

# Pendle Hill

Financial Statements  
Years Ended August 31, 2020 and 2019



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**PENDLE HILL**

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
Pendle Hill  
Wallingford, Pennsylvania**

We have audited the accompanying financial statements of Pendle Hill (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pendle Hill as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*BBD, LLP.*

**Philadelphia, Pennsylvania  
January 28, 2021**

# PENDLE HILL

## STATEMENTS OF FINANCIAL POSITION

August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 635,406	\$ 125,551
Accounts receivable	-	79,139
Contributions receivable	108,834	396,003
Prepaid expenses	32,780	48,967
Inventory	53,014	60,562
Investments	9,372,403	8,020,241
Property and equipment, net	2,927,299	3,018,731
Assets of pooled life income fund	501,832	578,370
Beneficial interest in perpetual trusts	302,000	294,100
Beneficial interest in trust agreements	<u>624,900</u>	<u>593,000</u>
<b>Total assets</b>	<b><u>\$ 14,558,468</u></b>	<b><u>\$ 13,214,664</u></b>
<b>LIABILITIES</b>		
Note payable	\$ 766,615	\$ 802,207
Note payable - Paycheck Protection Program	305,732	-
Accounts payable and accrued expenses	68,157	45,454
Annuities payable	25,000	25,000
Deferred revenue	<u>341,318</u>	<u>383,571</u>
<b>Total liabilities</b>	<b><u>1,506,822</u></b>	<b><u>1,256,232</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	2,820,595	2,741,957
Board designated for staff support	<u>76,500</u>	<u>76,500</u>
	2,897,095	2,818,457
With donor restrictions	<u>10,154,551</u>	<u>9,139,975</u>
<b>Total net assets</b>	<b><u>13,051,646</u></b>	<b><u>11,958,432</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 14,558,468</u></b>	<b><u>\$ 13,214,664</u></b>

See accompanying notes

# PENDLE HILL

## STATEMENT OF ACTIVITIES

Year ended August 31, 2020 with comparative totals for 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2020</u>	<u>2019</u>
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 776,462	\$ 534,272	\$ 1,310,734	\$ 761,382
Tuition, net of scholarships of \$50,171 in 2020 and \$105,056 in 2019	29,676	-	29,676	6,454
Sojourner rooms and meals	57,438	-	57,438	91,585
Short term education programs	205,646	-	205,646	279,188
Conference services	411,554	-	411,554	801,498
Rental income	28,450	-	28,450	27,600
Youth programs	10,807	-	10,807	8,144
Miscellaneous income	88,288	-	88,288	96,462
Net assets released from restrictions				
Satisfaction of purpose and time restrictions	259,226	(259,226)	-	-
Endowment spending practice	355,382	(355,382)	-	-
<b>Total revenue and support</b>	<u>2,222,929</u>	<u>(80,336)</u>	<u>2,142,593</u>	<u>2,072,313</u>
<b>EXPENSES</b>				
Program services	1,687,826	-	1,687,826	1,814,938
Supporting services				
General and administrative	402,424	-	402,424	478,629
Fundraising	288,377	-	288,377	269,478
<b>Total expenses</b>	<u>2,378,627</u>	<u>-</u>	<u>2,378,627</u>	<u>2,563,045</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<u>(155,698)</u>	<u>(80,336)</u>	<u>(236,034)</u>	<u>(490,732)</u>
<b>OTHER CHANGES</b>				
Investment income	234,336	1,034,075	1,268,411	181,817
Change in value of beneficial interest in split interest agreements	-	60,837	60,837	14,315
<b>Total other changes</b>	<u>234,336</u>	<u>1,094,912</u>	<u>1,329,248</u>	<u>196,132</u>
<b>CHANGE IN NET ASSETS</b>	<u>78,638</u>	<u>1,014,576</u>	<u>1,093,214</u>	<u>(294,600)</u>
<b>NET ASSETS</b>				
Beginning of year	<u>2,818,457</u>	<u>9,139,975</u>	<u>11,958,432</u>	<u>12,253,032</u>
End of year	<u>\$ 2,897,095</u>	<u>\$ 10,154,551</u>	<u>\$ 13,051,646</u>	<u>\$ 11,958,432</u>

