

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

St. Marys, Pennsylvania

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

June 30, 2019

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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, 2019, and the related statements of activities, functional expenses, 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, 2019, 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
November 6, 2019

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 330,318	\$ 40,604	\$ 370,922
Investments	229,722	-	229,722
Accounts receivable	2,209	-	2,209
Grants receivable	39,085	-	39,085
Prepaid insurance	1,156	-	1,156
Total Current Assets	602,490	40,604	643,094
Property and Equipment:			
Land	5,763	-	5,763
Buildings and improvements	858,036	-	858,036
Office equipment and furniture	4,470	-	4,470
Computer lab equipment	114,552	-	114,552
	982,821	-	982,821
Less: Accumulated depreciation	(546,518)	-	(546,518)
Total Property and Equipment	436,303	-	436,303
Total Assets	\$ 1,038,793	\$ 40,604	\$ 1,079,397
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable	\$ 2,458	\$ -	\$ 2,458
Payroll liabilities	57	-	57
Deferred revenue	-	40,604	40,604
Total Current Liabilities	2,515	40,604	43,119
Net Assets	1,036,278	-	1,036,278
Total Liabilities and Net Assets	\$ 1,038,793	\$ 40,604	\$ 1,079,397

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:			
Pennsylvania Department of Education grant	\$ 260,000	\$ -	\$ 260,000
Other grants	-	98,666	98,666
Gifts and donations	5,058	1,940	6,998
Program service fees	40,869	8,733	49,602
Investment return	17,122	-	17,122
Rental loss (net)	(1,984)	-	(1,984)
Net assets released from restrictions	109,339	(109,339)	-
Total Revenues and Other Support	430,404	-	430,404
Expenses and Losses:			
Salaries and wages	161,444	-	161,444
Payroll taxes	13,549	-	13,549
Employee benefits	15,771	-	15,771
Insurance	4,946	-	4,946
Repairs and maintenance - building	15,298	-	15,298
Elevator repairs and maintenance	1,404	-	1,404
Security and monitoring	391	-	391
Repairs and maintenance - equipment	9,433	-	9,433
Marketing	11,838	-	11,838
Professional services	2,856	-	2,856
Program costs	30,273	-	30,273
Student support	1,500	-	1,500
Utilities	19,350	-	19,350
Membership fees and dues	5,421	-	5,421
Office	7,476	-	7,476
Travel	5,985	-	5,985
Depreciation	22,303	-	22,303
Total Expenses and Losses	329,238	-	329,238
Change in Net Assets	101,166	-	101,166
Net Assets, beginning of year	935,112	-	935,112
Net Assets, end of year	\$ 1,036,278	\$ -	\$ 1,036,278

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries and wages	\$ 121,083	\$ 32,289	\$ 8,072	\$ 161,444
Payroll taxes	10,162	2,710	677	13,549
Employee benefits	11,828	3,154	789	15,771
Insurance	-	4,946	-	4,946
Repairs and maintenance - building	14,533	765	-	15,298
Elevator repairs and maintenance	1,334	70	-	1,404
Security and monitoring	372	19	-	391
Repairs and maintenance - equipment	8,961	472	-	9,433
Marketing	11,838	-	-	11,838
Professional services	-	2,856	-	2,856
Program costs	30,273	-	-	30,273
Student support	1,500	-	-	1,500
Utilities	16,109	3,241	-	19,350
Membership fees and dues	4,066	1,355	-	5,421
Office	5,607	1,869	-	7,476
Travel	1,496	4,489	-	5,985
Depreciation	21,188	1,115	-	22,303
Total Functional Expenses	<u>\$ 260,350</u>	<u>\$ 59,350</u>	<u>\$ 9,538</u>	<u>\$ 329,238</u>

