

**PENNSYLVANIA MUNICIPAL LEAGUE**

**YEARS ENDED  
DECEMBER 31, 2019 AND 2018**



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

***PENNSYLVANIA MUNICIPAL LEAGUE***

YEARS ENDED DECEMBER 31, 2019 AND 2018

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## Independent Auditor's Report

Board of Directors  
Pennsylvania Municipal League  
Harrisburg, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Pennsylvania Municipal League (the League), which comprise the statements of financial position as of December 31, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years 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 League'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 League'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 qualified audit opinion.

### **Basis for Qualified Opinion**

As more fully discussed in Note 7 of the financial statements, the League has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United States of America, which require the cost of employees' pensions to be recognized over the employees' respective service periods and a net pension asset or liability to be recognized based on the projected benefit obligation and the fair value of plan assets. Quantification of the effects of that departure on the financial statements is not practicable.

### **Qualified Opinion**

In our opinion, except for the effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pennsylvania Municipal League as of December 31, 2019 and 2018, 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.

*Brown Schultz Steindler & Fritz*

Camp Hill, Pennsylvania  
October 29, 2020

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 285,292	\$ 97,878
Accounts receivable:		
Affiliates	1,442,335	1,450,052
Other	436,634	587,724
Prepays	<u>46,116</u>	<u>40,318</u>
<b>Total current assets</b>	<b><u>2,210,377</u></b>	<b><u>2,175,972</u></b>
<b>Property and equipment:</b>		
Land and land improvements	386,888	386,888
Building	643,500	643,500
Improvements	1,194,698	1,194,698
Office equipment and furniture	404,984	402,532
Automobiles		168,477
Construction in process	<u>338,446</u>	<u>338,446</u>
	2,968,516	3,134,541
Accumulated depreciation	<u>(1,789,806)</u>	<u>(1,808,095)</u>
<b>Total property and equipment, net</b>	<b><u>1,178,710</u></b>	<b><u>1,326,446</u></b>
<b>Total assets</b>	<b><u>\$ 3,389,087</u></b>	<b><u>\$ 3,502,418</u></b>

See notes to financial statements.

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>2019</u>	<u>2018</u>
<b>Current liabilities:</b>		
Accounts payable:		
Affiliates	\$ 1,447	\$ 145,297
Other	147,417	176,640
Accrued:		
Payroll	56,511	48,412
Payroll taxes and withholdings	4,378	3,677
Deferred revenue	<u>254,960</u>	<u>232,364</u>
<b>Total current liabilities</b>	<b>464,713</b>	<b>606,390</b>
Long-term liabilities, accrued compensated absences	<u>133,663</u>	<u>184,634</u>
<b>Total liabilities</b>	<b>598,376</b>	<b>791,024</b>
<b>Net assets:</b>		
Without donor restrictions	2,756,711	2,671,894
With donor restrictions	<u>34,000</u>	<u>39,500</u>
<b>Total net assets</b>	<b>2,790,711</b>	<b>2,711,394</b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,389,087</u></b>	<b><u>\$ 3,502,418</u></b>

See notes to financial statements.

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support:</b>			
Member dues	\$ 614,846		\$ 614,846
Associate dues	15,900		15,900
Annual convention	101,202		101,202
Contracted training	1,121,234		1,121,234
Trust programs	1,698,098		1,698,098
Group program service fees	740,582		740,582
Workshops	2,900		2,900
Secretariat services	139,536		139,536
Publications	12,469		12,469
Gain on sale of asset	21,264		21,264
Other	9,696		9,696
Net assets released from donor restrictions	5,500	\$ (5,500)	-
<b>Total revenues and other support</b>	<b>4,483,227</b>	<b>(5,500)</b>	<b>4,477,727</b>
<b>Expenses:</b>			
Program services:			
Annual summit and workshops	266,478		266,478
Trust programs	720,199		720,199
Group programs	323,284		323,284
Legislative services and research	230,595		230,595
Secretariat	176,895		176,895
Communications	299,944		299,944
Contracted training	918,066		918,066
Management and general:			
Board of directors and district operations	87,898		87,898
General management and operations	1,375,051		1,375,051
<b>Total expenses</b>	<b>4,398,410</b>		<b>4,398,410</b>
<b>Change in net assets</b>	<b>84,817</b>	<b>(5,500)</b>	<b>79,317</b>
<b>Net assets:</b>			
Beginning of year	2,671,894	39,500	2,711,394
<b>End of year</b>	<b>\$ 2,756,711</b>	<b>\$ 34,000</b>	<b>\$ 2,790,711</b>

