

AHEDD

Financial Statements

Years Ended June 30, 2016 and 2015 with
Independent Auditor's Reports

MaherDuessel
Certified Public Accountants

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AHEDD

YEARS ENDED JUNE 30, 2016 AND 2015

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Independent Auditor's Report

Board of Directors
AHEDD

Report on the Financial Statements

We have audited the accompanying financial statements of AHEDD (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditor's 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 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 AHEDD as of June 30, 2016 and 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of AHEDD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AHEDD's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
December 20, 2016

AHEDD

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Assets		
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Current assets:		
Cash and cash equivalents	\$ 1,242,461	\$ 754,946
Accounts receivable	591,327	681,541
Prepaid expenses	97,709	72,631
Total current assets	<u>1,931,497</u>	<u>1,509,118</u>
Interest in other organization, at cost	10,000	-
Property and equipment, net	204,423	239,717
Other assets:		
Security deposits	5,880	5,880
Total Assets	<u><u>\$ 2,151,800</u></u>	<u><u>\$ 1,754,715</u></u>
<hr/>		
Liabilities and Net Assets		
<hr/>		
Liabilities:		
Accounts payable and accrued expenses	\$ 43,758	\$ 26,449
Grants payable	86,232	97,072
Payroll taxes payable	14,856	13,987
Accrued salaries and payroll taxes	200,639	189,966
Total Liabilities	<u>345,485</u>	<u>327,474</u>
Net Assets:		
Unrestricted	1,733,272	1,423,298
Temporarily restricted	73,043	3,943
Total Net Assets	<u>1,806,315</u>	<u>1,427,241</u>
Total Liabilities and Net Assets	<u><u>\$ 2,151,800</u></u>	<u><u>\$ 1,754,715</u></u>

The accompanying notes are an integral part of these financial statements.

AHEDD

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Government contracts	\$ 3,264,526	\$ -	\$ 3,264,526
School district contracts	74,113	-	74,113
Government grants	554,255	-	554,255
Foundation grants	16,727	73,043	89,770
Contributions	3,785	-	3,785
Interest income	15,455	-	15,455
Private pay contracts	15,023	-	15,023
Rental income	12,282	-	12,282
Other income	827	-	827
Net assets released from restriction	3,943	(3,943)	-
Total revenues and other support	3,960,936	69,100	4,030,036
Expenses:			
Program services	3,167,789	-	3,167,789
Management and general	482,923	-	482,923
Fundraising	250	-	250
Total expenses	3,650,962	-	3,650,962
Change in Net Assets	309,974	69,100	379,074
Net Assets:			
Beginning of year	1,423,298	3,943	1,427,241
End of year	\$ 1,733,272	\$ 73,043	\$ 1,806,315

The accompanying notes are an integral part of these financial statements.

2015

Unrestricted	Temporarily Restricted	Total
\$ 2,921,166	\$ -	\$ 2,921,166
99,239	-	99,239
463,657	-	463,657
55,874	-	55,874
2,763	-	2,763
6,556	-	6,556
22,093	-	22,093
11,931	-	11,931
4,536	-	4,536
44,830	(44,830)	-
3,632,645	(44,830)	3,587,815
2,990,557	-	2,990,557
507,527	-	507,527
38	-	38
3,498,122	-	3,498,122
134,523	(44,830)	89,693
1,288,775	48,773	1,337,548
\$ 1,423,298	\$ 3,943	\$ 1,427,241

The accompanying notes are an integral part of these financial statements.

AHEDD

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016			
	Job Training	Management and General	Fundraising	Total
Salaries	\$ 2,168,049	\$ 336,311	\$ 189	\$ 2,504,549
Payroll taxes	203,033	26,189	14	229,236
Fringe benefits	256,314	27,699	15	284,028
Advertising	5,147	41	-	5,188
Contracted services	12,476	9,012	-	21,488
Depreciation	21,028	14,263	3	35,294
Dues and subscriptions	2,153	6,592	2	8,747
Duplication costs	4,197	555	-	4,752
Equipment costs	33,034	809	-	33,843
Insurance	10,608	7,547	3	18,158
Janitorial services	2,089	1,906	1	3,996
Miscellaneous	-	1,383	3	1,386
Office supplies	19,353	4,515	4	23,872
Postage	6,094	3,113	1	9,208
Printing	12,070	322	-	12,392
Professional fees	-	16,500	-	16,500
Rent and utilities	118,293	4,296	-	122,589
Repairs and maintenance	36,539	12,777	4	49,320
Staff training	17,429	164	-	17,593
Telephone	45,766	4,479	2	50,247
Travel	194,117	4,450	9	198,576
Total expenses	<u>\$ 3,167,789</u>	<u>\$ 482,923</u>	<u>\$ 250</u>	<u>\$ 3,650,962</u>

The accompanying notes are an integral part of these financial statements.

