

PENNSYLVANIA HOME OF THE SPARROW
FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017



Certified Public Accountants and Business Consultants

PENNSYLVANIA HOME OF THE SPARROW

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YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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.

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

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, 2018 and 2017, 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 14, 2018

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 200,858	\$ 221,063
Investments, current portion	1,449	1,383
Accounts receivable	2,500	17,475
Prepaid expenses	7,765	9,296
TOTAL CURRENT ASSETS	<u>212,572</u>	<u>249,217</u>
NONCURRENT ASSETS		
Investments, net of current portion	27,535	26,283
Property and equipment, net	568,368	593,061
TOTAL NONCURRENT ASSETS	<u>595,903</u>	<u>619,344</u>
TOTAL ASSETS	<u>\$ 808,475</u>	<u>\$ 868,561</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 21,669	\$ 2,012
NET ASSETS		
Without donor restrictions	757,822	524,081
With donor restrictions	28,984	342,468
TOTAL NET ASSETS	<u>786,806</u>	<u>866,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 808,475</u>	<u>\$ 868,561</u>

See accompanying notes.

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
REVENUES AND OTHER SUPPORT			
Contributions	\$ 660,772	\$ -	\$ 660,772
Grants	256,494	-	256,494
Special events, net of expense of \$85,535 (2018) and \$111,203 (2017)	181,616	-	181,616
Net investment income (loss)	997	1,318	2,315
Miscellaneous income	37,053	-	37,053
Net assets released from restrictions	<u>314,802</u>	<u>(314,802)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,451,734</u>	<u>(313,484)</u>	<u>1,138,250</u>
EXPENSES			
Program services	1,010,665	-	1,010,665
Supporting services			
Management and general	72,443	-	72,443
Fund-raising	<u>134,885</u>	<u>-</u>	<u>134,885</u>
TOTAL EXPENSES	<u>1,217,993</u>	<u>-</u>	<u>1,217,993</u>
CHANGE IN NET ASSETS FROM OPERATIONS	233,741	(313,484)	(79,743)
NET ASSETS AT BEGINNING OF YEAR	<u>524,081</u>	<u>342,468</u>	<u>866,549</u>
NET ASSETS AT END OF YEAR	<u>\$ 757,822</u>	<u>\$ 28,984</u>	<u>\$ 786,806</u>

See accompanying notes.

2017		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
\$ 497,677	\$ 275	\$ 497,952
58,436	-	58,436
195,008	-	195,008
2,194	2,675	4,869
19,545	-	19,545
<u>143,800</u>	<u>(143,800)</u>	<u>-</u>
<u>916,660</u>	<u>(140,850)</u>	<u>775,810</u>
996,277	-	996,277
59,659	-	59,659
144,570	-	144,570
<u>1,200,506</u>	<u>-</u>	<u>1,200,506</u>
(283,846)	(140,850)	(424,696)
<u>807,927</u>	<u>483,318</u>	<u>1,291,245</u>
<u>\$ 524,081</u>	<u>\$ 342,468</u>	<u>\$ 866,549</u>

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2018 AND 2017

	2018			Totals
	Program	Supporting Services		
	Services (Housing)	Management and General	Fund-Raising	
FUNCTIONAL EXPENSES				
Employee compensation				
Salaries	\$ 499,896	\$ 43,475	\$ 95,964	\$ 639,335
Employee benefits	25,616	592	3,242	29,450
Payroll taxes	40,987	2,802	8,093	51,882
TOTAL EMPLOYEE COMPENSATION	566,499	46,869	107,299	720,667
Advertising	9,030	686	1,714	11,430
Depreciation	28,354	-	-	28,354
Dues and subscriptions	5,743	436	1,090	7,269
Equipment rental	4,846	368	920	6,134
Insurance	2,954	224	561	3,739
Interest	-	-	-	-
Meeting expenses	-	6,188	-	6,188
Miscellaneous	6,299	1,361	617	8,277
Occupancy	227,443	1,949	5,513	234,905
Outside services	68,246	4,341	10,851	83,438
Printing and postage	4,794	364	910	6,068
Professional fees	10,177	773	1,932	12,882
Repairs and maintenance	24,314	744	527	25,585
Staff development	297	-	94	391
Supplies	22,285	7,424	1,594	31,303
Telephone	8,103	434	1,110	9,647
Travel	21,281	282	153	21,716
TOTAL FUNCTIONAL EXPENSES	\$ 1,010,665	\$ 72,443	\$ 134,885	\$ 1,217,993

See accompanying notes.