See accompanying notes

# PENDLE HILL

## STATEMENT OF ACTIVITIES

Year ended August 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 355,938	\$ 405,444	\$ 761,382
Tuition, net of scholarships of \$105,056	6,454	-	6,454
Sojourner rooms and meals	91,585	-	91,585
Short term education programs	279,188	-	279,188
Conference services	801,498	-	801,498
Rental income	27,600	-	27,600
Youth programs	8,144	-	8,144
Miscellaneous income	96,462	-	96,462
Net assets released from restrictions			
Satisfaction of purpose and time restrictions	168,593	(168,593)	-
Endowment spending practice	290,835	(290,835)	-
<b>Total revenue and support</b>	<u>2,126,297</u>	<u>(53,984)</u>	<u>2,072,313</u>
<b>EXPENSES</b>			
Program services	1,814,938	-	1,814,938
Supporting services			
General and administrative	478,629	-	478,629
Fundraising	<u>269,478</u>	<u>-</u>	<u>269,478</u>
<b>Total expenses</b>	<u>2,563,045</u>	<u>-</u>	<u>2,563,045</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<u>(436,748)</u>	<u>(53,984)</u>	<u>(490,732)</u>
<b>OTHER CHANGES</b>			
Investment income	32,480	149,337	181,817
Change in value of beneficial interest in split interest agreements	<u>-</u>	<u>14,315</u>	<u>14,315</u>
<b>Total other changes</b>	<u>32,480</u>	<u>163,652</u>	<u>196,132</u>
<b>CHANGE IN NET ASSETS</b>	<u>(404,268)</u>	<u>109,668</u>	<u>(294,600)</u>
<b>NET ASSETS</b>			
Beginning of year	<u>3,222,725</u>	<u>9,030,307</u>	<u>12,253,032</u>
End of year	<u>\$ 2,818,457</u>	<u>\$ 9,139,975</u>	<u>\$ 11,958,432</u>

See accompanying notes

# PENDLE HILL

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2020 with comparative totals for 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
				<u>2020</u>	<u>2019</u>
Salaries and benefits	\$ 914,765	\$ 242,802	\$ 241,480	\$ 1,399,047	\$ 1,453,114
Book store expenses	37,659	-	-	37,659	24,791
Depreciation expense	157,590	18,540	9,270	185,400	189,033
Honoraria	61,647	-	-	61,647	80,515
Insurance	47,995	4,608	2,303	54,906	54,183
Interest expense	30,097	3,541	1,770	35,408	37,103
Office expenses	11,536	29,434	12,424	53,394	50,729
Professional fees	43,318	45,374	3,962	92,654	74,004
Real estate taxes	63,334	7,451	3,726	74,511	71,579
Rental expense	75,510	-	-	75,510	153,575
Repairs and maintenance	44,445	5,230	2,614	52,289	54,683
Supplies	23,038	2,555	189	25,782	37,952
Travel	2,239	-	3,186	5,425	18,600
Utilities	91,678	10,785	5,392	107,855	115,651
Website and communication	34,079	7,566	1,997	43,642	57,936
Miscellaneous	48,896	24,538	64	73,498	89,597
<b>Total expenses</b>	<b><u>\$ 1,687,826</u></b>	<b><u>\$ 402,424</u></b>	<b><u>\$ 288,377</u></b>	<b><u>\$ 2,378,627</u></b>	<b><u>\$ 2,563,045</u></b>