See notes to financial statements.

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018

	Without donor restrictions	With donor restrictions	Total
<b>Revenues and other support:</b>			
Member dues	\$ 734,261		\$ 734,261
Associate dues	17,350		17,350
Annual convention	112,415		112,415
Other grants	33,000		33,000
Contracted training	1,357,571		1,357,571
Trust programs	1,628,009		1,628,009
Group program service fees	814,330		814,330
Workshops	13,215		13,215
Secretariat services	135,977		135,977
Publications	14,737		14,737
Other	6,108	\$ 45,000	51,108
Net assets released from donor restrictions	5,500	(5,500)	-
	<u>4,872,473</u>	<u>39,500</u>	<u>4,911,973</u>
<b>Total revenues and other support</b>			
<b>Expenses:</b>			
Program services:			
Annual summit and workshops	335,758		335,758
Trust programs	767,041		767,041
Group programs	253,975		253,975
Legislative services and research	233,016		233,016
Secretariat	182,207		182,207
Communications	264,187		264,187
Contracted training	1,010,595		1,010,595
Management and general:			
Board of directors and district operations	72,166		72,166
General management and operations	1,395,165		1,395,165
	<u>4,514,110</u>		<u>4,514,110</u>
<b>Total expenses</b>			
<b>Change in net assets</b>	<b>358,363</b>	<b>39,500</b>	<b>397,863</b>
<b>Net assets:</b>			
Beginning of year	2,313,531		2,313,531
<b>End of year</b>	<b>\$ 2,671,894</b>	<b>\$ 39,500</b>	<b>\$ 2,711,394</b>

See notes to financial statements.



**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019

	Programs							Supporting services			Total	
	Annual summit and workshops	Trust programs	Group programs	Legislative services and research	Secretariat	Communications	Contracted training	Total programs	Board of directors and district operations	General management and operations		Total supporting services
<b>Personnel and fringe benefits:</b>												
Salaries	\$ 79,432	\$ 435,527	\$ 82,076	\$ 115,830	\$ 106,861	\$ 161,204	\$ 125,715	\$ 1,106,645	\$ 32,906	\$ 623,953	\$ 656,859	\$ 1,763,504
Social Security taxes	5,987	32,733	6,186	8,688	8,072	12,124	9,494	83,284	2,479	46,858	49,337	132,621
Pension	12,589	72,362	13,802	18,889	17,360	26,975	20,339	182,316	4,737	105,530	110,267	292,583
Employee insurance	12,585	80,827	15,853	20,790	19,928	30,221	22,897	203,101	5,636	118,997	124,633	327,734
Workers' compensation	34	621	141	142	167	240	158	1,503	42	919	961	2,464
Unemployment compensation	434	5,010	1,104	1,134	1,252	1,942	1,275	12,151	218	7,652	7,870	20,021
	111,061	627,080	119,162	165,473	153,640	232,706	179,878	1,589,000	46,018	903,909	949,927	2,538,927
<b>Operating expenses:</b>												
Telephone	749	4,859	814	5,434	1,042	2,374	1,216	16,488	309	12,186	12,495	28,983
Postage and shipping	593	3,370	704	860	833	1,218	2,993	10,571	261	4,947	5,208	15,779
Printing	4,859	1,346	10,311	495	263	23,478		40,752		12,255	12,255	53,007
Endorsement fees			27,638					27,638				27,638
Advertising and promotions	7,804		230	908		4,345		13,287		12,125	12,125	25,412
Dues and subscriptions	181			18,230				18,411		33,214	33,214	51,625
Meetings and travel	126,774	1,308	125,408	6,321	1,542			261,353	34,969	54,676	89,645	350,998
Professional service fees							703,061	703,061		83,741	83,741	786,802
Training and seminar			29					29		9,894	9,894	9,923
Legal fees			23,507	8,365				31,872		18,615	18,615	50,487
Business privilege tax										7,350	7,350	7,350
	140,960	10,883	188,641	40,613	3,680	31,415	707,270	1,123,462	35,539	249,003	284,542	1,408,004
<b>Maintenance and supplies expenses:</b>												
Computer expenses		1,126		900		259		2,285		79,090	79,090	81,375
Office/computer supplies	3,531	11,313	1,966	5,293	2,276	9,657	11,437	45,473	882	32,089	32,971	78,444
Office maintenance	1,543	9,276	1,774	2,453	2,293	3,436	2,623	23,398	728	13,283	14,011	37,409
Auto expense										9,652	9,652	9,652
	5,074	21,715	3,740	8,646	4,569	13,352	14,060	71,156	1,610	134,114	135,724	206,880

