

PENNSYLVANIA MUNICIPAL LEAGUE

YEARS ENDED
DECEMBER 31, 2022 AND 2021



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

PENNSYLVANIA MUNICIPAL LEAGUE

YEARS ENDED DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

Board of Directors
Pennsylvania Municipal League
Harrisburg, Pennsylvania

Qualified Opinion

We have audited the accompanying financial statements of Pennsylvania Municipal League (the League), which comprise the statements of financial position as of December 31, 2022 and 2021 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, 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, 2022 and 2021 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 Qualified Opinion

As more fully discussed in Note 6 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.

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 League's ability to continue as a going concern for one year after the date the financial statements are 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 (GAAS) 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, 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 League'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 League'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.

Brown Schultz Steindler & Fritz

Camp Hill, Pennsylvania
September 18, 2023

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 1,211,726	\$ 934,248
Accounts receivable:		
Affiliates	1,528,346	1,720,284
Other	528,016	368,423
Prepays	<u>77,388</u>	<u>48,873</u>
Total current assets	<u>3,345,476</u>	<u>3,071,828</u>
Property and equipment:		
Land and land improvements	386,888	386,888
Building	643,500	643,500
Improvements	1,285,749	1,280,161
Office equipment and furniture	<u>493,790</u>	<u>803,732</u>
	2,809,927	3,114,281
Accumulated depreciation	<u>(2,068,348)</u>	<u>(2,147,489)</u>
Total property and equipment, net	<u>741,579</u>	<u>966,792</u>
Total assets	<u>\$ 4,087,055</u>	<u>\$ 4,038,620</u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable:		
Affiliates		\$ 5,000
Other	\$ 119,646	111,979
Accrued:		
Payroll	74,285	102,600
Payroll taxes and withholdings	5,541	7,866
Deferred revenue	<u>430,358</u>	<u>265,393</u>
Total current liabilities	629,830	492,838
Long-term liabilities, accrued compensated absences	<u>90,079</u>	<u>100,289</u>
Total liabilities	<u>719,909</u>	<u>593,127</u>
Net assets:		
Without donor restrictions	3,293,906	3,422,493
With donor restrictions	<u>73,240</u>	<u>23,000</u>
Total net assets	<u>3,367,146</u>	<u>3,445,493</u>
Total liabilities and net assets	<u><u>\$ 4,087,055</u></u>	<u><u>\$ 4,038,620</u></u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and other support:			
Member dues	\$ 698,786		\$ 698,786
Associate dues	16,100		16,100
Annual convention	136,735		136,735
Contracted training	726,402		726,402
Trust programs	1,494,080		1,494,080
Group program service fees	628,506		628,506
Workshops	8,635		8,635
Secretariat services	166,490		166,490
Publications	13,799		13,799
Contributions	55,000	\$ 55,740	110,740
Other	54,459		54,459
Net assets released from donor restrictions	5,500	(5,500)	-
	<u>4,004,492</u>	<u>50,240</u>	<u>4,054,732</u>
Total revenues and other support			
Expenses:			
Program services:			
Annual summit and workshops	483,087		483,087
Trust programs	441,907		441,907
Group programs	210,100		210,100
Legislative services and research	237,785		237,785
Secretariat	256,956		256,956
Communications	249,928		249,928
Contracted training	347,546		347,546
	<u>2,227,309</u>		<u>2,227,309</u>
Management and general:			
Board of directors and district operations	73,695		73,695
General management and operations	1,832,075		1,832,075
	<u>1,905,770</u>		<u>1,905,770</u>
Total expenses	<u>4,133,079</u>		<u>4,133,079</u>
Change in net assets	(128,587)	50,240	(78,347)
Net assets:			
Beginning of year	<u>3,422,493</u>	<u>23,000</u>	<u>3,445,493</u>
