

**PENNSYLVANIA HOME OF THE SPARROW**

**FINANCIAL STATEMENTS**

*Years Ended June 30, 2014 and 2013*



*Certified Public Accountants and Business Consultants*

# **PENNSYLVANIA HOME OF THE SPARROW**

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**YEARS ENDED JUNE 30, 2014 AND 2013**

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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 the Pennsylvania Home of the Sparrow, which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 the Pennsylvania Home of the Sparrow as of June 30, 2014 and 2013, 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.

*Maillie LLP*

West Chester, Pennsylvania  
September 19, 2014

*Certified Public Accountants and Business Consultants*

# PENNSYLVANIA HOME OF THE SPARROW

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 844,759	\$ 323,792
Investments, current portion	43,329	581
Accounts receivable	42,427	31,102
Prepaid expenses	<u>15,340</u>	<u>17,241</u>
<b>TOTAL CURRENT ASSETS</b>	<u>945,855</u>	<u>372,716</u>
<b>NONCURRENT ASSETS</b>		
Investments, net of current portion	12,542	11,034
Property and equipment, net	201,235	210,336
Assets held for sale	-	190,116
<b>TOTAL NONCURRENT ASSETS</b>	<u>213,777</u>	<u>411,486</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,159,632</u>	<u>\$ 784,202</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	<u>\$ 11,853</u>	<u>\$ 13,278</u>
<b>NET ASSETS</b>		
Unrestricted		
Board designated	100,000	100,000
Unreserved	808,540	644,309
Temporarily restricted	226,037	15,000
Permanently restricted	<u>13,202</u>	<u>11,615</u>
<b>TOTAL NET ASSETS</b>	<u>1,147,779</u>	<u>770,924</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,159,632</u>	<u>\$ 784,202</u>

See accompanying notes.

# PENNSYLVANIA HOME OF THE SPARROW

## STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions	\$ 218,863	\$ 437,710	\$ -	\$ 656,573
Grants	-	72,308	-	72,308
Special events	395,361	-	-	395,361
Net investment income	3,104	-	1,587	4,691
Miscellaneous income	4,700	-	-	4,700
Net assets released from restrictions	298,981	(298,981)	-	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>921,009</u>	<u>211,037</u>	<u>1,587</u>	<u>1,133,633</u>
<b>EXPENSES</b>				
Program services	680,405	-	-	680,405
Supporting services				
Management and general	42,890	-	-	42,890
Fund-raising	175,274	-	-	175,274
<b>TOTAL EXPENSES</b>	<u>898,569</u>	<u>-</u>	<u>-</u>	<u>898,569</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	22,440	211,037	1,587	235,064
<b>NONOPERATING REVENUE</b>				
Gain on sale of building	141,791	-	-	141,791
<b>CHANGE IN NET ASSETS</b>	164,231	211,037	1,587	376,855
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>744,309</u>	<u>15,000</u>	<u>11,615</u>	<u>770,924</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 908,540</u>	<u>\$ 226,037</u>	<u>\$ 13,202</u>	<u>\$ 1,147,779</u>

See accompanying notes.

2013

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
\$ 209,899	\$ 223,820	\$ -	\$ 433,719
-	58,399	-	58,399
527,986	-	-	527,986
744	-	1,021	1,765
-	-	-	-
<u>298,594</u>	<u>(298,594)</u>	<u>-</u>	<u>-</u>
<u>1,037,223</u>	<u>(16,375)</u>	<u>1,021</u>	<u>1,021,869</u>
675,899	-	-	675,899
37,448	-	-	37,448
181,340	-	-	181,340
<u>894,687</u>	<u>-</u>	<u>-</u>	<u>894,687</u>
142,536	(16,375)	1,021	127,182
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
142,536	(16,375)	1,021	127,182
601,773	31,375	10,594	643,742
<u>\$ 744,309</u>	<u>\$ 15,000</u>	<u>\$ 11,615</u>	<u>\$ 770,924</u>

