ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

AUDIT REPORT

JUNE 30, 2014

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

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June 30, 2014

FELIX & GLOEKLER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
2306 Peninsula Drive · Erie, Pennsylvania 16506

Independent Auditors' Report

Board of Directors
Erie County Vocational
Technical School Foundation
Erie, Pennsylvania

We have audited the accompanying financial statements of Erie County Vocational Technical School Foundation (a non-profit organization), a component unit of Erie County Technical School, which comprise the statement of financial position as of June 30, 2014, 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 audits. 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 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.

Independent Auditors' Report
(Continued)

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 Erie County Vocational Technical School Foundation as of June 30, 2014, 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.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

September 22, 2014
Erie, Pennsylvania

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

Statement of Financial Position

June 30, 2014

Current Assets	
Cash and cash equivalents	$ 136,038
Accounts receivable	6,000
Total Current Assets	142,038
Non-Current Assets	
Deposit - Erie Community Foundation	228,244
Total Assets	$ 370,282
Current Liabilities	
Accounts payable	$ 13,441
Unearned grant revenue	54,407
Total Current Liabilities	67,848
Net Assets	
Unrestricted	49,190
Unrestricted-Board Designated Endowment	228,244
Temporarily Restricted	25,000
Total Net Assets	302,434
Total Liabilities and Net Assets	$ 370,282

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

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

Statement of Activities

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Public Support and Other Revenue			
Contributions	$ 2,854	$ 25,000	$ 27,854
Membership Dues	42,000	-	42,000
Grant Revenue			
Career Street	51,132	-	51,132
Summer Jam	19,461	-	19,461
Scholarship	3,500	-	3,500
Investment income (loss)	32,156	-	32,156
Other Revenue	481	-	481
Total Public Support and Other Revenue	151,584	25,000	176,584
Expenses			
Program Services:			
Career Street	41,403	-	41,403
Summer Jam	19,461	-	19,461
Awards and Grants	8,528	-	8,528
General and Administrative	11,876	-	11,876
Total Expenses	81,268	-	81,268
Increase (Decrease) in Net Assets	70,316	25,000	95,316
Net Assets, July 1, 2013	207,118	-	207,118
Net Assets, June 30, 2014	$ 277,434	$ 25,000	$ 302,434

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

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

Statement of Cash Flows

For the Year Ended June 30, 2014

Cash Flows from Operating Activities	
Change in Net Assets	$ 95,316
Adjustments to Reconcile Increase in Net Assets	
Cash Provided by Operating Activities :	
Unrealized /realized (gain) loss on investments	(27,558)
(Increase) decrease in receivable	(6,000)
Increase (decrease) in accounts payable	13,142
Increase (decrease) in unearned grant revenue	20,872
Net Cash Provided (Used) by Operating Activities	95,772
Cash Flows from Investing Activities	
Change in Deposit-Erie Community Foundation	(2,570)
Net Cash Provided (Used) by Investing Activities	(2,570)
Net Increase/(Decrease) in Cash and Cash Equivalents	93,202
Cash and Cash Equivalents at Beginning of Year	42,836
Cash and Cash Equivalents at End of Year	$ 136,038

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

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION
Notes to Financial Statements
June 30, 2014

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Foundation is a nonprofit organization incorporated in the Commonwealth of Pennsylvania in 1997. The Organization promotes the value of career and technical education. In partnership with the Erie Community Foundation, the ECTS Foundation provides student scholarships, capital improvements, staff development, development projects and educational research. In July of 2013, the Foundation began Career Street. Career Street is a comprehensive career exploration and planning program linking businesses, nonprofit organizations and schools to create and share experiences for students to job shadow, intern, tour companies, benefit from class speakers, and participate in career workshops and fairs.

The Foundation is considered a component unit of Erie County Technical School. These financial statements only include the activities of the Foundation. The operations of ECTS are addressed in a separate report, which may be obtained at the school office, 8500 Oliver Road, Erie, PA 16509.

B. Basis of Presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred.

The Foundation adopted Financial Accounting Standards Board - Accounting Standard Codification 958, "Required Financial Statements." Under FASB ASC 958, the Foundation is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets. Temporarily restricted net assets consist of the following:

Funds to be used for Career Street	$ 25,000

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents include $90,368 which is designated for Career Street.

D. Contributions Received and Contributions Made

The Foundation also elected to adopt FASB ASC 958, "Accounting Contributions Received and Contributions Made". In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Restricted contributions are reported as increases in unrestricted net assets if the restrictions are met in the reporting period.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

F. Sequencing on the Statement of Financial Position

Assets are sequenced according to the nearness of conversion to cash, and liabilities are sequenced according to their nearness of their maturity and resulting use of cash.

G. Federal Tax Status

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Foundation accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold.

The Foundation's federal income tax returns are no longer subject to examination by federal tax authorities for fiscal years ending before 2010.

