

PANO'S 2018 SUSTAINABILITY STORY

INTRODUCTION

PANO'S financial history is one that has been admittedly uneven. In the spirit of transparency and storytelling, we are including information regarding our current financial journey.

ENVIRONMENTAL OVERVIEW

PANO is one of nearly 40 state associations serving nonprofits across the country. Challenges common and somewhat unique to this world of state associations include:

- 1) A customer-base consisting of nonprofits, who often make tough decisions to remain viable.
- 2) Corporate sponsors often are local or regional vs. state-wide companies, so sponsorship is not an easy sell.
- 3) PANO does not have a history of grant-writing or individual giving. Before 2018, we did not have an existing donor-base.
- 4) PANO supports thousands of people working on the front-lines in communities around the Commonwealth. Because we are at least one step removed from feeding the hungry, educating children or caring for puppies, the case for individual donors needs to be crafted carefully.

PHILOSOPHICAL SHIFT: FROM SCARCITY TO ABUNDANCE

PANO's internal narrative is shifting to incorporate the following principles:

A. We are surrounded by abundance. For example:

- ✓ Membership has grown by 25% over the last four years. We have access to all the resources that each of our 1,000+ members have.
- ✓ We have 70+ businesses that support us every year.
- ✓ We have 20 board members.
- ✓ We have 20 management support consultants who are willing to help us with our work.

We are RICH in human capital, which comes with unending connections to people who know people. This human capital can both help PANO financially and help with service delivery.

B. We will thrive—not merely survive.

C. We are not alone. Just look at the resources listed above.

PANO'S LONG-TERM FINANCIAL STRATEGIES

Two years ago, PANO decided to invest in strategies that will support long-term financial sustainability and growth. Given that the organization did not have resources to invest, this was a bold move on the part of PANO's board and executive leadership. Two strategies were implemented to support this initiative: management consulting services and more traditional fundraising efforts (e.g. sponsorships, annual appeals and grant writing). For the first time, we are working to secure a line item in the state budget.

Though PANO ended 2017 with a deficit and balance on our line of credit, our leadership passed an aggressive 2018 Budget, with fundraising expenses correlating with anticipated fundraising revenues. When 2018 revenues did not keep up, PANO's staff took a collective pay cut rather than laying off any one member.

In 2018, PANO broke its historical membership record by soaring past our goal of 1,000—a 25% increase over a four-year period. This is one of multiple growth indicators.

IN SUMMARY

PANO took a risk. We continue to believe that investing in our future is how we will reach the thriving position that we believe is not only possible, but now within reach.

**PENNSYLVANIA ASSOCIATION OF
NONPROFIT ORGANIZATIONS**

FINANCIAL STATEMENTS
With Supplementary Information

DECEMBER 31, 2017 AND 2016



BAKER TILLY

Candor. Insight. Results.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Association of Nonprofit Organizations
4801 Lindle Road
Harrisburg, Pennsylvania 17111

Report on the Financial Statements

We have audited the accompanying financial statements of **Pennsylvania Association of Nonprofit Organizations** (the "Association"), a nonprofit organization, which comprise the Statements of Assets, Liabilities, and Net Assets (Deficit) - Modified Cash Basis as of December 31, 2017 and 2016, and the related Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis, Expenses - Modified Cash Basis, and Cash Flows - Modified Cash Basis 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 the modified cash basis of accounting, as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets (deficit) of **Pennsylvania Association of Nonprofit Organizations** as of December 31, 2017 and 2016, and its revenue, expenses, and changes in net assets (deficit) for the years then ended in accordance with the basis of accounting, as described in Note 1.