# PENNSYLVANIA HOME OF THE SPARROW

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014			Totals
	Program	Supporting Services		
	Services (Housing)	Management and General	Fund-Raising	
<b>FUNCTIONAL EXPENSES</b>				
Employee compensation				
Salaries	\$ 403,493	\$ 31,934	\$ 29,116	\$ 464,543
Employee benefits	29,239	585	1,779	31,603
Payroll taxes	33,372	2,660	5,058	41,090
TOTAL EMPLOYEE COMPENSATION	466,104	35,179	35,953	537,236
Advertising	9,732	-	-	9,732
Depreciation	17,603	-	-	17,603
Dues and subscriptions	-	595	1,090	1,685
Equipment rental	3,444	269	250	3,963
Fund-raising expenses	-	-	125,016	125,016
Insurance	1,731	135	126	1,992
Meeting expenses	4,503	69	-	4,572
Miscellaneous	3,514	423	278	4,215
Occupancy	105,836	3,163	3,635	112,634
Outside services	11,871	518	416	12,805
Printing and postage	4,062	191	2,152	6,405
Professional fees	6,513	510	472	7,495
Repairs and maintenance	6,770	493	-	7,263
Staff development	684	62	370	1,116
Supplies	20,485	821	5,088	26,394
Telephone	5,583	394	366	6,343
Travel	11,970	68	62	12,100
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 680,405</b>	<b>\$ 42,890</b>	<b>\$ 175,274</b>	<b>\$ 898,569</b>

See accompanying notes.

2013

Program Services (Housing)	Supporting Services		Totals
	Management and General	Fund-Raising	
\$ 411,078	\$ 29,280	\$ 41,074	\$ 481,432
29,659	605	2,599	32,863
<u>39,720</u>	<u>1,288</u>	<u>4,288</u>	<u>45,296</u>
480,457	31,173	47,961	559,591
9,557	-	-	9,557
23,443	-	-	23,443
170	-	1,828	1,998
4,747	339	565	5,651
-	-	114,591	114,591
1,643	117	196	1,956
5,621	750	48	6,419
4,487	517	356	5,360
84,962	3,084	5,140	93,186
2,412	170	256	2,838
3,602	110	2,462	6,174
5,935	424	706	7,065
13,174	40	67	13,281
1,035	-	240	1,275
17,852	436	6,289	24,577
6,812	288	480	7,580
<u>9,990</u>	<u>-</u>	<u>155</u>	<u>10,145</u>
<u>\$ 675,899</u>	<u>\$ 37,448</u>	<u>\$ 181,340</u>	<u>\$ 894,687</u>



**PENNSYLVANIA HOME OF THE SPARROW****STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 376,855	\$ 127,182
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,603	23,443
Gain on sale of building	(141,791)	-
Gain on permanently restricted investments	(1,587)	(1,021)
Donated securities received	(42,670)	-
(Increase) decrease in		
Accounts receivable	(11,325)	14,695
Prepaid expenses	1,901	(4,881)
Increase (decrease) in accounts payable and accrued expenses	<u>(1,425)</u>	<u>13,154</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>197,561</u>	<u>172,572</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of building	331,908	-
Purchase of property and equipment	<u>(8,502)</u>	<u>(2,496)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>323,406</u>	<u>(2,496)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	520,967	170,076
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>323,792</u>	<u>153,716</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 844,759</u>	<u>\$ 323,792</u>

*See accompanying notes.*

**PENNSYLVANIA HOME OF THE SPARROW**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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**NOTE A - 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 and an educational program for homeless and low income women and their children. The Organization accepts clients from Chester, Delaware, Montgomery, Bucks and Philadelphia Counties in Pennsylvania. Until May 31, 2013, as part of the Organization's highly successful Transitional Housing Program, clients and their children resided in one of two agency-owned residences where they worked with Organization case managers to achieve their goal to become independent and self-sufficient. Clients were permitted to reside in these residences for up to one year.

Beginning June 1, 2013, the Organization changed its programming to better align with the "housing first" and "rapid rehousing" priorities set forth in Chester County's Decade to Doorways 10-Year Plan to End Homelessness. To that end, the Organization has consolidated the operation of what was formerly the Transitional Housing Program into the larger of the Organization's two residences. Clients will be permitted to reside in that residence for up to six months and receive intensive case management services, which will allow them to transition to independent housing more quickly.

Clients in the Transitional Housing Program receive on-site counseling and participate in in-house life skills training programs in areas such as budgeting, parenting, women and children's health care issues, anger management, resume writing and job-seeking skills, to name a few. During their tenure in the Transitional Housing Program, clients begin their search for affordable housing. Upon graduation from the program, clients may be eligible for the Organization's Supportive Housing Program.

The Supportive Housing Program was initiated in November 2008. In addition to graduates of the Transitional Housing Program, this program is also open to women who are in jeopardy of losing their housing and could be helped with a modest rent subsidy and case management services, with a major concentration on budgeting. Supportive Housing Program clients receive these rent subsidies and case management services for up to one year. This program is operated from the Transitional Housing Program residence.

The implementation of this new programming has enabled the Organization to service more families and help them to achieve independence and self-sufficiency more quickly.