End of year	<u>\$ 3,293,906</u>	<u>\$ 73,240</u>	<u>\$ 3,367,146</u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Revenues and other support:			
Member dues	\$ 677,477		\$ 677,477
Associate dues	12,350		12,350
Annual convention	146,121		146,121
Contracted training	723,989		723,989
Trust programs	1,687,339		1,687,339
Group program service fees	492,473		492,473
Workshops	1,675		1,675
Secretariat services	160,087		160,087
Publications	18,830		18,830
Paycheck Protection Program loan forgiveness	464,041		464,041
Other	9,953		9,953
Net assets released from donor restrictions	5,500	\$ (5,500)	-
	<u>4,399,835</u>	<u>(5,500)</u>	<u>4,394,335</u>
Total revenues and other support			
Expenses:			
Program services:			
Annual summit and workshops	387,967		387,967
Trust programs	624,405		624,405
Group programs	113,038		113,038
Legislative services and research	250,442		250,442
Secretariat	214,306		214,306
Communications	265,262		265,262
Contracted training	471,556		471,556
	<u>2,326,976</u>		<u>2,326,976</u>
Management and general:			
Board of directors and district operations	35,416		35,416
General management and operations	1,652,040		1,652,040
	<u>1,687,456</u>		<u>1,687,456</u>
Total expenses	<u>4,014,432</u>		<u>4,014,432</u>
Change in net assets	385,403	(5,500)	379,903
Net assets:			
Beginning of year	<u>3,037,090</u>	<u>28,500</u>	<u>3,065,590</u>
End of year	<u>\$ 3,422,493</u>	<u>\$ 23,000</u>	<u>\$ 3,445,493</u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	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	\$ 100,021	\$ 207,241	\$ 44,691	\$ 95,727	\$ 138,937	\$ 135,639	\$ 95,100	\$ 817,356	\$ 8,311	\$ 797,421	\$ 805,732	\$ 1,623,088
Social Security taxes	7,542	15,650	3,397	7,228	10,482	10,246	7,186	61,731	625	60,108	60,733	122,464
Pension	17,051	37,896	9,011	17,953	26,688	25,225	17,343	151,167	1,636	144,774	146,410	297,577
Employee insurance	18,525	43,073	11,257	20,532	30,806	29,227	19,498	172,918	1,844	165,351	167,195	340,113
Workers' compensation	367	1,117	250	623	1,037	732	541	4,667	85	4,628	4,713	9,380
Unemployment compensation	490	1,579	245	945	1,583	933	858	6,633	149	6,860	7,009	13,642
	<u>143,996</u>	<u>306,556</u>	<u>68,851</u>	<u>143,008</u>	<u>209,533</u>	<u>202,002</u>	<u>140,526</u>	<u>1,214,472</u>	<u>12,650</u>	<u>1,179,142</u>	<u>1,191,792</u>	<u>2,406,264</u>
Operating expenses:												
Telephone	644	2,057	349	6,023	988	2,645	936	13,642	59	11,254	11,313	24,955
Postage and shipping	109	298	65	152	253	182	131	1,190	21	1,389	1,410	2,600
Printing	14,458		6,902	409	475			22,244	1,341	8,098	9,439	31,683
Endorsement fees			17,488					17,488				17,488
Advertising and promotions		3,748				1,333	1,692	6,773		6,842	6,842	13,615
Dues and subscriptions	175			24,840		245	410	25,670		32,213	32,213	57,883
Meetings and travel	277,552	1,424	102,198	19,165	5,123		1,004	406,466	40,177	107,179	147,356	553,822
Professional service fees		70,569		15,000				85,569	16,939	78,672	95,611	181,180
Training and seminar							162,747	162,747		2,328	2,328	165,075
Legal fees										13,713	13,713	13,713
Miscellaneous										6,224	6,224	6,224
Business privilege tax										6,850	6,850	6,850
	<u>292,938</u>	<u>78,096</u>	<u>127,002</u>	<u>65,589</u>	<u>6,839</u>	<u>4,405</u>	<u>166,920</u>	<u>741,789</u>	<u>58,537</u>	<u>274,762</u>	<u>333,299</u>	<u>1,075,088</u>
Maintenance and supplies expenses:												
Computer expenses	20,978	43		1,569		1,343	131	24,064		139,511	139,511	163,575
Office/computer supplies	2,381	4,016	769	2,029	1,925	6,275	15,767	33,162	112	28,604	28,716	61,878
Office maintenance	1,893	4,534	1,143	2,216	3,391	3,061	2,066	18,304	218	17,396	17,614	35,918
Auto expense										7,704	7,704	7,704
	<u>25,252</u>	<u>8,593</u>	<u>1,912</u>	<u>5,814</u>	<u>5,316</u>	<u>10,679</u>	<u>17,964</u>	<u>75,530</u>	<u>330</u>	<u>193,215</u>	<u>193,545</u>	<u>269,075</u>