Emphasis-of-Matter Regarding Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis-of-Matter Regarding Health Alliance for Nonprofits ("HANP")

As explained in Note 6, the Association has entered into an agreement with HANP for the purpose of providing management and administrative services to HANP's program participants. As a part of the agreement, the Association has effective control of HANP, through its majority membership on the HANP's board of directors. These financial statements present only the financial position, activities, expenses, and cash flows of the Association.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedules of Expenses of Program Services - Modified Cash Basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material aspects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

York, Pennsylvania
September 24, 2018

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

**STATEMENTS OF ASSETS, LIABILITIES, AND
NET ASSETS (DEFICIT) - MODIFIED CASH BASIS**

	<u>December 31,</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 11,540	\$ 755
Security Deposit	1,250	4,028
Prepaid Expenses	1,963	1,410
TOTAL CURRENT ASSETS	<u>14,753</u>	<u>6,193</u>
PROPERTY AND EQUIPMENT - NET	<u>-</u>	<u>760</u>
TOTAL ASSETS	<u>\$ 14,753</u>	<u>\$ 6,953</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Line of Credit	\$ 71,530	\$ 8,750
Payroll Taxes and Other Withholdings	-	1,235
TOTAL CURRENT LIABILITIES	<u>71,530</u>	<u>9,985</u>
NET ASSETS (DEFICIT)		
Unrestricted	(66,777)	(3,032)
Temporarily Restricted	10,000	-
TOTAL NET ASSETS (DEFICIT)	<u>(56,777)</u>	<u>(3,032)</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 14,753</u>	<u>\$ 6,953</u>

See notes to financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT) - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
REVENUE AND OTHER SUPPORT				
Membership Dues	\$ 189,278	\$ -	\$ 189,278	\$ 196,769
Membership Services				
Royalty Income	78,446	-	78,446	74,716
Other Membership Services	10,109	-	10,109	12,477
Grants and Contributions	74,483	10,000	84,483	82,894
Program Income	154,053	-	154,053	102,566
Consulting Income	122,314	-	122,314	209,525
Interest Income	264	-	264	15
TOTAL REVENUE AND OTHER SUPPORT	628,947	10,000	638,947	678,962
EXPENSES				
Program Services	551,325	-	551,325	560,635
Supporting Services				
Management and General	93,607	-	93,607	76,782
Fundraising	47,760	-	47,760	37,169
TOTAL EXPENSES	692,692	-	692,692	674,586
CHANGES IN NET ASSETS	(63,745)	10,000	(53,745)	4,376
NET ASSETS (DEFICIT) - BEGINNING	(3,032)	-	(3,032)	(7,408)
NET ASSETS (DEFICIT) - ENDING	\$ (66,777)	\$ 10,000	\$ (56,777)	\$ (3,032)

See notes to financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES
IN NET ASSETS (DEFICIT) - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND OTHER SUPPORT			
Membership Dues	\$ 196,769	\$ -	\$ 196,769
Membership Services			
Royalty Income	74,716	-	74,716
Other Membership Services	12,477	-	12,477
Grants and Contributions	82,894	-	82,894
Program Income	102,566	-	102,566
Consulting Income	209,525	-	209,525
Interest Income	15	-	15
TOTAL REVENUE AND OTHER SUPPORT	<u>678,962</u>	<u>-</u>	<u>678,962</u>
EXPENSES			
Program Services	560,635	-	560,635
Supporting Services			
Management and General	76,782	-	76,782
Fundraising	37,169	-	37,169
TOTAL EXPENSES	<u>674,586</u>	<u>-</u>	<u>674,586</u>
CHANGES IN NET ASSETS	4,376	-	4,376
NET ASSETS (DEFICIT) - BEGINNING	<u>(7,408)</u>	<u>-</u>	<u>(7,408)</u>
NET ASSETS (DEFICIT) - ENDING	<u><u>\$ (3,032)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (3,032)</u></u>

