

PENNSYLVANIA MUNICIPAL LEAGUE

**YEARS ENDED
DECEMBER 31, 2020 AND 2019**

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PENNSYLVANIA MUNICIPAL LEAGUE

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019 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 audits 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, 2020 and 2019 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.

Camp Hill, Pennsylvania
 , 2021

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	ASSETS	
	2020	2019
Current assets:		
Cash and cash equivalents	\$ 709,061	\$ 285,292
Accounts receivable:		
Affiliates	1,705,347	1,442,335
Other	366,273	436,634
Prepays	36,538	46,116
Total current assets	2,817,219	2,210,377
Property and equipment:		
Land and land improvements	386,888	386,888
Building	643,500	643,500
Improvements	1,194,698	1,194,698
Office equipment and furniture	413,165	404,984
Construction in process	387,446	338,446
	3,025,697	2,968,516
Accumulated depreciation	(1,904,825)	(1,789,806)
Total property and equipment, net	1,120,872	1,178,710
Total assets	\$ 3,938,091	\$ 3,389,087

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable:		
Affiliates		\$ 1,447
Other	\$ 64,994	147,417
Accrued:		
Payroll	68,166	56,511
Payroll taxes and withholdings	5,182	4,378
Deferred revenue	124,609	254,960
Total current liabilities	262,951	464,713
Long-term liabilities:		
Paycheck protection program loan	464,041	
Accrued compensated absences	145,509	133,663
Total long-term liabilities	609,550	133,663
Total liabilities	872,501	598,376
Net assets:		
Without donor restrictions	3,037,090	2,756,711
With donor restrictions	28,500	34,000
Total net assets	3,065,590	2,790,711
Total liabilities and net assets	\$ 3,938,091	\$ 3,389,087

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Member dues	\$ 624,765		\$ 624,765
Associate dues	19,000		19,000
Annual convention	35,650		35,650
Contracted training	941,381		941,381
Trust programs	1,695,670		1,695,670
Group program service fees	506,756		506,756
Workshops	9,025		9,025
Secretariat services	145,237		145,237
Publications	13,394		13,394
Other	39,629		39,629
Net assets released from donor restrictions	5,500	\$ (5,500)	-
Total revenues and other support	4,036,007	(5,500)	4,030,507
Expenses:			
Program services:			
Annual summit and workshops	137,803		137,803
Trust programs	663,277		663,277
Group programs	131,425		131,425
Legislative services and research	284,975		284,975
Secretariat	197,669		197,669
Communications	297,713		297,713
Contracted training	592,421		592,421
	<u>2,305,283</u>		<u>2,305,283</u>
Management and general:			
Board of directors and district operations	35,703		35,703
General management and operations	1,414,642		1,414,642
	<u>1,450,345</u>		<u>1,450,345</u>
Total expenses	3,755,628		3,755,628
Change in net assets	280,379	(5,500)	274,879
Net assets:			
Beginning of year	<u>2,756,711</u>	<u>34,000</u>	<u>2,790,711</u>
End of year	\$ 3,037,090	\$ 28,500	\$ 3,065,590

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
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)	-
Total revenues and other support	4,483,227	(5,500)	4,477,727
Expenses:			
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
	<u>2,935,461</u>		<u>2,935,461</u>
Management and general:			
Board of directors and district operations	87,898		87,898
General management and operations	1,375,051		1,375,051
	<u>1,462,949</u>		<u>1,462,949</u>
Total expenses	4,398,410		4,398,410
Change in net assets	84,817	(5,500)	79,317
Net assets:			
Beginning of year	2,671,894	39,500	2,711,394
End of year	\$ 2,756,711	\$ 34,000	\$ 2,790,711