(continued)

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2019

	Programs							Supporting services			Total	
	Annual summit and workshops	Trust programs	Group programs	Legislative services and research	Secretariat	Communications	Contracted training	Total programs	Board of directors and district operations	General management and operations		Total supporting services
<b>Physical plant expenses:</b>												
Utilities-electric, steam, gas and water	\$ 1,014	\$ 5,694	\$ 1,088	\$ 1,488	\$ 1,389	\$ 2,121	\$ 1,631	\$ 14,425	\$ 389	\$ 8,410	\$ 8,799	\$ 23,224
Insurance	765	7,472	1,549	1,985	2,167	2,733	2,149	18,820	982	9,921	10,903	29,723
Repairs and maintenance, building	1,258	6,957	1,312	1,845	1,691	2,579	1,991	17,633	506	10,988	11,494	29,127
Real estate taxes	1,193	11,245	2,283	2,816	2,680	4,234	2,806	27,257	716	16,714	17,430	44,687
	<u>4,230</u>	<u>31,368</u>	<u>6,232</u>	<u>8,134</u>	<u>7,927</u>	<u>11,667</u>	<u>8,577</u>	<u>78,135</u>	<u>2,593</u>	<u>46,033</u>	<u>48,626</u>	<u>126,761</u>
Capital and other expenses, depreciation expense	5,153	29,153	5,509	7,729	7,079	10,804	8,281	73,708	2,138	41,992	44,130	117,838
<b>Total expenses</b>	<b>\$ 266,478</b>	<b>\$ 720,199</b>	<b>\$ 323,284</b>	<b>\$ 230,595</b>	<b>\$ 176,895</b>	<b>\$ 299,944</b>	<b>\$ 918,066</b>	<b>\$ 2,935,461</b>	<b>\$ 87,898</b>	<b>\$ 1,375,051</b>	<b>\$ 1,462,949</b>	<b>\$ 4,398,410</b>

See notes to financial statements.

