

THE PENNSYLVANIA SOCIETY

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITOR'S REPORT)

YEARS ENDED JUNE 30, 2024 AND 2023



CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
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, 2024, and 2023, 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, 2024, and 2023, 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.

I. Isidner & Company, LLC

October 24, 2024

 ISDANER & COMPANY_{LLC}

One Bala Plaza • Suite 502 • Bala Cynwyd • Pennsylvania • 19004-1407 • Main: 610-668-4200 • Fax: 610-667-4329 • www.isdnerllc.com

Member of MSI Global Alliance • Independent Legal & Accounting Firms

THE PENNSYLVANIA SOCIETY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	ASSETS	
	2024	2023
Cash	\$ 815,470	\$ 707,441
Contributions receivable	10,099	-
Grants receivable	-	51,616
Prepaid expenses and other	9,258	4,418
Equipment, net	7,939	2,751
	\$ 842,766	\$ 766,226
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 14,509	\$ 10,232
Net assets without donor restrictions	828,257	755,994
	\$ 842,766	\$ 766,226

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:						
Annual dinner event	\$ 975,571	\$ -	\$ 975,571	\$ 716,327	\$ -	\$ 716,327
Annual luncheon event	46,224	-	46,224	81,758	-	81,758
Commonwealth events	102,768	-	102,768	49,450	-	49,450
Less direct costs of special events	(650,702)	-	(650,702)	(513,955)	-	(513,955)
Membership dues	201,810	-	201,810	300,362	-	300,362
General Donations	6,500	-	6,500	-	-	-
Grant revenue	-	-	-	51,616	-	51,616
Interest income	20,568	-	20,568	1,879	-	1,879
	702,739	-	702,739	687,437	-	687,437
Expenses:						
Program	377,735	-	377,735	341,195	-	341,195
Management and general	201,196	-	201,196	165,518	-	165,518
Fundraising	51,545	-	51,545	57,375	-	57,375
	630,476	-	630,476	564,088	-	564,088
Change in net assets	72,263	-	72,263	123,349	-	123,349
Net assets at beginning of year	755,994	-	755,994	632,645	-	632,645
Net assets at end of year	\$ 828,257	\$ -	\$ 828,257	\$ 755,994	\$ -	\$ 755,994

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Salaries	\$ 192,161	\$ 90,179	\$ 30,846	\$ 313,186	\$ 200,446	\$ 89,858	\$ 31,123	\$ 321,427
Payroll taxes	13,565	6,366	2,178	22,109	16,707	7,489	2,594	26,790
Employee benefits	45,919	21,549	7,371	74,839	43,526	19,512	6,758	69,796
Total salaries and related benefits	<u>251,645</u>	<u>118,094</u>	<u>40,395</u>	<u>410,134</u>	<u>260,679</u>	<u>116,859</u>	<u>40,475</u>	<u>418,013</u>
Annual dinner	557,711	-	-	557,711	435,050	-	-	435,050
Annual luncheon	18,125	-	-	18,125	26,336	-	-	26,336
Commonwealth events	74,866	-	-	74,866	52,569	-	-	52,569
Depreciation	-	758	-	758	-	201	-	201
Grants and awards	37,743	-	-	37,743	37,884	-	-	37,884
Membership	18,892	-	-	18,892	15,029	-	-	15,029
Office costs and other	63,430	29,767	10,182	103,379	19,172	8,595	15,591	43,358
Professional fees	-	49,750	-	49,750	-	36,083	-	36,083
Rent	6,025	2,827	968	9,820	8,431	3,780	1,309	13,520
Total before direct costs of special events	<u>1,028,437</u>	<u>201,196</u>	<u>51,545</u>	<u>1,281,178</u>	<u>855,150</u>	<u>165,518</u>	<u>57,375</u>	<u>1,078,043</u>
Direct costs of special events	<u>(650,702)</u>	<u>-</u>	<u>-</u>	<u>(650,702)</u>	<u>(513,955)</u>	<u>-</u>	<u>-</u>	<u>(513,955)</u>
Total expenses reported by function in the statements of activities	<u>\$ 377,735</u>	<u>\$ 201,196</u>	<u>\$ 51,545</u>	<u>\$ 630,476</u>	<u>\$ 341,195</u>	<u>\$ 165,518</u>	<u>\$ 57,375</u>	<u>\$ 564,088</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 72,263	\$ 123,349
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	758	201
Changes in operating assets and liabilities:		
Contributions receivable	(10,099)	-
Grants receivable	51,616	(51,616)
Prepaid expenses and other	(4,840)	(406)
Accounts payable and accrued expenses	4,277	(34,647)
	<u>113,975</u>	<u>36,881</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of equipment	<u>(5,946)</u>	<u>(2,798)</u>
Net cash used in financing activities	<u>(5,946)</u>	<u>(2,798)</u>
Net increase in cash	108,029	34,083
Cash at beginning of year	<u>707,441</u>	<u>673,358</u>
Cash at end of year	<u>\$ 815,470</u>	<u>\$ 707,441</u>

The accompanying notes are an integral part of these statements.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

(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 goodwill 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, 2024, or June 30, 2023.

The Society has elected to report as without donor restrictions, donor-restricted contributions whose restrictions are met in the same reporting period. All contributions to the Society for the years ended June 30, 2024 and 2023 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, both general donations and special event support, as well as 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, 2024 AND 2023

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, 2024, and June 30, 2023, The Society's uninsured cash balances were \$562,669 and \$457,441, 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 which range from five to ten years.

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, management and general, 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, 2024 or June 30, 2023.

Adoption of New Accounting Pronouncement

Effective during the year ended June 30, 2024, the Society adopted Accounting Standards Update ("ASU") 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASC 326"). This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The adoption of ASC 326 had no material impact on the Society's financial statements.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

Subsequent Events

Management has evaluated subsequent events through October 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) EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (“ERC”), which was established as part of the Coronavirus Aid, Relief, and Economic Security Act (“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 statement of activities for the year ended June 30, 2023.

(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, grants receivable, and contributions receivable in the amount of \$825,569 and \$759,057 on June 30, 2024 and June 30, 2023, respectively. As part of its liquidity management plan, the Society has a goal to maintain financial assets, which consist of cash and receivables, on hand to meet normal operating expenses.

(5) LEASE COMMITMENT

The Society leased office space under an operating lease which expired on December 31, 2023. The lease agreement was amended effective January 1, 2024 allowing for month to month payments of \$1,125 with an expiration date of March 31, 2024. The lease was not renewed after its expiration. Rent expense totaled \$9,820 and \$13,520 for the years ended June 30, 2024 and June 30, 2023, respectively.

(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 \$16,072 and \$17,339 for the years ended June 30, 2024 and June 30, 2023, respectively.

THE PENNSYLVANIA SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

(7) RELATED PARTY TRANSACTIONS

Contributions and contributions receivable from Society council members at June 30, 2024 and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Contribution revenue	\$ 55,500	\$ 69,455
Contributions receivable	10,099	-