

ARMSTRONG COUNTY EDUCATIONAL TRUST

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

ARMSTRONG COUNTY EDUCATIONAL TRUST

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Independent Auditor's Report

Board of Directors
Armstrong County Educational Trust

We have audited the accompanying statement of financial position of the Armstrong County Educational Trust as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at June 30, 2011, and the changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America



September 12, 2011
Kittanning, Pennsylvania

ARMSTRONG COUNTY EDUCATIONAL TRUST

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

Cash and cash equivalents		\$ 308,427
Investments		217,225
Grant receivable		11,585
Accounts receivable		16,307
Prepaid expenses		6,073
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>(154,356)</u>	<u>8,222</u>
TOTAL ASSETS		\$ <u>567,839</u>

LIABILITIES AND NET ASSETS

Liabilities		
Environmental Learning Center re-construction commitment		\$ -0-
Net Assets:		
Unrestricted	\$ 350,614	
Temporarily restricted	<u>217,225</u>	<u>567,839</u>
TOTAL LIABILITIES AND NET ASSETS		\$ <u>567,839</u>

See accompanying notes.

ARMSTRONG COUNTY EDUCATIONAL TRUST

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Government grants	\$ 115,849	\$	\$ 115,849
Classroom rental income	21,255		21,255
Memberships	12,830		12,830
Gifts and grants	118,431		118,431
Interest and dividends	1,468	6,517	7,985
Class booklet fees	17,900		17,900
Vending	7,948		7,948
Investment gains	-0-	22,873	22,873
Net assets released from restrictions	<u>8,500</u>	<u>(8,500)</u>	<u>-0-</u>
Total revenue and support	<u>304,181</u>	<u>20,890</u>	<u>325,071</u>
 EXPENSES			
Salaries and benefits	103,430		103,430
Advertising, printing & marketing	19,267		19,267
Professional fees	16,826		16,826
Telephone	8,703		8,703
Depreciation	4,858		4,858
Scholarships	8,500		8,500
Insurance	1,783		1,783
Postage	8,114		8,114
Office supplies	2,911		2,911
Occupancy	54,971		54,971
Travel, meals & meetings	4,674		4,674
Community relations	10,903		10,903
Program expenses	16,677		16,677
Other	<u>1,195</u>		<u>1,195</u>
Total expenses	<u>262,812</u>	<u>-0-</u>	<u>262,812</u>
Increase in net assets	41,369	20,890	62,259
Net assets at beginning of year	<u>309,245</u>	<u>196,335</u>	<u>505,580</u>
Net assets at end of year	<u>\$ 350,614</u>	<u>\$ 217,225</u>	<u>\$ 567,839</u>

See accompanying notes.

ARMSTRONG COUNTY EDUCATIONAL TRUST

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 62,259
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation	4,858
Changes in operating assets and liabilities:	
Accounts and grant receivable	11,881
Prepaid expenses	(6,073)
Net cash provided by operating activities	<u>72,925</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
ELC re-construction payable	(81,631)
Investment gains	(20,890)
Computer purchase	(1,235)
Net cash provided by investing activities	<u>(103,756)</u>
(Decrease) in cash and cash equivalents	(30,831)
Cash and cash equivalents at beginning of year	<u>339,258</u>
Cash and cash equivalents at end of year	<u>\$ 308,427</u>

See accompanying notes.

ARMSTRONG COUNTY EDUCATIONAL TRUST

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

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, 2011

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, 2009, 2010 and 2011 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, 2011

Note 2 – Major Contributors

Funds relating to grants for the Commonwealth of Pennsylvania Department of Education totaled \$115,849 for the year ended June 30, 2011.

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 with the Regional Industrial Development Corporation of Southwestern Pennsylvania. The lease was due to expire at August 31, 2011, however, it has been extended thru December 31, 2011 at \$6,073 per month.

The Trust subleases part of this facility to Lenape Area Vocational-Technical School for its Licensed Practical Nursing Program at \$3,037 per month.

Note 4 – Temporarily Restricted Net Assets

At June 30, 2011, temporarily restricted net assets amounted to \$217,225 and are to be used for scholarships.

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.

ARMSTRONG COUNTY EDUCATIONAL TRUST
NOTES TO FINANCIAL STATEMENTS-CONTINUED

JUNE 30, 2011

Investments at June 30, 2011 are as follows:

	<u>COST</u>	<u>MARKET</u>
General Scholarship Fund	\$ 3,402	\$ 3,309
McAllister Scholarship Fund	184,017	190,670
Ortman Scholarship Fund	<u>16,346</u>	<u>23,246</u>
	<u>\$ 203,765</u>	<u>\$ 217,225</u>

Investment results for the year ended June 30, 2011 are as follows:

Interest and dividends	\$ 6,517	
Realized gains (losses)	(4,899)	
Unrealized gains (losses)	<u>27,772</u>	
	<u>\$ 29,390</u>	

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 12, 2011, the date which the financial statements were available to be issued.