

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

St. Marys, Pennsylvania

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

June 30, 2015

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## SHARKEY PICCIRILLO KEEN & HANZELY, 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, 2015, 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, 2015, 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 & Hanzely, LLP*

SHARKEY PICCIRILLO KEEN & HANZELY, LLP  
October 29, 2015

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$ 100,395	\$ 12,347	\$ 112,742
Investments (including \$233,310 of money market accounts and certificates of deposit)	312,242	25,559	337,801
Accounts receivable	14,939	-	14,939
Grants receivable	67,010	-	67,010
Unconditional promises to give, net	6,500	-	6,500
Total Current Assets	501,086	37,906	538,992
Property and Equipment:			
Land	5,763	-	5,763
Buildings and improvements	778,647	-	778,647
Office equipment and furniture	4,470	-	4,470
Computer lab equipment	160,430	-	160,430
	949,310	-	949,310
Less: Accumulated depreciation	(476,047)	-	(476,047)
Total Property and Equipment	473,263	-	473,263
Total Assets	\$ 974,349	\$ 37,906	\$ 1,012,255
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Accounts payable	\$ 202	\$ -	\$ 202
Deferred revenue	-	36,906	36,906
Current portion of long-term debt	33,439	-	33,439
Total Current Liabilities	33,641	36,906	70,547
Long-Term Liabilities:			
Note payable	218,579	-	218,579
Less: Current portion of long-term debt	(33,439)	-	(33,439)
Total Long-Term Liabilities	185,140	-	185,140
Total Liabilities	218,781	36,906	255,687
Net Assets	755,568	1,000	756,568
Total Liabilities and Net Assets	\$ 974,349	\$ 37,906	\$ 1,012,255

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support:			
Pennsylvania Department of Education grant	\$ 167,477	\$ -	\$ 167,477
Other government grants	-	103,808	103,808
Other non-government grants	-	63,989	63,989
Gifts and donations	26,962	1,000	27,962
Program service fees	20,656	7,659	28,315
Investment return	3,430	-	3,430
Rental income (net)	6,796	-	6,796
Net assets released from restrictions	193,875	(193,875)	-
Total Revenues and Other Support	<u>419,196</u>	<u>(17,419)</u>	<u>401,777</u>
Expenses and Losses:			
Salaries and wages	151,279	-	151,279
Payroll taxes	13,597	-	13,597
Employee benefits	4,581	-	4,581
Insurance	4,096	-	4,096
Repairs and maintenance - building	12,373	-	12,373
Elevator repairs and maintenance	2,356	-	2,356
Security and monitoring	235	-	235
Mortgage interest expense	4,402	-	4,402
Repairs and maintenance - equipment	12,901	-	12,901
Marketing	24,567	-	24,567
Professional services	16,355	-	16,355
Program costs	30,297	-	30,297
Student support	1,250	-	1,250
Utilities	26,204	-	26,204
Membership fees and dues	2,208	-	2,208
Office	6,671	-	6,671
Travel	5,837	-	5,837
Depreciation	33,864	-	33,864
Total Expenses and Losses	<u>353,073</u>	<u>-</u>	<u>353,073</u>
Change in Net Assets	<u>66,123</u>	<u>(17,419)</u>	<u>48,704</u>
Net Assets, beginning of year	<u>689,445</u>	<u>18,419</u>	<u>707,864</u>
Net Assets, end of year	<u>\$ 755,568</u>	<u>\$ 1,000</u>	<u>\$ 756,568</u>

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015

Cash Flows from Operating Activities:		
Increase in net assets		\$ 48,704
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	\$ 42,438	
Net unrealized loss on investments	2,134	
(Increase) Decrease in:		
Accounts receivable	(10,257)	
Grants receivable	(24,472)	
Unconditional promises to give, net	20,500	
Decrease in:		
Accounts payable	(5,730)	
Agency obligations	(1,302)	
Deferred revenue	(10,763)	
Total Adjustments	<u>                    </u>	<u>12,548</u>
Net Cash Provided by Operating Activities		61,252
Cash Flows from Investing Activities:		
Purchases of investments	(94,593)	
Proceeds from sales of investments	103,819	
Acquisition of property and equipment	<u>(22,152)</u>	
Net Cash Used by Investing Activities		(12,926)
Cash Flows from Financing Activities:		
Payments on long-term debt		<u>(35,459)</u>
Net Increase in Cash		12,867
Cash and Equivalents, beginning of year		<u>99,875</u>
Cash and Equivalents, end of year		<u><u>\$ 112,742</u></u>
Supplemental Disclosures:		
Interest paid		<u><u>\$ 6,541</u></u>

See accompanying notes.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 generally accepted accounting principles.

