

**THE PENNSYLVANIA SOCIETY**

**FINANCIAL STATEMENTS**

**(AND INDEPENDENT AUDITOR'S REPORT)**

**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**

**AND SIX MONTH PERIOD ENDED JUNE 30 2021**



## CONTENTS

	Page
<b>Independent Auditor's Report</b>	1
<b>Financial Statements</b>	
STATEMENTS OF FINANCIAL POSITION.....	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF FUNCTIONAL EXPENSES.....	5
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS.....	7



## **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, 2022, and 2021, and the related statements of activities, functional expenses, and cash flows for the twelve and six month periods 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, 2022, and 2021, and the changes in its net assets and its cash flows for the twelve and six month periods 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.

*Isdaner & Company, LLC*

Bala Cynwyd, Pennsylvania  
May 2, 2023

**THE PENNSYLVANIA SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
		<u>          </u>	<u>          </u>
Cash		\$ 673,358	\$ 791,873
Accounts and contributions receivable		-	1,435
Prepaid expenses and other		4,012	3,450
Equipment, net		<u>154</u>	<u>773</u>
		<u>\$ 677,524</u>	<u>\$ 797,531</u>
 <b>LIABILITIES AND NET ASSETS</b>			
Liabilities:			
Accounts payable and accrued expenses		\$ 44,879	\$ 13,382
PPP loan payable		<u>-</u>	<u>67,020</u>
		44,879	80,402
Net assets without donor restrictions		<u>632,645</u>	<u>717,129</u>
		<u>\$ 677,524</u>	<u>\$ 797,531</u>

The accompanying notes are an integral part of these statements.

**THE PENNSYLVANIA SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenues and support:						
Annual dinner event	\$ 591,101	\$ -	\$ 591,101	\$ -	\$ -	\$ -
Annual luncheon event	30,438	-	30,438	-	-	-
Less direct costs of special events	(359,242)	-	(359,242)	-	-	-
Membership dues	114,800	-	114,800	126,800	-	126,800
Interest income	860	-	860	102	-	102
	<u>377,957</u>	<u>-</u>	<u>377,957</u>	<u>126,902</u>	<u>-</u>	<u>126,902</u>
Expenses:						
Program	299,968	-	299,968	153,404	-	153,404
Management and general	189,729	-	189,729	111,240	-	111,240
Fundraising	39,764	-	39,764	21,272	-	21,272
	<u>529,461</u>	<u>-</u>	<u>529,461</u>	<u>285,916</u>	<u>-</u>	<u>285,916</u>
Change in net assets from operations	(151,504)	-	(151,504)	(159,014)	-	(159,014)
Gain on forgiveness of debt	67,020	-	67,020	44,500	-	44,500
Change in net assets	(84,484)	-	(84,484)	(114,514)	-	(114,514)
Net assets at beginning of year	<u>717,129</u>	<u>-</u>	<u>717,129</u>	<u>831,643</u>	<u>-</u>	<u>831,643</u>
Net assets at end of year	<u>\$ 632,645</u>	<u>\$ -</u>	<u>\$ 632,645</u>	<u>\$ 717,129</u>	<u>\$ -</u>	<u>\$ 717,129</u>

The accompanying notes are an integral part of these statements.

**THE PENNSYLVANIA SOCIETY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 162,484	\$ 76,855	\$ 26,368	\$ 265,707	\$ 91,781	\$ 43,536	\$ 14,912	\$ 150,229
Payroll taxes	9,894	4,680	1,605	16,179	7,078	3,357	1,150	11,585
Employee benefits	38,695	18,303	6,280	63,278	20,284	9,622	3,295	33,201
Total salaries and related benefits	211,073	99,838	34,253	345,164	119,143	56,515	19,357	195,015
Annual dinner	327,667	-	-	327,667	-	-	-	-
Annual luncheon	31,575	-	-	31,575	-	-	-	-
Depreciation	-	619	-	619	-	367	-	367
Grants and awards	38,636	-	-	38,636	12,788	-	-	12,788
Membership	6,750	-	-	6,750	3,700	-	-	3,700
Office costs and other	34,452	11,782	4,042	50,276	12,197	2,944	1,009	16,150
Professional fees	-	73,206	-	73,206	-	48,770	-	48,770
Rent	6,996	3,309	1,135	11,440	4,448	2,109	723	7,280
Technology and telephone	2,061	975	334	3,370	1,128	535	183	1,846
Total before direct costs of special events	659,210	189,729	39,764	888,703	153,404	111,240	21,272	285,916
Direct costs of special events	(359,242)	-	-	(359,242)	-	-	-	-
Total expenses reported by function in the statements of activities	<u>\$ 299,968</u>	<u>\$ 189,729</u>	<u>\$ 39,764</u>	<u>\$ 529,461</u>	<u>\$ 153,404</u>	<u>\$ 111,240</u>	<u>\$ 21,272</u>	<u>\$ 285,916</u>