2015

<u>Job Training</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 2,051,445	\$ 351,035	\$ 26	\$ 2,402,506
192,789	27,982	2	220,773
256,869	35,481	2	292,352
15,482	-	-	15,482
7,826	7,242	-	15,068
20,690	16,734	1	37,425
1,851	6,546	1	8,398
3,558	486	-	4,044
13,293	579	-	13,872
13,911	8,036	1	21,948
1,823	1,663	-	3,486
349	1,182	1	1,532
13,939	5,461	1	19,401
5,352	3,362	-	8,714
4,200	-	-	4,200
-	16,400	-	16,400
120,560	7,405	-	127,965
21,522	10,278	2	31,802
3,062	406	-	3,468
46,282	4,168	1	50,451
195,754	3,081	-	198,835
<u>\$ 2,990,557</u>	<u>\$ 507,527</u>	<u>\$ 38</u>	<u>\$ 3,498,122</u>

The accompanying notes are an integral part of these financial statements.

AHEDD

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 379,074	\$ 89,693
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	35,294	37,425
(Increase) decrease in current assets:		
Accounts receivable	90,214	18,126
Prepaid expenses	(25,078)	5,290
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	17,309	1,270
Grants payable	(10,840)	(15,280)
Payroll taxes payable	869	(434)
Accrued salaries and payroll taxes	10,673	(11,578)
Net cash and cash equivalents provided by operating activities	<u>497,515</u>	<u>124,512</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of interest in another organization	(10,000)	
Purchase of property and equipment	<u>-</u>	<u>(43,494)</u>
Net cash and cash equivalents used in investing activities	<u>(10,000)</u>	<u>(43,494)</u>
Net Increase in Cash and Cash Equivalents	487,515	81,018
<u>Cash and Cash Equivalents:</u>		
Beginning of year	<u>754,946</u>	<u>673,928</u>
End of year	<u><u>\$ 1,242,461</u></u>	<u><u>\$ 754,946</u></u>

The accompanying notes are an integral part of these financial statements.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of AHEDD (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these statements.

Organization

The Organization is a nonprofit organization that provides job training and opportunities for individuals with disabilities. The Organization also serves the business community with technical assistance and consultation.

Basis of Accounting

Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Financial Statement Presentation

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.

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

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that will be met either by action of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statements of Activities as net assets released from restriction.

Permanently Restricted Net Assets – Net assets subject to permanent donor-imposed stipulations that they be maintained permanently. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets for general or specific purposes. The Organization does not have any permanently restricted net assets at June 30, 2016 or 2015.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Management's 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers monies held at financial institutions and highly liquid investments held in money market accounts to be cash and cash equivalents.

Concentrations

Financial instruments that potentially subject the Organization to credit risk consist principally of accounts receivable. The Organization receives a substantial portion of its revenues from contracts with County Mental Health and Intellectual Disabilities Programs, the Commonwealth of Pennsylvania Department of Health and Human Services, and the Social Security Administration. If the Organization does not contract with the aforementioned agencies, the effect on operations would be material. At June 30, 2016, the Organization considers all accounts receivable to be collectible.

The Organization maintains various cash accounts in commercial banks. The total cash in these banks is secured by the Federal Deposit Insurance Corporation (FDIC) up to applicable FDIC limits. The cash balances at times may exceed federally insured limits.

Uncollectible Accounts

Since bad debts have historically not been material, no allowance for uncollectible accounts has been provided. The Organization uses the specific write-off method in recording uncollectible accounts.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method based on the following estimated useful lives:

Buildings	30 years
Building improvements	15 years
Equipment and furniture	3-10 years

Property and equipment acquired by the Organization with funds reimbursed through government contracts and which remains the property of the respective governmental agency is expensed and, therefore, not reflected on the Statements of Financial Position of the Organization. The Organization capitalizes assets purchased with a cost greater than \$5,000.

Depreciation expense amounted to \$35,294 and \$37,425, for the years ended June 30, 2016 and 2015, respectively.

Service Fees

Revenue is recorded as earned based on the terms of the contract and grant agreements, including fees for service and costs.

Cost Allocations

Expenses attributable to a particular agreement are charged directly to it. Expenses attributable to a field office are allocated to the contract activity of that office. Administrative expense is allocated based on overall activity. Activity is the amount of direct service employee time devoted to each project.

AHEDD's cost allocation plan is being followed and administrative expenses are being distributed in a fair and equitable manner.

