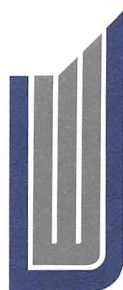




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**UMBREIT
WILECZEK**
& ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

Timothy D. Umbreit, CPA, CGMA
Kathleen A. Wileczek, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pennsylvania Home of the Sparrow
Exton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Pennsylvania Home of the Sparrow (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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 accounting principles generally accepted in the United States of America; this includes 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 audits. We conducted our audits 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. 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 financial position of Pennsylvania Home of the Sparrow as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Umbreit, Wilczek & Associates, P.C.

Kennett Square, PA
September 15, 2020

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 1,206,624	\$ 870,817
Restricted	37,330	83,412
Accounts receivable	-	5,000
Unconditional promises to give	10,000	-
Prepaid expenses	4,741	4,516
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	1,258,695	963,745
Investments	30,042	29,953
Property and equipment, net	523,073	551,313
	<hr/>	<hr/>
TOTAL ASSETS	<u><u>\$ 1,811,810</u></u>	<u><u>\$ 1,545,011</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 500
Accrued expenses	791	-
Deferred revenue	8,000	-
Note payable	137,000	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	145,791	500
Security deposits	1,260	-
	<hr/>	<hr/>
TOTAL LIABILITIES	147,051	500
NET ASSETS		
Without donor restrictions	1,253,411	1,294,488
With donor restrictions	411,348	250,023
	<hr/>	<hr/>
TOTAL NET ASSETS	1,664,759	1,544,511
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,811,810</u></u>	<u><u>\$ 1,545,011</u></u>

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	Total 2019
SUPPORT, REVENUES, AND RECLASSIFICATIONS						
Contributions	\$ 798,109	\$ 204,060	\$ 1,002,169	\$ 1,316,229	\$ 150,080	\$ 1,466,309
Contributions in-kind	104,000	-	104,000	34,500	-	34,500
Government support	173,149	55,000	228,149	149,235	190,000	339,235
Investment income (net)	16,538	89	16,627	3,645	889	4,534
Program fees	37,659	-	37,659	28,325	-	28,325
Special events, net of direct costs	50,981	-	50,981	166,942	-	166,942
Miscellaneous	600	-	600	-	-	-
Net assets released from restrictions	97,824	(97,824)	-	119,930	(119,930)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	1,278,860	161,325	1,440,185	1,818,806	221,039	2,039,845
EXPENSES						
Program services	1,098,080	-	1,098,080	1,022,343	-	1,022,343
Management and general	97,262	-	97,262	102,048	-	102,048
Fundraising	124,595	-	124,595	157,749	-	157,749
TOTAL EXPENSES	1,319,937	-	1,319,937	1,282,140	-	1,282,140
CHANGES IN NET ASSETS	(41,077)	161,325	120,248	536,666	221,039	757,705
NET ASSETS - BEGINNING OF YEAR	1,294,488	250,023	1,544,511	757,822	28,984	786,806
NET ASSETS - END OF YEAR	\$ 1,253,411	\$ 411,348	\$ 1,664,759	\$ 1,294,488	\$ 250,023	\$ 1,544,511