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 generally accepted accounting principles 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.

Concentration of Revenue

State grant revenue from the Pennsylvania Department of Education represents approximately 38% of total revenue for the year ended June 30, 2015.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1 – Summary of Significant Accounting Policies (continued)

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. At June 30, 2015 depreciation expense was \$42,438.

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. At June 30, 2015 there were no direct bad debts charged to operations.

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.

The Organization's income tax returns for the current and two preceding years are subject to examination by the Internal Revenue Service. There are currently no pending income tax examinations by taxing authorities.

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, 2015.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 3 – Cash and Investments

Certain donor grants require the Organization to hold grant funds in a separate banking account. The Organization was the recipient of one such grant during the current year, with \$15,028 of grant funds held in a separate account at June 30, 2015.

The cost and fair value of cash and investments were as follows at June 30, 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Cash and Equivalents	\$ 112,742	\$ 112,742	\$ –
Certificates of Deposit	152,930	152,930	–
Money Market Accounts	80,380	80,380	–
Mutual Funds	<u>98,153</u>	<u>104,491</u>	<u>6,338</u>
Total	<u>\$ 444,205</u>	<u>\$ 450,543</u>	<u>\$ 6,338</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, 2015 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	\$ 104,491	\$ 104,491	\$ –	\$ –

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, 2015.

The following schedule summarizes the investment return for the year ended June 30, 2015:

	<u>Unrestricted</u>
Interest and dividend income	\$ 3,054
Net unrealized losses	(2,950)
Net realized gains	<u>3,326</u>
Total investment return	<u>\$ 3,430</u>

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 4 – Unconditional Promises to Give

The Organization is in the process of holding a fund-raising campaign in which local individuals, businesses, and organizations are solicited with donation requests to finance current and future operations. Certain promises to give are unrestricted, while others are restricted for specific programs. Unconditional promises to give at June 30, 2015 are as follows:

Receivable in less than one year	\$ 7,500
Less allowance for uncollectible promises receivable	<u>(1,000)</u>
Net unconditional promises to give	<u>\$ 6,500</u>

Note 5 – Temporarily Restricted Assets

Temporarily restricted assets at June 30, 2015 include cash and cash equivalents, certificate of deposit funds, and contributions receivable, and are comprised of the following:

Grant funds received and unexpended	\$ 36,906
Restricted contributions received and unexpended	<u>1,000</u>
Total Temporarily Restricted Assets	<u>\$ 37,906</u>

Note 6 – 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, 2015 were \$2,568.

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 7 – 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. The following schedule summarizes the net rental income included in the statement of activities:

Rental Income		\$ 44,594
Rental Expenses:		
Salaries and wages	\$ 11,387	
Payroll taxes	1,023	
Employee benefits	345	
Insurance	908	
Repairs and maintenance - building	6,012	
Mortgage interest expense	2,139	
Elevator repairs and maintenance	1,145	
Security and monitoring	114	
Utilities	6,151	
Depreciation	<u>8,574</u>	
Total Rental Expenses		<u>37,798</u>
Net Rental Income		<u>\$ 6,796</u>

Note 8 – 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 is payable in monthly installments of \$3,253 including interest at 2.75%, with a maturity date of September 19, 2021. Security for the note consists of a mortgage on the Marienstadt Building and all present and future revenues derived from the property. The outstanding balance at June 30, 2015 was \$218,579.

The required principal maturities for the Authority note are as follows:

<u>Year Ending June 30</u>	<u>Authority Principal</u>
2016	\$ 33,439
2017	34,371
2018	35,328
2019	36,312
2020	37,323
2021-2022	<u>41,806</u>
	<u>\$ 218,579</u>

COMMUNITY EDUCATION COUNCIL OF  
ELK AND CAMERON COUNTIES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 9 – Functional Classification of Expenses

Expenses by function for the year ended June 30, 2015 were as follows:

Program services	\$ 276,335
Supporting services:	
Management and general	68,265
Fund-raising	<u>8,473</u>
Total expenses	<u>\$ 353,073</u>

Note 10 – Subsequent Events

Subsequent events were evaluated through October 29, 2015, 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.