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2019

Cash Flows from Operating Activities:		
Increase in net assets		\$ 101,166
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 39,154	
Net unrealized gain on investments	(3,915)	
(Increase) Decrease in:		
Accounts receivable	3,028	
Grants receivable	(10,032)	
Prepaid insurance	(138)	
Increase in:		
Accounts payable	781	
Payroll liabilities	1	
Deferred revenue	29,361	
Total Adjustments	<u>58,240</u>	
Net Cash Provided by Operating Activities		159,406
Cash Flows from Investing Activities:		
Purchases of investments	(11,273)	
Purchases of capital assets	<u>(66,534)</u>	
Net Cash Used by Investing Activities		<u>(77,807)</u>
Net Increase in Cash		81,599
Cash and Cash Equivalents, beginning of year		<u>289,323</u>
Cash and Cash Equivalents, end of year		<u>\$ 370,922</u>

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 1 – Nature of the Organization

The Community Education Council of Elk and Cameron Counties, Inc. (Organization) 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.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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. The financial statements are presented in accordance with 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 the provisions of FASB ASC 958, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. This class also includes assets previously restricted where restrictions have expired or been met. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed or grantor-imposed restrictions. Some restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Investment gains or losses, including realized and unrealized gains and losses, interest, dividends, and associated investment management fees are reported as changes in net assets without donor restrictions in the statement of activities.

Concentration of Revenue

State grant revenue from the Pennsylvania Department of Education represents approximately 52% of total revenue for the year ended June 30, 2019.

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, 2019 depreciation expense was \$39,154.

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, 2019 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.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue With and Without Donor Restrictions

Revenues that are restricted are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function, and therefore require allocation on a reasonable basis that is consistently applied. Expenses are allocated based on management's estimates of the functional classifications. Certain expenses related to the building and occupancy are apportioned between the rental activities described in Note 9 and operations.

Note 3 – Adoption of Accounting Pronouncement

In August 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending June 30, 2019 and thereafter and must be applied on a retrospective basis. The Organization has adjusted the presentation of these statements accordingly. Adoption of the ASU resulted in the reclassification of the \$935,112 balance of unrestricted net assets to net assets without donor restrictions at July 1, 2018.

Note 4 – 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, 2019.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 5 – Cash and Investments

The cost and fair value of cash and investments were as follows at June 30, 2019:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Cash Equivalents	\$ 370,922	\$ 370,922	\$ –
Mutual Funds	<u>202,970</u>	<u>229,722</u>	<u>26,752</u>
Total	<u>\$ 573,892</u>	<u>\$ 600,644</u>	<u>\$ 26,752</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, 2019 were as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$ 229,722	\$ 229,722	\$ –	\$ –

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, 2019.

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

Interest and dividend income	\$ 13,207
Net unrealized gains	<u>3,915</u>
Total investment return	<u>\$ 17,122</u>

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 6 – Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Financial assets at year-end	\$ 643,094
Less assets unavailable for general expenditures within one year:	
Donor restricted for Discover program	(25,000)
Donor restricted for LEC program	<u>(15,604)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 602,490</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. In addition, the Organization invests cash in excess of daily requirements in short-term investments. Liquidity is managed by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due.

Note 7 – Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2019 consist of the following:

Cash and cash equivalents subject to expenditure for specified purpose:	
Discover Program	\$ 25,000
LEC Program	15,604
Deferred revenue:	
Discover Program	(25,000)
LEC Program	<u>(15,604)</u>
Net assets with donor restrictions	<u>\$ —</u>

Note 8 – 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, 2019 were \$3,773.

COMMUNITY EDUCATION COUNCIL OF
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

Note 9 – 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		\$ 76,197
Rental Expenses:		
Salaries and wages	\$ 12,604	
Payroll taxes	1,020	
Employee benefits	1,187	
Insurance	2,318	
Repairs and maintenance - building	34,226	
Elevator repairs and maintenance	1,564	
Security and monitoring	460	
Utilities	7,951	
Depreciation	<u>16,851</u>	
Total Rental Expenses		<u>78,181</u>
Net Rental Loss		<u>\$ (1,984)</u>

Note 10 – Subsequent Events

Subsequent events were evaluated through November 6, 2019, 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.