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PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	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	\$ 1,541	\$ 3,299	\$ 837	\$ 1,503	\$ 2,177	\$ 2,233	\$ 1,475	\$ 13,065	\$ 117	\$ 12,277	\$ 12,394	\$ 25,459
Insurance	1,359	3,880	958	2,074	3,363	2,590	1,840	16,064	255	15,483	15,738	31,802
Repairs and maintenance, building	2,618	5,685	1,336	2,662	3,935	3,795	2,576	22,607	235	21,740	21,975	44,582
Real estate taxes	1,852	5,831	2,144	2,943	4,717	4,324	2,501	24,312	275	20,852	21,127	45,439
	<u>7,370</u>	<u>18,695</u>	<u>5,275</u>	<u>9,182</u>	<u>14,192</u>	<u>12,942</u>	<u>8,392</u>	<u>76,048</u>	<u>882</u>	<u>70,352</u>	<u>71,234</u>	<u>147,282</u>
Capital and other expenses, depreciation expense	<u>13,531</u>	<u>29,967</u>	<u>7,060</u>	<u>14,192</u>	<u>21,076</u>	<u>19,900</u>	<u>13,744</u>	<u>119,470</u>	<u>1,296</u>	<u>114,604</u>	<u>115,900</u>	<u>235,370</u>
Total expenses	<u>\$ 483,087</u>	<u>\$ 441,907</u>	<u>\$ 210,100</u>	<u>\$ 237,785</u>	<u>\$ 256,956</u>	<u>\$ 249,928</u>	<u>\$ 347,546</u>	<u>\$ 2,227,309</u>	<u>\$ 73,695</u>	<u>\$ 1,832,075</u>	<u>\$ 1,905,770</u>	<u>\$ 4,133,079</u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	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	\$ 92,549	\$ 350,186	\$ 49,092	\$ 109,182	\$ 122,831	\$ 147,455	\$ 108,628	\$ 979,923	\$ 12,805	\$ 767,078	\$ 779,883	\$ 1,759,806
Social Security taxes	6,978	26,434	3,733	8,252	9,291	11,136	8,223	74,047	972	57,916	58,888	132,935
Pension	19,045	69,621	9,944	21,580	23,878	29,157	21,559	194,784	2,372	152,168	154,540	349,324
Employee insurance	15,825	70,274	10,532	22,200	24,758	29,678	22,194	195,461	2,028	148,138	150,166	345,627
Workers' compensation	257	1,655	258	557	689	729	557	4,702	79	3,468	3,547	8,249
Unemployment compensation	260	2,875	529	952	1,032	1,227	1,097	7,972	8	4,798	4,806	12,778
	<u>134,914</u>	<u>521,045</u>	<u>74,088</u>	<u>162,723</u>	<u>182,479</u>	<u>219,382</u>	<u>162,258</u>	<u>1,456,889</u>	<u>18,264</u>	<u>1,133,566</u>	<u>1,151,830</u>	<u>2,608,719</u>
Operating expenses:												
Telephone	1,055	4,138	465	5,554	1,151	2,084	1,051	15,498	114	12,718	12,832	28,330
Postage and shipping	208	465	66	144	157	195	146	1,381	39	892	931	2,312
Printing	4,632		2,020		280			6,932	1,183	6,364	7,547	14,479
Endorsement fees			16,213					16,213				16,213
Advertising and promotions		7,147				4,000		11,147		2,196	2,196	13,343
Dues and subscriptions	300			22,265				22,565		35,520	35,520	58,085
Meetings and travel	212,627	2,037	6,898	2,234	136			223,932	13,000	9,819	22,819	246,751
Professional service fees				30,000			277,655	307,655		76,877	76,877	384,532
Training and seminar										2,886	2,886	2,886
Legal fees			1,071	1,000				2,071		6,314	6,314	8,385
Miscellaneous										7,067	7,067	7,067
Business privilege tax										8,199	8,199	8,199
	<u>218,822</u>	<u>13,787</u>	<u>26,733</u>	<u>61,197</u>	<u>1,724</u>	<u>6,279</u>	<u>278,852</u>	<u>607,394</u>	<u>14,336</u>	<u>168,852</u>	<u>183,188</u>	<u>790,582</u>
Maintenance and supplies expenses:												
Computer expenses	12,119	1,380			212			13,711		157,645	157,645	171,356
Office/computer supplies	3,320	7,250	400	911	850	5,290	4,914	22,935	71	13,154	13,225	36,160
Office maintenance	1,499	6,697	976	2,116	2,385	2,836	2,106	18,615	208	13,982	14,190	32,805
Auto expense										7,140	7,140	7,140
	<u>16,938</u>	<u>15,327</u>	<u>1,376</u>	<u>3,027</u>	<u>3,447</u>	<u>8,126</u>	<u>7,020</u>	<u>55,261</u>	<u>279</u>	<u>191,921</u>	<u>192,200</u>	<u>247,461</u>

