

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

YEARS ENDED DECEMBER 31, 2020 AND 2019

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Zelenkofske Axelrod LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pennsylvania Association of Nonprofit Organizations

Report on the Financial Statements

We have audited the accompanying financial statements of the 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, 2020 and 2019, and the related statements of revenues, expenses, and changes in net assets (deficit) – modified cash basis, statements of functional expenses – modified cash basis, and statements of cash flows – modified cash basis, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 the Association as of December 31, 2020 and 2019, and its support, revenue, and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

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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.

Adoption of Financial Accounting Standards Update

As described in Note 1 to the financial statements, in 2020 the Association adopted the provisions of Financial Accounting Standards Board's Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, Update No. 2020-03, *Codification Improvements to Financial Instruments*, and Update No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. Our opinion is not modified with respect to these matters.

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

As explained in Note 8, 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.

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
March 19, 2021

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
 STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS (DEFICIT) - MODIFIED CASH BASIS
 DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 55,182	\$ 2,729
Cash and Cash Equivalents - Restricted	8,672	13,234
Security Deposit	1,250	1,250
Prepaid Expenses	2,390	-
Total Current Assets	67,494	17,213
TOTAL ASSETS	\$ 67,494	\$ 17,213
 <u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
CURRENT LIABILITIES		
Line of Credit	\$ -	\$ 46,270
Payroll Taxes and Other Withholdings	-	415
Other Liabilities	536	362
Loans Payable	25,224	-
Total Current Liabilities	25,760	47,047
 NET ASSETS (DEFICIT)		
Without Donor Restrictions	33,062	(43,068)
With Donor Restrictions	8,672	13,234
TOTAL NET ASSETS (DEFICIT)	41,734	(29,834)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 67,494	\$ 17,213

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT) - MODIFIED CASH BASIS
 YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT						
Membership Dues	\$ 223,474	\$ -	\$ 223,474	\$ 218,076	\$ -	\$ 218,076
Membership Services:						
Royalty Income	84,418	-	84,418	76,632	-	76,632
Other Membership Services	7,281	-	7,281	8,368	-	8,368
Grants and Contributions	164,227	2,387	166,614	108,879	9,636	118,515
Program Income	54,417	-	54,417	107,330	-	107,330
Consulting Income	91,423	-	91,423	114,821	-	114,821
Interest Income	74	51	125	133	-	133
Net Assets Released from Restrictions	7,000	(7,000)	-	2,550	(2,550)	-
TOTAL REVENUE AND OTHER SUPPORT	632,314	(4,562)	627,752	636,789	7,086	643,875
OPERATING EXPENSES						
Program Services	418,588	-	418,588	464,485	-	464,485
Support Services						
Management and General	102,449	-	102,449	82,374	-	82,374
Fundraising	35,147	-	35,147	73,258	-	73,258
TOTAL OPERATING EXPENSES	556,184	-	556,184	620,117	-	620,117
CHANGES IN NET ASSETS	76,130	(4,562)	71,568	16,672	7,086	23,758
NET ASSETS (DEFICIT) - Beginning of year	(43,068)	13,234	(29,834)	(59,740)	6,148	(53,592)
NET ASSETS (DEFICIT) - End of year	<u>\$ 33,062</u>	<u>\$ 8,672</u>	<u>\$ 41,734</u>	<u>\$ (43,068)</u>	<u>\$ 13,234</u>	<u>\$ (29,834)</u>