The Organization entered into its 20th year of operation during the fiscal year. A special campaign to raise \$500,000 for the expansion of the Supportive Housing Program has been undertaken. By June 30, 2014, the Organization raised \$226,037 toward that goal. This funding will allow the Organization to serve an additional 20 families each year for the next five years in the Supportive Housing Program. These funds are temporarily restricted and will be released from restriction on a monthly basis over the next five years as the Organization accepts new families into the Supportive Housing Program.

**PENNSYLVANIA HOME OF THE SPARROW**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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**NOTE A - NATURE OF ACTIVITIES (Continued)**

During May 2014, the Organization received additional funding in the amount of \$23,545 from the Chester County Department of Community Development (CCDCD) through an Emergency Solutions Grant to be used for Homelessness Prevention. The funds are being used to assist families who are being evicted from their apartments and those who have had their electric or water utilities turned off. As of June 30, 2014, the Organization had expended \$15,621. The CCDCD requires that all of these funds must be expended by July 31, 2014.

The Organization continues to operate its Shared Housing Program, which matches low-income women in need of affordable housing with Chester County homeowners who have a room in their home that they are willing to rent at a reasonable rate. While this program is beneficial to women in a variety of situations, it has been particularly helpful to senior citizens who can no longer afford to live on their own. Additionally, many senior citizens in danger of losing their homes for financial reasons have opened their homes to women seeking housing. The Organization's Program Coordinator matches home seekers and home providers based on applications submitted by both parties. Each participant is subject to a Pennsylvania state police background check and a child abuse clearance, if applicable. This program has been operating from the Organization's administrative office since January 2007.

For the year ended June 30, 2013, the Organization realized a surplus of \$376,855. The Board of Directors has designated \$100,000 of this surplus for future services in keeping with the County's Decade to Doorways requirements.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-225-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted to contributions for use in the Organization's case management and life skills programs.

**Permanently Restricted Net Assets**

Permanently restricted net assets consist of an endowment fund 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.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily or permanently restricted net assets are reclassified to unrestricted net assets. Contributions are recorded at fair value, which is net of estimated uncollectible amounts.

**Donated Services**

The Organization enjoys a vibrant volunteer program. Its 16-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 unrestricted contributions.

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 13,000 and 8,000 hours have been contributed in 2014 and 2013, respectively.

**PENNSYLVANIA HOME OF THE SPARROW**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

	<u>Years</u>
Buildings and building improvements	30-39
Equipment and fixtures	3-7

The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

**Functional Allocation of Expenses**

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. 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 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.

**Investments**

Investments in marketable securities with readily determinable fair values (Level 1 input) are carried at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**PENNSYLVANIA HOME OF THE SPARROW**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Taxes and Uncertain Tax Positions**

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.

The Organization takes the position that it has no net income derived from unrelated business activities and believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's federal Return of Organization Exempt From Income Tax (Form 990) for 2010, 2011 and 2012 is subject to examination by the IRS, generally for three years after the tax returns were filed.

**Advertising Costs**

The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2014 and 2013, were \$9,732 and \$9,557, respectively.

**Date of Management's Review**

Management has evaluated subsequent events through September 19, 2014, the date which the financial statements were available to be issued.

**Reclassifications**

Certain amounts represented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**NOTE C - INVESTMENTS**

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.

**PENNSYLVANIA HOME OF THE SPARROW**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

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**NOTE C - INVESTMENTS (Continued)**

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

	<u>2014</u>	<u>2013</u>
Stocks (Level 1)	\$ 42,669	\$ -
Beneficial interest in perpetual trust (Level 3)	<u>13,202</u>	<u>11,615</u>
	<u>\$ 55,871</u>	<u>\$ 11,615</u>

Investment income consists of the following:

	<u>2014</u>	<u>2013</u>
<b>UNRESTRICTED</b>		
Interest and dividends	\$ 409	\$ 19
Realized gain on sale of investments	<u>2,695</u>	<u>725</u>
	<u>\$ 3,104</u>	<u>\$ 744</u>
<b>PERMANENTLY RESTRICTED</b>		
Interest and dividends	\$ 270	\$ 535
Unrealized gain on investments	946	563
Realized gain on sale of investments	573	108
Management fees	<u>(202)</u>	<u>(185)</u>
	<u>\$ 1,587</u>	<u>\$ 1,021</u>

The Organization received donated securities in the amount of \$223,238 and \$54,754 for the years ended June 30, 2014 and 2013, respectively. The securities were recorded at fair market value based on Level 1 quoted market prices. Subsequently, and in accordance with board policy, all investments held by the Organization were sold. There are no Level 2 assets included in the total investment assets at June 30, 2014.

