

**PENNSYLVANIA
TOURISM
SIGNING TRUST**

**2021-2022
ANNUAL REPORT**

TABLE OF CONTENTS

	<u>Section</u>
Background and History of Program	1
Board Members-Trustees & Representatives Consultants & Staff	2
Participating Businesses and Project Update	3
Auditor's Report	4

Section 1

**Background and
History of Program**

PENNSYLVANIA TOURISM SIGNING TRUST

(Formerly the Pennsylvania Logo Signing Trust)

ANNUAL REPORT

SEPTEMBER 1, 2021 - AUGUST 31, 2022

BACKGROUND

The Pennsylvania Logo Signing Program, administered by the Pennsylvania Tourism Signing Trust (formerly Pennsylvania Logo Signing Trust) is a public service for the traveling public on Pennsylvania highways through an effective partnership between public and private sectors. The Trust is a not-for-profit entity operating under PennDOT guidelines. The Trust's responsibilities include administration, contracting, engineering, construction, maintenance and repairs of signs, as well as the overall daily operation of the program. The program is administered on a day-to-day basis by a third-party Administrator; thus having responsibility to qualify all potential program participants. All logos signs are designed, constructed, and maintained under Department supervision.

HISTORY OF THE PROGRAM

On July 31, 2007, the Trust Agreement was amended for the fourth time with the following major changes:

- Expand the responsibilities of the Trust to include oversight of the existing regional Southwestern Pennsylvania Signing Program and future regional wayfinding programs in other tourism regions for the State
- Create regional advisory boards to develop regional wayfinding signing business plans and assist in the marketing of signage with their respective tourism regions, subject to the approval of the Trust.
- Restructure the Trust composition to include the current seven (7) representative segments (gas, food, lodging, camping, attractions, outdoor advertising, and the traveling public, as well as one representative from PennDOT and one representative from the Pennsylvania Department of Community and Economic Development (DCED)
- Change the name of the Trust from Pennsylvania Logo Signing Trust to the Pennsylvania Tourism Signing Trust

The Trust Agreement was updated in August 2009, with the First Amendment to the Restated and Amended Trust Agreement and in July 2009, with the Second Amendment to the Restated and Amended Trust Agreement and was approved with minor changes:

- The discontinuation of the Wayfinding Program

On November 2016, the Second Restated and Amended Declaration of Trust of Pennsylvania Tourism Signing Trust were amended with the following minor changes.

- The clarification of TODS (Tourist Oriented Directional Signs) by adding a description of the colors of the signs to the definition of "Tourist Oriented Directional Signs (TODS)" as well as adding TODS to the definition of "Program(s)" under Article I
- The deletion of all language associated with Regional Signing Committees as well as Regions and Regional Steering Committees
- To show the final condition of and manner of effecting the amendment, namely, the execution of the document by the Trustees, and the approval and execution of the Representative of PENNDOT. Such execution and approval is required by Article VII (a) of the existing Trust Agreement. The phrase "both . . . and these DCED" has been deleted because such approval is not so required

Section 2
Board Members
Trustees &
Representatives
Consultants & Staff

TRUSTEES

The Pennsylvania Tourism Signing Trust is governed by a nine (9) member board consisting of seven (7) Trustees representing the gas, food, lodging, camping, attractions, outdoor advertising and traveling public segments as well as one Representative from each of the two state agencies, PennDOT and DCED.

The board members and consultants as of August 31, 2022, are listed below:

Board Members:

Trustees

Mike LaCesa - Gas
Director of Real Estate, Sheetz, Inc.

Wendy Braumbaugh – Food
Cracker Barrel, Inc.