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018

	Programs						Supporting services					Total
	Annual summit and workshops	Trust programs	Group programs	Legislative services and research	Secretariat	Communications	Contracted training	Total programs	Board of directors and district operations	General management and operations	Total supporting services	
<b>Personnel and fringe benefits:</b>												
Salaries	\$ 79,692	\$ 460,896	\$ 70,185	\$ 119,548	\$ 109,380	\$ 145,282	\$ 88,675	\$ 1,073,658	\$ 27,771	\$ 624,352	\$ 652,123	\$ 1,725,781
Social Security taxes	5,761	34,305	5,149	8,747	8,022	10,907	6,490	79,381	2,066	44,575	46,641	126,022
Pension	9,293	61,018	10,092	15,391	14,677	19,068	11,777	141,316	3,775	80,472	84,247	225,563
Employee insurance	14,026	90,954	15,124	23,147	21,548	28,505	17,493	210,797	5,287	135,176	140,463	351,260
Workers' compensation	183	2,237	346	539	628	646	438	5,017	278	2,505	2,783	7,800
Unemployment compensation	536	6,050	1,484	1,459	1,604	1,756	1,281	14,170	339	7,152	7,491	21,661
	<u>109,491</u>	<u>655,460</u>	<u>102,380</u>	<u>168,831</u>	<u>155,859</u>	<u>206,164</u>	<u>126,154</u>	<u>1,524,339</u>	<u>39,516</u>	<u>894,232</u>	<u>933,748</u>	<u>2,458,087</u>
<b>Operating expenses:</b>												
Telephone	713	5,692	831	5,212	1,227	2,359	976	17,010	351	12,818	13,169	30,179
Postage and shipping	405	2,620	386	673	635	816	486	6,021	262	3,367	3,629	9,650
Printing	4,684	1,614	8,930			15,308		30,536		23,099	23,099	53,635
Endorsement fees			32,025					32,025				32,025
Advertising and promotions	47,868			150		4,000		52,018		31,825	31,825	83,843
Dues and subscriptions	443			15,624				16,067		34,477	34,477	50,544
Meetings and travel	154,439	1,286	87,436	6,525	901			250,587	26,112	43,692	69,804	320,391
Professional service fees							859,691	859,691		72,042	72,042	931,733
Training and seminar						45		45		1,190	1,190	1,235
Legal fees			6,268	11,005				17,273		8,578	8,578	25,851
Business privilege tax										10,214	10,214	10,214
	<u>208,552</u>	<u>11,212</u>	<u>135,876</u>	<u>39,189</u>	<u>2,763</u>	<u>22,528</u>	<u>861,153</u>	<u>1,281,273</u>	<u>26,725</u>	<u>241,302</u>	<u>268,027</u>	<u>1,549,300</u>
<b>Maintenance and supplies expenses:</b>												
Computer expenses		2,084						2,084		84,823	84,823	86,907
Office/computer supplies	4,615	12,439	2,033	3,265	3,360	8,795	6,996	41,503	628	30,398	31,026	72,529
Office maintenance	2,188	13,602	2,181	3,485	3,175	4,295	2,593	31,519	771	18,232	19,003	50,522
Auto expense								-		29,459	29,459	29,459
	<u>6,803</u>	<u>28,125</u>	<u>4,214</u>	<u>6,750</u>	<u>6,535</u>	<u>13,090</u>	<u>9,589</u>	<u>75,106</u>	<u>1,399</u>	<u>162,912</u>	<u>164,311</u>	<u>239,417</u>

(continued)

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)  
YEAR ENDED DECEMBER 31, 2018