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2020

Expenses	Program Services				Supporting Services		
	Membership Services	Program Expenses	Contracting Expenses	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 40,337	\$ 152,703	\$ 34,574	\$ 227,614	\$ 34,573	\$ 25,931	\$ 288,118
Employee benefits	3,209	12,150	2,751	18,110	2,751	2,063	22,924
Payroll taxes	3,052	11,555	2,616	17,223	2,617	1,962	21,802
Consulting expenses	-	-	72,826	72,826	-	-	72,826
Professional fees	-	-	-	-	25,554	-	25,554
Occupancy	3,981	12,440	2,488	18,909	3,483	2,488	24,880
Advertising	-	-	-	-	11,500	-	11,500
Equipment rental/maintenance	6,172	2,282	268	8,722	4,025	671	13,418
Postage and shipping	449	1,404	281	2,134	393	281	2,808
Supplies	78	245	49	372	69	49	490
Telephone	5,060	1,870	220	7,150	3,300	550	11,000
Staff and board training	-	-	-	-	204	-	204
Travel	-	-	-	-	87	-	87
Insurance	-	-	-	-	8,013	-	8,013
Dues and subscriptions	3,981	16,059	524	20,564	3,006	692	24,262
Webinars and workshops	-	3,129	-	3,129	-	-	3,129
Standards for excellence program	-	37	-	37	-	-	37
Advocacy expense	-	1,200	-	1,200	-	-	1,200
Annual conference	-	13,447	-	13,447	-	-	13,447
Interest expense	645	238	28	911	421	70	1,402
Member services	1,145	-	-	1,145	-	-	1,145
Miscellaneous expenses	3,606	1,332	157	5,095	2,453	390	7,938
Total Expenses	\$ 71,715	\$ 230,091	\$ 116,782	\$ 418,588	\$ 102,449	\$ 35,147	\$ 556,184

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2019

Expenses	Program Services				Supporting Services		
	Membership Services	Program Expenses	Contracting Expenses	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 23,299	\$ 147,238	\$ 32,133	\$ 202,670	\$ 32,462	\$ 52,219	\$ 287,351
Employee benefits	2,616	10,013	1,530	14,159	4,357	3,443	21,959
Payroll taxes	1,744	11,164	2,433	15,341	2,468	3,906	21,715
Consulting expenses	-	27	76,287	76,314	-	-	76,314
Professional fees	3,035	9,099	3,037	15,171	17,606	3,035	35,812
Occupancy	7,411	17,909	-	25,320	4,139	1,544	31,003
Advertising	80	240	139	459	7,527	80	8,066
Equipment rental/maintenance	2,400	7,202	2,400	12,002	2,922	2,400	17,324
Postage and shipping	464	1,400	464	2,328	464	464	3,256
Supplies	313	940	313	1,566	7	313	1,886
Telephone	1,558	4,559	1,558	7,675	1,558	1,558	10,791
Staff and board training	1,561	50	-	1,611	-	-	1,611
Travel	40	984	-	1,024	1,039	-	2,063
Insurance	1,046	3,140	1,046	5,232	1,046	1,046	7,324
Dues and subscriptions	3,020	17,625	3,020	23,665	2,099	3,020	28,784
Webinars and workshops	-	7,323	-	7,323	-	-	7,323
Standards for excellence program	-	6,795	-	6,795	-	-	6,795
Annual conference	-	40,166	-	40,166	-	-	40,166
Interest expense	-	-	-	-	3,648	-	3,648
Member services	802	-	-	802	-	-	802
Miscellaneous expenses	2,667	2,050	145	4,862	1,032	230	6,124
Total Expenses	\$ 52,056	\$ 287,924	\$ 124,505	\$ 464,485	\$ 82,374	\$ 73,258	\$ 620,117

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 71,568	\$ 23,758
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Prepaid expenses	(2,391)	2,340
Increase (decrease) in:		
Payroll taxes and other withholdings	(415)	460
Other Liabilities	175	-
	68,937	26,558
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	5,716	36,500
Repayments of line of credit	(51,986)	(55,674)
Proceeds on Loans Payable	150,000	-
Repayments of Loans Payable	(124,776)	-
	(21,046)	(19,174)
Net cash provided by (used in) financing activities	(21,046)	(19,174)
Net increase (decrease) in cash and cash equivalents	47,891	7,384
Cash, cash equivalents, and restricted cash, beginning of year	15,963	8,579
Cash, cash equivalents, and restricted cash, end of year	\$ 63,854	\$ 15,963
Cash and cash equivalents	\$ 55,182	\$ 2,729
Cash and cash equivalents - restricted	8,672	13,234
Total cash, cash equivalents, and restricted cash	\$ 63,854	\$ 15,963
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 1,402	\$ 3,648

The accompanying notes are an integral part of the financial statements.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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 recording receivables for reimbursement of expenses, prepayment of expenses, liabilities for payroll taxes and other withholdings, the balances owed on a line of credit and loans payable, 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. See Note 8.

