

THE PENNSYLVANIA SOCIETY

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITOR'S REPORT)

SIX MONTH PERIOD ENDED JUNE 30, 2021

AND TWELVE MONTH PERIOD ENDED DECEMBER 31 2020



Independent Auditor's Report

To the Council Members of
The Pennsylvania Society
139 Freeport Road
Pittsburgh, Pennsylvania

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, 2021, and December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the six and twelve month periods 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 audits 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 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 The Pennsylvania Society as of June 30, 2021, and December 31, 2020, and the changes in its net assets and its cash flows for the six and twelve month periods then ended in accordance with accounting principles generally accepted in the United States of America.

Isdaner + Company LLC

January 28, 2022

THE PENNSYLVANIA SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND DECEMBER 31, 2020

ASSETS	2021	2020
Cash	\$ 791,873	\$ 802,674
Accounts and contributions receivable	1,435	63,332
Prepaid expenses and other	3,450	8,997
Equipment, net	<u>773</u>	<u>1,140</u>
	<u>\$ 797,531</u>	<u>\$ 876,143</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,382	\$ -
PPP loan payable	<u>67,020</u>	<u>44,500</u>
	80,402	44,500
Net assets without donor restrictions	<u>717,129</u>	<u>831,643</u>
	<u>\$ 797,531</u>	<u>\$ 876,143</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF ACTIVITIES
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2021

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Annual dinner	\$ 15,100	\$ -	\$ 15,100	\$ 375,270	\$ -	\$ 375,270
Annual luncheon	-	-	-	13,622	-	13,622
Membership dues	111,700	-	111,700	139,000	-	139,000
Other support	-	-	-	1,557	-	1,557
Interest income	102	-	102	1,754	-	1,754
	<u>126,902</u>	<u>-</u>	<u>126,902</u>	<u>531,203</u>	<u>-</u>	<u>531,203</u>
Expenses:						
Program	158,554	-	158,554	294,606	-	294,606
Management and general	106,090	-	106,090	175,746	-	175,746
Fundraising	21,272	-	21,272	37,323	-	37,323
	<u>285,916</u>	<u>-</u>	<u>285,916</u>	<u>507,675</u>	<u>-</u>	<u>507,675</u>
Change in net assets from operations	(159,014)	-	(159,014)	23,528	-	23,528
Gain on forgiveness of debt	44,500	-	44,500	-	-	-
Change in net assets	(114,514)	-	(114,514)	23,528	-	23,528
Net assets at beginning of year	831,643	-	831,643	808,115	-	808,115
Net assets at end of year	<u>\$ 717,129</u>	<u>\$ -</u>	<u>\$ 717,129</u>	<u>\$ 831,643</u>	<u>\$ -</u>	<u>\$ 831,643</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2021

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 91,781	\$ 43,536	\$ 14,912	\$ 150,229	\$ 158,955	\$ 75,137	\$ 25,751	\$ 259,843
Payroll taxes	7,078	3,357	1,150	11,585	11,468	5,421	1,857	18,746
Employee benefits	20,284	9,622	3,295	33,201	38,257	18,084	6,199	62,540
Total salaries and related benefits	119,143	56,515	19,357	195,015	208,680	98,642	33,807	341,129
Annual dinner	5,150	-	-	5,150	13,502	-	-	13,502
Annual luncheon	-	-	-	-	16,475	-	-	16,475
Depreciation	-	367	-	367	-	769	-	769
Grants and awards	12,788	-	-	12,788	12,961	-	-	12,961
Membership	3,700	-	-	3,700	17,972	-	-	17,972
Office costs and other	12,197	2,944	1,009	16,150	14,056	5,078	1,740	20,874
Professional fees	-	43,620	-	43,620	-	66,076	-	66,076
Rent	4,448	2,109	723	7,280	7,341	3,470	1,189	12,000
Technology and telephone	1,128	535	183	1,846	3,619	1,711	587	5,917
	<u>\$ 158,554</u>	<u>\$ 106,090</u>	<u>\$ 21,272</u>	<u>\$ 285,916</u>	<u>\$ 294,606</u>	<u>\$ 175,746</u>	<u>\$ 37,323</u>	<u>\$ 507,675</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF CASH FLOWS
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2021

