

ARMSTRONG COUNTY EDUCATIONAL TRUST

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2013

ARMSTRONG COUNTY EDUCATIONAL TRUST

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Independent Auditor's Report

Board of Directors
Armstrong County Educational Trust

We have audited the accompanying financial statements of the Armstrong County Educational Trust (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, 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.

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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 risk 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 the Armstrong County Educational Trust as of June 30, 2013, 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

A handwritten signature in black ink, reading "Gerald J. Medley CPA". The signature is written in a cursive style with a large initial "G" and "M".

September 4, 2013
Kittanning, Pennsylvania

ARMSTRONG COUNTY EDUCATIONAL TRUST

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS

Cash and cash equivalents		\$ 231,077
Investments		313,471
Grant receivable		10,547
Accounts receivable		953
Prepaid expenses		6,625
Property and equipment:		
Computer and office equipment	\$ 101,948	
Furniture and fixtures	36,254	
Leasehold improvements	<u>24,376</u>	
	162,578	
Less: accumulated depreciation	<u>(160,035)</u>	<u>2,543</u>

TOTAL ASSETS \$ 565,216

LIABILITIES AND NET ASSETS

Liabilities		\$ -0-
Net Assets:		
Unrestricted	\$ 337,806	
Temporarily restricted	<u>227,410</u>	<u>565,216</u>

TOTAL LIABILITIES AND NET ASSETS \$ 565,216

See accompanying notes.

ARMSTRONG COUNTY EDUCATIONAL TRUST

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Government grants	\$ 105,471	\$	\$ 105,471
Classroom rental income	13,980		13,980
Memberships	14,780		14,780
Gifts and grants	63,888		63,888
Interest and dividends	2,068	7,205	9,273
Class booklet fees	300		300
Vending	3,662		3,662
Investment gains	22,435	6,944	29,379
Net assets released from restrictions	<u>9,500</u>	<u>(9,500)</u>	<u>-0-</u>
Total revenue and support	<u>236,084</u>	<u>4,649</u>	<u>240,733</u>
 EXPENSES			
Salaries and benefits	119,578		119,578
Advertising, printing & marketing	2,486		2,486
Professional fees	5,620		5,620
Telephone	4,276		4,276
Depreciation	1,641		1,641
Scholarships	9,500		9,500
Insurance	5,035		5,035
Postage	1,024		1,024
Office expense	5,396		5,396
Occupancy	62,452		62,452
Travel, meals & meetings	3,677		3,677
Community relations	8,485		8,485
Program expenses	53,717		53,717
Other	<u>2,389</u>		<u>2,389</u>
Total expenses	<u>285,276</u>	<u>-0-</u>	<u>285,276</u>
(Decrease) in net assets	(49,192)	4,649	(44,543)
Net assets at beginning of year	<u>386,998</u>	<u>222,761</u>	<u>609,759</u>
Net assets at end of year	<u>\$ 337,806</u>	<u>\$ 227,410</u>	<u>\$ 565,216</u>

See accompanying notes.

ARMSTRONG COUNTY EDUCATIONAL TRUST

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
(Decrease) in net assets	\$(44,543)
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	1,641
Changes in operating assets and liabilities:	
Accounts and grant receivable	<u>21,088</u>
Net cash provided by operating activities	(<u>21,814</u>)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment gains	(<u>29,707</u>)
Net cash provided by investing activities	(<u>29,707</u>)
(Decrease) in cash and cash equivalents	(51,521)
Cash and cash equivalents at beginning of year	<u>282,598</u>
Cash and cash equivalents at end of year	\$ <u>231,077</u>

See accompanying notes.

ARMSTRONG COUNTY EDUCATIONAL TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Note 1 – Nature of Activities and Significant Accounting Policies

The Armstrong County Educational Trust was organized as a Federal 501 (c)(3) not-for-profit organization for the purpose of identifying, implementing and overseeing new and innovative efforts to provide access to post secondary education opportunities and training. A secondary function is to assist in the provision of resources and to serve as a vehicle for employment opportunities that meet the communities' current and future economic needs. The Trust is governed by a Board of Directors consisting of prominent individuals in the business, healthcare, government, and education communities. Funding is provided primarily by government grants.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

The Trust's net assets and revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed or legal stipulations that may or will be met either by actions of the Trust and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

ARMSTRONG COUNTY EDUCATIONAL TRUST
NOTES TO FINANCIAL STATEMENTS-CONTINUED

JUNE 30, 2013

Cash and Cash Equivalents

The Trust considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Trust maintains its cash balances with a financial institution located in Kittanning, Pennsylvania. These balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Trust's daily cash balances fluctuate.