PENNSYLVANIA HOME OF THE SPARROW

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	Program Services	Management and General	Fundraising	Total 2020	Program Services	Management and General	Fundraising	Total 2019
COMPENSATION RELATED								
Salaries	\$ 510,310	\$ 51,031	\$ 76,546	\$ 637,887	\$ 501,996	\$ 51,231	\$ 103,578	\$ 656,805
Employee benefits	9,793	979	1,469	12,241	11,992	1,222	2,471	15,685
Payroll taxes	42,894	303	6,481	49,678	42,569	295	8,352	51,216
Worker's compensation insurance	7,812	781	1,172	9,765	7,834	800	1,617	10,251
TOTAL COMPENSATION RELATED	570,809	53,094	85,668	709,571	564,391	53,548	116,018	733,957
Accounting and legal	-	28,300	-	28,300	-	31,750	-	31,750
Advertising	6,896	690	4,189	11,775	6,483	662	1,338	8,483
Client assistance	296,745	-	-	296,745	227,951	-	-	227,951
Depreciation and amortization	26,902	535	803	28,240	27,192	576	1,165	28,933
Dues and subscriptions	4,008	258	386	4,652	5,561	567	1,147	7,275
Equipment rental	3,530	353	529	4,412	4,529	462	934	5,925
Insurance	9,385	939	1,408	11,732	8,688	887	1,793	11,368
License, tax and registrations	241	10	165	416	929	10	20	959
Meetings and training	6,056	939	353	7,348	6,485	450	910	7,845
Miscellaneous	200	-	-	200	-	-	-	-
Office expense	16,900	1,357	3,158	21,415	21,099	2,054	8,529	31,682
Printing and postage	5,922	592	2,318	8,832	1,870	190	620	2,680
Professional services	38,468	3,847	16,094	58,409	46,911	4,562	12,474	63,947
Rent	43,952	4,395	6,593	54,940	39,591	4,040	8,169	51,800
Repairs and maintenance	17,577	160	241	17,978	6,596	169	342	7,107
Telephone and internet	14,864	961	1,441	17,266	14,480	1,035	2,093	17,608
Travel	16,417	144	217	16,778	22,648	371	751	23,770
Utilities	19,208	688	1,032	20,928	16,939	715	1,446	19,100
TOTAL EXPENSES	<u>\$ 1,098,080</u>	<u>\$ 97,262</u>	<u>\$ 124,595</u>	<u>\$ 1,319,937</u>	<u>\$ 1,022,343</u>	<u>\$ 102,048</u>	<u>\$ 157,749</u>	<u>\$ 1,282,140</u>

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 120,248	\$ 757,705
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	28,240	28,933
Net realized and unrealized loss on investments	257	955
Donations of marketable securities	(45,528)	(46,707)
(Increase) decrease in operating assets:		
Accounts receivable	5,000	(2,500)
Unconditional promises to give	(10,000)	-
Prepaid expenses	(225)	3,249
Increase (decrease) in operating liabilities:		
Accounts payable	(500)	(20,950)
Accrued expenses	791	(219)
Deferred revenue	8,000	-
Security deposits	1,260	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>107,543</u>	<u>720,466</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(11,878)
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(11,878)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of investments	(801)	-
Proceeds from sale of investments	45,983	44,783
Proceeds from note payable	137,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>182,182</u>	<u>44,783</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	289,725	753,371
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>954,229</u>	<u>200,858</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,243,954</u>	<u>\$ 954,229</u>

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019****NOTE 1 – NATURE OF ACTIVITIES**

Pennsylvania Home of the Sparrow (the “Organization”) is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing housing, supportive services and educational opportunities for low-income women and children who are facing or experiencing homelessness. The Organization accepts clients from counties in Pennsylvania who are residents of Chester County.

The Organization continues to operate two key programs to prevent women and children from ever experiencing homelessness. The Supportive Housing Program provides rental subsidies combined with intensive case management, allowing families’ time to become financially stable. The Eviction Prevention Program provides emergency funds to women who have received eviction notices.

The Pre-Senior Bridge Housing program focuses on the transitional housing needs of women between the ages of 55 and 62. The Program provides temporary housing at one of two locations the Organization owns and operates. The Organization also provides case management and increased access to critical benefits and resources, while helping women access permanent, most often senior-subsidized, housing.

The Share Housing Program is an innovative solution that creates affordable housing utilizing existing construction. Homeowners (most often senior women who would otherwise be unable to afford to keep their homes) and home-seekers (women experiencing homelessness or need of affordable housing) work with Program Coordinators through a careful matching process. The Program Coordinators match two women based on applications submitted by both parties. Each participant is subject to a Pennsylvania state police background check and a child abuse clearance.

The Graduate Outreach Program is a continuous service provision, offering an ongoing network of support, counseling, and a continuous line of communication. This program provides support with basic needs, mental and physical health, education, school supplies, holiday programs and children’s activities throughout the year.

In 2016, the Organization began a partnership with the Chester County Adult Probation, Parole and Pre-Trial Services Office to provide housing stabilization plans and supportive services for justice-involved women in the Chester County Prison. The goal is to coordinate successful reentry into the community and prevent recidivism and reoffending.