	Programs							Supporting services				Total
	Annual summit and workshops	Trust programs	Group programs	Legislative services and research	Secretariat	Communications	Contracted training	Total programs	Board of directors and district operations	General management and operations	Total supporting services	
<b>Physical plant expenses:</b>												
Utilities-electric, steam, gas and water	\$ 1,099	\$ 6,474	\$ 1,021	\$ 1,647	\$ 1,505	\$ 2,060	\$ 1,235	\$ 15,041	\$ 349	\$ 8,825	\$ 9,174	\$ 24,215
Insurance	786	7,022	1,052	1,748	1,838	2,101	1,348	15,895	722	8,424	9,146	25,041
Repairs and maintenance, building	1,391	8,673	1,374	2,226	2,022	2,738	1,649	20,073	503	11,604	12,107	32,180
Real estate taxes	1,702	13,804	2,586	3,436	3,478	4,178	2,740	31,924	942	17,252	18,194	50,118
	<u>4,978</u>	<u>35,973</u>	<u>6,033</u>	<u>9,057</u>	<u>8,843</u>	<u>11,077</u>	<u>6,972</u>	<u>82,933</u>	<u>2,516</u>	<u>46,105</u>	<u>48,621</u>	<u>131,554</u>
<b>Capital and other expenses:</b>												
Interest expense		632						632		2,403	2,403	3,035
Depreciation expense	5,934	35,639	5,472	9,189	8,207	11,328	6,727	82,496	2,010	48,211	50,221	132,717
	<u>5,934</u>	<u>36,271</u>	<u>5,472</u>	<u>9,189</u>	<u>8,207</u>	<u>11,328</u>	<u>6,727</u>	<u>83,128</u>	<u>2,010</u>	<u>50,614</u>	<u>52,624</u>	<u>135,752</u>
<b>Total expenses</b>	<b>\$ 335,758</b>	<b>\$ 767,041</b>	<b>\$ 253,975</b>	<b>\$ 233,016</b>	<b>\$ 182,207</b>	<b>\$ 264,187</b>	<b>\$ 1,010,595</b>	<b>\$ 3,046,779</b>	<b>\$ 72,166</b>	<b>\$ 1,395,165</b>	<b>\$ 1,467,331</b>	<b>\$ 4,514,110</b>

See notes to financial statements.

**PENNSYLVANIA MUNICIPAL LEAGUE**

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 79,317	\$ 397,863
Adjustments:		
Depreciation	117,838	132,717
Gain on sale of assets	(21,264)	
(Increase) decrease in:		
Prepays	(5,798)	22,288
Accounts receivable:		
Affiliates	7,717	(206,065)
Other	151,090	(184,258)
Increase (decrease) in:		
Accrued:		
Compensated absences	(50,971)	8,714
Payroll taxes and withholdings	701	(4,234)
Payroll	8,099	8,696
Accounts payable:		
Affiliates	(143,850)	145,297
Other	(29,223)	35,034
Deferred revenue	22,596	(91,568)
	<u><b>136,252</b></u>	<u><b>264,484</b></u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of assets	53,614	
Acquisition of property and equipment	(2,452)	(121,548)
	<u><b>51,162</b></u>	<u><b>(121,548)</b></u>
<b>Net cash provided by (used in) investing activities</b>		
Cash flows used in financing activities, payments on long-term debt		<u>(135,085)</u>
<b>Net increase in cash and cash equivalents</b>	<b>187,414</b>	<b>7,851</b>
<b>Cash and cash equivalents:</b>		
Beginning of year	97,878	90,027
<b>End of year</b>	<u><b>\$ 285,292</b></u>	<u><b>\$ 97,878</b></u>
Supplemental disclosures of cash flow information, cash paid during the year for interest		\$ 3,035

See notes to financial statements

# ***PENNSYLVANIA MUNICIPAL LEAGUE***

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### **1. Nature of activities and summary of significant accounting policies:**

#### *Nature of activities:*

The Pennsylvania Municipal League (the League) is a voluntary professional membership organization of local governments within the Commonwealth of Pennsylvania. The League provides services to its members to improve the delivery of governmental programs through education, group initiatives and legislative efforts.

#### *Basis of accounting:*

The League reports income and expenses on the accrual method of accounting. Under this method, revenues are recognized when earned, rather than when received, and expenses are recognized when incurred, rather than when the obligation is paid.

#### *Financial statement presentation:*

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the League is required to report information regarding its financial position and activities in up to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. This requirement is dependent upon the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported on the statement of activities as net assets released from restrictions.

#### *Accounts receivable:*

Accounts receivable are stated at the amount that management expects to collect from balances outstanding at year end. The receivables are monitored by League management and are written off or adjusted down when an account is deemed uncollectible.

#### *Property and equipment:*

Property and equipment are carried at cost. All acquisitions that exceed \$2,500 and significantly add to productive capacity or useful life as an asset are capitalized. Depreciation is computed using the straight-line method. Construction in process consists of costs related to the construction of the League's new accounting system, which is not yet complete. These costs will begin to depreciate once the accounting system is completely placed into service.