See accompanying notes

# PENDLE HILL

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2019

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	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 928,895	\$ 300,535	\$ 223,684	\$ 1,453,114
Book store expenses	24,791	-	-	24,791
Depreciation expense	169,185	18,903	945	189,033
Honoraria	80,515	-	-	80,515
Insurance	47,286	4,598	2,299	54,183
Interest expense	31,538	3,710	1,855	37,103
Office expenses	8,063	30,526	12,140	50,729
Professional fees	40,383	30,417	3,204	74,004
Real estate taxes	60,842	7,158	3,579	71,579
Rental expense	153,371	-	204	153,575
Repairs and maintenance	46,481	5,469	2,733	54,683
Supplies	33,461	4,058	433	37,952
Travel	10,343	-	8,257	18,600
Utilities	98,304	11,565	5,782	115,651
Website and communication	47,987	7,756	2,193	57,936
Miscellaneous	33,493	53,934	2,170	89,597
<b>Total expenses</b>	<u>\$ 1,814,938</u>	<u>\$ 478,629</u>	<u>\$ 269,478</u>	<u>\$ 2,563,045</u>

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See accompanying notes



# PENDLE HILL

## STATEMENTS OF CASH FLOWS

Years ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ 1,093,214	\$ (294,600)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized gain on investments	(1,079,589)	(7,432)
Contributions restricted for long-term purposes	(348,006)	(222,344)
Depreciation expense	185,400	189,033
Change in value of beneficial interest in split interest agreements	(60,837)	(14,315)
(Increase) decrease in		
Accounts receivable	79,139	(31,661)
Contributions receivable	144,825	(89,347)
Prepaid expenses	16,187	28,519
Inventory	7,548	(499)
Increase (decrease) in		
Accounts payable and accrued expenses	22,703	28,620
Deferred revenue	(62,043)	34,375
<b>Net cash used for operating activities</b>	<u>(1,459)</u>	<u>(379,651)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(679,243)	(179,599)
Proceeds from sale of investments	406,670	694,793
Proceeds from assets of pooled life income fund	117,365	38,205
Acquisition of property and equipment	<u>(93,968)</u>	<u>(182,460)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>(249,176)</u>	<u>370,939</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayments on note payable	(35,592)	(40,897)
Proceeds from note payable - Paycheck Protection Program	305,732	-
Collections of contributions restricted for investment in endowment	<u>490,350</u>	<u>-</u>
<b>Net cash provided by (used for) financing activities</b>	<u>760,490</u>	<u>(40,897)</u>
<b>Net change in cash</b>	509,855	(49,609)
<b>CASH</b>		
Beginning of year	<u>125,551</u>	<u>175,160</u>
<b>End of year</b>	<u>\$ 635,406</u>	<u>\$ 125,551</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 35,408</u>	<u>\$ 37,103</u>

See accompanying notes

# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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### (1) NATURE OF OPERATIONS

Pendle Hill was established in 1930 in Wallingford, Pennsylvania as a Quaker study center designed to prepare its adult students for service both in the Religious Society of Friends and in the world. Pendle Hill strives to embody the historic testimonies of the Religious Society of Friends. Central to the vision of the Pendle Hill community and the influence that it seeks to exert in the larger world are: peace, truth-speaking and integrity, equality, simplicity, and reaching out to that of God in every one.

### (2) SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

#### **Financial Statement Presentation**

Pendle Hill reports information regarding its financial position and activities according to the following classes of net assets:

##### ***Without donor restrictions***

Net assets that are not subject to donor-imposed restrictions.

##### ***With donor restrictions***

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of Pendle Hill and/or the passage of time. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting Pendle Hill to expend the income generated in accordance with the provisions of the contribution.

#### **Estimates**

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

#### **Fair Value Measurements of Assets and Liabilities**

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of Pendle Hill. Unobservable inputs reflect Pendle Hill's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on quoted prices in active markets for identical assets or liabilities that Pendle Hill has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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**Level 3** – Valuations based on inputs that are unobservable, that is, inputs that reflect Pendle Hill's own assumptions.

### **Inventory**

Inventory is stated at the lower of cost or market value, using the first-in, first-out method. It consists primarily of books and pamphlets for resale.

### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Pendle Hill does not charge interest on outstanding balances.

### **Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value as determined by quoted market prices with gains and losses included in the statement of activities. Dividend and interest income is recorded as earned. Restricted investment income whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Pendle Hill invests in professionally-managed portfolios that contain various types of securities (**See Note 4**). Such investments are exposed to market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in the near term would materially affect investment balances and the amounts reported in the financial statements.