See notes to financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

**STATEMENTS OF EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE
TOTAL FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2017	2016
EXPENSES					
Salaries and Wages	\$ 234,011	\$ 42,652	\$ 29,423	\$ 306,086	\$ 275,299
Employee Benefits	14,058	4,522	958	19,538	21,348
Payroll Taxes	17,830	3,070	2,226	23,126	20,768
Consulting Expenses	85,563	-	-	85,563	155,789
Professional Fees	16,429	12,655	4,389	33,473	18,740
Occupancy	42,008	6,842	2,562	51,412	54,379
Advertising	-	-	-	-	801
Equipment Rental/Maintenance	13,041	3,524	2,594	19,159	13,492
Postage and Shipping	3,026	552	588	4,166	2,710
Supplies	845	169	169	1,183	2,084
Telephone	7,944	1,581	1,581	11,106	9,295
Staff and Board Training	697	902	-	1,599	3,005
Travel	345	2,637	-	2,982	1,666
Insurance	3,823	765	765	5,353	3,877
Depreciation	372	139	-	511	673
Dues and Subscriptions	12,633	2,526	2,476	17,635	15,701
Webinars and Workshops	7,508	-	-	7,508	13,122
Standards for Excellence Program	11,377	-	-	11,377	12,350
Advocacy Expense	2,530	-	-	2,530	1,250
Publications	-	-	-	-	500
Moving Expense	-	3,707	-	3,707	-
Annual Conference	74,485	-	-	74,485	34,506
Interest Expense	-	1,858	-	1,858	380
Member Services	1,597	378	-	1,975	3,269
Miscellaneous Expenses	1,203	3,379	29	4,611	3,929
Loss on Disposal of Fixed Assets	-	249	-	249	-
In-Kind Donations	-	1,500	-	1,500	5,653
TOTAL EXPENSES	\$ 551,325	\$ 93,607	\$ 47,760	\$ 692,692	\$ 674,586

See notes to financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

STATEMENT OF EXPENSES - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2016

EXPENSES	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries and Wages	\$ 211,514	\$ 41,533	\$ 22,252	\$ 275,299
Employee Benefits	15,580	4,912	856	21,348
Payroll Taxes	15,959	3,122	1,687	20,768
Consulting Expenses	155,364	425	-	155,789
Professional Fees	13,338	2,735	2,667	18,740
Occupancy	45,548	6,144	2,687	54,379
Advertising	573	114	114	801
Equipment Rental/Maintenance	9,637	1,928	1,927	13,492
Postage and Shipping	1,836	437	437	2,710
Supplies	1,574	255	255	2,084
Telephone	6,748	1,273	1,274	9,295
Staff and Board Training	-	3,005	-	3,005
Travel	508	1,158	-	1,666
Insurance	2,699	638	540	3,877
Depreciation	505	168	-	673
Dues and Subscriptions	11,165	2,228	2,308	15,701
Webinars and Workshops	13,122	-	-	13,122
Standards for Excellence Program	12,327	23	-	12,350
Advocacy Expense	1,250	-	-	1,250
Publications	500	-	-	500
Annual Conference	34,506	-	-	34,506
Interest Expense	-	380	-	380
Member Services	3,189	-	80	3,269
Miscellaneous Expenses	3,193	651	85	3,929
In-Kind Donations	-	5,653	-	5,653
TOTAL EXPENSES	\$ 560,635	\$ 76,782	\$ 37,169	\$ 674,586

See notes to financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

	Years Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (53,745)	\$ 4,376
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used in) Provided by Operating Activities		
Depreciation	511	673
Loss on Disposal of Fixed Assets	249	-
(Increase) Decrease in		
Due from Consortium	-	857
Security Deposit	2,778	-
Prepaid Expenses	(553)	(1,354)
(Decrease) Increase in		
Payroll Taxes and Other Withholdings	(1,235)	625
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(51,995)	5,177
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on Line of Credit	88,860	28,340
Repayments of Line of Credit	(26,080)	(39,590)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	62,780	(11,250)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,785	(6,073)
CASH AND CASH EQUIVALENTS - BEGINNING	755	6,828
CASH AND CASH EQUIVALENTS - ENDING	\$ 11,540	\$ 755
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 1,858	\$ 380