# **PENNSYLVANIA MUNICIPAL LEAGUE**

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### **1. Nature of activities and summary of significant accounting policies (continued):**

#### *Deferred revenue:*

Deferred revenue represents membership dues and registrations for the upcoming year received in advance.

#### *Compensated leave:*

Compensated leave is accrued as it vests to the employees. The League combines vacation benefits and sick leave into a comprehensive paid time off (PTO) program that can be used for any type of time off from work. The League allows employees to accumulate anywhere from 26 to 76 days of total PTO depending on employee longevity. Upon separation from the League, employees will be compensated at their current rate of pay for 50% of all unused PTO.

#### *Revenue recognition:*

The League generates revenue through exchange transactions that include the collection of membership dues, registrations and sponsorships for conferences and conventions, service and administrative fees and grant reimbursement contracts.

The League determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with the customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, they satisfy a performance obligation

#### Membership dues

Membership dues are collected from members and cover a calendar year from January 1 to December 31. Membership benefits include access to specialized training and education services and events, compliance and advocacy services and networking opportunities. Membership dues are recognized as revenue on January 1 in the calendar year they apply to. Any membership dues received prior to the start of the membership year are deferred until the membership year begins at which point the dues are recognized in full.

# ***PENNSYLVANIA MUNICIPAL LEAGUE***

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### **1. Nature of activities and summary of significant accounting policies (continued):**

#### *Revenue recognition:*

##### Registrations and sponsorships for conferences and conventions

The League holds various conferences throughout the year and collects registration fees from registered attendees. The contract, performance obligations and price are established when the fees are collected. Sponsorships are also offered and often include admission to the event for a certain number of people and acknowledgement in either printed, digital or verbal format at the event. When the event is conducted, the League has fulfilled its performance obligation to the attendees and sponsors and revenue is recognized.

##### Service and administration fees

The League collects management and administration fees from various parties for loss control, marketing services and other services that are provided. Revenues are recognized as expenses are incurred for the program.

##### Grant reimbursement contracts

The League collects grant contract reimbursement fees from the Pennsylvania Department of Community and Economic Development (DCED) to provide training on various topics to both members and non-members. Revenues are recognized as the required tasks are performed and expenses are incurred for the contract.

#### *Functional classification of expenses:*

Management's calculation of functional expense percentages is based upon time entered by employees into timekeeping software. Costs directly related to a program or supporting service are charged directly to that program or supporting service.

#### *Program expenses:*

Program expenses shown in the League's statements of activities relate to the following operational programs:

Annual Summit and Workshops: These expenses relate to the League's annual summit for members and training workshops held periodically throughout the year.

Trust Programs: These expenses relate to the administrative expenses for the League's insurance programs: PennPRIME Pooled Insurance Risk for Municipal Entities (PPT), PennPRIME Workers' Compensation (PPWCT) and Unemployment Compensation Group Trust (U-Comp).



# **PENNSYLVANIA MUNICIPAL LEAGUE**

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### **1. Nature of activities and summary of significant accounting policies (continued):**

#### *Program expenses:*

Group Programs: These expenses relate to the costs associated with providing benefits to members for various subscription programs including: Municipal Utility Alliance (MUA), Pennsylvania Utility and Telecom Consulting Service (PUTCS), Home Rule (Advocacy Network), Local Piggyback Purchasing Program (L3P), Public Employer Labor Relations Advisory Service (PELRAS) and Business Leaders Network (BLN).

Legislative Services and Research: These expenses relate to the lobbying and government research efforts carried on for members' benefit.

Secretariat: These expenses are secretariat and financial services provided through contracts to various governmental organizations including: Pennsylvania State Association of Township Commissioners (PSATC) and Association for Pennsylvania Municipal Management (APMM).

Communications: These expenses relate to newsletters and magazine production to disseminate current information to members.

Contracted Training: These expenses relate to the League's training contracts with the Department of Community and Economic Development (DCED) through which the League provides training on various topics to both members and non-members.