C. 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. 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:

- **Net Assets Without Donor Restrictions** – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- **Net Assets With Donor Restrictions** – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Association reports Net Assets with Donor Restrictions of \$8,672 and \$13,234 at December 31, 2020 and 2019, respectively.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

C. Financial Statement Presentation (Continued)

Net assets with donor restrictions at December 31, 2020 and 2019 included amounts subject to expenditures for specified purposes relating to COVID-19 recovery training and those subject to donor restriction such as the Don Kramer Help Desk Fund.

D. 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.

E. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in 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 net assets without donor restrictions.

F. 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, 2017 and after.

G. Allocation of Expenses

The costs of providing various programs and other activities have been summarized in the statements of revenue, expenses, and changes in net assets (deficit) - modified cash basis and statements of functional expenses - modified cash basis. Accordingly, expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function and are allocated based on estimated time and effort. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, occupancy, equipment rental/maintenance, postage and shipping, supplies, telephone, dues and subscriptions, interest expense and miscellaneous expense. The allocation of expenses is revisited annually by management to ensure the statements reflect current activity of the Association.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

H. Advertising

Advertising is expensed as incurred. Advertising costs for the years ended December 31, 2020 and 2019 were \$11,500 and \$8,066, respectively.

I. Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation format. These reclassifications had no effect on the Association's changes in net assets.

J. New Accounting Pronouncements - Adopted

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The adoption of this standard had no effect on previously reported amounts.

In March 2020, the FASB issued ASU No. 2020-03, *Codification Improvements to Financial Instruments*. The adoption of this standard had no effect on previously reported amounts.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. ASU No. 2020-05 provides a limited deferral of the effective dates of the following ASUs. The adoption of ASU No. 2020-05 had no impact on the Organization's financial statements.

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (ASC 606)*
- Accounting Standards Update No. 2016-02, *Leases*

K. New Accounting Pronouncements - Pending

During February 2016, the FASB issued 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 in 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 in 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 (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, 2021. 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.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. New Accounting Pronouncements – Pending (Continued)

During September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance will be effective for annual year ending December 31, 2023. Early adoption is permitted. Management is currently assessing the impact this new standard will have on its financial statements.

NOTE 2: CONCENTRATIONS 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.

NOTE 3: RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents is comprised of the following as of December 31, 2020 and 2019:

	2020	2019
Don Kramer Help Desk	\$ 6,547	\$ 6,234
Provident Bank Foundation	2,125	-
Conference	-	2,000
Contract	-	5,000
TOTAL	\$ 8,672	\$ 13,234

NOTE 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 24, 2022. The interest rate is adjustable, based on the bank's prime rate. The interest rate at December 31, 2020 and 2019 was 5.0 and 5.5 percent, respectively. At December 31, 2020 and 2019, the outstanding balances were \$0 and \$46,270, respectively.

NOTE 5: LOANS PAYABLE

During the year, the Association entered into a loan from the U.S. Small Business Administration to assist with the impacts of COVID-19. An amount of \$150,000 was initially received and the Association returned \$125,000 as no security interest in collateral was provided to secure the loan. The loan, which is in the form of the Economic Injury Disaster Term Note dated June 11, 2020, matures on June 11, 2050 and bears interest at a rate of 2.75% per annum, is payable monthly commencing on June 9, 2021. The Note may be prepaid by the Association at any time prior to maturity with no prepayment penalties. Interest will accrue on funds actually advanced from the date of each advance.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 5: LOANS PAYABLE (CONTINUED)

Funds from the Loan may only be used as working capital to alleviate economic injury caused by disaster occurring in the month ending January 31, 2020 and continuing thereafter. Borrower will, to the extent feasible, purchase only American-made equipment and products with the proceeds of this Loan. This disaster Loan is limited to disaster losses that are not compensated by other sources. The balance of the loan at December 31, 2020 was \$25,224.

NOTE 6: PAYCHECK PROTECTION PROGRAM

The Association entered into a Paycheck Protection Program Term Note on May 9, 2020 for an amount of \$60,712. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020.