Mark Morath - Lodging
Hospitality Asset Management Company

David Mull - Camping
Shady Brook Campground & Boat Rental, LLC

Cathy Wegener - Attractions
Berks County Heritage Center

Jim Vlasach - Outdoor Advertising
VP of Regional Development, Lamar Advertising

Ted Leonard - Traveling Public
Manager, PA AAA Federation

Representatives

Louis Belmont, P.E. - PennDOT (ending 11/2021)
Derrick Herrman, P.E. - PennDOT (beginning 01/2022)
District Traffic & Operations Engineer
PA Department of Transportation, Engineering District 5-0

Representatives Continued

Michael Chapaloney - DCED
Deputy Secretary, Marketing, Tourism, & Film
PA Department of Community & Economic Development

Consultants & Staff:

PennDOT Liaison:

Justin Smith, P.E.
Ken Reuther, P.E.
Signing & Pavement Markings Unit
PA Department of Transportation
Bureau of Operations
Harrisburg, PA

Legal Counsel:

Keith A. Clark, Chairman
Shumaker Williams, P.C.
Camp Hill, PA

Business Manager:

Carl K. Croft, CPA
Downingtown, PA

Administrator:

Woodfield Financial Services, LLC
Kristen Fvette, Administrator
Loisrae Graybill, Director of Signing Programs
(Additional Woodfield Financial Staff used as needed)

Insurance:

Dennis Kuhnemund
Cook-Kuhnemund Insurance
Ligonier, PA

Accountant:

William Seymour
Stephen Mackall
SB & Company, LLC CPA
Hunts Valley, MD

Engineer:

Chad Decker, P.E.
Mark Conrad, P.E.
Dawood Engineering, Inc.
Harrisburg, PA

Section 3
Participating
Businesses
&
Project Updates

PARTICIPATING BUSINESSES/PROJECT UPDATE

The Logo Signing Program, which serves to designate specific brands of gas, food, lodging and camping services, has been permitted along Interstate Highways in Pennsylvania since 1984. In 1992, PennDOT approved the installation of logo signs along non-interstate highways. In 1997, Pennsylvania was approved to participate in the pilot project for the fifth category of signs, attractions. Beginning in 1999, attractions were identified and provided with applications. For the Fiscal Year September 1, 2021 through August 31, 2022, there are **2,508** businesses participating in the program; **489** gas, **1,264** food, **555** lodging, **15** camping and **183** attractions.

The Trust authorized one new construction Project 100. Project 100-28 was bid and awarded to the contractor in October 2021 with a completion date of March 2022.

The Logo Signing Program uses a fee structure that is applicable to all participating businesses; every participant pays according to the same fee schedule regardless of the sign location or the number of businesses on the overall sign panel. The fee structure was initially designed to help fund the startup costs of the overall program as well as provide for ongoing operational costs of the program. Several subsequent studies for long-term projections for continued maintenance and financial viability of the program have affirmed the structuring of the fees and have provided guidance for managing future adjustments to the fees.

The fee structure consists of two main components, an initial one-time "Participant Fee" that occurs when a business joins the program, and a recurring "Annual Fee". For both the Participant Fee and the Annual Fee, the Trust identifies a separate fee amount for each of the several types of signs in the program; not every business participant requires every type of sign in the program other than the mainline sign – a mainline sign is a prerequisite for obtaining any of the supplemental ramp signs or trailblazer signs. The entire fee structure is applied on a "per approach" or "per direction of travel" basis; participants may opt to be signed in only one direction of travel and are not required to participate on both approaches to an exit. The Participant Fee amounts are static but may be adjusted from time to time by the Trust; the most recent adjustment to the Participant Fee amount occurred in 2007. The Annual Fee amounts are subject to annual adjustments based upon the Cost-of-Living Index, unless such adjustments are modified or waived by the Trust; the Trust waived the Cost-of-Living adjustment to the Annual Fee amounts for this reporting period as well as the prior reporting periods.

Due to the COVID-19 Pandemic the Board of Trustees reduced the 2021 Annual Fee by 50% and the 2022 Annual Fee by 25%. ***The fees below represent the pre-pandemic fees. (It is anticipated the fees in 2023 will resume at the fees listed below, with the possibility of a Cost of Living adjustment).***

For this reporting period, the Participant Fees and the Annual Fees are as follows:

Participant Fees (per each sign)

• Mainline sign	\$7,000.00
• Ramp sign	\$ 250.00
• Trailblazer sign (Logo type)	\$ 200.00
• Trailblazer sign (TODS type – rural area)*	\$ 800.00
• Trailblazer sign (TODS type – urban area)*	\$ 650.00