Grants Payable

Grants authorized but unpaid at year end are reported as liabilities. Grants to be paid in more than one year are discounted. For the year ended June 30, 2016 and 2015, no discount was deemed warranted.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Compensated Absences

Employees of the Organization are eligible to receive paid time off based on length of service and certain other conditions, including the availability of funds. It is impractical to estimate the amount of compensation for future absences that may be paid and, accordingly, no liability has been recorded in the accompanying Statements of Financial Position. The Organization's policy is to recognize the costs of compensated absences when actually paid.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except on net income derived from unrelated business activities. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation.

Further, the Organization files a Form 990.

Pending Standards Update

Accounting Standards Update (ASU) 2014-09, "*Revenue from Contracts with Customers*," is effective for the Organization's financial statements for the year ending June 30, 2020 (as amended by ASU 2015-14). This amendment provides guidance for revenue recognition related to contracts with the transfer of promised goods or services to customers and related disclosures. Management has not yet determined the impact of this amendment on the Organization's financial statements.

ASU 2016-02, "*Leases (Topic 842)*," is effective for the Organization's financial statements for the year ending June 30, 2021. This amendment will require lessees to recognize assets and liabilities on the Statement of Financial Position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. Management has not yet determined the impact of this amendment on the Organization's financial statements.

ASU 2016-14, "*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*," is effective for the Organization's financial statements for the year ending June 30, 2019. This amendment aims to improve how a nonprofit organization classifies its net assets and provides information in its financial

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

statements and notes about its financial performance, cash flow, and liquidity. The ASU changes the net asset classification, requires presentation of expenses both by nature and function, requires investment return reported net of investment expenses, requires placed-in-service approach for gifts of/for long-lived assets and provides enhanced disclosures for: governing body restrictions; composition of net assets with donor restrictions; qualitative and quantitative information on liquidity; methods to allocate costs among program and support functions; and underwater donor-restricted endowment. Management has not yet determined the impact of this amendment on the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

2. INTEREST IN OTHER ORGANIZATION

During the year ended June 30, 2016, the Organization invested in the Rehabilitation and Community Providers Services Organization, Inc. (RCPSO), a Health and Human Services managed care organization created by the Rehabilitation and Community Providers Association. The share units purchased are non-assignable to other organizations. As of June 30, 2016, the share units were valued at the Organization's cost. The interest in RCPSO as of June 30, 2016 was \$10,000.

Management has determined that there were no significant impairment losses as of June 30, 2016 related to this entity.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 90,000	\$ 90,000
Building	478,633	478,633
Equipment and furniture	<u>241,162</u>	<u>241,162</u>
	809,795	809,795
Less accumulated depreciation	<u>605,372</u>	<u>570,078</u>
Net property and equipment	<u><u>\$ 204,423</u></u>	<u><u>\$ 239,717</u></u>

4. LINE OF CREDIT

The Organization has a secured line-of-credit agreement that renews annually for advances on demand in the principal amount of \$400,000, with interest at the bank's prime rate plus .35%, with a 4% floor. The line of credit is secured by an office building owned by the Organization at 3300 Trindle Road in Camp Hill, Pennsylvania. There was no balance outstanding on the line of credit at June 30, 2015, and the line of credit was not renewed for the year ended June 30, 2016.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
PEW grant - to facilitate employment for young adults in southeastern Pennsylvania with disabilities.	\$ 41,543	\$ 3,943
PEW Fund Capacity Building Award - to purchase and install a new customer relationship management system.	<u>31,500</u>	<u>-</u>
Total temporarily restricted net assets	<u><u>\$ 73,043</u></u>	<u><u>\$ 3,943</u></u>

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

6. OPERATING LEASES

The Organization leases office space under the terms of various month-to-month and annual operating leases. Rental expenses under these leases were \$104,917 and \$103,202 for the years ended June 30, 2016 and 2015, respectively.

The aggregate minimum annual rent commitments under non-cancelable operating leases with a term greater than one year are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 28,905
2018	12,300
2019	<u>6,150</u>
	<u>\$ 47,355</u>

7. PENSION PLAN

The Organization has a 401(k) plan for all eligible employees with at least one year of employment. The Organization contributes 4% of salary for eligible employees. The Organization contributed \$77,912 and \$81,565 to the plan during the years ended June 30, 2016 and 2015, respectively.

AHEDD

Independent Auditor's Report in
Accordance with *Government Auditing
Standards*

Year Ended June 30, 2016

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
AHEDD

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of AHEDD (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered AHEDD's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AHEDD's internal control. Accordingly, we do not express an opinion on the effectiveness of AHEDD's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
AHEDD
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AHEDD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mahe Duessel

Harrisburg, Pennsylvania
December 20, 2016