#### *Use of estimates:*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Recently issued accounting standards:*

##### Leases:

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases*, is effective for the League's 2022 year end and requires that all leases with terms of more than 12 months be recognized as assets and liabilities on the balance sheet. Recognition of these lease assets and lease liabilities represents a change from previous generally accepted accounting principles (GAAP), which did not require lease assets and lease liabilities to be recognized for operating leases. Qualitative disclosures, along with specific quantitative disclosures, will be required to provide enough information to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities.

# **PENNSYLVANIA MUNICIPAL LEAGUE**

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### **1. Nature of activities and summary of significant accounting policies (continued):**

*Recently issued accounting standards:*

#### Leases:

The League will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that the League may elect to apply. At adoption, the League will recognize a right-of-use asset and a lease liability initially measured at the present value of its operating lease payments. The League is currently evaluating the impacts of adopting this guidance on its financial position, results of operations and cash flows.

### **2. Adoption of new accounting pronouncement:**

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC-606), which amends previous guidance. The core principle of ASC-606 is that any entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires improved disclosures to help users of financial statements better understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions.

Effective January 1, 2019, the League adopted ASU 2014-09 and ASU 2018-08 using the modified retrospective method applied to those contracts which were not completed as of January 1, 2019. There was no quantitative impact as a result of adopting ASU 2014-09 and ASU 2018-08. The comparative information has not been restated and continues to be reported under the accounting standards in effect for that period.

## **PENNSYLVANIA MUNICIPAL LEAGUE**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

#### **3. Cash and cash equivalents:**

Cash and cash equivalents consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Petty cash	\$ 150	\$ 150
Checking, Wells Fargo Bank	235,600	49,187
Government Investment Trust	<u>49,542</u>	<u>48,541</u>
	<u>\$ 285,292</u>	<u>\$ 97,878</u>

Financial instruments that potentially subject the League to concentrations of credit risk consist of cash and money funds held at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limit. The funds held by Wells Fargo Bank are insured by the FDIC up to \$250,000 and at times, the balance of the League's account may exceed the federally insured limit. The League's cash balance did not exceed the FDIC limit at December 31, 2019. The money market funds held with Pennsylvania Local Government Investment Trust (PLGIT) are subject to the investment policies of PLGIT, which confine investments to those backed by the full faith and credit of the United States government, its agencies and instrumentalities.

#### **4. Financial assets and liquidity resources:**

As of December 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, payments on notes payable and purchases of property and equipment were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 285,292	\$ 97,878
Receivables:		
Affiliates	1,442,335	1,450,052
Other	436,634	587,724
Net assets with donor restrictions	<u>(34,000)</u>	<u>(39,500)</u>
Total financial assets available within one year	<u>\$ 2,130,261</u>	<u>\$ 2,096,154</u>

The League maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due.

## **PENNSYLVANIA MUNICIPAL LEAGUE**

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

#### **5. Operating leases:**

The League leases two copiers and a printer under operating leases that expire in December 2022 and November 2019, respectively. The minimum commitment under the copier lease is \$2,193 per month. The minimum commitment under the printer lease is \$172 per month.

Future minimum lease payments are as follows:

2020	\$ 26,316
2021	26,316
2022	<u>26,316</u>
	<u>\$ 78,948</u>

#### **6. Related party transactions:**

There are common members of the Boards of Directors, as well as management, between the League and the entities described below. However, none of the entities have the ability to exercise control over each other. A description of each of the related parties follows.

The League receives administrative and promotional fees from U-Comp. In 2019 and 2018, the League received fees amounting to \$837,422 and \$687,757, respectively, which are included in the statements of activities under trust programs revenue.

The League receives administrative fees from PPT. The agreement provides for an administrative fee based on a percentage of policy premiums written or renewed during the year. The administrative fee percentage was 6% for 2019 and 2018. In 2019 and 2018, the League recognized trust programs revenue of \$245,387 and \$255,719, respectively, under this agreement.