Annual Fees (per each sign)

• Mainline sign	\$ 326.00
• Ramp sign	\$ 152.00
• Trailblazer sign (Logo type)	\$ 152.00
• Trailblazer sign (TODS type)*	\$ 0.00**

*Unique to the Attraction category

**Attraction is responsible for actual maintenance costs

The Tourist Oriented Directional Signing Program (TODS) is designed to aid the motorist in finding Pennsylvania’s Rural Attractions. TODS are installed on State and local roadways within the geographical location of a business. TODS provide directional signing specifically to eligible businesses that decide to participate. TODS may be authorized along conventional roads, either urban or rural, for eligible types of participating businesses as defined in the TODS Guidelines, which meet the general eligibility requirements, and are approved by the local municipalities within which the TODS are to be located.

Beginning late 2011, PennDOT transferred the administration of the TODS Program to the Pennsylvania Tourism Signing Trust. It was estimated at that time over 2,000 businesses were participating in the TODS Program. Since taking over the Administration of the TODS Program **125 new TODS participants have been signed, bringing the total to 2,260.**

TODS participants are required to sign a TODS Agreement with the Pennsylvania Tourism Signing Trust. The participating business will be billed for the new sign and required to pay prior to the new sign being fabricated and installed. Participants in the TODS program do not pay an annual fee. However, participants are responsible for actual repair costs if a sign is damaged or missing.

For this reporting period, the TODS fees are as follows:

Urban Areas (48" x 16" sign)

- \$650.00 per sign

Rural Areas (72" x 24" sign)

- \$800.00 per sign

The Pennsylvania Tourism Signing Trust Board of Trustees has the fiduciary responsibility for the Logo Signing Program as well as the TODS Program, establishing and implementing all participant costs.

The fiscal year for the Pennsylvania Tourism Signing Trust is September 1 through August 31. A year-end audit of the fiscal year 2021-2022 was conducted by an independent accounting firm, SB & Company, LLC CPA which prepares the financial statements for review and approval by PennDOT and the Board of Trustees. (Copy is included)

In summary, the Pennsylvania Logo Signing Program and the TODS Program continues to receive a positive response from the business community and traveling motorists. It has helped to facilitate the safe flow of vehicular traffic by providing information likely to be needed or useful to individuals traveling a particular route.

Section 4

Auditor's Report

PENNSYLVANIA TOURISM SIGNING TRUST

Financial Statement for the Fiscal Year

September 1, 2021 through August 31, 2022

Independent Auditor's Report

As Prepared By

SB & Company, LLC CPA

PENNSYLVANIA TOURISM SIGNING TRUST
Financial Statements and Supplementary Schedule
Together with Report of Independent Public Accountants
For the Years Ended August 31, 2022 and 2021



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

AUGUST 31, 2022 and 2021

CONTENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to the Financial Statements	7
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances (Unaudited)	19
Report of Independent Public Accountants on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees
Pennsylvania Tourism Signing Trust
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pennsylvania Tourism Signing Trust (the Trust), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of August 31, 2022 and 2021, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.



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Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the schedule of revenue, expenditures and changes in fund balances (unaudited). Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the Trust's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal controls over financial reporting and compliance.

Owings Mills, Maryland
December 8, 2022

SB & Company, LLC

PENNSYLVANIA TOURISM SIGNING TRUST

Statements of Financial Position As of August 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 4,006,815	\$ 3,526,877
Investments	4,597,278	1,579,638
Certificates of deposit	9,069,517	12,401,042
Accounts receivable	50,132	147,108
Prepaid expenses	36,926	35,504
Accrued interest and dividend income	12,524	31,963
Prepaid project costs	16,260	-
Other assets	22,049	5,535
Total Assets	\$ 17,811,501	\$ 17,727,667
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 122,505	\$ -
Deferred revenue	694,225	511,057
Total Liabilities	816,730	511,057
Net Assets		
Without donor restrictions		
Undesignated	10,166,776	10,388,615
Board-designated	6,827,995	6,827,995
Total Net Assets	16,994,771	17,216,610
Total Liabilities and Net Assets	\$ 17,811,501	\$ 17,727,667