Under the terms of the Paychecks Protection Program, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). As of December 31, 2020, all of the conditions of the loan program were met. On March 1, 2021 the Association received approval for their Paycheck Protection Program loan forgiveness application and recorded the proceeds as Grant and Contribution Revenue in accordance with ASC No. 958-605, *Not-for-Profit Entities Revenue Recognition*. The term note balance at December 31, 2020 was \$0 as the entire balance was recognized as revenue during the year.

NOTE 7: 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, 2020 and 2019 was \$84,418 and \$76,632, respectively.

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019

NOTE 8: 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 December 31:

	<u>2020</u>	<u>2019</u>
Statements of Financial Position		
Assets:		
Cash and cash equivalents	\$ 129,551	\$ 220,307
Total assets	<u>\$ 129,551</u>	<u>\$ 220,307</u>
Liabilities:		
Accounts payable	\$ 5,739	\$ 7,149
Other current liabilities	<u>118,558</u>	<u>204,006</u>
Total liabilities	124,297	211,155
Net assets without donor restrictions	<u>5,254</u>	<u>9,152</u>
Total liabilities and net assets	<u>\$ 129,551</u>	<u>\$ 220,307</u>
Statements of Activities		
Revenue:		
Fee revenue	\$ 13,046	\$ 16,398
Interest Income	161	-
Premium revenue	<u>2,384,172</u>	<u>2,559,250</u>
Total revenue	<u>2,397,379</u>	<u>2,575,648</u>
Expenses:		
Operation expenses	15,501	18,645
Premium expenses	<u>2,384,172</u>	<u>2,559,250</u>
Total expenses	<u>2,399,673</u>	<u>2,577,895</u>
Changes in net assets without donor restrictions	<u>\$ (2,294)</u>	<u>\$ (2,247)</u>

PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2020 AND 2019

NOTE 9: OPERATING LEASES

During 2020, the Association entered into a one year lease for office space expiring in October 2021. The Association's annual lease expense was \$24,880 and \$31,003 for the years ended December 31, 2020 and 2019, respectively.

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

Year ending December 31:		
2021		\$ 15,000
	Total	<u>\$ 15,000</u>

During the years ended December 31, 2020 and 2019, the Association leased equipment under operating leases. The total expense related to these equipment leases was \$9,450 and \$9,676 for the years ended December 31, 2020 and 2019, respectively.

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

Year ending December 31:		
2021		\$ 3,158
	Total	<u>\$ 3,158</u>

NOTE 10: 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.

NOTE 11: RELATED PARTIES

Most of the Association's board of directors are required to be representatives of member organizations of the Association. During 2020 and 2019, the Association received contributions and membership dues from member organizations of which board members are representatives totaling \$17,520 and \$17,688, respectively. During 2020 and 2019, the Association paid fees for consulting services used in its consulting operations to a related member totaling \$18,721 and \$425, respectively.

The Association receives its legal services pro-bono from a board member. No legal services were provided in 2020 or 2019.

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NOTE 12: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As of December 31, 2020 and 2019, the Association had \$63,854 and \$15,963 of financial assets consisting of cash and cash equivalents, respectively. At December 31, 2020 and 2019, the Association had \$54,646 and \$9,729 of financial assets net of other liabilities available for general expenditure within one year of the balance sheet date, respectively. To help manage unanticipated liquidity needs, the Association has a committed line of credit in the amount of \$100,000 which it could draw upon. As of December 31, 2020 and 2019, the Association had \$100,000 and \$53,730 of available credit from the committed line of credit to draw upon, respectively. The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities to support its mission as general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Association operates a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identified the sources and uses of the Organization's cash and shows positive cash generated by operations in 2020 and 2019.

NOTE 13: RISKS AND UNCERTANTIES

The coronavirus pandemic remains a rapidly evolving situation. The extent of the impact of the coronavirus on the Association's activities and financial results will depend on future developments, including the duration and spread of the outbreak within the geographic regions in which the Association operates, the related impact on its funders and members, including on the federal budget, and the state of Pennsylvania's budget, all of which are highly uncertain.

NOTE 13: SUBSEQUENT EVENTS

Management of the Association has evaluated subsequent events through March 19, 2021, 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.