See notes to financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Pennsylvania Association of Nonprofit Organizations (the "Association"), a nonprofit organization, is a statewide membership organization serving and advancing the charitable nonprofit sector through leadership, advocacy, education, and services in order to improve the quality of life in Pennsylvania.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The Association records revenue and other support when received rather than when earned and expenses are recorded when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting include capitalizing and recording depreciation on office equipment and furnishings; recording receivables for reimbursement of expenses, prepayment of expenses, liabilities for payroll taxes and other withholdings, and the balance owed on the line of credit, and recognizing revenue and expense for non-cash contributions. In addition, the activity of Health Alliance for Nonprofits ("HANP") is not included in the accompanying financial statements.

Financial Statement Presentation

The Association's financial statement presentation follows the recommendations of Accounting Standards Codification ("ASC") No. 958, *"Not-for-Profit Entities."* Under ASC No. 958, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Association has presented the Statements of Cash Flows - Modified Cash Basis. Under the provisions of ASC No. 958, net assets and changes therein are classified and reported, based on the existence or absence of donor-imposed stipulations as follows:

- * ***Unrestricted Net Assets*** - Net assets that are not subject to donor-imposed stipulations.
- * ***Temporarily Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that will be met either by action of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis as net assets released from restrictions.
- * ***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of such assets permit the Association to use all or part of the income earned on the assets for general or specific purposes.

The Association had \$10,000 and \$0 temporarily restricted net assets at December 31, 2017 and 2016, respectively. Temporarily restricted net assets at December 31, 2017 represent contributions to be used for the update of the Association's website. The Association did not have any permanently restricted net assets at December 31, 2017 and 2016.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Association considers cash on hand and cash held in deposit accounts with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. The Association follows the practice of capitalizing expenditures for assets over \$1,000 with useful lives of at least one year. Depreciation is computed using the straight-line method of accounting over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred and major renewals and improvements are capitalized.

Contributions

The Association accounts for contributions in accordance with the recommendations of ASC No. 958-605, *"Not-for-Profit Entities Revenue Recognition."* The Association reports gifts of cash and other assets as restricted revenue, if they are received with donor-imposed stipulations, which limit the use of the donated assets. When a donor-imposed stipulation expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis as net assets released from restrictions. If restricted funds are received and released in the same year, they are recorded as unrestricted net assets.

Federal Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain unrelated business activities may be subject to taxation as unrelated business income. ASC No. 740-10, *"Income Taxes,"* prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose uncertain tax positions taken on its tax returns. The Association believes that it has appropriate support for tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Association's tax returns remain subject to examination for years ended December 31, 2014 and after.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on the Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis and Statements of Expenses - Modified Cash Basis. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Advertising

Advertising is expensed as incurred. Advertising costs for the years ended December 31, 2017 and 2016 were \$0 and \$801, respectively.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in accordance with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and other support and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management of the Association has evaluated subsequent events through September 24, 2018, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-02, "*Leases (Topic 842)*," which will supersede the current lease requirements in Topic 840. The ASU requires lessees to recognize a right of use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition on the Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis. Currently, leases are classified as either capital or operating, with only capital leases recognized on the Statements of Assets, Liabilities, and Net Assets (Deficit) - Modified Cash Basis. The reporting of lease related expenses in the Statements of Revenue, Expenses, and Changes in Net Assets - Modified Cash Basis (Deficit) - Modified Cash Basis and Statements of Cash Flows - Modified Cash Basis will be generally consistent with the current guidance. The new guidance will be effective for years beginning after December 15, 2018 for public companies and for years beginning after December 15, 2019 for private companies. Once effective, the standard will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Management is currently assessing the impact this new standard will have on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, "*Presentation of Financial Statements of Not-For-Profit Entities*." The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profits. The amendments in this ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted. Management is evaluating this new guidance and does not believe its adoption will have a material impact on future financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

During 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*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.