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

PENNSYLVANIA TOURISM SIGNING TRUST

Statements of Activities

For the Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues and Gains		
Sign and logo installation	\$ 519,650	\$ 611,750
Annual fees	939,963	1,001,471
Insurance proceeds from claims	-	7,484
Interest and dividend income, net	148,585	233,470
Unrealized loss on investments	(468,630)	(254,303)
Realized gain on sale of investments	1,332	10,658
Other income	55,684	44,500
Total Revenues and Gains	<u>1,196,584</u>	<u>1,655,030</u>
Expenses		
Program expenses	1,298,209	1,635,853
Management and general	120,214	109,170
Total Expenses	<u>1,418,423</u>	<u>1,745,023</u>
Change in net assets	(221,839)	(89,993)
Net assets, beginning of year	17,216,610	17,306,603
Net Assets, End of Year	<u>\$ 16,994,771</u>	<u>\$ 17,216,610</u>

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

PENNSYLVANIA TOURISM SIGNING TRUST

Statements of Cash Flows For the Years Ended August 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in Net Assets	\$ (221,839)	\$ (89,993)
Adjustments to reconcile changes in net assets to net cash:		
Unrealized loss on investments	468,630	254,303
Bad debt expense	58,819	-
Effect of changes in non-cash operating assets and Liabilities:		
Accounts receivable	38,157	(3,447)
Prepaid expenses	(1,422)	(2,041)
Accrued interest and dividend income	19,439	9,699
Prepaid project costs	(16,260)	-
Other assets	(16,514)	(4,015)
Accounts payable	122,505	(94,342)
Deferred revenue	183,168	(243,006)
Net Cash Flows from Operating Activities	634,683	(172,842)
Cash Flows Used In Investing Activities		
Purchase of investments	(6,104,745)	(6,813,549)
Proceeds from sale of investments	5,950,000	6,587,290
Net Cash Flows Used in Investing Activities	(154,745)	(226,259)
Net change in cash and cash equivalents	479,938	(399,101)
Cash, beginning of year	3,526,877	3,925,978
Cash, End of Year	\$ 4,006,815	\$ 3,526,877

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

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

1. DESCRIPTION OF THE ORGANIZATION

The Pennsylvania Tourism Signing Trust (the Trust) was established by the Pennsylvania Tourism and lodging Association on September 21, 1984 to administer a Sign Program for the benefit of the Pennsylvania Department of Transportation (PennDOT) and the traveling public. The Sign Program, which markets and administers the engineering and construction of signs that display the name, brand, symbol or trademark of various roadside businesses and organizations, is implemented on Pennsylvania limited access highways.

Effective July 31, 2007, the Trust Agreement was amended to change the Trust's name from Pennsylvania Logo Signing Trust to Pennsylvania Tourism Signing Trust to expand the Sign Program and to include a tourism Wayfinding Signing Program for other than limited access highways similar to the current PennDOT TODS (Tourism Oriented Direction Signing) Program. Effective September 1, 2011, the Wayfinding Signing Program merged with the PennDOT TODS program. The Trust assumed responsibility for administering this program as a result of the merger.

Effective April 30, 2009, the Trust merged with Southwestern Pennsylvania Signing Trust to expand the Wayfinding Signing Program.

The Trust operates as a fiduciary entity for the Sign Program in that it receives payments from business participants which are used to pay the costs necessary in constructing and maintaining the signs. All of the Trust's revenues and uncollateralized trade receivables are from the travel and hospitality industry and from participants located in Pennsylvania.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Trust are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the reporting date, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and deferred revenue approximate fair value because of the short maturity of these instruments.

Liquidity

Financial assets of the Trust are primarily comprised of cash and cash equivalents, investments, and certificates of deposit. The Board of the Trust designates certain assets to be utilized for sign replacements.

The Trust structures its financial assets to be available as general expenditures and other obligations come due. To achieve this, the Trust forecasts its future cash flows and monitors its liquidity on a monthly basis. Management and the Board have been monitoring the Trust's cash balances to ensure that there is at least 3 months of working capital available throughout the year.

