | 160,924           | -                         | 160,924           |
| Payroll taxes                              | 13,490            | -                         | 13,490            |
| Employee benefits                          | 10,008            | -                         | 10,008            |
| Insurance                                  | 4,497             | -                         | 4,497             |
| Repairs and maintenance - building         | 13,160            | -                         | 13,160            |
| Elevator repairs and maintenance           | 1,187             | -                         | 1,187             |
| Security and monitoring                    | 378               | -                         | 378               |
| Mortgage interest expense                  | 296               | -                         | 296               |
| Repairs and maintenance - equipment        | 7,853             | -                         | 7,853             |
| Marketing                                  | 11,992            | -                         | 11,992            |
| Professional services                      | 2,600             | -                         | 2,600             |
| Program costs                              | 31,006            | -                         | 31,006            |
| Student support                            | 400               | -                         | 400               |
| Utilities                                  | 18,844            | -                         | 18,844            |
| Membership fees and dues                   | 2,580             | -                         | 2,580             |
| Office                                     | 8,325             | -                         | 8,325             |
| Travel                                     | 8,280             | -                         | 8,280             |
| Depreciation                               | 20,404            | -                         | 20,404            |
| Total Expenses and Losses                  | <u>316,224</u>    | <u>-</u>                  | <u>316,224</u>    |
| Change in Net Assets                       | <u>106,483</u>    | <u>-</u>                  | <u>106,483</u>    |
| Net Assets, beginning of year              | <u>828,629</u>    | <u>-</u>                  | <u>828,629</u>    |
| Net Assets, end of year                    | <u>\$ 935,112</u> | <u>\$ -</u>               | <u>\$ 935,112</u> |

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2018

|  |                 |                          |
|--|-----------------|--------------------------|
| Cash Flows from Operating Activities:  |                 |                          |
| Increase in net assets   |                 | \$ 106,483               |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |                 |                          |
| Depreciation   | \$ 36,140       |                          |
| Net unrealized gain on investments   | (3,020)         |                          |
| (Increase) Decrease in:  |                 |                          |
| Accounts receivable  | 6,582           |                          |
| Grants receivable  | (12,306)        |                          |
| Prepaid insurance  | (1,018)         |                          |
| Increase in:   |                 |                          |
| Accounts payable   | 741             |                          |
| Payroll liabilities  | 56              |                          |
| Deferred revenue   | 895             |                          |
| Total Adjustments  | <u>28,070</u>   |                          |
| Net Cash Provided by Operating Activities  |                 | 134,553                  |
| Cash Flows from Investing Activities:  |                 |                          |
| Purchases of investments   | (8,495)         |                          |
| Proceeds from sales of investments   | 28,002          |                          |
| Purchases of capital assets  | <u>(17,540)</u> |                          |
| Net Cash Provided by Investing Activities  |                 | 1,967                    |
| Cash Flows from Financing Activities:  |                 |                          |
| Payments on long-term debt   |                 | <u>(41,887)</u>          |
| Net Increase in Cash   |                 | 94,633                   |
| Cash and Cash Equivalents, beginning of year   |                 | <u>194,690</u>           |
| Cash and Cash Equivalents, end of year   |                 | <u><u>\$ 289,323</u></u> |
| Supplemental Disclosures:  |                 |                          |
| Interest paid  |                 | <u><u>\$ 633</u></u>     |

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

The Community Education Council of Elk and Cameron Counties, Inc. was incorporated in 1991 under the laws of the Commonwealth of Pennsylvania as a private nonprofit corporation. The Organization engages in identifying, implementing, and overseeing continuing efforts of providing access to resources of post-secondary education principally for the citizens of Elk and Cameron Counties. The Organization also provides resources and facilitation for training opportunities and program awareness that will address the area's economic development needs now and in the future. Revenues of the Organization consist primarily of donor grants and program and service fees.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

In applying the provisions of FASB ASC 958, *Not-for-Profit Entities*, the Organization applies all FASB pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins which do not conflict with or contradict FASB pronouncements. Under ASC 958, 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.

Use of 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.

Cash and Equivalents

For purposes of the statement of cash flows, the Community Education Council of Elk and Cameron Counties, Inc. considers cash and all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities. Investment income and gains or losses, including realized gains and losses on investments, interest and dividends are reported as changes in net assets in the statement of activities.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Concentration of Revenue

State grant revenue from the Pennsylvania Department of Education represents approximately 55% of total revenue for the year ended June 30, 2018.

Compensated Absences

Expenditures for compensated absences are recognized in the period when paid.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 with estimated useful lives greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation of property and equipment other than land is computed using the straight-line method. For the year ended June 30, 2018 depreciation expense was \$36,140.