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Financial Statement Presentation**

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized.

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

Donor-Restricted Endowment Fund

An endowment fund that is created by a donor stipulation requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains or both be added to the gift and invested subject to similar restrictions. The Organization's endowment fund is managed by the Chester County Community Foundation. Up to 5% of the investment value at year-end may be used to fund the ongoing future operations of the Organization.

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Contributions and Grants**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts.

Donated Services

The Organization enjoys a vibrant volunteer program. Its 13-member Board of Directors serve as a governing board, as well as the Organization's principal fund raisers. All board members serve on at least one of the Organization's standing committees, which include governance and nominating, finance and development. All board members contribute to the Organization's annual appeal.

In addition, community volunteers serve on special event committees, complete necessary maintenance and repairs on the Organization's residences, assist clients with childcare and transportation and perform clerical tasks in the administrative office.

As part of the Organization's volunteer program, local community members, service clubs, church groups and corporations, as well as Boy Scouts working toward their Eagle Awards and Girl Scouts working toward their Silver and Gold Awards, complete maintenance, repair and landscaping projects at the Organization's two residences. In many cases, these individuals and groups donate funds to offset the cost of these projects. Funds received from these sources are recorded as contributions without donor restrictions.

Accounting standards require that only volunteer services that (1) create or enforce long-lived assets or (2) require specialized skills provided by individuals possessing skills that would typically need to be purchased if not donated must be recorded. The value of these services does not meet these requirements.

Management estimates that approximately 7,750 and 8,860 hours have been contributed in the years ended June 30, 2020 and 2019, respectively.

The Organization did not receive donated legal services during the years ended June 30, 2020 and 2019 that met the requirements to be recorded.

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Property and Equipment**

Property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows: buildings and building improvements – 30-39 years, equipment and fixtures – 3-7 years.

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Beginning in the year ended June 30, 2020, the capitalization policy was amended to increase the capitalization threshold to \$2,500.

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Housing and education program costs include utilities, supplies, rent expenses and education expenses to provide a support network and family services. Fund-raising expenses are costs related to campaigns, development, grant writing and other fund-raising efforts. Management and general expenses are costs directly related to the overall operation of the Organization, which are not associated with program or fund-raising services. Certain management and general expenses, such as payroll, employee benefits and payroll taxes, are allocated to program and fund-raising based on the employees' use of their time.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers cash in operating bank accounts, cash on hand and all highly liquid securities purchased with an original maturity of three months or less to be cash and cash equivalents.

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Investments**

Investments in marketable securities are carried at fair value in the statements of financial position. Unrealized and realized gains and losses are included in the change in net assets in the accompanying statements of activities.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2020 and 2019 were \$11,775 and \$8,483, respectively.

Date of Management's Review

Management has evaluated subsequent events through September 15, 2020, the date which the financial statements were available to be issued.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 inputs are unobservable inputs based on the assumptions used to measure assets and liabilities at fair value. 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.

The beneficial interest in perpetual trust (Level 3) is valued at the fair value of the assets in the trust at year-end.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

Promises to give fall under Level 3 in the fair value hierarchy. The recorded amounts approximate fair value and are based on unobservable inputs, including estimated future payment dates and management's past experience collecting similar pledges. There were no changes to valuation techniques used during the fiscal year ended June 30, 2020.

The following table presents assets (Level 3) that are measured at fair value on a recurring basis at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Beneficial interest in perpetual trust	\$ 30,042	\$ 29,953
Unconditional promises to give	<u>10,000</u>	<u>-</u>
	<u>\$ 40,042</u>	<u>\$ 29,953</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

Changes in Level 3 fair value measurements are as follows:

	<u>2020</u>	<u>2019</u>
BALANCE AT BEGINNING OF YEAR	\$ 29,953	\$ 28,984
Contributions	-	80
Investment income	534	1,330
Management fees	(445)	(441)
New unconditional promises to give	<u>10,000</u>	<u>-</u>
BALANCE AT END OF YEAR	<u>\$ 40,042</u>	<u>\$ 29,953</u>