### **Property and Equipment**

Property and equipment are carried at cost if purchased, and at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over estimated useful lives of three to ten years for furniture and equipment and twenty-five to thirty years for the leasehold improvements and buildings.

### **Beneficial Interest in Perpetual Trusts**

The beneficial interest in perpetual trusts is reported at fair value and is equal to Pendle Hill's share of the assets in the trusts.

### **Beneficial Interest in Trust Agreements**

The beneficial interest in trust agreements is reported at the fair value of the related assets less the present value of the payments expected to be made to other beneficiaries.

### **Contributions**

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

### **Revenue Recognition**

Pendle Hill provides conference services based on published fixed rates and collects either amounts in advance or at the time of the conference. Amounts collected in advance of the conference result in a deferred revenue balance. Conference services revenue is recognized as revenue when the conference takes place.

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## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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Pendle Hill recognizes revenue from tuition during the year in which the related services are provided to students. All amounts received prior to the commencement of the applicable year are deferred to the applicable period. Scholarships provided to students are recorded as a reduction from the posted tuition at the time revenue is recognized.

#### **Functional Allocation of Expenses**

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort.

#### **Income Tax Status**

Pendle Hill is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Pendle Hill's tax-exempt purpose is subject to taxation as unrelated business income. In addition, Pendle Hill qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP prescribes a minimum recognition threshold that a tax position is required to meet in order to be recognized in the financial statements. Pendle Hill believes that it had no uncertain tax positions as defined in GAAP.

#### **Concentration of Credit Risk**

Financial instruments which potentially subject Pendle Hill to concentration of credit risk are cash and contributions receivable. Pendle Hill maintains its cash at various high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Contributions receivable consists primarily of amounts from foundations and individuals and is more fully described in Note 3.

#### **Accounting Pronouncements Adopted**

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Pendle Hill adopted ASU 2014-09 on September 1, 2019 using the modified retrospective method approach.

Pendle Hill performed an analysis of revenue streams and transactions under ASU 2014-09, including applying the portfolio approach as a practical expedient to group contracts with similar characteristics such that revenue for a given portfolio would not be materially different than if it were evaluated on a contract-by-contract basis. The impact of adopting ASU 2014-09 was not material to total revenues without donor restrictions, excess of revenues and gains over expenses and losses, or total net assets. Pendle Hill's revenue recognition policies are detailed within Note 2.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. Pendle Hill adopted ASU 2018-08 on September 1, 2019. The adoption of this standard did not have a material impact on Pendle Hill.

## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

#### (3) CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at August 31,:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 14,250	\$ 14,250
Other	<u>116,234</u>	<u>383,403</u>
	130,484	397,653
Less allowance for uncollectible contributions receivable	(20,000)	-
Less discount to net present value	<u>(1,650)</u>	<u>(1,650)</u>
Net contributions receivable	<u>\$108,834</u>	<u>\$396,003</u>
Amount due in:		
Less than one year	\$119,984	\$328,097
One to five years	<u>10,500</u>	<u>69,556</u>
	<u>\$130,484</u>	<u>\$397,653</u>

#### (4) INVESTMENTS

Investments consisted of the following at August 31,:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 339,256	\$ 566,854
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	4,458,601	3,736,043
Units in the Short Term Investment Fund of Friends Fiduciary Corporation	30,246	-
Corporate bonds	727,228	51,286
Common stocks	<u>3,817,072</u>	<u>3,666,058</u>
	<u>\$9,372,403</u>	<u>\$8,020,241</u>

The Quaker Growth and Income Fund and Short Term Investment Fund are co-mingled investment funds sponsored by Friends Fiduciary Corporation ("**Fiduciary**"). Fiduciary is a Quaker nonprofit corporation which qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Fiduciary's mission is to provide investment and trusteeship services for Friends meetings, schools and other nonprofit, tax-exempt organizations. The Quaker Growth and Income Fund's investment objective is to provide long-term total return by investing its assets in a balanced portfolio of common stocks and fixed income investments. The Short Term Investment Fund is a diversified fixed income fund designed to provide returns in excess of those available in money market funds.

