HOME OF THE SPARROW

HOUSING / EDUCATION / SUPPORT

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022

CONTENTS

UMBREIT
WILECZEK
& ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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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, Wileczek & Associates, P.C.

Kennett Square, PA
September 26, 2023

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,530,893	$ 1,743,423
Accounts receivable	5,000	-
Unconditional promises to give	10,000	15,000
Prepaid expenses	11,297	7,837
TOTAL CURRENT ASSETS	1,557,190	1,766,260
Investments	234,547	32,346
Property and equipment, net	447,167	470,741
Operating lease right-of-use assets	140,511	-
TOTAL ASSETS	$ 2,379,415	$ 2,269,347
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 11,123	$ -
Accrued expenses	4,352	5,155
Operating lease liabilities, current portion	72,611	-
TOTAL CURRENT LIABILITIES	88,086	5,155
Operating lease liabilities, net of current portion	70,770	-
TOTAL LIABILITIES	158,856	5,155
NET ASSETS		
Without donor restrictions	1,726,012	1,751,846
With donor restrictions	494,547	512,346
TOTAL NET ASSETS	2,220,559	2,264,192
TOTAL LIABILITIES AND NET ASSETS	$ 2,379,415	$ 2,269,347

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	**Total 2023**	Without Donor Restrictions	With Donor Restrictions	**Total 2022**
SUPPORT, REVENUES, AND RECLASSIFICATIONS						
Contributions	$ 1,043,179	$ 10,000	$ 1,053,179	$ 967,927	$ 30,000	$ 997,927
Contributions in-kind	113,080	-	113,080	92,116	-	92,116
Government support	159,309	-	159,309	193,030	-	193,030
Investment income (net)	13,769	2,201	15,970	2,160	(5,297)	(3,137)
Program fees	44,419	-	44,419	35,569	-	35,569
Special events, net of direct costs	69,681	-	69,681	188,275	-	188,275
Net assets released from restrictions	30,000	(30,000)	-	10,260	(10,260)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	1,473,437	(17,799)	1,455,638	1,489,337	14,443	1,503,780
EXPENSES						
Program services	1,171,729	-	1,171,729	1,035,920	-	1,035,920
Management and general	107,915	-	107,915	101,882	-	101,882
Fundraising	219,627	-	219,627	169,005	-	169,005
TOTAL EXPENSES	1,499,271	-	1,499,271	1,306,807	-	1,306,807
CHANGES IN NET ASSETS	(25,834)	(17,799)	(43,633)	182,530	14,443	196,973
NET ASSETS - BEGINNING OF YEAR	1,751,846	512,346	2,264,192	1,569,316	497,903	2,067,219
NET ASSETS - END OF YEAR	$ 1,726,012	$ 494,547	$ 2,220,559	$ 1,751,846	$ 512,346	$ 2,264,192