2017

Program Services (Housing)	Supporting Services		Totals
	Management and General	Fund-Raising	
\$ 530,598	\$ 36,269	\$ 104,776	\$ 671,643
32,960	623	4,006	37,589
<u>46,662</u>	<u>3,190</u>	<u>9,214</u>	<u>59,066</u>
610,220	40,082	117,996	768,298
6,364	483	1,208	8,055
26,830	-	-	26,830
3,031	230	575	3,836
4,866	370	924	6,160
1,627	124	309	2,060
-	143	-	143
1,249	2,320	-	3,569
7,475	522	786	8,783
206,419	2,755	7,894	217,068
50,046	2,791	6,976	59,813
6,407	487	1,216	8,110
7,887	599	1,497	9,983
11,614	671	286	12,571
2,501	-	790	3,291
24,263	7,342	2,633	34,238
9,996	535	1,369	11,900
<u>15,482</u>	<u>205</u>	<u>111</u>	<u>15,798</u>
<u>\$ 996,277</u>	<u>\$ 59,659</u>	<u>\$ 144,570</u>	<u>\$ 1,200,506</u>

PENNSYLVANIA HOME OF THE SPARROW**STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from donors and program recipients	\$ 1,201,880	\$ 929,696
Cash payments for interest	-	(143)
Cash payments for employees	(720,667)	(768,298)
Cash payments for operations	(498,753)	(511,933)
NET CASH USED BY OPERATING ACTIVITIES	<u>(17,540)</u>	<u>(350,678)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Contributions transferred to endowment fund	-	(275)
Earnings on investments	997	2,194
Redemption of certificate of deposit	-	252,735
Purchase of property and equipment	(3,662)	(121,575)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,665)</u>	<u>133,079</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(20,205)	(217,599)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>221,063</u>	<u>438,662</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 200,858</u>	<u>\$ 221,063</u>

See accompanying notes.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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, supportive services and educational opportunities for low-income women and children who are facing or experiencing homelessness. The Organization accepts clients from counties in Pennsylvania who are residents of Chester County.

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

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

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

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

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

NOTE B - 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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets with Donor Restrictions

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

The part of net assets of the Organization that is not subject to donor-imposed restrictions.

Donor-Restricted Endowment Fund

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

Contributions and Grants

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

Donated Services

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

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

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Management estimates that approximately 7,950 and 7,600 hours have been contributed in 2018 and 2017, respectively.

The Organization received donated legal services during the year ended June 30, 2018 which meet the requirements to be recorded. The total value of donated legal services as of June 30, 2018 was \$23,378.

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, 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.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Income 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.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Total advertising costs for the years ended June 30, 2018 and 2017, were \$11,430 and \$8,055, respectively.

Date of Management's Review

Management has evaluated subsequent events through September 14, 2018, the date which the financial statements were available to be issued.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

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

	<u>2018</u>	<u>2017</u>
Beneficial interest in perpetual trust (Level 3)	\$ <u>28,984</u>	\$ <u>27,666</u>

Investment income consists of the following:

	<u>2018</u>	<u>2017</u>
WITHOUT DONOR RESTRICTIONS		
Interest and dividends	\$ 1,679	\$ 1,200
Realized gain (loss) on sale of donated investments	<u>(682)</u>	<u>994</u>
	\$ <u>997</u>	\$ <u>2,194</u>
WITH DONOR RESTRICTIONS		
Interest and dividends	\$ 1,745	\$ 1,008
Unrealized gain (loss) on investments	(414)	2,010
Realized gain on sale of investments	430	58
Management fees	<u>(443)</u>	<u>(401)</u>
	\$ <u>1,318</u>	\$ <u>2,675</u>

The Organization received donated securities in the amount of \$16,325 and \$65,487 for the years ended June 30, 2018 and 2017, 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, 2018 or 2017.

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

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE C - INVESTMENTS (Continued)

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.

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, 2018 and 2017, is \$1,449 and \$1,383, 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, 2018.