2. CONCENTRATION OF CREDIT RISK

The Association's cash balances in financial institutions, at times, may exceed the Federal Deposit Insurance Corporation insured limits. Management regularly monitors the financial condition of the financial institutions, along with their cash balances, and tries to keep potential risks to a minimum. The Association has not experienced any such losses on these accounts.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2016:

	<u>Useful Lives</u>	
Furniture and Equipment	5 - 7 Years	\$ 4,941
Leasehold Improvements	5 Years	<u>1,690</u>
Total		6,631
Less: Accumulated Depreciation		<u>(5,871)</u>
Net Book Value		<u>\$ 760</u>

Depreciation for the years ended December 31, 2017 and 2016 was \$511 and \$673, respectively.

The Association disposed of all of its remaining fixed assets at December 31, 2017. The Association realized a loss on the disposal of fixed assets of \$249 for the year ended December 31, 2017.

4. LINE OF CREDIT

The Association has an unsecured line of credit with BB&T Bank, which allows for borrowings up to \$100,000, with a maturity date of January 25, 2019. The interest rate is adjustable, based on the bank's prime rate. The interest rate at December 31, 2017 and 2016 was 5.0 percent. At December 31, 2017 and 2016, the outstanding balances were \$71,530 and \$8,750, respectively.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

5. ROYALTY INCOME

The Association receives payments from agreements with various vendors who provide products and services to the Association's members. Total royalty income received for the years ended December 31, 2017 and 2016 was \$78,446 and \$74,716, respectively.

6. ACQUISITION OF CONTROL OF HANP

On June 28, 2013, the Association entered into a management agreement with HANP, a Pennsylvania nonprofit organization, whose mission is to facilitate the availability of group and individual health insurance and other employee benefit products for purchase by members of the United Way Agencies participating in the program and members of the Association. Condensed unaudited cash basis financial information for HANP is presented below as of and for the years ended June 30:

	2017	2016
Statements of Financial Position		
Assets		
Cash and Cash Equivalents	\$ 133,770	\$ 218,245
Other Current Assets	39,512	26,494
Total Assets	\$ 173,282	\$ 244,739
Liabilities		
Accounts Payable	\$ 5,841	\$ 10,236
Other Current Liabilities	152,620	210,672
Total Liabilities	158,461	220,908
Unrestricted Net Assets	14,821	23,831
Total Liabilities and Unrestricted Net Assets	\$ 173,282	\$ 244,739
Statements of Activities		
Revenue		
Fee Revenue	\$ 17,198	\$ 23,172
Premium revenue	2,526,734	2,870,953
Total Revenue	2,543,932	2,894,125
Expenses		
Operation Expenses	25,011	26,227
Premium Expense	2,526,734	2,870,730
Total Expenses	2,551,745	2,896,957
Changes in Unrestricted Net Assets	\$ (7,813)	\$ (2,832)

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

7. OPERATING LEASES

The Association leases office space under a non-cancelable operating lease. The Association's original lease expired on October 31, 2017. During 2017, the Association entered into a new lease for office space at a different location. The new lease was signed during October 2017 for three years, expiring October 26, 2020. The lease does allow for a renewal for an additional three year period. The Association's annual lease expense was \$51,412 and \$54,379 for the years ended December 31, 2017 and 2016, respectively.

Future minimum payments, under the office space operating lease, are as follows for the years ending December 31:

2018	\$	30,125
2019		30,878
2020		<u>26,266</u>
Total	\$	<u>87,269</u>

During each of the years ended December 31, 2017 and 2016, the Association also leased equipment under operating leases. The total expense related to these equipment leases was \$6,875 and \$4,787 for the years ended December 31, 2017 and 2016, respectively.

