

**PENNSYLVANIA ASSOCIATION OF  
NONPROFIT ORGANIZATIONS**

**FINANCIAL STATEMENTS**  
With Supplementary Information

YEARS ENDED DECEMBER 31, 2016 AND 2015



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# **PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
**Pennsylvania Association of Nonprofit Organizations**  
2040 Linglestown Road, Suite 302  
Harrisburg, Pennsylvania 17110

### **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 Statement of Assets, Liabilities, and Net Assets (Deficit) - Modified Cash Basis as of December 31, 2016 and 2015, 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 auditors' 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 auditors consider internal control relevant to the Association'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 Association's internal control. Accordingly, we express no such opinion.

## **Auditors' Responsibility (Continued)**

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, 2016 and 2015, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in the accompanying Schedule of Expenses of Program Services - Modified Cash Basis is presented for purposes of additional analysis and is 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 information has been subjected to the auditing procedures applied in the audit 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 financial statements or to the 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 financial statements as a whole.

*Baker Tilly Virchow Krause, LLP*

York, Pennsylvania  
May 23, 2017

**PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS**

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

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 755	\$ 6,828
Due from Consortium	-	857
Security Deposit	4,028	4,028
Prepaid Expenses	1,410	56
<b>TOTAL CURRENT ASSETS</b>	<u>6,193</u>	<u>11,769</u>
<b>PROPERTY AND EQUIPMENT - Net</b>	<u>760</u>	<u>1,433</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,953</u></u>	<u><u>\$ 13,202</u></u>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ 8,750	\$ 20,000
Payroll Taxes and Other Withholdings	1,235	610
<b>TOTAL CURRENT LIABILITIES</b>	<u>9,985</u>	<u>20,610</u>
<b>NET ASSETS (DEFICIT)</b>		
Unrestricted	<u>(3,032)</u>	<u>(7,408)</u>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<u><u>\$ 6,953</u></u>	<u><u>\$ 13,202</u></u>

See notes to financial statements.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (DEFICIT) - MODIFIED CASH BASIS

	Years Ended December 31,	
	2016	2015
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Membership Dues	\$ 196,769	\$ 190,891
Membership Services		
Royalty Income	74,716	74,427
Other Membership Services	12,477	14,857
Foundation Grants and Contributions	14,098	10,105
Program Income	102,566	129,296
Consulting Income	209,525	86,745
Interest Income	15	13
Fundraising Income	63,143	27,344
In-Kind Contributions	5,653	4,693
Loss on Disposal of Capital Assets	-	(329)
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>678,962</b>	<b>538,042</b>
<b>EXPENSES</b>		
Program Services	560,635	441,684
Supporting Services		
Management and General	76,782	64,843
Fundraising	37,169	34,234
<b>TOTAL EXPENSES</b>	<b>674,586</b>	<b>540,761</b>
<b>CHANGE IN NET ASSETS</b>	4,376	(2,719)
<b>NET ASSETS (DEFICIT) - BEGINNING</b>	<b>(7,408)</b>	<b>(4,689)</b>
<b>NET ASSETS (DEFICIT) - ENDING</b>	<b>\$ (3,032)</b>	<b>\$ (7,408)</b>