The League receives administrative fees from PPWCT. The agreement provides for an administrative fee of 6% of policy premiums written or renewed during the year. In 2019 and 2018, the League recognized \$243,189 and \$253,067, respectively, as trust programs revenue under the agreement.

The League received reimbursement from PPT and PPWCT for loss control and marketing services provided by the League during the year. These services are incurred as part of the normal course of business for these affiliate organizations. For the year ended December 31, 2019 and 2018, the League recognized \$364,100 and \$405,300, respectively, as trust programs revenue for reimbursement of expenses incurred related to loss control and marketing.

# PENNSYLVANIA MUNICIPAL LEAGUE

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

### 6. Related party transactions (continued):

The League receives 100% reimbursement from U-Comp for marketing services provided by the League during the year. These services are incurred as part of the normal course of business for these affiliate organizations. For the year ended December 31, 2018, the League recognized \$72,093 as trust programs revenue for reimbursement of expenses incurred related to loss control and marketing. No revenue was recognized for the year ended December 31, 2019.

The net amounts due from affiliates consisted of the following at December 31, 2019 and 2018:

	2019	2018
U-Comp	\$ 840,525	\$ 769,243
PPWCT	257,701	276,020
PPT	344,109	404,789
	<u>\$ 1,442,335</u>	<u>\$ 1,450,052</u>

### 7. Pension and departure from generally accepted accounting principles:

The League's pension plan is a single-employer defined benefit pension plan controlled by the provisions of Resolution No.1-2006 adopted pursuant to Act 15 of 1974. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Cost of living allowances are provided at the discretion of the plan.

PMRS reports pension information following standards established by the Governmental Accounting Standards Board (GASB) which are not applicable to the League. The information provided by PMRS does not contain the information necessary to calculate a net pension asset or net pension liability as required by GAAP; therefore, no net pension asset or net pension liability has been recorded or presented in the statements of financial position.

Annual contributions are based on the plan's minimum municipal obligation (MMO) as determined in accordance with Act 205 and which are based upon biennial actuarial valuations.

In accordance with the plan's governing ordinance and resolution, as applicable, the League is required to contribute 4.50% of compensation to the plan. Contributions made to the plan for 2019 and 2018 totaled \$235,845 and \$181,533, respectively.

The League also participates in a 457(b) deferred compensation plan in which the League will match up to 3% of employee's wages. This amounted to \$30,673 and \$42,546 for 2019 and 2018, respectively.

## ***PENNSYLVANIA MUNICIPAL LEAGUE***

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

#### **8. Tax status:**

The League has been recognized as exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code, and similar statutes, and files federal Form 990, Return of Organization Exempt from Income Tax, annually.

#### **9. Net assets with donor restrictions and net assets released from donor restrictions:**

Net assets with donor restrictions as of December 31, 2019 and 2018 consisted of a time restricted contribution in the amount of \$34,000 and \$39,500, respectively.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified or implied by donors. For the year ended December 31, 2019 and 2018, \$5,500 of net assets were released from donor restrictions by satisfying a time restriction specified by the donor.

#### **10. Subsequent events:**

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the League beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the League expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the League's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of COVID-19 on overall demand for the League's services, all of which are highly uncertain and cannot be predicted.

The Pennsylvania Municipal League applied for and received a Paycheck Protection Program (PPP) loan in May 2020 in the amount of \$464,041. The League plans to apply for forgiveness for the full amount as the League did not decrease its full-time equivalent (FTE) staffing levels, nor the pay for any of these FTE's during the COVID-19 crisis. If the League does not receive forgiveness for the loan, whether in full or in part, it has the option of returning the funds to the federal government or paying back the loan over a two-year period with interest at 1.0%. Payments are deferred for six months, but interest continues to accrue during the deferral period. Additionally, the loan is unsecured and did not require personal guarantees.

Management has evaluated subsequent events through October 29, 2020, the date the financial statements were available to be issued.