Accounts Receivable

Accounts are charged to bad debt expense as they are determined to be uncollectible based upon a periodic review of the accounts.

Property and Equipment

Property and equipment is recorded at original cost. Provision for depreciation is computed using the straight-line method based upon the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred. The Trust's policy is to continue evaluating the remaining lives and recoverability of such assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Trust is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Trust's Form 990, Return of Organization Exempt From Income Tax, for the years ended June 30, 2011, 2012 and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

ARMSTRONG COUNTY EDUCATIONAL TRUST
NOTES TO FINANCIAL STATEMENTS-CONTINUED

JUNE 30, 2013

Note 2 – Major Contributors

Funds relating to grants for the Commonwealth of Pennsylvania Department of Education totaled \$105,471 for the year ended June 30, 2013.

Note 3 – Leasing Arrangements

The Trust has a lease with the United States Army Corps of Engineers for the use of the Environmental Learning Center and surrounding area for park and recreational purposes. The lease term ends in 2026 and the consideration for the lease is the costs to operate and maintain the premises for the benefit of the United States and the general public.

The Trust also has a lease for its office and classroom facilities at West Hills Commons, the lease stipulating monthly payments of \$6,625 (\$79,500 per annum) thru December 31, 2014. On March 30, 2012, the building was sold to Endow Properties, Inc. who has agreed to abide by the terms of the lease until its expiration.

The Trust subleases part of this facility to Lenape Technical School for its Licensed Practical Nursing Program. Effective January 1, 2012, an agreement was executed which stipulates a monthly payment of approximately \$4,631, which includes fifty percent (50%) of all utility costs. Should they vacate the premises prior to the end of the lease (December 31, 2014), Lenape agrees to pay the Trust a twenty thousand dollar (\$20,000) penalty fee.

Note 4 – Temporarily Restricted Net Assets

At June 30, 2013 temporarily restricted net assets amounted to \$227,410 and are to be used for scholarships.

ARMSTRONG COUNTY EDUCATIONAL TRUST
NOTES TO FINANCIAL STATEMENTS-CONTINUED

JUNE 30, 2013

Note 5 – Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets, if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. All investment accounts are with the Kittanning, PA office of Edward Jones.

Fair value of the Trust’s investments is based on quoted prices in active markets for identical assets, which is Level 1 of the fair value hierarchy established under accounting principles generally accepted in the United States of America.

Investments at June 30, 2013 are as follows:

	<u>COST</u>	<u>MARKET</u>
General Scholarship Fund	\$ 3,522	\$ 4,113
McAllister Scholarship Fund	180,965	209,167
Ortman Scholarship Fund	14,091	22,873
Schall Fund	6,939	7,491
Reserve Fund	<u>58,188</u>	<u>69,827</u>
	<u>\$ 263,705</u>	<u>\$ 313,471</u>

Investment results for the year ended June 30, 2013 are as follows:

Interest and dividends	\$ 9,084	
Realized gains (losses)	499	
Unrealized gains (losses)	<u>28,880</u>	
	<u>\$ 38,463</u>	

ARMSTRONG COUNTY EDUCATIONAL TRUST
NOTES TO FINANCIAL STATEMENTS-CONTINUED

JUNE 30, 2013

Note 6 – Retirement Plan

The Trust provides full-time employees the opportunity to participate in saving for retirement through a 403-B Plan. The Trust will make a 3% contribution to the employee's base salary as a benefit intended for the employee to use for a retirement contribution; the employee may match up to 3%; the Trust pays for the set up and annual fees.

Note 7 – Evaluation of Subsequent Events

The Trust has evaluated subsequent events through September 4, 2013, the date which the financial statements were available to be issued. Noted was a significant change involving the lease and sub-lease arrangements, which are described in Note 3.