The following table summarizes the Trust's financial assets available, that is without donor or other restrictions limiting their use, for general expenditure within one year of the balance sheet date:

Cash and cash equivalents	\$ 4,006,815
Investments	4,597,278
Certificates of deposit	9,069,517
Accounts receivable, net	50,132
Available financial assets	<u>17,723,742</u>
Less financial assets unavailable for expenditure:	
Net assets without donor restrictions - board designated	6,827,995
Net available financial assets	<u>\$ 10,895,747</u>

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments purchased with an original maturity of twelve months or less.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts written off when they are determined to be uncollectible based upon management's assessment of individual accounts. Management has determined that all accounts receivable as of August 31, 2022 and 2021, are collectible, and no allowance for uncollectible accounts was necessary.

Fixed Assets

The Trust records purchased fixed assets at cost and donated assets at their fair value at the date of donation. Depreciation is provided on the straight-line method over the estimated useful lives of the assets. As of August 31, 2022 and 2021, all fixed assets are fully depreciated.

Deferred Revenue

Deferred revenue represents payments received from new participants for logos which have not been placed on road signs. Deferred revenue also includes payments received from participants for annual fees for periods not yet incurred.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by the Trust have been restricted by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Net assets with donor restrictions also consist of funds that are restricted by donors to be maintained by the Trust in perpetuity. The Trust has no net assets with donor restrictions as of August 31, 2022 and 2021.

The Trust has self-imposed board designations on assets. These assets are classified as net assets without donor restrictions designated by the board for the respective uses.

In-Kind Support

The Trust recognizes contributed professional services if the services received (1) create or enhance nonfinancial assets, or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed professional services during the years ended August 31, 2022 and 2021.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In-Kind Support (continued)

The Trust receives a significant amount of unskilled, contributed time, primarily from the board of trustees, which does not meet either of the two criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Advertising

The Trust expenses advertising costs as they are incurred. There were no advertising costs for the years ended August 31, 2022 and 2021.

Restricted and Unrestricted Support and Revenue

Revenues are generally recognized when sign construction is completed and logos are installed or mounted after approval by PennDOT. Maintenance fee revenue is recognized when incurred, except as noted below.

Costs associated with sign construction are capitalized as prepaid costs until the related construction project is substantially completed and approved by PennDOT.

Costs associated with the completed construction, installation and maintenance of the signs are expensed as title to all signs vests with PennDOT.

Contributions received are recorded as net assets without donor restrictions, or net assets with donor restrictions support, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions.

Gifts of cash and other assets are reported as with donor restrictions support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. All direct costs are charged to the specific program or supporting service. Management and general expenses include those expenses that are not directly identified with the program but provide for the overall support and direction of the Trust.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Trust is exempt from federal income tax as provided by Code Section 501(c)(4) of the Internal Revenue Code. The provisions included in accounting principles generally accepted in the United States of America provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. The Trust performed an evaluation of uncertain tax positions as of August 31, 2022 and 2021 and determined that there were no matters that would require recognition in the financial statements, or which may have any effect on its tax-exempt status.

As of August 31, 2022, the statute of limitations for fiscal years 2019 through 2022 remains open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which the Trust files tax returns. It is the Trust's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates a singular reporting model for leases. This standard will require entities to record changes to its statement of financial position to reflect balances for current leases that are not shown in the consolidated statement of financial position. This standard will be effective for periods beginning after December 15, 2021.

Management is evaluating the effects of this pronouncement on the financial statements and will implement this pronouncement by its effective date. Management does not believe the adoption of this pronouncement will have a material effect on the financial statements.

Subsequent Events

The Trust evaluated the accompanying financial statements for subsequent events and transactions through December 8, 2022, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

3. CASH AND CASH EQUIVALENTS

The carrying amount of the Trust's deposits was \$4,006,815 and \$3,526,877 as of August 31, 2022 and 2021, respectively. The Trust has deposits of \$3,380,088 and \$3,590,332 as of August 31, 2022 and 2021, respectively, in financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) which was collateralized by the pledging bank's trust department as permitted by Act No. 72 of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of federal depository insurance limits.

4. INVESTMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

4. INVESTMENTS (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of August 31, 2022 and 2021.

Mutual funds: Stated at the closing price reported on the active market on which the individual securities are used.

Certificates of deposit and Government/government agency bonds: Valued based on financial instruments with similar terms and interest rates.

The following tables set forth by level, within the fair value hierarchy, the Trust's investments at fair value as of August 31, 2022 and 2021:

<u>Assets at Fair Value at August 31, 2022</u>				
<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 12,795	\$ 12,795	\$ -	\$ -
Certificates of Deposit	9,069,517	-	9,069,517	-
Government/Government Agency Bonds	4,584,483	-	4,584,483	-
Total	<u>\$ 13,666,795</u>	<u>\$ 12,795</u>	<u>\$ 13,654,000</u>	<u>\$ -</u>

<u>Assets at Fair Value at August 31, 2021</u>				
<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 257,235	\$ 257,235	\$ -	\$ -
Certificates of Deposit	12,401,042	-	12,401,042	-
Government/Government Agency Bonds	1,322,403	-	1,322,403	-
Total	<u>\$ 13,980,680</u>	<u>\$ 257,235</u>	<u>\$ 13,723,445</u>	<u>\$ -</u>

Transfers between Levels

For the year ended August 31, 2022, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

4. INVESTMENTS (continued)

The components of investment income for the years ended August 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Realized gain	\$ 1,332	\$ 10,658
Unrealized loss	(468,630)	(254,303)
Interest and dividend income	169,325	254,499
Less: investment management fees	<u>20,740</u>	<u>21,029</u>
	<u>\$ (318,713)</u>	<u>\$ (10,175)</u>

The Trust's investments, both undesignated and board-designated, comprise the following as of August 31:

	<u>2022</u>	<u>2021</u>
Sign Replacement Program's		
Mutual Funds:		
Original Cost	\$ 12,795	\$ 257,235
Adjustment to Fair Value for Unrealized Gain/(Loss)	-	-
	<u>12,795</u>	<u>257,235</u>
Government/Government Agency Bonds		
Original Cost	4,584,375	1,286,951
Amortized Cost	4,584,375	1,286,951
Adjustment to Fair Value for Unrealized Gain/(Loss)	108	35,452
	<u>4,584,483</u>	<u>1,322,403</u>
Certificates of Deposit		
Original Cost	<u>9,069,517</u>	12,401,042
Total Investments	<u>\$ 13,666,795</u>	<u>\$ 13,980,680</u>

5. PREPAID PROJECT COSTS

The Trust constructs new mainline signs in project phases (currently Project 100). All of the construction costs are capitalized as prepaid project costs and revenue collected is recorded as deferred revenue during the construction phase. When the project is complete and the signs are accepted by PennDOT, the related income and expense is recognized by the Trust. Prepaid project costs were \$16,620 as of August 31, 2022. See Note 6 for deferred revenue balances.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

6. DEFERRED REVENUE

Deferred revenue consists of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Annual Fees	\$ 394,600	\$ 256,657
Project 10 Revenue	189,800	188,850
Project 100 Revenue	101,975	42,000
TODS Revenue	7,850	23,550
	<u>\$ 694,225</u>	<u>\$ 511,057</u>

7. BOARD-DESIGNATED ASSETS

Assets designated by the board comprise the following at August 31:

	<u>2022</u>	<u>2021</u>
Sign Replacements	\$ 6,827,995	\$ 6,827,995

Additional assessments may be made against the participants for sign replacements, as allowed under the contracts between Logo participants and the Trust.

8. ADMINISTRATION

In November 2015, the Trust entered into a contract with Woodfield Financial Services, LLC (WFS) to administer the Trust. The Trust was under contract with WFS for a term of two years ending in October 2017. In July 2017, the Trust renewed their contract with WFS with a 36-month renewal option through October 2020. The contract fee was a fixed monthly fee of \$32,773 for the period November 1, 2018 through October 31, 2019, and \$33,428 for the period November 1, 2019 through October 31, 2020. The contract was subsequently extended for a three-month period through January 31, 2021 at a fixed monthly fee of \$33,428. In November 2020, the contract was extended for a term of two years through January 2023 at a fixed monthly fee of \$37,750.