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Program Services	Management and General	Fundraising	**Total 2023**	Program Services	Management and General	Fundraising	**Total 2022**
COMPENSATION RELATED								
Salaries	$ 546,608	$ 49,676	$ 143,951	$ 740,235	$ 524,961	$ 48,796	$ 102,634	$ 676,391
Employee benefits	46,797	3,538	10,173	60,508	26,955	2,558	5,243	34,756
Payroll taxes	45,422	258	12,077	57,757	43,058	195	8,187	51,440
Worker's compensation insurance	6,265	581	1,670	8,516	6,792	648	1,328	8,768
TOTAL COMPENSATION RELATED	645,092	54,053	167,871	867,016	601,766	52,197	117,392	771,355
Accounting and legal	-	39,550	-	39,550	-	34,921	-	34,921
Advertising	4,046	375	1,079	5,500	4,260	406	833	5,499
Client assistance	267,721	-	-	267,721	199,816	-	-	199,816
Depreciation and amortization	23,039	138	397	23,574	24,301	263	538	25,102
Dues and subscriptions	6,967	585	1,683	9,235	4,927	408	837	6,172
Fundraising expenses	-	-	1,485	1,485	-	-	6,758	6,758
Insurance	10,861	1,001	2,877	14,739	10,720	1,023	2,097	13,840
Interest	-	-	-	-	349	-	-	349
License, tax and registrations	1,442	-	-	1,442	992	-	-	992
Meetings and training	7,715	709	2,038	10,462	12,644	703	1,441	14,788
Office expense	9,154	807	5,896	15,857	15,582	1,222	7,096	23,900
Printing and postage	12,777	1,146	3,295	17,218	9,899	884	3,239	14,022
Professional services	53,089	3,357	15,129	71,575	41,547	3,121	14,728	59,396
Lease expense	59,513	4,208	12,099	75,820	43,478	4,148	8,504	56,130
Repairs and maintenance	19,187	56	162	19,405	14,370	476	976	15,822
Telephone and internet	18,351	1,024	2,945	22,320	22,632	1,402	2,875	26,909
Travel	15,258	170	556	15,984	10,374	77	397	10,848
Utilities	17,517	736	2,115	20,368	18,263	631	1,294	20,188
TOTAL EXPENSES	$ 1,171,729	$ 107,915	$ 219,627	$ 1,499,271	$ 1,035,920	$ 101,882	$ 169,005	$ 1,306,807

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (43,633)	$ 196,973
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	23,574	25,102
Net realized and unrealized (gain) loss on investments	(1,850)	5,698
Donations of marketable securities	(1,050)	(1,150)
Noncash operating lease expense	63,818	-
(Increase) decrease in operating assets:		
Accounts receivable	(5,000)	22,197
Unconditional promises to give	5,000	(15,000)
Prepaid expenses	(3,460)	(1,408)
Increase (decrease) in operating liabilities:		
Accounts payable	11,123	-
Accrued expenses	(803)	1,473
Deferred revenue	-	(8,000)
Operating lease liability	(60,948)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(13,229)	225,885
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of investments	(200,813)	(932)
Proceeds from sale of investments	1,512	1,681
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(199,301)	749
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(212,530)	226,634
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,743,423	1,516,789
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,530,893	$ 1,743,423
SUPPLEMENTAL INFORMATION		
Interest	$ -	$ 349
Noncash recognition of new operating leases (ASC 842)	$ 204,329	$ -

See Independent Auditors' Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

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, 2023 AND 2022

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

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, 2023 and 2022, the Organization estimates that all of its promises to give are collectible; accordingly, there is no provision for an allowance for doubtful accounts.

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. Acquisitions in excess of $2,500 are capitalized. Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. 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.

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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

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.

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.

Donated Materials and Services

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

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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Donated Materials and Services (Cont'd)

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 475 and 1,941 hours have been contributed in the years ended June 30, 2023 and 2022, respectively.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2023 and 2022 were $5,500 and $5,499, respectively.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the lease payments over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Recently adopted accounting standards

In the year ended June 30, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (June 30, 2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized operating lease right-of-use assets and operating lease liabilities in its statement of financial position as of June 30, 2023.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases (Cont'd)

The FASB issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-10, *Codification Improvements to Topic 842, Leases;* ASU 2018-11, *Leases (Topic 842): Targeted Improvements;* ASU 2018-20, *Narrow-scope Improvements for Lessors;* ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Adoption of these ASUs runs concurrent with the Organization's adoption of ASU 2016-02.

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.

Reclassifications

Certain reclassifications have been made to the June 30, 2022 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Date of Management's Review

The Organization has evaluated those events and transactions that occurred after the statement of financial position date of June 30, 2023 through September 26, 2023, the date which the financial statements were available to be issued, and determined there were no other items to be disclosed.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 1,530,893	$ 1,743,423
Accounts receivable	5,000	-
Promises to give	10,000	15,000
Donor restricted financial assets	(450,000)	(465,000)
Total financial assets available within one year	$ 1,095,893	$ 1,293,423

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 $750,000. 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 a $150,000 line of credit.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK FOR CASH HELD IN BANK

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) up to $250,000.