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	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	
Personnel and fringe benefits:												
Salaries	\$ 72,756	\$ 398,392	\$ 55,445	\$ 125,223	\$ 122,119	\$ 172,547	\$ 131,003	\$ 1,077,485	\$ 20,017	\$ 662,698	\$ 682,715	\$ 1,760,200
Social Security taxes	5,150	29,006	4,124	9,120	8,933	12,555	9,547	78,435	1,505	48,146	49,651	128,086
Pension	10,987	65,419	9,758	20,443	20,128	28,161	21,334	176,230	3,449	107,712	111,161	287,391
Employee insurance	12,081	78,617	13,281	24,158	23,567	32,775	24,886	209,365	4,434	126,257	130,691	340,056
Workers' compensation	223	1,881	378	565	554	756	573	4,930	119	2,829	2,948	7,878
Unemployment compensation	363	4,110	1,065	1,175	1,100	1,473	1,138	10,424	307	5,372	5,679	16,103
	101,560	577,425	84,051	180,684	176,401	248,267	188,481	1,556,869	29,831	953,014	982,845	2,539,714
Operating expenses:												
Telephone	851	5,291	536	5,868	1,318	3,087	1,434	18,385	209	14,691	14,900	33,285
Postage and shipping	124	836	1,861	245	247	332	897	4,542	52	1,310	1,362	5,904
Printing	5,519	1,147	11,593		289	10,281		28,829	976	4,420	5,396	34,225
Endorsement fees			16,625					16,625				16,625
Advertising and promotions		6,250	125			4,000		10,375		1,000	1,000	11,375
Dues and subscriptions	15			18,421				18,436		37,309	37,309	55,745
Meetings and travel	19,726	387	(65)	188				20,236	1,122	20,410	21,532	41,768
Professional service fees							375,228	375,228		99,569	99,569	474,797
Training and seminar							95	95		2,147	2,147	2,242
Legal fees			5,895	59,023				64,918		3,638	3,638	68,556
Miscellaneous										25,486	25,486	25,486
Business privilege tax										9,775	9,775	9,775
	26,235	13,911	36,570	83,745	1,854	17,700	377,654	557,669	2,359	219,755	222,114	779,783
Maintenance and supplies expenses:												
Computer expenses	50	4,253		243				4,546		96,538	96,538	101,084
Office/computer supplies	1,425	10,451	1,131	2,783	2,184	7,772	8,246	33,992	388	25,812	26,200	60,192
Office maintenance	1,182	7,842	1,327	2,371	2,318	3,267	2,424	20,731	387	12,431	12,818	33,549
Auto expense											7,560	7,560
	2,657	22,546	2,458	5,397	4,502	11,039	10,670	59,269	775	142,341	143,116	202,385

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PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	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	
Physical plant expenses:												
Utilities-electric, steam, gas and water	\$ 752	\$ 4,625	\$ 742	\$ 1,428	\$ 1,390	\$ 1,944	\$ 1,477	\$ 12,358	\$ 254	\$ 7,409	\$ 7,663	\$ 20,021
Insurance	863	6,817	1,346	2,053	2,002	2,734	2,082	17,897	431	10,247	10,678	28,575
Repairs and maintenance, building	1,110	6,192	841	1,903	1,874	2,700	1,974	16,594	239	10,420	10,659	27,253
Real estate taxes	1,034	10,323	2,206	3,072	3,057	4,109	3,103	26,904	685	15,284	15,969	42,873
	<u>3,759</u>	<u>27,957</u>	<u>5,135</u>	<u>8,456</u>	<u>8,323</u>	<u>11,487</u>	<u>8,636</u>	<u>73,753</u>	<u>1,609</u>	<u>43,360</u>	<u>44,969</u>	<u>118,722</u>
Capital and other expenses:												
Interest expense	5							5				5
Depreciation expense	3,587	21,438	3,211	6,693	6,589	9,220	6,980	57,718	1,129	56,172	57,301	115,019
Total expenses	\$ 137,803	\$ 663,277	\$ 131,425	\$ 284,975	\$ 197,669	\$ 297,713	\$ 592,421	\$ 2,305,283	\$ 35,703	\$ 1,414,642	\$ 1,450,345	\$ 3,755,628

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	
Personnel and fringe benefits:												
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
	<u>111,061</u>	<u>627,080</u>	<u>119,162</u>	<u>165,473</u>	<u>153,640</u>	<u>232,706</u>	<u>179,878</u>	<u>1,589,000</u>	<u>46,018</u>	<u>903,909</u>	<u>949,927</u>	<u>2,538,927</u>
Operating expenses:												
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
	<u>140,960</u>	<u>10,883</u>	<u>188,641</u>	<u>40,613</u>	<u>3,680</u>	<u>31,415</u>	<u>707,270</u>	<u>1,123,462</u>	<u>35,539</u>	<u>249,003</u>	<u>284,542</u>	<u>1,408,004</u>
Maintenance and supplies expenses:												
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
	<u>5,074</u>	<u>21,715</u>	<u>3,740</u>	<u>8,646</u>	<u>4,569</u>	<u>13,352</u>	<u>14,060</u>	<u>71,156</u>	<u>1,610</u>	<u>134,114</u>	<u>135,724</u>	<u>206,880</u>