9. COMMITMENTS AND CONTINGENCIES

General

In the normal course of business, the Trust may be subject to pending and threatened lawsuits in which claims for monetary damages could be asserted. In management's opinion, the Trust's financial position and results of operations would not be materially affected by the outcome of such potential legal proceedings.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

9. COMMITMENTS AND CONTINGENCIES (continued)

Leases

In 2012, the Trust entered into a 60-month operating lease for office space through August 31, 2017. In December of 2016, the lease was extended for an additional 60-month period through August 31, 2022. The base monthly rent was \$1,612 and increased by 3% annually on September 1. The office space lease also included a lease for storage space at an additional \$100 per month.

In June 2020, the Trust entered into a new 60-month operating lease for office space beginning June 1, 2020 through May 31, 2025. The base monthly rent is \$2,400 and will increase by 2.5% annually on June 1.

Future minimum lease payments under the operating leases as of August 31, 2022, were as follows:

<u>Years Ending August 31,</u>	<u>Amount</u>
2023	\$ 30,453
2024	31,215
2025	23,850
Total	\$ 85,518

Total office lease expense was \$29,766 and \$29,040 for the years ended August 31, 2022 and 2021, respectively.

PENNSYLVANIA TOURISM SIGNING TRUST

Notes to the Financial Statements August 31, 2022 and 2021

10. FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of expenses is based on the amount of direct cost spent on the activity. The functional allocation was as follows for the years ended August 31, 2022 and 2021:

	2022		
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Totals</u>
	<u>Sign Program</u>	<u>Management and General</u>	
Engineering and construction	\$ 545,053	\$ -	\$ 545,053
Adminstration	453,000	-	453,000
Professional fees	-	57,517	57,517
Insurance - general business	-	13,646	13,646
Insurance - signs	60,837	-	60,837
Maintenance and repairs	239,319	-	239,319
General operating	-	49,051	49,051
Total	\$ 1,298,209	\$ 120,214	\$ 1,418,423

	2021		
	<u>Program Services</u>	<u>Supporting Services</u>	<u>Totals</u>
	<u>Sign Program</u>	<u>Management and General</u>	
Engineering and construction	\$ 682,918	\$ -	\$ 682,918
Adminstration	431,392	-	431,392
Professional fees	-	52,756	52,756
Insurance - general business	-	11,410	11,410
Insurance - signs	58,634	-	58,634
Maintenance and repairs	462,909	-	462,909
General operating	-	45,004	45,004
Total	\$ 1,635,853	\$ 109,170	\$ 1,745,023

Management and general expenses include those expenses that are not directly identified with the program, but provide for the overall support and direction of the Trust. All direct costs are charged to the specific program or supporting service.

SUPPLEMENTARY INFORMATION

PENNSYLVANIA TOURISM SIGNING TRUST

Schedule of Revenues, Expenditures and Changes in Fund Balances (Unaudited)
 Period September 21, 1984 (Inception) to August 31, 2022