The Organization's money market account is covered under the Securities Investor Protection Corporation (SIPC) up to $250,000.

Uninsured balances were $310,229 and $1,004,009 at June 30, 2023 and 2022, respectively.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 – PROMISES TO GIVE

Promises to give at June 30, 2023 and 2022 were as follows:

	2023	2022
Gross amounts due in less than one year	$ 10,000	$ 15,000

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the Fair Value Measurement Topic of the FASB ASC, assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted market prices for identical assets and liabilities in active markets.
- Level 2 – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly.
- Level 3 – Significant unobservable inputs for the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 200,000	$ -	$ 200,000
Beneficial interest in perpetual trust	-	-	34,547	34,547
Total	$ -	$ 200,000	$ 34,547	$ 234,547

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trust	$ -	$ -	$ 32,346	$ 32,346

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:

	2023	2022
BALANCE AT BEGINNING OF YEAR	$ 32,346	$ 37,643
Contributions	-	-
Investment income (loss)	2,663	(4,766)
Management fees	(462)	(531)
BALANCE AT END OF YEAR	$ 34,547	$ 32,346

NOTE 7 – INVESTMENTS

Investments in marketable securities and beneficial interest in perpetual trust stated at fair value consist of the following at June 30, 2023 and 2022:

	2023	2022
Certificates of deposit	$ 200,000	$ -
Beneficial interest in perpetual trust	34,547	32,346
	$ 234,547	$ 32,346

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 7 – INVESTMENTS (Cont'd)

The following summarizes investment income for the years ended June 30, 2023 and 2022:

	2023	2022
WITHOUT DONOR RESTRICTIONS		
Interest and dividends	$ 13,769	$ 2,160
WITH DONOR RESTRICTIONS		
Interest and dividends	813	932
Unrealized gain (loss) on investments	2,063	(8,306)
Realized gain (loss) on sale of investments	(213)	2,608
Management fees	(462)	(531)
	2,201	(5,297)
TOTAL	$ 15,970	$ (3,137)

<u>Beneficial Interest in Perpetual Trust</u>

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, 2023 and 2022 is $1,727 and $1,617, 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, 2023 and 2022.

The Organization received donated securities in the amount of $1,050 and $1,150 for the years ended June 30, 2023 and 2022, 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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	2023	2022
Land	$ 30,000	$ 30,000
Building and improvements	764,684	764,684
Equipment	115,648	115,648
	910,332	910,332
Less: accumulated depreciation	(463,165)	(439,591)
Net property and equipment	$ 447,167	$ 470,741

Depreciation expense for the years ending June 30, 2023 and 2022 was $23,574 and $25,102, respectively.

NOTE 9 – 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 9.00% and 5.50% at June 30, 2023 and 2022, 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, 2023. There was no balance on the line of credit at June 30, 2023 or 2022.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022, consist of grants and donations received but not yet spent for their intended purpose as follows:

	2023	2022
Subject to expenditure for specific purposes		
Real estate purchase	$ -	$ 450,000
Client assistance program	-	15,000
Renovations to West Chester facility	200,000	-
Program expenses	250,000	-
Subject to timing restrictions	10,000	15,000
Subject to the Organization's Endowment spending policy and appropriation		
Beneficial interest in perpetual trust (Note 7)	34,547	32,346
	$ 494,547	$ 512,346

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS (Cont'd)

Net assets with donor restrictions released during the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Subject to expenditure for specific purposes		
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 7)	-	-
	$ 30,000	$ 10,260

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.