Future minimum payments, under the equipment operating leases, are as follows for the years ending December 31:

2018	\$	6,875
2019		6,137
2020		5,398
2021		<u>1,349</u>
Total	\$	<u>19,759</u>

8. 403(B) PLAN

The Association maintains a 403(b) plan for its employees. The Association does not have any matching requirements related to this plan.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS DECEMBER 31, 2017 AND 2016

9. RELATED PARTIES

Most of the Association's board of directors are required to be representatives of member organizations of the Association. During 2017, the Association received program income, contributions and membership dues from member organizations of which board members are representatives totaling \$26,442. The Association paid fees for consulting services used in its consulting operations to a related member totaling \$51,596. During 2016, the Association received consulting income from one related member totaling \$60,266 and the Association paid fees for consulting services used in the Association's consulting operations to another related member totaling \$98,737.

Furthermore, the Association receives its legal services pro-bono from a board member. Such services totaled \$1,500 and \$3,750 for the years ended December 31, 2017 and 2016, respectively, are included in in-kind contributions on the Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

**SCHEDULE OF EXPENSES OF PROGRAM SERVICES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2017**

	Program Services			Total
	Membership Services	Program Expense	Contracting Expenses	
EXPENSES				
Salaries and Wages	\$ 33,012	\$ 153,711	\$ 47,288	\$ 234,011
Employee Benefits	2,798	9,692	1,568	14,058
Payroll Taxes	2,500	11,720	3,610	17,830
Consulting Expenses	-	317	85,246	85,563
Professional Fees	2,931	8,794	4,704	16,429
Occupancy	12,295	29,713	-	42,008
Equipment Rental/Maintenance	2,594	7,853	2,594	13,041
Postage and Shipping	588	1,850	588	3,026
Supplies	169	507	169	845
Telephone	1,581	4,782	1,581	7,944
Staff and Board Training	697	-	-	697
Travel	-	345	-	345
Insurance	765	2,293	765	3,823
Depreciation	197	112	63	372
Dues and Subscriptions	2,526	7,581	2,526	12,633
Webinars and Workshops	-	7,508	-	7,508
Standards for Excellence Program	-	11,377	-	11,377
Advocacy Expense	-	2,530	-	2,530
Annual Conference	-	74,485	-	74,485
Member Services	1,597	-	-	1,597
Miscellaneous Expenses	675	485	43	1,203
TOTAL EXPENSES	<u>\$ 64,925</u>	<u>\$ 335,655</u>	<u>\$ 150,745</u>	<u>\$ 551,325</u>

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

**SCHEDULE OF EXPENSES OF PROGRAM SERVICES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2016**

	Program Services			Total
	Membership Services	Program Expense	Contracting Expenses	
EXPENSES				
Salaries and Wages	\$ 30,924	\$ 134,066	\$ 46,524	\$ 211,514
Employee Benefits	2,529	11,657	1,394	15,580
Payroll Taxes	2,330	10,098	3,531	15,959
Consulting Expenses	-	-	155,364	155,364
Professional Fees	2,667	8,004	2,667	13,338
Occupancy	13,391	32,157	-	45,548
Advertising	114	345	114	573
Equipment Rental/Maintenance	1,927	5,783	1,927	9,637
Postage and Shipping	56	1,349	431	1,836
Supplies	255	1,064	255	1,574
Telephone	1,273	4,202	1,273	6,748
Travel	3	505	-	508
Insurance	540	1,619	540	2,699
Depreciation	267	152	86	505
Dues and Subscriptions	2,133	6,899	2,133	11,165
Webinars and Workshops	-	13,122	-	13,122
Standards for Excellence Program	-	11,456	871	12,327
Advocacy Expense	-	1,250	-	1,250
Publications	-	500	-	500
Annual Conference	-	34,506	-	34,506
Member Services	3,189	-	-	3,189
Miscellaneous Expenses	1,493	1,636	64	3,193
TOTAL EXPENSES	\$ 63,091	\$ 280,370	\$ 217,174	\$ 560,635