	Phase Construction Phases I to VIII	Project Construction Fund	Maintenance and Replacement Fund	Operating	Replacement	TODS/ Wayfinding	Total
Revenues							
Sign and Logo Installation	\$ 2,309,273	\$ 11,450,461	\$ -	\$ 14,635,874	\$ -	\$ 487,559	\$ 28,883,167
Customer Refunds	-	-	-	(302,388)	-	(2,400)	(304,788)
Construction Delay Damages	18,400	28,800	-	14,400	-	-	61,600
Maintenance Fees and Other Income	-	-	1,336,181	29,136,443	-	-	30,472,624
Insurance Refunds	-	-	45,929	1,079,777	-	-	1,125,706
Interest and Dividend Income	81,180	104,684	225,956	1,569,540	4,813,658	73,001	6,868,019
Total Revenues	2,408,853	11,583,945	1,608,066	46,133,646	4,813,658	558,160	67,106,328
Expenditures							
Engineering and Construction	1,915,393	10,483,579	-	13,876,214	2,798,497	533,841	29,607,524
Administration	268,229	277,880	229,324	7,730,352	-	-	8,505,785
Professional Fees	83,897	84,644	22,839	2,135,609	-	-	2,326,989
Insurance - General Business	30,840	35,279	15,549	305,637	-	-	387,305
Insurance - Signs	-	-	87,159	2,366,099	-	-	2,453,258
Maintenance and Repairs	-	-	180,355	4,830,377	-	52,522	5,063,254
Salaries and Related Expenses	-	-	-	217,003	-	-	217,003
Computer Consulting	-	-	-	229,622	-	-	229,622
Depreciation	-	342	420	98,367	-	-	99,129
Donations	-	-	-	14,263	-	-	14,263
Outsourced Services	-	-	-	99,120	-	-	99,120
General Operating	-	6,523	5,344	983,868	-	-	995,735
Total Expenditures	2,298,359	10,888,247	540,990	32,886,531	2,798,497	586,363	49,998,987

PENNSYLVANIA TOURISM SIGNING TRUST

Schedule of Revenues, Expenditures and Changes in Fund Balances (Unaudited) (continued)
 Period September 21, 1984 (Inception) to August 31, 2022

	Phase Construction Phases I to VIII	Project Construction Fund	Maintenance and Replacement Fund	Operating	Replacement	TODS/ Wayfinding	Total
Excess of Revenues over							
Expenditures Before Gain/(Loss)	110,494	695,698	1,067,076	13,247,115	2,015,161	(28,203)	17,107,341
on Sale of Investments	-	-	-	(2,095)	(60,880)	-	(62,975)
Realized Gain/(Loss) on Sale of							
Investments	-	-	-	(2,095)	(60,880)	-	(62,975)
Excess of Revenues over							
Expenditures	110,494	695,698	1,067,076	13,245,020	1,954,281	(28,203)	17,044,366
Unrealized Gains/(Losses) on							
Investments	-	(5,993)	(8,397)	(1,032)	(91,407)	57,234	(49,595)
Fund Transfers							
Year Ended August 31, 1991	(110,494)	-	110,494	-	-	-	-
Year Ended August 31, 1994	-	(419,987)	(1,169,173)	419,987	1,169,173	-	-
Year Ended August 31, 1996	-	-	-	(250,000)	250,000	-	-
Year Ended August 31, 1998	-	-	-	(180,000)	180,000	-	-
Year Ended August 31, 1999	-	-	-	(540,000)	540,000	-	-
Year Ended August 31, 2001	-	-	-	(450,000)	450,000	-	-
Year Ended August 31, 2003	-	-	-	(410,000)	410,000	-	-
Year Ended August 31, 2007	-	-	-	(2,000,000)	-	2,000,000	-
Year Ended August 31, 2012	-	-	-	2,000,000	-	(2,000,000)	-
Year Ended August 31, 2017	-	-	-	(1,500,000)	1,500,000	-	-
Year Ended August 31, 2018	-	-	-	(497,722)	497,722	-	-
Year Ended August 31, 2019	-	-	-	(1,116,943)	1,116,943	-	-
Year Ended August 31, 2020	-	-	-	(1,448,523)	1,448,523	-	-
Year Ended August 31, 2021	-	-	-	-	-	-	-
Year Ended August 31, 2022	-	-	-	-	-	-	-
Total Fund Transfers	(110,494)	(419,987)	(1,058,679)	(5,973,201)	7,562,361	-	-
Fund Balance, End of Year	\$ -	\$ 269,718	\$ -	\$ 7,270,787	\$ 9,425,235	\$ 29,031	\$ 16,994,771



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Pennsylvania Tourism Signing Trust
Harrisburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pennsylvania Tourism Signing Trust (the Trust) as of and for the year ended August 31, 2022 and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal controls over financial reporting (internal controls) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal controls.

A deficiency in internal controls exists when the design or operation of a controls does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Trust' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
December 8, 2022

S B & Company, LLC