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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
Physical plant expenses:												
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:												
Interest expense												
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
	<u>5,153</u>	<u>29,153</u>	<u>5,509</u>	<u>7,729</u>	<u>7,079</u>	<u>10,804</u>	<u>8,281</u>	<u>73,708</u>	<u>2,138</u>	<u>41,992</u>	<u>44,130</u>	<u>117,838</u>
Total expenses	<u>\$ 266,478</u>	<u>\$ 720,199</u>	<u>\$ 323,284</u>	<u>\$ 230,595</u>	<u>\$ 176,895</u>	<u>\$ 299,944</u>	<u>\$ 918,066</u>	<u>\$ 2,935,461</u>	<u>\$ 87,898</u>	<u>\$ 1,375,051</u>	<u>\$ 1,462,949</u>	<u>\$ 4,398,410</u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 274,879	\$ 79,317
Adjustments:		
Depreciation	115,019	117,838
Gain on sale of assets		(21,264)
(Increase) decrease in:		
Prepays	9,578	(5,798)
Accounts receivable:		
Affiliates	(263,012)	7,717
Other	70,361	151,090
Increase (decrease) in:		
Accrued:		
Compensated absences	11,846	(50,971)
Payroll taxes and withholdings	804	701
Payroll	11,655	8,099
Accounts payable:		
Affiliates	(1,447)	(143,850)
Other	(82,423)	(29,223)
Deferred revenue	(130,351)	22,596
	16,909	136,252
Cash flows from investing activities:		
Proceeds from sale of assets		53,614
Acquisition of property and equipment	(57,181)	(2,452)
	(57,181)	51,162
Cash flows provided by financing activities, proceeds from paycheck protection program loan	464,041	
	423,769	187,414
Cash and cash equivalents:		
Beginning of year	285,292	97,878
	\$ 709,061	\$ 285,292
End of year	\$ 709,061	\$ 285,292
Supplemental disclosures of cash flow information, cash paid during the year for interest	\$ 5	

See notes to financial statements

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019

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, 2020 AND 2019

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, 2020 AND 2019

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 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:

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 statement of financial position. 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, 2020 AND 2019

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. Cash and cash equivalents:

Cash and cash equivalents consisted of the following at December 31, 2020 and 2019:

	2020	2019
Petty cash	\$ 150	\$ 150
Checking, Wells Fargo Bank	659,133	235,600
Government Investment Trust	49,778	49,542
	<u>\$ 709,061</u>	<u>\$ 285,292</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 exceeded the FDIC limit by \$448,404 at December 31, 2020. 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.

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

3. Financial assets and liquidity resources:

As of December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 709,061	\$ 285,292
Receivables:		
Affiliates	1,705,347	1,442,335
Other	366,273	436,634
Net assets with donor restrictions	<u>(28,500)</u>	<u>(34,000)</u>
 Total financial assets available within one year	 <u>\$ 2,752,181</u>	 <u>\$ 2,130,261</u>

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

4. Operating leases:

The League leases two copiers under an operating lease that expires in December 2022. The minimum commitment under the copier lease is \$2,193 per month.

Future minimum lease payments are as follows:

2021	\$ 26,316
2022	<u>26,316</u>
	<u>\$ 52,632</u>

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

5. Paycheck Protection Program loan:

The 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. The League expects the full balance of the loan to be forgiven. Additionally, the loan is unsecured and did not require personal guarantees.

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 2020 and 2019, the League received fees amounting to \$835,076 and \$837,422, 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 2020 and 2019. In 2020 and 2019, the League recognized trust programs revenue of \$225,418 and \$245,387, 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 2020 and 2019, the League recognized \$220,743 and \$243,189, 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, 2020 and 2019, the League recognized \$332,850 and \$364,100, 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, 2020 AND 2019

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 years ended December 31, 2020 and 2019, the League recognized \$73,583 and \$72,093, respectively, as trust programs revenue for reimbursement of expenses incurred related to loss control and marketing.

The net amounts due from affiliates consisted of the following at December 31, 2020 and 2019:

	2020	2019
U-Comp	\$ 905,402	\$ 840,525
PPWCT	224,995	257,701
PPT	574,950	344,109
	<u>\$ 1,705,347</u>	<u>\$ 1,442,335</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 2020 and 2019 totaled \$230,872 and \$235,845, respectively.

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2020 AND 2019

7. Pension and departure from generally accepted accounting principles (continued):

The League also participates in a Section 457(b) deferred compensation plan in which the League will match up to 3% of employee's wages. This amounted to \$56,519 and \$30,673 for 2020 and 2019, respectively.

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, 2020 and 2019 consisted of a time restricted contribution in the amount of \$28,500 and \$34,000, 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, 2020 and 2019, \$5,500 of net assets were released from donor restrictions by satisfying a time restriction specified by the donor.

10. COVID-19 Impact

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 caused business disruption to many industries, due to the state government-imposed shutdowns of businesses and other results of the illness, such as cancellation of large group events. While the League expects this matter may negatively impact its results, the extent of the impact of COVID-19 on the League's operations is highly uncertain and cannot be predicted.

11. Subsequent events:

On June 7, 2021, the League received notice that the Paycheck Protection Program loan from May 2020 was reviewed and the full amount was forgiven.

Management has evaluated subsequent events through , 2021, the date the financial statements were available to be issued.