Changes in the beneficial interest in perpetual trust are as follows:

	<u>2018</u>	<u>2017</u>
BALANCE AT BEGINNING OF YEAR	\$ 27,666	\$ 24,716
Contributions	-	275
Investment income	<u>1,318</u>	<u>2,675</u>
BALANCE AT END OF YEAR	<u>\$ 28,984</u>	<u>\$ 27,666</u>

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 30,000	\$ 30,000
Buildings and building improvements	764,684	764,684
Equipment and fixtures	<u>125,521</u>	<u>121,859</u>
	920,205	916,543
Accumulated depreciation	<u>(351,837)</u>	<u>(323,482)</u>
	<u>\$ 568,368</u>	<u>\$ 593,061</u>

PENNSYLVANIA HOME OF THE SPARROW
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

NOTE D - PROPERTY AND EQUIPMENT (Continued)

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

	2018			2017		
	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	(191,627)	79,952	271,579	(182,723)	88,856
Building improvements	84,092	(23,318)	60,774	84,092	(21,163)	62,929
Coatesville, Pennsylvania						
Land	15,000	-	15,000	15,000	-	15,000
Building	210,000	(16,604)	193,396	210,000	(11,219)	198,781
Building improvements	199,013	(10,381)	188,632	199,013	(5,278)	193,735
TOTAL REAL ESTATE	794,684	(241,930)	552,754	794,684	(220,383)	574,301
EQUIPMENT AND FIXTURES	125,521	(109,907)	15,614	121,859	(103,099)	18,760
	<u>\$ 920,205</u>	<u>\$ (351,837)</u>	<u>\$ 568,368</u>	<u>\$ 916,543</u>	<u>\$ (323,482)</u>	<u>\$ 593,061</u>

NOTE E - LINE OF CREDIT

In May 2016, the Organization received a \$100,000 line of credit from a bank with a variable interest rate. The interest rates at June 30, 2018 and 2017 were 5.00% and 4.25%, respectively. The line of credit is collateralized by real estate owned by the Organization and expires May 1, 2019. No borrowings occurred in the years ended June 30, 2018 and 2017. There were no balances on the line of credit at June 30, 2018 or 2017.

NOTE F - LEASE COMMITMENTS

Operating Leases

The Organization signed a noncancelable operating lease agreement renewal for a building effective 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. The lease was renewed January 1, 2018, for a term of two years. Required monthly payments under the renewal are \$2,900 effective January 1, 2018.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE F - LEASE COMMITMENTS (Continued)

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

Rent expense for 2018 and 2017 for all operating leases was \$42,754 and \$64,050, respectively.

Future minimum rental payments under operating leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2019	\$ 37,752
2020	<u>17,892</u>
	<u>\$ 55,644</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. The Organization's money market account is covered under the Securities Investor Protection Corporation (SIPC) in the amount of \$250,000.

As of June 30, 2018, all of the Organization's bank balance of \$211,408 was insured by FDIC/SIPC.

NOTE H - BOARD-DESIGNATED NET ASSETS

There were no board designations made for the year ended June 30, 2018 or 2017.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent assets whose use by the Organization is subject to grantor- or donor-imposed restrictions that can be fulfilled through the actions of the Organization or by the passage of time. Net assets with donor restrictions at June 30, 2018 and 2017, consist of grants and donations received but not yet spent for their intended purpose as follows:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specific purposes		
20th anniversary fund	\$ -	\$ 314,802
Subject to the Organization's Endowment spending policy and appropriation		
Beneficial interest in perpetual trust (Note C)	<u>28,984</u>	<u>27,666</u>
	<u>\$ 28,984</u>	<u>\$ 342,468</u>

NOTE J - SPECIAL EVENTS

As shown on the statements of activities at June 30, 2018 and 2017, the special event income is net of related expenses. Net special events revenues consist of the following:

	<u>2018</u>	<u>2017</u>
Special event income	\$ 267,151	\$ 306,211
Special event expenses	<u>(85,535)</u>	<u>(111,203)</u>
	<u>\$ 181,616</u>	<u>\$ 195,008</u>

NOTE K - LIQUIDITY

As part of the Organization's liquidity management, it has a goal to maintain cash and short-term investments on hand to meet 30 days of normal operating expenses, which are on average approximately \$100,000. 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 \$100,000 of available line of credit.