



HOME^{OF}
THE
SPARROW

HOUSING / EDUCATION / SUPPORT

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Pennsylvania Home of the Sparrow (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the changes 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. 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 Pennsylvania Home of the Sparrow 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

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 Pennsylvania Home of the Sparrow's ability to continue as a going concern within one year after the date that 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 opinion. 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 generally accepted auditing standards 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 control. 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 generally accepted auditing standards, 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 control 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 Pennsylvania Home of the Sparrow's internal control. 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 Pennsylvania Home of the Sparrow'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 control related matters that we identified during the audit.

Umbreit, Wilczek & Associates, P. C.

Kennett Square, PA
September 26, 2022

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted	\$ 1,743,423	\$ 1,512,906
Restricted	-	3,883
Accounts receivable	-	22,197
Unconditional promises to give	15,000	-
Prepaid expenses	7,837	6,429
TOTAL CURRENT ASSETS	1,766,260	1,545,415
Investments	32,346	37,643
Property and equipment, net	470,741	495,843
TOTAL ASSETS	\$ 2,269,347	\$ 2,078,901
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accrued expenses	\$ 5,155	\$ 3,682
Deferred revenue	-	8,000
TOTAL CURRENT LIABILITIES	5,155	11,682
NET ASSETS		
Without donor restrictions	1,751,846	1,569,316
With donor restrictions	512,346	497,903
TOTAL NET ASSETS	2,264,192	2,067,219
TOTAL LIABILITIES AND NET ASSETS	\$ 2,269,347	\$ 2,078,901

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
SUPPORT, REVENUES, AND RECLASSIFICATIONS						
Contributions	\$ 967,927	\$ 30,000	\$ 997,927	\$ 1,048,626	\$ 161,725	\$ 1,210,351
Contributions in-kind	92,116	-	92,116	31,300	-	31,300
Government support	193,030	-	193,030	225,779	-	225,779
Paycheck Protection Program grant	-	-	-	137,000	-	137,000
Investment income (net)	(3,137)	-	(3,137)	4,829	7,351	12,180
Program fees	35,569	-	35,569	33,853	-	33,853
Special events, net of direct costs	188,275	-	188,275	-	-	-
Miscellaneous	-	-	-	3,808	-	3,808
Net assets released from restrictions	15,557	(15,557)	-	82,521	(82,521)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	1,489,337	14,443	1,503,780	1,567,716	86,555	1,654,271
EXPENSES						
Program services	1,035,920	-	1,035,920	955,038	-	955,038
Management and general	101,882	-	101,882	121,496	-	121,496
Fundraising	169,005	-	169,005	175,277	-	175,277
TOTAL EXPENSES	1,306,807	-	1,306,807	1,251,811	-	1,251,811
CHANGES IN NET ASSETS	182,530	14,443	196,973	315,905	86,555	402,460
NET ASSETS - BEGINNING OF YEAR	1,569,316	497,903	2,067,219	1,253,411	411,348	1,664,759
NET ASSETS - END OF YEAR	\$ 1,751,846	\$ 512,346	\$ 2,264,192	\$ 1,569,316	\$ 497,903	\$ 2,067,219

