

AHEDD

Financial Statements

Years Ended June 30, 2015 and 2014 with
Independent Auditor's Reports

MaherDuessel
Certified Public Accountants

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AHEDD

YEARS ENDED JUNE 30, 2015 AND 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 21, 2015 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 21, 2015

AHEDD

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets		
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 754,946	\$ 673,928
Accounts receivable	681,541	699,667
Prepaid expenses	72,631	77,921
Total current assets	<u>1,509,118</u>	<u>1,451,516</u>
Property and equipment, net	239,717	233,648
Other assets:		
Security deposits	5,880	5,880
Total Assets	<u><u>\$ 1,754,715</u></u>	<u><u>\$ 1,691,044</u></u>
Liabilities and Net Assets		
<hr/>		
Liabilities:		
Accounts payable	\$ 26,449	\$ 25,179
Grants payable	97,072	112,352
Payroll taxes payable	13,987	14,421
Accrued salaries and payroll taxes	189,966	201,544
Total Liabilities	<u>327,474</u>	<u>353,496</u>
Net Assets:		
Unrestricted	1,423,298	1,288,775
Temporarily restricted	3,943	48,773
Total Net Assets	<u>1,427,241</u>	<u>1,337,548</u>
Total Liabilities and Net Assets	<u><u>\$ 1,754,715</u></u>	<u><u>\$ 1,691,044</u></u>

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

AHEDD

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015		
	Unrestricted	Temporarily Restricted	Total
Revenues and Other Support:			
Government contracts	\$ 2,921,166	\$ -	\$ 2,921,166
School district contracts	99,239	-	99,239
Government grants	463,657	-	463,657
Foundation grants	55,874	-	55,874
Contributions	2,763	-	2,763
Interest income	6,556	-	6,556
Private pay contracts	22,093	-	22,093
Rental income	11,931	-	11,931
Other income	4,536	-	4,536
Net assets released from restriction	44,830	(44,830)	-
Total revenues and other support	<u>3,632,645</u>	<u>(44,830)</u>	<u>3,587,815</u>
Expenses:			
Program services	2,990,557	-	2,990,557
Management and general	507,527	-	507,527
Fundraising	38	-	38
Total expenses	<u>3,498,122</u>	<u>-</u>	<u>3,498,122</u>
Change in Net Assets	134,523	(44,830)	89,693
Net Assets:			
Beginning of year	<u>1,288,775</u>	<u>48,773</u>	<u>1,337,548</u>
End of year	<u>\$ 1,423,298</u>	<u>\$ 3,943</u>	<u>\$ 1,427,241</u>

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

2014

Unrestricted	Temporarily Restricted	Total
\$ 2,841,342	\$ -	\$ 2,841,342
113,373	-	113,373
470,028	-	470,028
8,000	114,030	122,030
11,587	-	11,587
2,796	-	2,796
8,870	-	8,870
11,678	-	11,678
1,311	-	1,311
121,417	(121,417)	-
3,590,402	(7,387)	3,583,015
2,982,054	-	2,982,054
468,330	-	468,330
166	-	166
3,450,550	-	3,450,550
139,852	(7,387)	132,465
1,148,923	56,160	1,205,083
\$ 1,288,775	\$ 48,773	\$ 1,337,548

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

AHEDD

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	2015			
	Job Training	Management and General	Fundraising	Total
Salaries	\$ 2,051,445	\$ 351,035	\$ 26	\$ 2,402,506
Payroll taxes	192,789	27,982	2	220,773
Fringe benefits	256,869	35,481	2	292,352
Advertising	15,482	-	-	15,482
Contracted services	7,826	7,242	-	15,068
Depreciation and amortization	20,690	16,734	1	37,425
Dues and subscriptions	1,851	6,546	1	8,398
Duplication costs	3,558	486	-	4,044
Equipment costs	13,293	579	-	13,872
Insurance	13,911	8,036	1	21,948
Janitorial services	1,823	1,663	-	3,486
Miscellaneous	349	1,182	1	1,532
Office supplies	13,939	5,461	1	19,401
Postage	5,352	3,362	-	8,714
Printing	4,200	-	-	4,200
Professional fees	-	16,400	-	16,400
Rent and utilities	120,560	7,405	-	127,965
Repairs and maintenance	21,522	10,278	2	31,802
Staff training	3,062	406	-	3,468
Telephone	46,282	4,168	1	50,451
Travel	195,754	3,081	-	198,835
Total expenses	<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.