(continued)

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

	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	\$ 1,039	\$ 4,227	\$ 619	\$ 1,330	\$ 1,484	\$ 1,783	\$ 1,324	\$ 11,806	\$ 140	\$ 9,033	\$ 9,173	\$ 20,979
Insurance	1,087	6,183	957	2,037	2,437	2,685	2,037	17,423	248	12,886	13,134	30,557
Repairs and maintenance, building	1,410	6,177	911	1,963	2,241	2,625	1,961	17,288	215	13,094	13,309	30,597
Real estate taxes	1,268	9,282	1,505	3,025	3,404	3,974	3,026	25,484	167	17,223	17,390	42,874
	<u>4,804</u>	<u>25,869</u>	<u>3,992</u>	<u>8,355</u>	<u>9,566</u>	<u>11,067</u>	<u>8,348</u>	<u>72,001</u>	<u>770</u>	<u>52,236</u>	<u>53,006</u>	<u>125,007</u>
Capital and other expenses, depreciation expense	12,489	48,377	6,849	15,140	17,090	20,408	15,078	135,431	1,767	105,465	107,232	242,663
Total expenses	<u>\$ 387,967</u>	<u>\$ 624,405</u>	<u>\$ 113,038</u>	<u>\$ 250,442</u>	<u>\$ 214,306</u>	<u>\$ 265,262</u>	<u>\$ 471,556</u>	<u>\$ 2,326,976</u>	<u>\$ 35,416</u>	<u>\$ 1,652,040</u>	<u>\$ 1,687,456</u>	<u>\$ 4,014,432</u>

See notes to financial statements.

PENNSYLVANIA MUNICIPAL LEAGUE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (78,347)	\$ 379,903
Adjustments:		
Depreciation	235,370	242,663
Paycheck Protection Program loan forgiveness		(464,041)
(Increase) decrease in:		
Prepays	(28,515)	(12,335)
Accounts receivable:		
Affiliates	191,938	(14,937)
Other	(159,593)	(2,150)
Increase (decrease) in:		
Accrued:		
Compensated absences	(10,210)	(45,220)
Payroll taxes and withholdings	(2,325)	2,684
Payroll	(28,315)	34,434
Accounts payable:		
Affiliates	(5,000)	5,000
Other	7,667	46,985
Deferred revenue	164,965	140,784
	287,635	313,770
Cash flows from investing activities:		
Proceeds from sale of assets	1	1
Acquisition of property and equipment	(10,158)	(88,584)
	(10,157)	(88,583)
Net cash used in investing activities	(10,157)	(88,583)
Net increase in cash and cash equivalents	277,478	225,187
Cash and cash equivalents:		
Beginning of year	934,248	709,061
End of year	\$ 1,211,726	\$ 934,248
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest		\$ 5
Noncash operating activity:		
During 2021, the League received forgiveness of its Paycheck Protection Program loan of \$464,041.		

