

THE PENNSYLVANIA SOCIETY

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITOR'S REPORT)

YEARS ENDED JUNE 30, 2023 AND 2022



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Independent Auditor's Report

To the Council Members of
The Pennsylvania Society
Pittsburgh, Pennsylvania

Opinion

We have audited the accompanying financial statements of The Pennsylvania Society (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023, and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Pennsylvania Society as of June 30, 2023, and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Pennsylvania Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Pennsylvania Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pennsylvania Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Pennsylvania Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Bala Cynwyd, Pennsylvania
March 24, 2024

THE PENNSYLVANIA SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	ASSETS	
	2023	2022
Cash	\$ 707,441	\$ 673,358
Grants receivable	51,616	-
Prepaid expenses and other	4,418	4,012
Equipment, net	2,751	154
	\$ 766,226	\$ 677,524

LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,232	\$ 44,879
Net assets without donor restrictions	755,994	632,645
	\$ 766,226	\$ 677,524

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Annual dinner event	\$ 716,327	\$ -	\$ 716,327	\$ 591,101	\$ -	\$ 591,101
Annual luncheon event	81,758	-	81,758	30,438	-	30,438
Commonwealth events	49,450	-	49,450	-	-	-
Less direct costs of special events	(526,569)	-	(526,569)	(359,242)	-	(359,242)
Membership dues	300,362	-	300,362	114,800	-	114,800
Grant revenue	51,616	-	51,616	-	-	-
Interest income	1,879	-	1,879	860	-	860
	<u>674,823</u>	<u>-</u>	<u>674,823</u>	<u>377,957</u>	<u>-</u>	<u>377,957</u>
Expenses:						
Program	341,195	-	341,195	299,968	-	299,968
Management and general	165,518	-	165,518	189,729	-	189,729
Fundraising	44,761	-	44,761	39,764	-	39,764
	<u>551,474</u>	<u>-</u>	<u>551,474</u>	<u>529,461</u>	<u>-</u>	<u>529,461</u>
Change in net assets from operations	123,349	-	123,349	(151,504)	-	(151,504)
Gain on forgiveness of debt	-	-	-	67,020	-	67,020
Change in net assets	123,349	-	123,349	(84,484)	-	(84,484)
Net assets at beginning of year	<u>632,645</u>	<u>-</u>	<u>632,645</u>	<u>717,129</u>	<u>-</u>	<u>717,129</u>
Net assets at end of year	<u>\$ 755,994</u>	<u>\$ -</u>	<u>\$ 755,994</u>	<u>\$ 632,645</u>	<u>\$ -</u>	<u>\$ 632,645</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 200,446	\$ 89,858	\$ 31,123	\$ 321,427	\$ 162,484	\$ 76,855	\$ 26,368	\$ 265,707
Payroll taxes	16,707	7,489	2,594	26,790	9,894	4,680	1,605	16,179
Employee benefits	43,526	19,512	6,758	69,796	38,695	18,303	6,280	63,278
Total salaries and related benefits	260,679	116,859	40,475	418,013	211,073	99,838	34,253	345,164
Annual dinner	435,050	-	-	435,050	327,667	-	-	327,667
Annual luncheon	38,950	-	-	38,950	31,575	-	-	31,575
Commonwealth events	52,569	-	-	52,569	-	-	-	-
Depreciation	-	201	-	201	-	619	-	619
Grants and awards	37,884	-	-	37,884	38,636	-	-	38,636
Membership	15,029	-	-	15,029	6,750	-	-	6,750
Office costs and other	19,172	8,595	2,977	30,744	36,513	12,757	4,376	53,646
Professional fees	-	36,083	-	36,083	-	73,206	-	73,206
Rent	8,431	3,780	1,309	13,520	6,996	3,309	1,135	11,440
Total before direct costs of special events	867,764	165,518	44,761	1,078,043	659,210	189,729	39,764	888,703
Direct costs of special events	(526,569)	-	-	(526,569)	(359,242)	-	-	(359,242)
Total expenses reported by function in the statements of activities	<u>\$ 341,195</u>	<u>\$ 165,518</u>	<u>\$ 44,761</u>	<u>\$ 551,474</u>	<u>\$ 299,968</u>	<u>\$ 189,729</u>	<u>\$ 39,764</u>	<u>\$ 529,461</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 123,349	\$ (84,484)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	201	619
Gain on forgiveness of debt	-	(67,020)
Changes in operating assets and liabilities:		
Grants receivable	(51,616)	-
Accounts and contributions receivable	-	1,435
Prepaid expenses and other	(406)	(562)
Accounts payable and accrued expenses	(34,647)	31,497
	<u>36,881</u>	<u>(118,515)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of equipment	(2,798)	-
	<u>(2,798)</u>	<u>-</u>
Net cash used in financing activities		
	<u>(2,798)</u>	<u>-</u>
Net increase (decrease) in cash	34,083	(118,515)
Cash at beginning of year	673,358	791,873
Cash at end of year	<u>\$ 707,441</u>	<u>\$ 673,358</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

(1) NATURE OF ACTIVITIES

The Pennsylvania Society (the “Society”) was founded in 1899 and incorporated in 1903 under the laws of the Commonwealth of Pennsylvania. Its purpose is to honor achievement, to reward excellence, to promote good will and understanding and to celebrate service to the Commonwealth of Pennsylvania and to humanity in general. The Society sponsors historical and social functions, bringing together its members and friends to remind them of Pennsylvania’s vital and long-standing leadership in the economic and industrial life of the nation.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. In accordance with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*, the Society distinguishes between net assets with donor restrictions and net assets without donor restrictions, based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be satisfied by actions of the Society and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Society did not have any net assets to be held in perpetuity as of June 30, 2023, or June 30, 2022.