NOTE 4 – INVESTMENTS

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust consists of the Organization's investment in a permanent designated fund managed by the Chester County Community Foundation (the "Foundation"). The Foundation has sole discretion over the ability to retain, invest and reinvest the funds and the power to commingle the endowed assets with those of other funds for investment purposes. At the end of each fiscal year, 5% of the trust's value can

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 – INVESTMENTS (Cont'd)

be distributed and used for the purpose of supporting the nonprofit operating, program and capital needs of the Organization. The distributable amount of trust assets at June 30, 2020 and 2019 is \$1,502 and \$1,498, respectively. The Organization makes appropriations from the trust up to the distributable amount as deemed necessary. The Organization considers the market rate of return and the amount of available funds in the trust when determining its annual spending. No appropriations have been made as of June 30, 2020 and 2019.

Assets of the Organization for which fair values are determined on a recurring basis are summarized as follows:

	2020	2019
	<u>\$ 30,042</u>	<u>\$ 29,953</u>

Investment income consists of the following:

	2020	2019
WITHOUT DONOR RESTRICTIONS		
Interest and dividends	\$ 16,528	\$ 4,663
Realized gain (loss) on sale of donated investments	<u>10</u>	<u>(1,018)</u>
	<u>\$ 16,538</u>	<u>3,645</u>
WITH DONOR RESTRICTIONS		
Interest and dividends	\$ 801	\$ 1,271
Unrealized gain (loss) on investments	(1,253)	(428)
Realized gain on sale of investments	986	487
Management fees	<u>(445)</u>	<u>(441)</u>
	<u>\$ 89</u>	<u>\$ 889</u>

The Organization received donated securities in the amount of \$45,528 and \$46,707 for the years ended June 30, 2020 and 2019, respectively. The securities were recorded at fair market value based on Level 1 quoted market prices. Subsequently, and in accordance with board policy, all donated investments held by the Organization were sold. There are no Level 2 assets included in the total investment assets at June 30, 2020 and 2019.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment are as follows:

	2020	2019
Land	\$ 30,000	\$ 30,000
Buildings and building improvements	764,684	764,684
Equipment and fixtures	115,648	115,648
	<u>910,332</u>	<u>910,332</u>
Accumulated depreciation	<u>(387,259)</u>	<u>(359,019)</u>
	<u>\$ 523,073</u>	<u>\$ 551,313</u>

A summary of property and equipment by location is as follows:

		2020	
	Cost	Accumulated Depreciation	Net
REAL ESTATE			
West Chester, Pennsylvania			
Land	\$ 15,000	\$ -	\$ 15,000
Building	271,579	(209,435)	62,144
Building improvements	84,092	(27,631)	56,461
Coatesville, Pennsylvania			
Land	15,000	-	15,000
Building	210,000	(27,373)	182,627
Building improvements	199,013	(20,587)	178,426
TOTAL REAL ESTATE	<u>794,684</u>	<u>(285,026)</u>	<u>509,658</u>
EQUIPMENT AND FIXTURES	<u>115,648</u>	<u>(102,233)</u>	<u>13,415</u>
	<u>\$ 910,332</u>	<u>\$ (387,259)</u>	<u>\$ 523,073</u>

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 5 – PROPERTY AND EQUIPMENT (Cont'd)

		2019	
	Cost	Accumulated Depreciation	Net
REAL ESTATE			
West Chester, Pennsylvania			
Land	\$ 15,000	\$ -	\$ 15,000
Building	271,579	(200,531)	71,048
Building improvements	84,092	(25,743)	58,349
Coatesville, Pennsylvania			
Land	15,000	-	15,000
Building	210,000	(21,989)	188,011
Building improvements	199,013	(15,484)	183,529
TOTAL REAL ESTATE	794,684	(263,747)	530,937
EQUIPMENT AND FIXTURES	115,648	(95,272)	20,376
	<u>\$ 910,332</u>	<u>\$ (359,019)</u>	<u>\$ 551,313</u>

NOTE 6 – LINE OF CREDIT

In November 2018, the Organization received a \$150,000 line of credit from a bank with a variable interest rate. The interest rate was 4.25% and 6.25% at June 30, 2020 and 2019 respectively. The line of credit is collateralized by real estate owned by the Organization and expires November 30, 2023. No borrowings occurred in the year ended June 30, 2020. There was no balance on the line of credit at June 30, 2020 or 2019.