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (114,514)	\$ 23,528
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	367	769
Gain on forgiveness of debt	(44,500)	-
Changes in assets and liabilities:		
Accounts and contributions receivable	61,897	(37,049)
Prepaid expenses and other	5,547	286
Accounts payable and accrued expenses	13,382	(262,076)
Grants payable	-	(50,000)
Net cash used in operating activities	<u>(77,821)</u>	<u>(324,542)</u>
Cash flows from financing activities:		
Proceeds from PPP loan	<u>67,020</u>	<u>44,500</u>
Net cash provided by financing activities	<u>67,020</u>	<u>44,500</u>
Net decrease in cash	(10,801)	(280,042)
Cash at beginning of year	<u>802,674</u>	<u>1,082,716</u>
Cash at end of year	<u><u>\$ 791,873</u></u>	<u><u>\$ 802,674</u></u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2020

(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 decided to change 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 2020 represent financial transactions that occurred during the twelve month period ended on December 31, 2020.

(2) CORONAVIRUS

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (“COVID-19”) a pandemic. COVID-19 is currently impacting countries, communities, supply chains, and markets around the world. During the six month period ended June 30, 2021, the Society saw significantly lower revenue and expenses, due to the cancellation of the annual luncheon and the annual dinner occurring outside of the period. The full impact of the COVID-19 outbreak continues to evolve as of the date the financial statements were available to be issued. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, and operations. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Society is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the foreseeable future. See Note 4 for the Society’s liquidity and financial assets and resources available for general expenditures within the next year as of June 30, 2021.

In connection with the COVID-19 outbreak, 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 2021 in the statement of activities.

The PPP allows certain eligible borrowers that previously received a PPP loan to apply for a Second Draw PPP Loan with the same general loan terms as their first PPP Loan. 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 will be accounted for as a gain on forgiveness of debt in the fiscal year ending June 30, 2022.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2020

(3) 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 statement 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, 2021, or December 31, 2020.

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 six month period ended June 30, 2021, and the twelve month period ended December 31, 2020, were considered without donor restrictions.

Revenue Recognition

The Society derives revenues from ticket sales, membership dues and contributions.

Revenue from ticket sales for sponsored events is recognized in the period the event takes 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 an event fee 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 that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. On June 30, 2021, and December 31, 2020, The Society’s uninsured cash balances were \$549,153 and \$553,574 respectively. No losses have been incurred to date.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2020

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 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, 2021, or December 31, 2020.

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 balance sheet. 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.

Subsequent Events

Management has evaluated subsequent events through January 28, 2022, which is the date the financial statements were available to be issued.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
SIX MONTH PERIOD ENDED JUNE 30, 2021
AND TWELVE MONTH PERIOD ENDED DECEMBER 31, 2020

(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 \$793,308 on June 30, 2021. 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.

(5) LEASE COMMITMENT

The Society leases office space under an operating lease which expires on December 31, 2023. Rent expense was \$7,280 for the six month period ended June 30, 2021, and \$12,000 for the twelve month period ended December 31, 2020.

Future minimum rentals under this operating lease are as follows:

Year ending June 30,	2022	\$12,480
	2023	12,480
	2024	6,240
		<u>\$31,200</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 \$7,689 for the six month period ended June 30, 2021, and \$14,598 for the twelve month period ended December 31, 2020.

(7) GRANTS PAYABLE

The Society had a partnership with the Maguire Foundation to award scholarships to Pennsylvania high school seniors who were going to attend a four-year college or university in the Commonwealth of Pennsylvania. The final \$50,000 payment was made in February 2020.