Accounts Receivable and Bad Debts

The Organization considers accounts receivable to be fully collectible; accordingly, no allowance for losses is required. If amounts become uncollectible, they will be charged to operations when that determination is made. For the year ended June 30, 2018 no bad debts were recognized.

Income Taxes

The Community Education Council of Elk and Cameron Counties, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

Restricted and Unrestricted Revenue

Revenues that are restricted are reported as increases in temporarily restricted net assets. When a restriction expires, that is, when a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Note 2 – Concentration of Credit Risk

The Organization maintains its cash and certificate of deposit balances at several financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. There were no uninsured deposits with financial institutions at June 30, 2018.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 3 – Cash and Investments

The cost and fair value of cash and investments were as follows at June 30, 2018:

|                           | <u>Cost</u>       | <u>Fair Value</u> | <u>Unrealized<br/>Appreciation<br/>(Depreciation)</u> |
|---------------------------|-------------------|-------------------|---|
| Cash and Cash Equivalents | \$ 289,323        | \$ 289,323        | \$ –  |
| Mutual Funds              | <u>194,886</u>    | <u>214,534</u>    | <u>19,648</u>   |
| Total                     | <u>\$ 484,209</u> | <u>\$ 503,857</u> | <u>\$ 19,648</u>                                      |

Fair values of investments are categorized to give an indication of the level of risk inherent in valuation techniques based on inputs. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly, and reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Level 3 inputs are unobservable inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Fair values of the Organization's assets, which are measured on a recurring basis, at June 30, 2018 were as follows:

|              | <u>Fair Value</u> | <u>Quoted<br/>Prices in<br/>Active Markets<br/>for Identical<br/>Assets (Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs (Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs (Level 3)</u> |
|--------------|-------------------|---|--|--|
| Mutual Funds | \$ 214,534        | \$ 214,534  | \$ –   | \$ –   |

The Organization recognizes any transfers into and out of levels at the end of the reporting period. There were no transfers between levels during the year ended June 30, 2018.

The following schedule summarizes the investment return for the year ended June 30, 2018:

|                              | <u>Unrestricted</u> |
|------------------------------|---------------------|
| Interest and dividend income | \$ 5,389            |
| Net unrealized gains         | 3,020               |
| Net realized gains           | <u>3,591</u>        |
| Total investment return      | <u>\$ 12,000</u>    |

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 4 – Temporarily Restricted Assets

Temporarily restricted assets at June 30, 2018 consist of cash and cash equivalents representing grant funds received and unexpended in the amount of \$11,243.

Note 5 – Employee Benefit Plan

The Community Education Council of Elk and Cameron Counties, Inc. has a SIMPLE IRA plan covering substantially all employees. Under the plan, the Organization may choose to match from one to three percent of the employees' salary deferral. The employer contributions for the year ended June 30, 2018 were \$3,634.

Note 6 – Rental Income and Expenses

The Community Education Council of Elk and Cameron Counties, Inc. receives income from the rental of office space to multiple tenants within the Marienstadt Building. All leases are signed with either monthly or annual terms, and are considered operating leases. The following schedule summarizes the net rental income included in the statement of activities:

|                                    |            |                  |
|------------------------------------|------------|------------------|
| Rental Income                      |            | \$ 71,932        |
| Rental Expenses:                   |            |                  |
| Salaries and wages                 | \$ 12,763  |                  |
| Payroll taxes                      | 1,016      |                  |
| Employee benefits                  | 753        |                  |
| Insurance                          | 1,893      |                  |
| Repairs and maintenance - building | 15,079     |                  |
| Mortgage interest expense          | 337        |                  |
| Elevator repairs and maintenance   | 1,311      |                  |
| Security and monitoring            | 444        |                  |
| Utilities                          | 7,984      |                  |
| Depreciation                       | 15,736     |                  |
| Unrelated business income tax      | <u>254</u> |                  |
| Total Rental Expenses              |            | <u>57,570</u>    |
| Net Rental Income                  |            | <u>\$ 14,362</u> |

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Note 7 – Long-Term Liabilities

On September 19, 2013, the Organization refinanced the outstanding balance of an existing loan with a \$280,000 commercial note from the Elk County Industrial Development Authority (the Authority). The note was payable in monthly installments of \$3,253 including interest at 2.75%. Final payment on the note was made in May 2018.

Note 8 – Functional Classification of Expenses

Expenses by function for the year ended June 30, 2018 were as follows:

|                        |                   |
|------------------------|-------------------|
| Program services       | \$ 248,708        |
| Supporting services:   |                   |
| Management and general | 58,295            |
| Fund-raising           | <u>9,221</u>      |
| Total expenses         | <u>\$ 316,224</u> |

Note 9 – Subsequent Events

Subsequent events were evaluated through October 3, 2018, which is the date the financial statements were available to be issued. There were no events subsequent to the balance sheet date that were required to be disclosed.