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Program Services	Management and General	Fundraising	Total 2022	Program Services	Management and General	Fundraising	Total 2021
COMPENSATION RELATED								
Salaries	\$ 524,961	\$ 48,796	\$ 102,634	\$ 676,391	\$ 458,538	\$ 65,526	\$ 115,688	\$ 639,752
Employee benefits	26,955	2,558	5,243	34,756	18,866	2,672	4,588	26,126
Payroll taxes	43,058	195	8,187	51,440	35,052	4,950	8,993	48,995
Worker's compensation insurance	6,792	648	1,328	8,768	6,736	954	1,638	9,328
TOTAL COMPENSATION RELATED	601,766	52,197	117,392	771,355	519,192	74,102	130,907	724,201
Accounting and legal	-	34,921	-	34,921	-	29,850	-	29,850
Advertising	4,260	406	833	5,499	4,917	697	1,196	6,810
Client assistance	199,816	-	-	199,816	189,196	-	-	189,196
Depreciation and amortization	24,301	263	538	25,102	25,651	581	998	27,230
Dues and subscriptions	4,927	408	837	6,172	12,119	804	1,381	14,304
Equipment rental	2,755	263	539	3,557	2,614	370	636	3,620
Fundraising expenses	-	-	6,758	6,758	-	-	2,568	2,568
Insurance	10,720	1,023	2,097	13,840	8,124	1,151	1,976	11,251
Interest	349	-	-	349	48	7	12	67
License, tax and registrations	992	-	-	992	882	-	-	882
Meetings and training	12,644	703	1,441	14,788	5,558	306	525	6,389
Office expense	12,827	959	6,557	20,343	10,052	1,353	5,179	16,584
Printing and postage	9,899	884	3,239	14,022	5,200	737	1,264	7,201
Professional services	41,547	3,121	14,728	59,396	54,853	2,697	13,459	71,009
Rent	43,478	4,148	8,504	56,130	39,340	5,573	9,567	54,480
Repairs and maintenance	14,370	476	976	15,822	28,932	98	168	29,198
Telephone and internet	22,632	1,402	2,875	26,909	20,528	2,008	3,446	25,982
Travel	10,374	77	397	10,848	8,676	71	123	8,870
Utilities	18,263	631	1,294	20,188	19,156	1,091	1,872	22,119
TOTAL EXPENSES	\$ 1,035,920	\$ 101,882	\$ 169,005	\$ 1,306,807	\$ 955,038	\$ 121,496	\$ 175,277	\$ 1,251,811

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 196,973	\$ 402,460
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	25,102	27,230
Net realized and unrealized (gain) loss on investments	5,698	(7,208)
Donations of marketable securities	(1,150)	(34,849)
Paycheck Protection Program grant	-	(137,000)
(Increase) decrease in operating assets:		
Accounts receivable	22,197	(22,197)
Unconditional promises to give	(15,000)	10,000
Prepaid expenses	(1,408)	(1,688)
Increase (decrease) in operating liabilities:		
Accrued expenses	1,473	2,891
Deferred revenue	(8,000)	-
Security deposits	-	(1,260)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>225,885</u>	<u>238,379</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of investments	(932)	(898)
Proceeds from sale of investments	1,681	35,354
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>749</u>	<u>34,456</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	226,634	272,835
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,516,789</u>	<u>1,243,954</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,743,423</u>	<u>\$ 1,516,789</u>
SUPPLEMENTAL INFORMATION		
Interest	<u>\$ 349</u>	<u>\$ 67</u>

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****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 operates 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 2017, 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
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****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.

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.

Promises to Give

Unconditional promises to give are recorded at estimated fair market value at the date in which notification of such promise is received. Unconditional promises to give expected to be collected in less than one year are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at the present

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Promises to Give (Cont'd)**

value of estimated future cash flows using a risk-free rate of return on the date of donation. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Provision for losses on promises to give is made when considered necessary to maintain an adequate allowance to cover bad debts. Promises to give are charged against the allowance when the Organization determines that payments will not be received. As of June 30, 2022 and 2021, the Organization estimates that no reserve for losses on promises to give is required.

Revenue Recognition

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. Revenue from fundraising events and other functions is recognized as earned having applicable costs concurrently recognized. Investment income is recognized as earned.

The Organization recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Organization's principal activities resulting in contracts with customers are program fees and special events.

The performance obligation related to program fees is to provide the customer (residents) with access to housing as part of a comprehensive plan for support, which includes intensive case management, budgeting education, and other services such as access to mental health counseling, or one time aid for program residents such as car repairs. The Organization uses two owned properties, one in West Chester and a second in Coatesville. The residents who live in these properties pay program fees monthly. There is no formal lease agreement in place and rent is not charged in either location. Program fees are assessed to each resident. The transaction price is based on a sliding scale and is 30% percent of a participant's income and typically ranges from \$200 to \$550 per month. The Organization recognizes revenue from program fees over the period services are provided.