NOTE 2 - CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances at financial institutions. At June 30, 2014 the carrying value was $136,038 and the entire bank balance of $146,991 was covered by FDIC insurance.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Erie County Vocational Technical School Foundation (ECVTS) values its investments at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value is measured based on a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is considered unobservable.

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Organization's investments are classified as follows:

June 30, 2014	Level I	Level II	Level III	Total
Deposit – Erie Community Foundation	$ -	$ -	$ 228,244	$ 228,244
	$ -	$ -	$ 228,244	$ 228,244

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014.

Deposit-Erie Community Foundation – The ECVTS Foundation's valuation methodology used to measure the fair value of funds held at the Erie Community Foundation (ECF) relies upon information provided by ECF personnel. The ECVTS Foundation's share of the investment pool at ECF is based on the underlying fair values of the investments consisting of all three hierarchy levels; this is classified within Level 3 of the valuation hierarchy.

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

The assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) consist of the beneficial interest with the Erie Community Foundation and had the following changes during the year ended June 30, 2014:

Beginning balance	$ 198,117
Grants awarded	-
Interest and dividends	4,596
Unrealized/realized gains	27,558
Management fees	(2,027)
	$ 228,244

NOTE 4 – DEPOSIT - ERIE COMMUNITY FOUNDATION

The Foundation transferred $200,000 to the Erie Community Foundation in 2007. These irrevocable gifts were used to establish a fund to benefit Erie County Vocational Technical School Foundation. The net income from the fund will be used exclusively to support Erie County Vocational Technical School Foundation. The assets are neither in the possession nor under the control of Erie County Vocational Technical School Foundation. The balance in the fund was $228,244 at June 30, 2014. Net income (loss) from the fund recognized in the year ended June 30, 2014 was $30,127.

NOTE 5 - BOARD DESIGNATED ENDOWMENT

The Foundation's endowment includes funds designated by the Board of Directors as an endowment. The purpose of this endowment is to develop and stimulate an alternative source of funds to supplement the Foundation's other funding sources. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has an agency endowment agreement with ECF. ECF pools these funds with the funds received from various other organizations. The pooled funds are then utilized to create an investment portfolio that is managed and administered by ECF. ECF is responsible for allocating to the Foundation their respective share of the investment portfolio's performance. ECF annually determines the amount of funds to distribute to Erie County Vocational Technical School Foundation.

Interpretation of Relevant Law

The current relevant law for the investment and distribution of restricted endowment and trust funds in the Commonwealth of Pennsylvania is PA Act 141 (Act 141). Since the Organization has no permanently restricted endowment, Act 141 does not apply.

NOTE 5 - BOARD DESIGNATED ENDOWMENT (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2014:

Endowment net assets, beginning of year	$ 198,117
Interest and dividends	4,597
Unrealized/Realized gains	27,557
Management fees	(2,027)
Endowment net assets, end of year	$ 228,244

Return Objectives and Risk Parameters

The Board of Directors has adopted an investment policy for financial assets that attempts to support the long-term objectives of the Organization. The objectives include funding operational cash flow shortfalls, providing relative stability of principal, and maximizing total investment return.

Strategies Employed for Achieving Objectives

In accordance with the objectives, the total portfolio should be constructed and maintained to minimize the risk of large losses to principal. To satisfy these objectives, the Organization has developed an allocation strategy to maximize total return while minimizing exposure of principal assets in the long run. The Foundation targets a diversified asset allocation in equity based investments and in high quality fixed income investments.

Spending Policy and How the Investment Objectives Related to Spending Policy

The endowment trustees distribute funds as stipulated by the Foundation and within the purpose of the trust as outlined in the endowment governing documents for the named funds.

NOTE 6 - RISK MANAGEMENT

The Foundation may be subject to certain legal proceedings and claims arising in the normal course of business. The Foundation carries commercial insurance for risk management. Insurance coverage was increased during 2013 – 2014 to reflect increasing activity levels in the Foundation. During the year ended June 30, 2014, there were no settlements in excess of insurance coverage.

NOTE 7 – SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through September 22, 2014 the date which the financial statements were available to be issued.

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

Schedule of Functional Expenses

For the Year Ended June 30, 2014

	Career Street	Summer Jam	Foundation	Totals
Program Services				
Awards and Grants	$ -	$ 2,500	$ 4,125	$ 6,625
Contracted Services	24,273	9,500	3,500	37,273
Substitute Teachers	150	-	-	150
Career Cruising	595	-	-	595
Supplies	976	-	903	1,879
Workshops and Training	669	-	-	669
Travel and Transportation	702	-	-	702
Marketing and Communications	13,962	7,461	-	21,423
Postage and Mailing	76	-	-	76
Total Program Expenses	41,403	19,461	8,528	69,392
General and Administrative				
Professional Fees	5,433	-	120	5,553
Fund Management	-	-	2,027	2,027
Supplies	977	-	-	977
Insurance	-	-	3,319	3,319
Total General and Administrative Expenses	6,410	-	5,466	11,876
	$ 47,813	$ 19,461	$ 13,994	$ 81,268