Investment income was comprised of the following:

	<u>2020</u>	<u>2019</u>
Net realized and unrealized gain	\$1,079,589	\$ 7,432
Interest and dividends	194,130	179,599
Investment management fees	(21,287)	(21,398)
Distributions from perpetual trusts	<u>15,979</u>	<u>16,184</u>
	<u>\$1,268,411</u>	<u>\$ 181,817</u>

## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

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#### (5) ASSETS OF POOLED LIFE INCOME FUND

Pendle Hill has a pooled life income fund. The investments are managed by Fiduciary in a balanced fund of fixed income and equity securities. The donors, or beneficiaries specified by the donors, receive the income (as defined by an agreement) generated by the investments. When the beneficiaries die the assets revert to Pendle Hill.

#### (6) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31,:

	<u>2020</u>	<u>2019</u>
Land	\$ 183,835	\$ 183,835
Buildings	6,452,227	6,358,259
Furniture and equipment	<u>216,498</u>	<u>218,136</u>
	6,852,560	6,760,230
Less accumulated depreciation	<u>(3,925,261)</u>	<u>(3,741,499)</u>
Total	<u>\$ 2,927,299</u>	<u>\$ 3,018,731</u>

#### (7) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Pendle Hill has been named as income beneficiary of two bank-administered perpetual trusts. The principal portion of the trusts is to be maintained indefinitely and income distributions are without donor restrictions.

#### (8) BENEFICIAL INTEREST IN TRUST AGREEMENTS

Pendle Hill has been named as remaining beneficiary of several irrevocable charitable remainder trusts. The agreements provide for the lead beneficiaries to receive annual distributions until their death, and that, upon their death, Pendle Hill is to receive the remainder. The amounts of the remainder and payments to be made to the lead beneficiaries are estimated and have been reduced to present value.

#### (9) ANNUITIES PAYABLE

Pendle Hill administers various charitable gift annuity contracts, pursuant to which it must make specified annuity payments to the donors or their beneficiaries over their lifetimes. The liability reflected in the accompanying statement of financial position represents the present value of the expected future payments. Payments to the donors or their beneficiaries are recorded as reductions in the liability. Adjustments resulting from amortization of the discounts and changes in life expectancies of the donors or their beneficiaries are recorded as "**change in value of beneficial interest in split interest agreements**" in the accompanying statements of activities.

#### (10) NOTE PAYABLE

Pendle Hill has a note payable with Everence Association, Inc. that expires in 2035. The note had an outstanding balance of \$766,615 at August 31, 2020 and \$802,207 at August 31, 2019. It is secured by Pendle Hill's properties and bears interest at 4.5% and adjusts to the lender's current interest rate for one year adjustable rate mortgages after five years (April 2023). Interest payments of \$35,408 and \$37,103 were made during the years ended August 31, 2020 and 2019, respectively. Principal payments on this note will be made as follows:

**PENDLE HILL**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2020 and 2019**

**Year ending August 31,**

2021	\$ 34,980
2022	39,659
2023	42,341
2024	45,223
2025	46,994
Thereafter	<u>557,418</u>
	<u>\$766,615</u>

**(11) NOTE PAYABLE – PAYCHECK PROTECTION PROGRAM**

On May 6, 2020, Pendle Hill received loan proceeds in the amount of \$305,732 under the Paycheck Protection Program ("**PPP**"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("**Cares Act**"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period.

To the extent that Pendle Hill is not granted forgiveness, Pendle Hill will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date. The terms of the loan provide for customary events of default including payment defaults, breach of representation of warranties and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

**(12) NET ASSETS WITHOUT DONOR RESTRICTIONS DESIGNATED BY THE BOARD OF DIRECTORS**

At August 31, 2020, Pendle Hill had net assets designated by the Board of Directors of \$76,500 to be used for raises and professional development activities for staff.