The accompanying notes are an integral part of these statements.

**THE PENNSYLVANIA SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (84,484)	\$ (114,514)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	619	367
Gain on forgiveness of debt	(67,020)	(44,500)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	1,435	61,897
Prepaid expenses and other	(562)	5,547
Accounts payable and accrued expenses	<u>31,497</u>	<u>13,382</u>
Net cash used in operating activities	<u>(118,515)</u>	<u>(77,821)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	<u>-</u>	<u>67,020</u>
Net cash provided by financing activities	<u>-</u>	<u>67,020</u>
Net decrease in cash	(118,515)	(10,801)
Cash at beginning of year	<u>791,873</u>	<u>802,674</u>
Cash at end of year	<u>\$ 673,358</u>	<u>\$ 791,873</u>

The accompanying notes are an integral part of these statements.



**THE PENNSYLVANIA SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

**(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.

Change of Year End

During 2021 the Society changed its year end from December 31 to June 30. As a result of this change, the amounts that are included in the statements of activities, functional expenses and cash flows, and certain related notes to the financial statements in 2021 represent financial transactions that occurred during the period from January 1, 2021, through June 30, 2021. The amounts that are included in 2022 represent financial transactions that occurred during the period from July 1, 2021 through June 30, 2022.

**(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, 2022, or June 30, 2021.

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 twelve month period ended June 30, 2022, and the six month period ended June 30, 2021, were considered without donor restrictions.

**THE PENNSYLVANIA SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

Revenue Recognition

The Society derives revenues from their annual special events and membership dues. Special events include their annual dinner and luncheon.

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.

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, 2022, and June 30, 2021, The Society's uninsured cash balances were \$438,815 and \$549,153 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.

**THE PENNSYLVANIA SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

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, 2022, or June 30, 2021.

New Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which once implemented will result in the recognition of most leased assets and corresponding lease liabilities on the statements of financial position. The standard is effective for years beginning after December 15, 2021, and early adoption is permitted. The Society is currently evaluating the impact of this standard on the financial statements.

Reclassifications

Certain prior year balances were reclassified to conform with the current year presentation.

Subsequent Events

Management has evaluated subsequent events through May 2, 2023, which is the date the financial statements were available to be issued.

**(3) CORONAVIRUS**

In connection with COVID-19, on May 9, 2020, the Society received a forgivable loan in the amount of \$44,500 under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act and is administered by the Small Business Administration ("SBA") through an eligible lender. On March 10, 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 2021 statement of activities.

On March 29, 2021, the Society was approved for a Second Draw PPP Loan for \$67,020. On September 24, 2021, the PPP loan plus accrued interest was forgiven in full by the SBA. The forgiven loan and related interest are being accounted for as a gain on forgiveness of debt in the 2022 statement of activities.

**(4) 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 and contributions receivable in the amount of \$673,358 and \$793,308 on June 30, 2022 and June 30, 2021, 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.

**THE PENNSYLVANIA SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**TWELVE MONTH PERIOD ENDED JUNE 30, 2022**  
**AND SIX MONTH PERIOD ENDED JUNE 30, 2021**

**(5) LEASE COMMITMENT**

The Society leases office space under an operating lease which expires on December 31, 2023. Rent expense was \$11,440 for the twelve month period ended June 30, 2022, and \$7,280 for the six month period ended June 30, 2021.

Future minimum rentals under this operating lease are as follows:

Year ending June 30,	
2023	\$12,480
2024	<u>6,240</u>
	<u><u>\$18,720</u></u>

**(6) 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 \$13,074 for the twelve month period ended June 30, 2022, and \$7,689 for the six month period ended June 30, 2021.