See notes to financial statements.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## STATEMENTS OF EXPENSES - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2016 WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Supporting Services		Total	
		Management and General	Fundraising	2016	2015
<b>EXPENSES</b>					
Salaries and Wages	\$ 211,514	\$ 41,533	\$ 22,252	\$ 275,299	\$ 269,469
Employee Benefits	15,580	4,912	856	21,348	20,469
Payroll Taxes	15,959	3,122	1,687	20,768	19,510
Consulting Expenses	155,364	425	-	155,789	43,393
Professional Fees	13,338	2,735	2,667	18,740	17,508
Occupancy	45,548	6,144	2,687	54,379	43,919
Advertising	573	114	114	801	-
Equipment Rental/Maintenance	9,637	1,928	1,927	13,492	7,834
Postage and Shipping	1,836	437	437	2,710	3,303
Supplies	1,574	255	255	2,084	1,812
Telephone	6,748	1,273	1,274	9,295	8,308
Staff Training	-	3,005	-	3,005	3,022
Travel	508	1,158	-	1,666	491
Insurance	2,699	638	540	3,877	7,271
Depreciation	505	168	-	673	913
Dues and Subscriptions	11,165	2,228	2,308	15,701	14,438
Webinars and Workshops	13,122	-	-	13,122	9,360
Standards for Excellence Program	12,327	23	-	12,350	13,934
Advocacy Expense	1,250	-	-	1,250	1,215
Publications	500	-	-	500	885
Annual Conference	34,506	-	-	34,506	40,998
Interest Expense	-	380	-	380	1,495
Member Services	3,189	-	80	3,269	2,497
Miscellaneous Expenses	3,193	651	85	3,929	4,024
In-Kind Donations	-	5,653	-	5,653	4,693
<b>TOTAL EXPENSES</b>	<b>\$ 560,635</b>	<b>\$ 76,782</b>	<b>\$ 37,169</b>	<b>\$ 674,586</b>	<b>\$ 540,761</b>

See notes to financial statements.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## STATEMENT OF EXPENSES - MODIFIED CASH BASIS YEAR ENDED DECEMBER 31, 2015

<b>EXPENSES</b>	<b>Supporting Services</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	
Salaries and Wages	\$ 214,701	\$ 33,506	\$ 21,262	\$ 269,469
Employee Benefits	16,216	3,363	890	20,469
Payroll Taxes	16,196	1,703	1,611	19,510
Consulting Expenses	43,393	-	-	43,393
Professional Fees	12,660	2,426	2,422	17,508
Occupancy	37,098	4,639	2,182	43,919
Equipment Rental/Maintenance	6,081	537	1,216	7,834
Postage and Shipping	2,578	346	379	3,303
Supplies	1,324	244	244	1,812
Telephone	6,050	1,123	1,135	8,308
Staff Training	679	2,343	-	3,022
Travel	320	171	-	491
Insurance	3,930	2,555	786	7,271
Depreciation	685	228	-	913
Dues and Subscriptions	7,612	4,756	2,070	14,438
Webinars and Workshops	9,360	-	-	9,360
Standards for Excellence Program	13,934	-	-	13,934
Advocacy Expense	1,215	-	-	1,215
Publications	885	-	-	885
Annual Conference	40,998	-	-	40,998
Interest Expense	-	1,495	-	1,495
Member Services	2,283	214	-	2,497
Miscellaneous Expenses	3,486	501	37	4,024
In-Kind Donations	-	4,693	-	4,693
<b>TOTAL EXPENSES</b>	<b>\$ 441,684</b>	<b>\$ 64,843</b>	<b>\$ 34,234</b>	<b>\$ 540,761</b>

See notes to financial statements.



# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## STATEMENTS OF CASH FLOWS - MODIFIED CASH BASIS

	Years Ended December 31,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 4,376	\$ (2,719)
<b>Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities</b>		
Depreciation	673	913
Loss on Disposal of Capital Assets	-	329
<b>Decrease (Increase) in</b>		
Due from Consortium	857	1,398
Prepaid Expenses	(1,354)	510
<b>Increase (Decrease) in</b>		
Payroll Taxes and Other Withholdings	625	(1,067)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	5,177	(636)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings on Line of Credit	28,340	23,500
Repayments of Line of Credit	(39,590)	(30,000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(11,250)	(6,500)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(6,073)	(7,136)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	6,828	13,964
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 755	\$ 6,828
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest Paid	\$ 380	\$ 1,495

See notes to financial statements.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015

### 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 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 does not have any temporarily restricted or permanently restricted net assets at December 31, 2016 and 2015.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and Cash Equivalents

The Association considers cash on hand and cash held in deposit accounts 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, "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 (IRC). 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, 2013 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, 2016 and 2015 were \$801 and \$0, respectively.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015

### 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.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications did not affect the prior year changes in unrestricted net assets or cash flows.