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

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.

# PENNSYLVANIA HOME OF THE SPARROW

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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### NOTE C - INVESTMENTS (Continued)

#### 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, 2014, is \$660. 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, 2014.

Changes in the beneficial interest in perpetual trust as of June 30, 2014, are as follows:

BALANCE AT BEGINNING OF YEAR	\$	11,615
Investment gain		<u>1,587</u>
BALANCE AT END OF YEAR	\$	<u><u>13,202</u></u>

### NOTE D - PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 15,000	\$ 15,000
Buildings and building improvements	345,806	343,808
Equipment and fixtures	<u>98,365</u>	<u>94,454</u>
	459,171	453,262
Accumulated depreciation	<u>(257,936)</u>	<u>(242,926)</u>
	<u><u>\$ 201,235</u></u>	<u><u>\$ 210,336</u></u>



# PENNSYLVANIA HOME OF THE SPARROW

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

### NOTE D - PROPERTY AND EQUIPMENT (Continued)

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

	2014			2013		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
REAL ESTATE						
West Chester, Pennsylvania						
Land	\$ 15,000	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Building	271,579	(156,011)	115,568	271,579	(147,107)	124,472
Building improvements	74,227	(15,131)	59,096	72,229	(14,249)	57,980
TOTAL REAL ESTATE	360,806	(171,142)	189,664	358,808	(161,356)	197,452
EQUIPMENT AND FIXTURES	98,365	(86,794)	11,571	94,454	(81,570)	12,884
	<u>\$ 459,171</u>	<u>\$ (257,936)</u>	<u>\$ 201,235</u>	<u>\$ 453,262</u>	<u>\$ (242,926)</u>	<u>\$ 210,336</u>

### NOTE E - LINE OF CREDIT

In December 2002, the Organization received a \$65,000 line of credit from a bank with interest at the bank's prime rate plus 1/2% (3.75% at June 30, 2014 and 2013). The line of credit is collateralized by real estate owned by the Organization and expired December 5, 2013. No borrowings occurred in the years ended June 30, 2014 and 2013. There was no balance on the line of credit at June 30, 2014 or 2013.

### NOTE F - LEASE COMMITMENTS

#### Operating Leases

The Organization signed a noncancelable operating lease agreement renewal effective May 1, 2011 and expiring April 30, 2013. The lease agreement has an annual term, which renews in May of each year and terminates the following April 30. Required monthly payments were \$3,050 effective May 2011 and \$3,200 effective May 2012. The lease was renewed January 1, 2013, for a term of five years. Required monthly payments under the renewal are \$2,500 effective January 1, 2013, \$2,600 effective January 1, 2015, \$2,750 effective January 1, 2016, and \$2,900 effective January 1, 2017.

# PENNSYLVANIA HOME OF THE SPARROW

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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### NOTE F - LEASE COMMITMENTS (Continued)

In April 2010, the Organization entered into a 39-month operating lease for a new photocopier. The lease required monthly payments of \$268 per month. In July 2013, the Organization entered into a 36-month operating lease for a new photocopier. The lease requires monthly payments of \$265 per month.

Rent expense for 2014 and 2013 for all operating leases was \$33,999 and \$38,794, respectively.

Future minimum rental payments under operating leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2015	\$ 33,780
2016	35,280
2017	33,900
2018	<u>17,400</u>
	<u>\$ 120,360</u>

### NOTE G - 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 for interest-bearing accounts and noninterest-bearing accounts.

As of June 30, 2014, \$165,369 of the Organization's bank balance of \$884,437 was exposed to custodial credit risk.

### NOTE H - BOARD-DESIGNATED NET ASSETS

The Board of Directors approved the designation of the following amount at June 30, 2014:

Board designated for Phase 1 and Phase 2 programs	\$ <u>100,000</u>
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**PENNSYLVANIA HOME OF THE SPARROW**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

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**NOTE I - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets 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. Temporarily restricted net assets at June 30, 2014 and 2013, consist of grants and donations received but not yet spent for their intended purpose as follows:

	<u>2014</u>	<u>2013</u>
20th anniversary fund	\$ 226,037	\$ -
Case management and life skills for the Transitional Housing Program	<u>-</u>	<u>15,000</u>
	<u>\$ 226,037</u>	<u>\$ 15,000</u>

**NOTE J - SALE OF PROPERTY**

The Organization sold the 222 Price Street, West Chester, Pennsylvania property on September 24, 2013. The cost basis is comprised of \$22,000 of land and \$168,116 of building and improvements.