See notes to financial statements

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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, or improvements that significantly add to productive capacity or useful life of an asset, are capitalized. Depreciation is computed using the straight-line method. Construction in process consisted of costs related to the construction and implementation of the League's new accounting system, which is now complete.

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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.

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.

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.

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Revenue recognition:

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).

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).

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Program expenses:

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.

Leases:

The League's policy is to combine and account for lease and nonlease components as a single lease component for leases of real estate, vehicles and equipment. The discount rates related to the League's lease liabilities for leases of equipment are generally based on a risk-free rate when the discount rates implicit in the League's leases cannot be readily determined. The League has elected the short-term lease exceptions to not recognize leases with a lease term of 12 months or less on the balance sheets.

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

2. Cash and cash equivalents:

Cash and cash equivalents consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Petty cash	\$ 150	\$ 150
Checking, Wells Fargo Bank	1,104,760	884,314
Government Investment Trust	<u>106,816</u>	<u>49,784</u>
	<u>\$ 1,211,726</u>	<u>\$ 934,248</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 \$921,586 at December 31, 2022. 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.

3. Financial assets and liquidity resources:

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, payments on notes payable and purchases of property and equipment, were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 1,211,726	\$ 934,248
Receivables:		
Affiliates	1,528,346	1,720,284
Other	528,016	368,423
Net assets with donor restrictions	<u>(73,240)</u>	<u>(23,000)</u>
Total financial assets available within one year	<u>\$ 3,194,848</u>	<u>\$ 2,999,955</u>

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

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

4. Paycheck Protection Program loan:

The Paycheck Protection Program (PPP) was established under the CARES Act on March 27, 2020 and was designed to provide cash flow assistance to small businesses, including certain not-for-profit organizations. The program provides relief as a result of the COVID-19 pandemic with loan funds to pay up to 24 weeks of payroll costs, including fringe benefits, rent and utilities commencing on the date of the loan origination. The PPP is a loan program that is guaranteed in its entirety through the Small Business Administration (SBA) and offers a maturity of two years and an interest rate of 1%. The principal amount of the loan may be partially or fully forgiven if the loan funds are utilized in a manner consistent with the allowable use of loan proceeds.

The League applied for and received loan proceeds totaling \$464,041 in May 2020. On July 7, 2021, the League received notice that the PPP loan from May 2020 was forgiven, resulting in a gain from forgiveness of \$464,041 for the year ended December 31, 2021.

5. 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 2022 and 2021, the League received fees amounting to \$814,690 and \$872,483, 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 2022 and 2021. In 2022 and 2021, the League recognized trust programs revenue of \$235,507 and \$243,331, 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 2022 and 2021, the League recognized \$170,687 and \$194,436, 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, 2022 and 2021, the League recognized \$220,350 and \$301,600, 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, 2022 AND 2021

5. 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, 2022 and 2021, the League recognized \$52,846 and \$75,489, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
U-Comp	\$ 878,761	\$ 966,817
PPWCT	175,734	197,851
PPT	<u>473,851</u>	<u>555,616</u>
	<u>\$ 1,528,346</u>	<u>\$ 1,720,284</u>

6. 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 2022 and 2021 totaled \$260,785 and \$251,754, respectively.

PENNSYLVANIA MUNICIPAL LEAGUE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2022 AND 2021

6. 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 \$36,793 and \$58,561 for 2022 and 2021, respectively.

In May 2021, the League opened a 401(a) defined contribution plan for the Executive Director. There was \$39,000 of contributions made by the League in 2021. The plan was closed as of December 31, 2021.

7. 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.

8. Net assets with donor restrictions:

Net assets with donor restrictions as of December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Time restricted contribution	\$ 17,500	\$ 23,000
Center for Municipal Development (CMD)	55,740	
	<u>\$ 73,240</u>	<u>\$ 23,000</u>

9. Net assets released from donor restrictions:

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 each of the years ended December 31, 2022 and 2021, \$5,500 of net assets were released from donor restrictions by satisfying a time restriction specified by the donor.

10. Subsequent events:

Management has evaluated subsequent events through September 18, 2023, the date the financial statements were available to be issued.