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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 11 – REVENUE RECOGNITION (Cont'd)

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2023 is as follows:

	Point in Time	Over Time	Total
Program fees	$ -	$ 44,419	$ 44,419
Special events	99,591	-	99,591
	$ 99,591	$ 44,419	$ 144,010

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

	Point in Time	Over Time	Total
Program fees	$ -	$ 35,569	$ 35,569
Special events	283,534	-	283,534
	$ 283,534	$ 35,569	$ 319,103

Contract Balances

The timing of revenue recognition, billings and cash collection results in billed accounts receivable, unbilled receivables (contract assets), and deferred revenue (contract liabilities) on the Statement of Financial Position.

	2023	2022
Accounts receivable - special events, beginning of year	$ -	$ -
Amounts received that were included in accounts receivable - special events at the beginning of the year	-	-
Increase in accounts receivable - special events due to amounts billed during the year	5,000	-
Accounts receivable - special events, end of year	$ 5,000	$ -

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, 2023 or 2022.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 11 – REVENUE RECOGNITION (Cont'd)

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, 2023 and 2022 are as follows:

	2023	2022
Deferred revenue - special events, beginning of year	$ -	$ 8,000
Revenue recognized that was included in deferred revenue - special events at the beginning of the year		(8,000)
Increase in deferred revenue - special events due to cash received during the year	-	-
Deferred revenue - special events, end of year	$ -	$ -

NOTE 12 – DONATED MATERIALS AND SERVICES

During the years ended June 30, 2023 and 2022, the Organization received the following non-cash donations of materials and services that have been reflected in the financial statements.

	2023			
	Program	Management	Fundraising	Total
Program supplies	$ 113,080	$ -	$ -	$ 113,080

	2022			
	Program	Management	Fundraising	Total
Program supplies	$ 92,116	$ -	$ -	$ 92,116

The Organization also received $1,500 and $17,626 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, 2023 and 2022, respectively.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 13 – LEASE COMMITMENTS

The Organization evaluated current contracts to determine which met the criteria of a lease. The operating lease right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the operating lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has utilized a risk-free rate of 2.85% to discount future lease payments.

The Organization leases office and garage space under an operating lease agreement with monthly payments of $4,690 that expired in July 2022. The lease was renewed for a three year term, expiring in July 2025. Monthly payments under the new lease agreement are $4,850 for the first year, $5,100 for the second year and $5,350 for the third year.

The Organization leases an apartment for use in their program under an operating lease agreement that requires monthly payments of $1,200. The lease agreement expires in August 2023 with an option to extend for an additional year with a 2% rent increase. This property is owned by a member of the Board of Directors of the Organization. During the year ended June 30, 2023, the Organization paid the member $12,000 in lease payments.

Lease expense for the year ending June 30, 2023 for operating leases subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was $68,220.

Future maturities of operating lease liabilities subject to ASU No. 2016-02, *Leases (Topic 842)* are as follows:

For the year ending June 30,		
2024	$	75,590
2025		66,398
2026		5,350
Total operating lease payments		147,338
Less: present value discount		(3,957)
Total operating lease obligations	$	143,381

The Organization leases an apartment for use in their program under an operating lease agreement that expires March 2024 and requires monthly lease payments of $1,000. The current lease does not provide an option to renew. Therefore, the payments associated with this lease are not included in the ROU asset nor the lease liability recognized as of June 30, 2023.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 13 – LEASE COMMITMENTS (Cont'd)

Lease expense for the years ending June 30, 2023 and 2022 for operating leases not subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, were $7,600 and $56,130, respectively.

Future maturities of operating leases not subject to ASU No. 2016-02, *Leases (Topic 842)*, are as follows:

For the year ending June 30,	
2024	$ 9,000

NOTE 14 – RETIREMENT PLAN

The Organization adopted a 403(b) plan, effective April 2022, for the benefit of all employees. The Organization makes a discretionary contribution to the plan based on a percentage of regular annual salary, up to 6%, determined annually by the Board of Directors. Retirement plan expense for the year ended June 30, 2023 was $11,123.