The performance obligation related to special events is to provide the customer with the access to the event on a specified date. The transaction price is the based on published rates. The Organization recognizes revenue from special events in the period the goods and services are provided.

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Revenue Recognition (Cont'd)**

Because the benefit received from program fees has an original expected duration of one year or less, the Organization has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to the revenue.

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.

Donor-Restricted Endowment Fund

A Donor-Restricted Endowment Fund is 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.

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 \$2,500.

Donated Materials and Services

Donated goods are recorded at their estimated fair value as of the date of donation.

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Donated Materials and Services (Cont'd)**

The Organization enjoys a vibrant volunteer program. Its 12-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 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 Organization does receive some donated services that meet this criteria. Those services are recorded at estimated fair market value at the time the services are rendered.

Management estimates that approximately 1,941 and 3,024 hours have been contributed in the years ended June 30, 2022 and 2021, respectively.

The Organization received discounted legal services during the year ended June 30, 2021. The amount was not significant for recording. There were no donated legal services received during the year ended June 30, 2022 that met the requirements to be recorded.

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

PENNSYLVANIA HOME OF THE SPARROW**NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021****NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****Allocation of Functional Expenses (Cont'd)**

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.

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, 2022 and 2021 were \$5,499 and \$6,810, respectively.

Date of Management's Review

Management has evaluated subsequent events through September 26, 2022, the date which the financial statements were available to be issued, and determined there were no other items to be disclosed.

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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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

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.

The following table presents assets (Level 3) that are measured at fair value on a recurring basis at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beneficial interest in perpetual trust	<u>\$ 32,346</u>	<u>\$ 37,643</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>2022</u>	<u>2021</u>
BALANCE AT BEGINNING OF YEAR	\$ 37,643	\$ 30,042
Contributions	-	250
Investment income (loss)	(4,766)	7,854
Management fees	<u>(531)</u>	<u>(503)</u>
BALANCE AT END OF YEAR	<u>\$ 32,346</u>	<u>\$ 37,643</u>

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 – INVESTMENTS

The following summarizes investment income for the years ended June 30, 2022 and 2021:

	2022	2021
WITHOUT DONOR RESTRICTIONS		
Interest and dividends	\$ 2,160	\$ 4,827
Realized gain (loss) on sale of donated investments	-	2
	2,160	4,829
WITH DONOR RESTRICTIONS		
Interest and dividends	932	648
Unrealized gain (loss) on investments	(8,306)	6,245
Realized gain on sale of investments	2,608	961
Management fees	(531)	(503)
	(5,297)	7,351
TOTAL	\$ (3,137)	\$ 12,180

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 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, 2022 and 2021 is \$1,617 and \$1,882, 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, 2022 and 2021.

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

	2022	2021
Beneficial interest in perpetual trust	\$ 32,346	\$ 37,643

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 – INVESTMENTS (Cont'd)

The Organization received donated securities in the amount of \$1,150 and \$34,849 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	2022	2021
Land	\$ 30,000	\$ 30,000
Buildings and building improvements	764,684	764,684
Equipment and fixtures	115,648	115,648
	910,332	910,332
Accumulated depreciation	(439,591)	(414,489)
	\$ 470,741	\$ 495,843

Depreciation expense for the years ending June 30, 2022 and 2021 was \$25,102 and \$27,230, respectively.