**(13) NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes and periods:

	<b><u>Balance</u></b>			<b><u>Balance</u></b>
	<b><u>August 31, 2019</u></b>	<b><u>Additions</u></b>	<b><u>Releases</u></b>	<b><u>August 31, 2020</u></b>
Net assets spendable for specific purposes or periods				
Programming	\$ 72,000	\$ 218	\$ (42,000)	\$ 30,218
Scholarships	29,728	-	-	29,728
Maintenance and improvements	65,000	195,655	(94,591)	166,064
Available for future periods				
Pooled life income fund	344,041	31,037	(117,635)	257,443
Gift annuities administered by				
Friends Fiduciary Corporation	108,500	18,800	-	127,300
Charitable remainder unitrusts	484,500	13,100	-	497,600
Contributions receivable	<u>-</u>	<u>15,000</u>	<u>(5,000)</u>	<u>10,000</u>
	<u>1,103,769</u>	<u>273,810</u>	<u>(259,226)</u>	<u>1,118,353</u>
Net assets to be maintained indefinitely				
Endowment funds	7,742,106	1,347,474	(355,382)	8,734,198
Beneficial interest in perpetual trusts	<u>294,100</u>	<u>7,900</u>	<u>-</u>	<u>302,000</u>
	<u>8,036,206</u>	<u>1,355,374</u>	<u>(355,382)</u>	<u>9,036,198</u>
	<u>\$9,139,975</u>	<u>\$1,629,184</u>	<u>\$(614,608)</u>	<u>\$10,154,551</u>

# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

	<u>Balance</u> <u>August 31, 2018</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>August 31, 2019</u>
Net assets spendable for specific purposes or periods				
Programming	\$ 11,107	\$ 74,500	\$ (13,607)	\$ 72,000
Scholarships	52,909	3,600	(26,781)	29,728
Maintenance and improvements	-	105,000	(40,000)	65,000
Available for future periods				
Pooled life income fund	375,531	6,715	(38,205)	344,041
Gift annuities administered by Friends Fiduciary Corporation	119,800	(11,300)	-	108,500
Charitable remainder unitrusts	473,500	11,000	-	484,500
Contributions receivable	50,000	-	(50,000)	-
	<u>1,082,847</u>	<u>189,515</u>	<u>(168,593)</u>	<u>1,103,769</u>
Net assets to be maintained indefinitely				
Endowment funds	7,661,260	371,681	(290,835)	7,742,106
Beneficial interest in perpetual trusts	286,200	7,900	-	294,100
	<u>7,947,460</u>	<u>379,581</u>	<u>(290,835)</u>	<u>8,036,206</u>
	<u>\$9,030,307</u>	<u>\$ 569,096</u>	<u>\$(459,428)</u>	<u>\$9,139,975</u>

Pendle Hill is not aware of the historical dollar value of the endowment funds. Income from the endowments is available for operations, scholarships and other purposes.

### (14) ENDOWMENT FUNDS

An accounting standard exists which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("**UPMIFA**"). Pendle Hill is not subject to this guidance since Pennsylvania has not enacted a version of UPMIFA. Pendle Hill classifies both the original fair value of contributions and grants to donor-restricted endowments along with the investment income attributable to the donor-restricted endowments as part of net assets with donor restrictions. The standard also requires additional disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

In accordance with Pennsylvania statutes, Pendle Hill has adopted investment and spending practices for its endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of these endowment assets over the long-term. Pendle Hill's spending and investment practices work together to achieve this objective. The investment practices establish an achievable return objective through diversification of asset classes.

The spending practice calculates the amount of money annually distributed from the donor-restricted endowment fund to support various programs. The current spending practice is to distribute an amount equal to 5% of a moving three-year average of the fair value of the endowment fund.

Endowment net assets, at August 31, 2019	\$7,742,106
Contributions	348,006
Investment income	999,468
Spending practice distribution (5.0%)	<u>(355,382)</u>
Endowment net assets, at August 31, 2020	<u>\$8,734,198</u>



## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

#### August 31, 2020 and 2019

Endowment net assets, at August 31, 2018	\$7,661,260
Contributions	222,344
Investment income	149,337
Spending practice distribution (4.0%)	<u>(290,835)</u>
Endowment net assets, at August 31, 2019	<u>\$7,742,106</u>

#### (15) RETIREMENT PLAN

Pendle Hill has a 403(b) retirement plan which allows eligible employees to contribute a portion of their gross salaries, up to the maximum amount allowed by the Internal Revenue Code, to purchase retirement annuity benefits. Pendle Hill's Plan provides for a discretionary matching contribution, which is determined each year, equal to a uniform percentage of salaries. It may also make additional discretionary contributions to the Plan. Pendle Hill made contributions to the Plan of \$11,966 in 2020 and \$4,334 in 2019. Pendle Hill closed this Plan effective December 31, 2020.