2014

Job Training	Management and General	Fundraising	Total
\$ 2,055,332	\$ 307,435	\$ 97	\$ 2,362,864
188,941	24,487	9	213,437
231,989	25,265	8	257,262
11,957	305	-	12,262
4,442	9,063	-	13,505
20,416	16,755	4	37,175
3,004	6,392	4	9,400
3,467	399	-	3,866
11,041	3,658	-	14,699
13,533	8,132	4	21,669
1,974	1,607	1	3,582
699	1,199	6	1,904
15,258	13,884	14	29,156
12,450	2,535	2	14,987
12,343	-	-	12,343
-	19,385	-	19,385
115,184	6,326	3	121,513
26,669	12,291	7	38,967
2,040	667	-	2,707
48,614	4,432	3	53,049
202,701	4,113	4	206,818
\$ 2,982,054	\$ 468,330	\$ 166	\$ 3,450,550

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

AHEDD

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 89,693	\$ 132,465
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	37,425	37,175
(Increase) decrease in current assets:		
Accounts receivable	18,126	(1,556)
Prepaid expenses	5,290	(8,765)
Security deposits	-	832
Increase (decrease) in current liabilities:		
Accounts payable	1,270	6,629
Grants payable	(15,280)	24,471
Payroll taxes payable	(434)	3,503
Accrued expenses	(11,578)	51,566
Security deposits	-	(972)
Net cash and cash equivalents provided by operating activities	<u>124,512</u>	<u>245,348</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	<u>(43,494)</u>	<u>-</u>
Net cash and cash equivalents used in investing activities	<u>(43,494)</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	81,018	245,348
<u>Cash and Cash Equivalents:</u>		
Beginning of year	<u>673,928</u>	<u>428,580</u>
End of year	<u><u>\$ 754,946</u></u>	<u><u>\$ 673,928</u></u>

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

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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 method 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 restrictions.

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, 2015 or 2014.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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

The Organization includes in cash and cash equivalents, monies held at a financial institution, including monies held in money market accounts.

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, 2015, 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, 2015 AND 2014

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
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.

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.

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.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

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. The form filed is subject to examination by the Internal Revenue Service generally for three years after it is filed.

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. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Land	\$ 90,000	\$ 90,000
Building	478,633	435,139
Equipment and furniture	<u>241,162</u>	<u>241,162</u>
	809,795	766,301
Less accumulated depreciation	<u>570,078</u>	<u>532,653</u>
Net property and equipment	<u><u>\$ 239,717</u></u>	<u><u>\$ 233,648</u></u>

3. LINE OF CREDIT

The Organization has a secured line-of-credit agreement for advances on demand in the principal amount of \$400,000, with interest at the bank's prime rate plus 0.35%, 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 2014.

AHEDD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2015 and 2014 include monies received from PEW grants to be used as follows:

	<u>2015</u>	<u>2014</u>
PEW grant - to facilitate employment for young adults in southeastern Pennsylvania with disabilities.	<u>\$ 3,943</u>	<u>\$ 48,773</u>

5. OPERATING LEASES

The Organization leases office space under the terms of non-cancelable leases. Rental expenses under these leases were \$103,202 and \$100,377 for the years ended June 30, 2015 and 2014, respectively.

The following is a schedule by years of minimum rentals under the above leases:

<u>Year</u>	<u>Amount</u>
2016	\$ 21,223
2017	12,300
2018	12,300
2019	<u>6,150</u>
	<u>\$ 51,973</u>

6. 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 \$81,565 and \$84,536 to the plan during the years ended June 30, 2015 and 2014, respectively.

AHEDD

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

Year Ended June 30, 2015

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, 2015, 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 21, 2015

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 21, 2015