#### Subsequent Events

Management of the Association has evaluated subsequent events through May 23, 2017, 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 in the statement 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 statement 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) and cash flows 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, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The amendments in this Update 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 Update 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 Update 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 YEARS ENDED DECEMBER 31, 2016 AND 2015

### 2. CONCENTRATION OF CREDIT RISK

The Association's cash balances in financial institutions, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) 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:

	<u>Useful Lives</u>	<u>2016</u>	<u>2015</u>
Furniture and Equipment	5 - 7 Years	\$ 4,941	\$ 4,941
Leasehold Improvements	5 Years	<u>1,690</u>	<u>1,690</u>
Total		6,631	6,631
Less: Accumulated Depreciation		<u>(5,871)</u>	<u>(5,198)</u>
Net Book Value		<u>\$ 760</u>	<u>\$ 1,433</u>

Depreciation for the years ended December 31, 2016 and 2015 was \$673 and \$913, respectively.

### 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, 2018. The interest rate is adjustable, based on the bank's prime rate. The interest rate at December 31, 2016 and 2015 was 5.0 percent. At December 31, 2016 and 2015, the outstanding balances were \$8,750 and \$20,000, respectively.

### 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, 2016 and 2015 was \$74,716 and \$74,427, respectively.

### 6. ACQUISITION OF CONTROL OF HEALTH ALLIANCE FOR NONPROFITS (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.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015

### 6. ACQUISITION OF CONTROL OF HEALTH ALLIANCE FOR NONPROFITS (HANP)

Condensed unaudited cash basis financial information for HANP is presented below as of and for the years ended June 30:

	2016	2015
<b>Statement of Financial Position</b>		
Assets		
Cash and Cash Equivalents	\$ 218,245	\$ 191,253
Other Current Assets	<u>26,494</u>	<u>75,988</u>
Total Assets	<u>\$ 244,739</u>	<u>\$ 267,241</u>
Liabilities		
Accounts Payable	\$ 10,236	\$ 10,389
Other Current Liabilities	<u>210,672</u>	<u>230,189</u>
Total Liabilities	220,908	240,578
Unrestricted Net Assets	<u>23,831</u>	<u>26,663</u>
Total Liabilities and Unrestricted Net Assets	<u>\$ 244,739</u>	<u>\$ 267,241</u>
<b>Statement of Activity</b>		
Revenue		
Fee Revenue	\$ 23,172	\$ 27,241
Premium revenue	<u>2,870,953</u>	<u>2,790,433</u>
Total Revenue	2,894,125	2,817,674
Expenses		
Operation Expenses	26,227	29,169
Premium Expense	<u>2,870,730</u>	<u>2,790,433</u>
Total Expenses	<u>2,896,957</u>	<u>2,819,602</u>
Change in Unrestricted Net Assets	<u>\$ (2,832)</u>	<u>\$ (1,928)</u>

### 7. OPERATING LEASES

The Association leases office space under a non-cancelable operating lease. The lease expires on October 31, 2017. The Association subleased a portion of the office space to another nonprofit organization, under a sublease agreement. The sublessee gave notice and vacated the premises during July 2015. The Association's annual lease expense was \$54,379 and \$52,082 for the years ended December 31, 2016 and 2015, respectively.

# PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS

## NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015

### 7. OPERATING LEASES (Continued)

The lease expense was offset by sublease income through June 2015 as follows:

	<u>2016</u>	<u>2015</u>
Total Office Lease Expense	\$ 54,379	\$ 52,082
Less: Sublease Income	<u>-</u>	<u>(8,163)</u>
Net Office Lease Expense	<u>\$ 54,379</u>	<u>\$ 43,919</u>

Future minimum payments, under the operating lease, are \$46,230 for the year ending December 31, 2017.