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

	2022		
	Cost	Accumulated Depreciation	Net
REAL ESTATE			
West Chester, Pennsylvania			
Land	\$ 15,000	\$ -	\$ 15,000
Building	271,579	(227,244)	44,335
Building improvements	84,092	(31,943)	52,149
Coatesville, Pennsylvania			
Land	15,000	-	15,000
Building	210,000	(38,142)	171,858
Building improvements	199,013	(30,792)	168,221
TOTAL REAL ESTATE	794,684	(328,121)	466,563
EQUIPMENT AND FIXTURES	115,648	(111,470)	4,178
	\$ 910,332	\$ (439,591)	\$ 470,741

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 – PROPERTY AND EQUIPMENT (Cont'd)

	2021		
	Cost	Accumulated Depreciation	Net
REAL ESTATE			
West Chester, Pennsylvania			
Land	\$ 15,000	\$ -	\$ 15,000
Building	271,579	(218,340)	53,239
Building improvements	84,092	(29,786)	54,306
Coatesville, Pennsylvania			
Land	15,000	-	15,000
Building	210,000	(32,758)	177,242
Building improvements	199,013	(25,690)	173,323
TOTAL REAL ESTATE	<u>794,684</u>	<u>(306,574)</u>	<u>488,110</u>
EQUIPMENT AND FIXTURES	<u>115,648</u>	<u>(107,915)</u>	<u>7,733</u>
	<u>\$ 910,332</u>	<u>\$ (414,489)</u>	<u>\$ 495,843</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 5.50% and 4.25% at June 30, 2022 and 2021, 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, 2022. There was no balance on the line of credit at June 30, 2022 or 2021.

NOTE 7 – PAYCHECK PROTECTION PROGRAM

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. During the year ended June 30, 2021, the loan was forgiven by the SBA and has been reported on the Statement of Activities as Paycheck Protection Program grant.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 8 – LEASE COMMITMENTS

Operating Leases

In June 2019, the Organization entered into a 36-month operating lease for a photocopier. The lease requires monthly payments of \$229 and expired in May 2022.

During the year ended June 30, 2022, the Organization signed a new 63-month operating lease for office equipment. The lease starts August 2022 and requires monthly payments of \$148.

The Organization leased office space under an operating lease agreement with monthly payments of \$2,900 that expired July 2021. The lease was renewed for an additional 12 months ending July 2022 with required monthly payments of \$3,000. During the year ended June 30, 2022, the Organization signed a three-year lease agreement beginning July 2022 for the same office space. Monthly payments for under the new lease agreement are \$3,150 for the first year, \$3,300 for the second year and \$3,450 for the third year.

The Organization leased garage space under an operating lease agreement with monthly payments of \$300 that expired July 2021. The lease has been renewed for an additional four years ending July 2025 with required monthly payments of \$325.

The Organization leased additional office space under an operating lease agreement with monthly payments of \$1,340 that expired July 2021. The lease was renewed for an additional 12 months ending July 2022 with required monthly payments of \$1,365. During the year ended June 30, 2022, the Organization signed a three-year lease agreement beginning July 2022 for the same additional office space. Monthly payments for under the new lease agreement are \$1,375 for the first year, \$1,475 for the second year and \$1,575 for the third year.

Rent expense for the years ending June 30, 2022 and 2021 for all operating leases were \$59,687 and \$58,100, respectively.

Future minimum rental payments under operating leases are as follows:

Year Ending June 30,	
2023	\$ 59,871
2024	19,376
2025	20,576
2026	<u>1,723</u>
	<u>\$ 101,546</u>

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 9 – CONCENTRATIONS OF 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. The Organization maintains cash and cash equivalent balances at several local financial institutions. 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 \$1,004,009 at June 30, 2022 and \$597,652 at June 30, 2021.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021, consist of grants and donations received but not yet spent for their intended purpose as follows:

	2022	2021
Subject to expenditure for specific purposes		
Real estate purchase	\$ 450,000	\$ 450,000
Client assistance program	15,000	2,327
Mission lanterns	-	2,000
Capital projects	-	5,933
Subject to timing restrictions	15,000	-
Subject to the Organization's Endowment spending policy and appropriation		
Beneficial interest in perpetual trust (Note 4)	32,346	37,643
	\$ 512,346	\$ 497,903

