ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION

Erie, Pennsylvania

Financial Statements

For the Year Ended June 30, 2020

Buseck, Barger, Bleil & Co., Inc

ERIE COUNTY VOCATIONAL
TECHNICAL SCHOOL FOUNDATION
TABLE OF CONTENTS
JUNE 30, 2020

INDEX

Page

Buseck · Barger · Bleil & Co. Inc.
CERTIFIED PUBLIC ACCOUNTANTS
FRONTIER BUILDING
1640 WEST EIGHTH STREET - SUITE 1
ERIE, PA 16505

(814) 454-6341
FAX: (814) 455-9060
EMAIL: info@bbbcpas.com

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
PA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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 (the "Foundation), a non-profit organization, is a component unit of Erie County Technical School, which comprise the statement of financial position as of June 30, 2020, 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.

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, 2020, 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.

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants

Erie, Pennsylvania

August 14, 2020

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Assets		
Cash and cash equivalents	$	14,167
Deposit - Erie Community Foundation		240,295
Total Assets	$	254,462

LIABILITIES AND NET ASSETS

Liabilities		
Total Liabilities	$	-
Net Assets		
Without Donor Restrictions		14,167
Without Donor Restrictions - Board Designated		240,295
Total Net Assets		254,462
Total Liabilities and Net Assets	$	254,462

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, 2020

	Without Donor Restrictions 2019
Public Support and Other Revenue	
Contributions	$ 3,196
Investment Income (Loss)	2,397
Other Revenue	1,606
Total Support and Revenue	7,199
Expenses	
Program Services	32,109
General and Administrative	7,034
Total Expenses	39,143
Change in Net Assets	(31,944)
Net Assets, July 1, 2019	286,406
Net Assets, June 30, 2020	$ 254,462

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, 2020

Cash Flows from Operating Activities		
Change in Net Assets	$	(31,944)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) Decrease in Receivable		183
(Increase) Decrease in Prepaid Assets		110
Increase (Decrease) in Accounts Payable		(5,654)
Increase (Decrease) in Deferred Revenue		(5,000)
Increase (Decrease) in Due to Other Funds		(2,000)
Net Cash Provided (Used in) Operating Activities		(44,305)
Cash Flows from Investing Activities		
Change in Deposit - Erie Community Foundation		345
Net Cash Provided (Used) by Investing Activities		345
Net Increase/(Decrease) in Cash and Cash Equivalents		(43,960)
Cash and Cash Equivalents, Beginning of Year		58,127
Cash and Cash Equivalents, End of Year	$	14,167

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

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 ECVTS Foundation provides student scholarships, capital improvements, staff development, development projects and educational research.

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.

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. which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be extended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Foundation's management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

The Foundation adopted Financial Accounting Standards Board – Accounting Standard Codification 958, "Require Financial Statements". Under FASB ASC 958, the foundation is required to report information regarding their financial position and activities in according to two classes of net assets listed above. The Foundation has no net assets with donor restrictions as of June 30, 2020.

Measures of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Foundation's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

The Foundation's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Due To/From Related Parties

Amounts reported as due to/from related parties, included in the accompanying statements of financial position, arise principally from the collaborative activities between the Erie County Vocational Technical School Foundation and the Erie County Technical School to further the mission of the organization.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the foundation. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Accounting fees	Time and effort
Awards & grants	Time and effort
Fund management	Time and effort
Insurance	Time and effort
Supplies	Time and effort

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.

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.

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 2016.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation.

New Accounting Pronouncement
On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities.* The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Erie County Vocational Technical School Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents in various bank accounts that, at times, nay exceed federally insured limits. At June 30, 2020 the carrying value was $14,167 and the entire bank balance of $17,027 was covered by FDIC insurance.

NOTE 3 – AVAILABILITY AND LIQUIDITY

The following represents the Erie County Vocational Technical School Foundation's financial assets at June 30, 2020:

	2020
Cash and cash equivalents	$ 14,167
Investments	240,295
Total financial assets	254,462
Less amounts not available to be used within one year:	
Board-designated funds for future use	240,295
Financial assets available to meet general expenditures over the next 12 months	$ 14,167

The Foundation's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in short term investments, including money market accounts.

NOTE 4 - 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 should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Foundation groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Unadjusted 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, 2020			
	Level I	Level II	Level III	Total
Deposit				
Erie Community Foundation	$ -	$ -	$ 240,295	$ 240,295
	$ -	$ -	$ 240,295	$ 240,295

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, 2020.

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 5 -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 $240,295 at June 30, 2020. Net income (loss) from the fund recognized in the year ended June 30, 2020 was ($345). No grants and scholarships were paid out, and management fees of $2,630 were paid. The net change in the balance of the fund was ($345).

NOTE 6 - 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.

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.

Changes in endowment net assets for the year ended June 30, 2020:

Beginning Balance	$	240,640
Grants Awarded		-
Interest and Dividends		2,935
Unrealized/Realized Gains		(650)
Management Fees		(2,630)
	$	240,295

<u>Strategies Employed for Achieving Objectives</u>

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.

<u>Spending Policy and How the Investment Objectives Related to Spending Policy</u>

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 7 – CAREER STREET TRANSFER TO GECAC

The Erie County Vocational Technical School Foundation transferred its Career Street Program to GECAC on July 1, 2019. The acquisition by GECAC comes as non-sale value transfer, with no income to be incurred by the Foundation. The Foundation transferred the Career Street Program, including the following assets, liabilities and adjustments to Foundation equity as of June 30, 2020:

Cash and Cash Equivalents	$ 36,653
Plus(Less) write-offs & adjustments:	
Accounts Payable	(5,654)
Deferred Revenues	(5,000)
Prepaid Assets	110
Net Transfer to GECAC	$ 26,109

NOTE 8 - 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. During the year ended June 30, 2020, there were no settlements in excess of insurance coverage.

NOTE 9 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through August 14, 2020, the date which the financial statements were available to be issued.

ERIE COUNTY VOCATIONAL TECHNICAL SCHOOL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program	General & Administrative	Totals
Accounting Fees	$ -	$ 1,296	$ 1,296
Award and Grants	6,000	-	6,000
Fund Management	-	2,630	2,630
Insurance	-	3,085	3,085
Transfer to GECAC	26,109		26,109
Supplies	-	23	23
Total Expenses	$ 32,109	$ 7,034	$ 39,143

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