During each of the years ended December 31, 2016 and 2015, the Association also leased equipment under operating leases. The total expense related to these equipment leases was \$4,787 and \$7,777 for the years ended December 31, 2016 and 2015, respectively.

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

2017	\$ 6,875
2018	6,875
2019	6,137
2020	5,398
2021	<u>1,349</u>
Total	<u>\$ 26,634</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.

### 9. RELATED PARTIES

Most of the Association's board of directors are required to be representatives of members of the Association. In 2016, the Association received consulting income from one related member totaling \$60,266 and paid fees for consulting services used in the Association's consulting operations to another related member totaling \$98,737. In 2015, the Association received consulting income from one related member totaling \$20,684 and paid fees for consulting services used in the Association's consulting operations to another related member totaling \$25,650.

Furthermore, the Association receives its legal services pro-bono from a board member. Such services totaled \$3,750 for the years ended December 31, 2016 and 2015 and are included in in-kind contributions/donations on the Statements of Revenue, Expenses, and Changes in Net Assets (Deficit) - Modified Cash Basis.

# **PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS**

## **NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS YEARS ENDED DECEMBER 31, 2016 AND 2015**

### **10. NET ASSET DEFICIT**

As shown in the accompanying financial statements, the Association reported deficit net assets of \$3,032 and \$7,408 as of December 31, 2016 and 2015, respectively. Additionally, the Association's current liabilities exceeded its current assets by \$3,792 and \$8,841 for the years ended December 31, 2016 and 2015, respectively.

During 2016, the Association saw a significant increase in consulting contracts which significantly increased revenue. As a result of increased consulting income, as well as increases in membership dues and fundraising income, the Association had an increase in net assets of \$4,376 for the year ended December 31, 2016. Management is in the process of refreshing PANO's current strategic plan. One of the strategic focus areas is organizational health, which includes financial stability. Goals that move the organization to greater financial stability include increasing membership, targeting corporate sponsors and expanding/stabilizing consulting and contracting income over the next 3 three years.



**SUPPLEMENTARY INFORMATION**

**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	
<b>EXPENSES</b>				
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	268	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
<b>TOTAL EXPENSES</b>	<b>\$ 63,092</b>	<b>\$ 280,370</b>	<b>\$ 217,174</b>	<b>\$ 560,635</b>

**PENNSYLVANIA ASSOCIATION OF NONPROFIT ORGANIZATIONS**

**SCHEDULE OF EXPENSES OF PROGRAM SERVICES - MODIFIED CASH BASIS  
YEAR ENDED DECEMBER 31, 2015**

	Program Services			Total
	Membership Services	Program Expense	Contracting Expenses	
<b>EXPENSES</b>				
Salaries and Wages	\$ 46,071	\$ 123,552	\$ 45,078	\$ 214,701
Employee Benefits	5,800	8,948	1,468	16,216
Payroll Taxes	3,389	9,387	3,420	16,196
Consulting Expenses	-	212	43,181	43,393
Professional Fees	2,422	7,816	2,422	12,660
Occupancy	10,911	26,187	-	37,098
Equipment Rental/Maintenance	1,216	3,649	1,216	6,081
Postage and Shipping	898	1,324	356	2,578
Supplies	244	836	244	1,324
Telephone	1,123	3,781	1,146	6,050
Staff Training	631	48	-	679
Travel	11	309	-	320
Insurance	786	2,358	786	3,930
Depreciation	363	205	116	685
Dues and Subscriptions	1,920	7,824	1,920	11,664
Webinars and Workshops	-	9,360	-	9,360
Standards for Excellence				
Program	-	9,882	-	9,882
Advocacy Expense	-	1,215	-	1,215
Publications	385	500	-	885
Annual Conference	-	40,998	-	40,998
Member Services	2,283	-	-	2,283
Miscellaneous Expenses	1,700	1,786	-	3,486
<b>TOTAL EXPENSES</b>	<b>\$ 80,153</b>	<b>\$ 260,177</b>	<b>\$ 101,353</b>	<b>\$ 441,684</b>