The Society has elected to report as without donor restrictions, donor-restricted contributions whose restrictions are met in the same reporting period. Substantially all contributions to the Society for the years ended June 30, 2023 and 2022 were considered without donor restrictions.

Revenue Recognition

The Society derives revenues from special events and membership dues. Special events include an annual dinner, annual luncheon, and commonwealth events held throughout the year.

Revenue from such events is recognized in the period the events take place.

Revenue from membership dues, including lifetime membership dues, is recognized when received based on the determination that the future costs of providing membership benefits will be covered by event fees and other sources of revenue.

Contributions received and promises to give are reported as increases in net assets with or without restrictions, depending on the existence and/or nature of any donor restrictions.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Cash

The Society maintains cash balances with financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. On June 30, 2023, and June 30, 2022, The Society's uninsured cash balances were \$457,441 and \$423,358 respectively. No losses have been incurred to date.

Equipment and Depreciation

Equipment is recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation to program, general and administrative, and fundraising is based on the estimated activities of personnel and the usage of materials and services.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Pursuant to FASB ASC Topic 740, *Income Taxes*, the Society recognizes tax benefits only if it is more likely than not that a tax position will be sustained upon examination (including the Society's assertion that its income is exempt from tax). No liability for uncertain tax positions was recorded as of June 30, 2023 or June 30, 2022.

Adoption of New Accounting Pronouncement

Effective during the year ended June 30, 2023, the Society adopted Accounting Standards Update ("ASU") 2016-02, *Leases*, and all subsequent ASUs that modified ASC Topic 842 ("ASC 842"). FASB ASC 842 requires lessees to recognize a right-of-use asset and related liability for all leases with terms in excess of twelve months as either an operating lease or a finance lease in the financial statements. The Society determines if an arrangement is a lease at inception. The Society has elected the practical expedient to apply the short-term lease exception for lease terms less than twelve months to all of its classes of underlying assets. The Society does not have any right-of-use assets or related liabilities that required recognition in the financial statements for the year ended June 30, 2023; therefore, the adoption of ASU 2016-02 had no material impact on the Society's statement of financial position or statement of activities for the year ended June 30, 2023.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

Subsequent Events

Management has evaluated subsequent events through March 24, 2024, which is the date the financial statements were available to be issued.

Reclassification

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

(3) PAYCHECK PROTECTION PROGRAM LOAN

In connection with COVID-19, on March 29, 2021, the Society received a forgivable loan in the amount of \$67,020 under the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) and is administered by the Small Business Administration (“SBA”) through an eligible lender. On September 24, 2021, the PPP loan and related accrued interest was formally forgiven by the SBA. The forgiven PPP loan and related interest were accounted for as a gain on forgiveness of debt in the 2022 statement of activities.

(4) EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (“ERC”), also established under the CARES Act, is a refundable tax credit against certain employment taxes equal to a percentage of qualified wages paid to employees after March 12, 2020 and before January 1, 2022.

In 2023, the Society concluded that the ERC represented, in substance, a conditional government grant that was expected to be refunded based on qualifying expenses incurred during the first, second, and third quarters of 2021 and the second quarter of 2020. Accordingly, a grant receivable in the amount of \$51,616 was included in the statement of financial position as of June 30, 2023 and as grant revenue in the statements of activities for the year ended June 30, 2023.

(5) LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, include cash and accounts, grants, and contributions receivable in the amount of \$759,057 and \$673,358 on June 30, 2023 and June 30, 2022, respectively. As part of its liquidity management plan, the Society has a goal to maintain financial assets, which consist of cash and accounts receivable, on hand to meet normal operating expenses.

(6) LEASE COMMITMENT

The Society leases office space under an operating lease which expired on December 31, 2023. The lease agreement was amended on January 1, 2024 allowing for month to month payments of \$1,125 with an expiration date of March 31, 2024. Rent expense totaled \$13,520 and \$11,440 for the years ended June 30, 2023 and June 30, 2022, respectively.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

(7) RETIREMENT PLAN

In February 2019, the Society sponsored a qualified tax deferred employee savings plan covering all eligible employees, as defined, under Section 401(k) of the Internal Revenue Code and transferred all net assets of the previous 403(b) plan into the 401(k) plan. Under the 401(k) plan, employer matching contributions are equal to 100% of the elective employee deferral, not to exceed 6% of the employee's compensation. Matching contributions totaled \$17,339 and \$13,074 for the years ended June 30, 2023 and June 30, 2022, respectively.