Net assets with donor restrictions released during the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Subject to expenditure for specific purposes		
Client assistance program	\$ 2,327	\$ 33,043
Mission lanterns	2,000	-
Capital projects	5,933	-
House repairs	-	14,478
Subject to timing restrictions	-	35,000
Subject to the Organization's Endowment spending policy and appropriation		
Beneficial interest in perpetual trust	5,297	-
	\$ 15,557	\$ 82,521

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 11 – REVENUE RECOGNITION

Performance Obligations

Revenue and support received for the Organization's special events are comprised of an exchange element based upon the benefits provided to the participants and a contribution element for the portion of the payment received in excess of the participant benefits. The Organization recognizes exchange revenue from its special events at the point in time to which the event relates. The performance obligation consists of providing participants with access to the event. No special events were held during the year ending June 30, 2021.

The Organization recognizes revenue from program fees over the period of time in which the exchange transaction occurs. The performance obligation consists of providing the participants with housing and related case management services with revenue ratably recognized as services are simultaneously received and consumed by the participants.

The Organization does not have any significant payment terms as payment is received before, during, or shortly after the contract period or at the point in time of the transaction.

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2022 is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Program fees	\$ -	\$ 35,569	\$ 35,569
Special events	283,534	-	283,534
	<u>\$ 283,534</u>	<u>\$ 35,569</u>	<u>\$ 319,103</u>

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2021 is as follows:

	<u>Point in Time</u>	<u>Over Time</u>	<u>Total</u>
Program fees	\$ -	\$ 33,853	\$ 33,853

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 11 – REVENUE RECOGNITION (Cont’d)

Contract Assets and Liabilities

Contract assets arise when the Organization recognizes revenue for amounts that cannot be billed under the terms of the contract with the customer. The Organization does not have any material contract assets as of June 30, 2022 or 2021.

Contract liabilities arise when the Organization receives payment from customers in advance of recognizing revenues. Contract liabilities include advance payments for special event sponsorships and are reported on the Statement of Financial Position as deferred revenue.

Changes in contract liabilities at June 30, 2022 and 2021 are as follows:

	2022	2021
Deferred revenue – special events, beginning of year	\$ 8,000	\$ 8,000
Revenue recognized that was included in deferred revenue at the beginning of the year	(8,000)	-
Increase in deferred revenue – performance due to cash received during the year	-	-
Deferred revenue – special events, end of year	\$ -	\$ 8,000

NOTE 12 – DONATED MATERIALS AND SERVICES

During the years ended June 30, 2022 and 2021, the Organization received the following non-cash donations of materials and services that have been reflected in the financial statements.

	2022			
	Program	Management	Fundraising	Total
Program Supplies	\$ 92,116	\$ -	\$ -	\$ 92,116
	2021			
	Program	Management	Fundraising	Total
Program Supplies	\$ 31,300	\$ -	\$ -	\$ 31,300

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 12 – DONATED MATERIALS AND SERVICES (Cont'd)

The Organization also received \$17,626 and \$0 of donated materials and services which are included as revenue and expense in special events on the Statement of Activities for the year ended June 30, 2022 and 2021, respectively.

NOTE 13 – LIQUIDITY

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 1,743,423	\$ 1,516,789
Accounts receivable	-	22,197
Promises to give	15,000	-
Donor restricted financial assets	(497,346)	(497,903)
Total financial assets available within one year	\$ 1,261,077	\$ 1,041,083

As part of the Organization's liquidity management, it has a goal to maintain cash and short-term investments on hand to meet six months of normal operating expenses, which are on average approximately \$640,000. 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, there was an outbreak of a novel strain of coronavirus (COVID-19) that has since spread to countries throughout the world, 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 in-person 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. As restrictions have been lifted, the organization has been able to return to normal in-person operations and events. Future impact will be determined based upon local and national requirements as the impact of the virus continues to change.