NOTE 7 – NOTE PAYABLE

The Organization was approved for a \$137,000 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and fully guaranteed by the Federal government.

NOTE 8 – LEASE COMMITMENTS

Operating Leases

In August 2016, the Organization entered into a 36-month operating lease for a new photocopier. The lease requires monthly payments of \$246.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 8 – LEASE COMMITMENTS (Cont'd)

The Organization renewed their current operating lease agreement for a building effective December 1, 2019, for a term of two years. Required monthly payments under the renewal are \$2,900.

The Organization signed an operating lease agreement renewal for garage space effective November 1, 2019, for a term of 12 months. The lease requires monthly payments of \$300 and expires October 31, 2020.

In August 2018, the Organization entered into a 14-month operating lease for additional office space. This lease was renewed for an additional 12 months expiring October 31, 2020. The lease requires monthly payments of \$1,340.

Rent expense for the years ending June 30, 2020 and 2019 for all operating leases were \$54,940 and \$54,750, respectively.

Future minimum rental payments under operating leases are as follows:

Year Ending June 30,	
2021	\$ 44,108
2022	<u>17,019</u>
	<u>\$ 61,127</u>

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. The Organization's money market account is covered under the Securities Investor Protection Corporation (SIPC) in the amount of \$250,000.

Uninsured balances were \$431,337 at June 30, 2020 and \$42,570 at June 30, 2019.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent assets whose use by the Organization is subject to grantor- or donor-imposed restrictions that can be fulfilled through the actions of the Organization or by the passage of time. Net assets with donor restrictions at June 30, 2020 and 2019, consist of grants and donations received but not yet spent for their intended purpose as follows:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specific purposes		
Real estate purchase	\$ 300,000	\$ 150,000
Client assistance program	35,370	70,070
House repairs	8,936	-
Mission lanterns	2,000	-
Subject to timing restrictions	35,000	-
Subject to the Organization's Endowment spending policy and appropriation		
Beneficial interest in perpetual trust (Note 3)	<u>30,042</u>	<u>29,953</u>
	<u>\$ 411,348</u>	<u>\$ 250,023</u>

NOTE 11 – SPECIAL EVENTS

As shown on the statement of activities at June 30, 2020 and 2019, the special event income is net of related expenses. Net special event revenue consist of the following:

	<u>2020</u>	<u>2019</u>
Special event income	\$ 79,497	\$ 304,631
Special event expenses	<u>(28,516)</u>	<u>(137,689)</u>
	<u>\$ 50,981</u>	<u>\$ 166,942</u>

NOTE 12 – MAJOR CONTRIBUTOR

The Organization received a donation of \$150,000 from one individual during the year ended June 30, 2020. The donation represented 10.3% of the Organization's revenue for the year ended June 30, 2020.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 AND 2019

NOTE 13 – LIQUIDITY

As of June 30, 2020, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

Financial assets:

Cash and cash equivalents	\$ 1,243,954
Promises to give	10,000
Donor restricted financial assets	<u>(401,348)</u>
Total financial assets available within one year	<u>\$ 852,606</u>

As part of the Organization's liquidity management, it has a goal to maintain cash and short-term investments on hand to meet 30 days of normal operating expenses, which are on average approximately \$110,000. In addition, any cash in excess of daily requirements is invested in short-term investments, certificates of deposit, or money market funds. To help manage unanticipated liquidity needs, the Organization also could draw upon \$150,000 of available line of credit.

NOTE 14 – COVID-19 IMPACT

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated Wuhan, China and has since spread to other countries including the United States of America. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 19, 2020, Pennsylvania Governor Tom Wolf ordered the closure of the physical location of every "non-life sustaining" business through June 26, 2020. The Organization was considered a life sustaining business and able to continue operations. In the interest of safety for employees and clients served, the Organization implemented procedures to operate virtually and in person as deemed necessary following applicable guidelines. Future potential impacts may include continued disruptions or restriction on the employees' ability to work and impairment of the ability to obtain contributions and volunteers. The future effects of these issues are unknown.