Effective January 1, 2021, Pendle Hill adopted a 401(k) plan which allows eligible employees to contribute a portion of their gross salaries, up to the maximum amount allowed by the Internal Revenue Code. Pendle Hill's Plan provides for a discretionary profit-sharing contribution, which is determined each year by management.

#### (16) ASSETS AND LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

The following is a summary of assets and liabilities measured at fair value on a recurring basis and the valuation inputs used to value them:

<u>Description</u>	<u>Balance August 31, 2020</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments				
Money market funds	\$ 339,256	\$ 339,256	\$ -	\$ -
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	4,458,601	-	4,458,601	-
Units in the Short Term Investment Fund of Friends Fiduciary Corporation	30,246	-	30,246	-
Corporate bonds	727,228	-	727,228	-
Common stocks	<u>3,817,072</u>	<u>3,817,072</u>	<u>-</u>	<u>-</u>
Total investments	9,372,403	4,156,328	5,216,075	-
Contributions receivable	108,834	-	108,834	-
Assets of pooled life income fund	501,832	-	501,832	-
Beneficial interest in perpetual trusts	302,000	-	-	302,000
Beneficial interest in trust agreements	<u>624,900</u>	<u>-</u>	<u>-</u>	<u>624,900</u>
	<u>\$10,909,969</u>	<u>\$4,156,328</u>	<u>\$5,826,741</u>	<u>\$926,900</u>
<b>Liabilities</b>				
Annuities payable	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>

# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

<u>Description</u>	<u>Balance August 31, 2019</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Assets</b>				
Investments				
Money market funds	\$ 566,854	\$ 566,854	\$ -	\$ -
Units in the Quaker Growth and Income Fund of Friends				
Fiduciary Corporation	3,736,043	-	3,736,043	-
Corporate bonds	51,286	-	51,286	-
Common stocks	<u>3,666,058</u>	<u>3,666,058</u>	<u>-</u>	<u>-</u>
Total investments	8,020,241	4,232,912	3,787,329	-
Contributions receivable	396,003	-	396,003	-
Assets of pooled life income fund	578,370	-	578,370	-
Beneficial interest in perpetual trusts	294,100	-	-	294,100
Beneficial interest in trust agreements	<u>593,000</u>	<u>-</u>	<u>-</u>	<u>593,000</u>
	<u>\$ 9,881,714</u>	<u>\$ 4,232,912</u>	<u>\$ 4,761,702</u>	<u>\$ 887,100</u>
<b>Liabilities</b>				
Annuities payable	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>

Level 3 assets (beneficial interest in perpetual trusts and beneficial interest in trust agreements) had gains of \$39,800 and \$7,600, respectively, in the statements of activities in 2020 and 2019.

### (17) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects Pendle Hill's financial assets as of the statements of financial position date, which has been reduced by financial assets not available within one year.

	<u>2020</u>	<u>2019</u>
Cash	\$ 635,406	\$ 125,551
Accounts receivable	-	79,139
Contributions receivable	108,834	396,003
Investments	<u>9,372,403</u>	<u>8,020,241</u>
Total financial assets	10,116,643	8,620,934
Less: financial assets not available for general operations within one year		
Restricted by donor for specific purposes or periods	(226,010)	(166,728)
Restricted by donor to be maintained indefinitely	(8,734,198)	(7,742,106)
Endowment spending practice distribution for next year	389,000	300,000
Designated by Board of Directors	<u>(76,500)</u>	<u>(76,500)</u>
Total financial assets available within one year	<u>\$ 1,468,935</u>	<u>\$ 935,600</u>

#### Liquidity Management

As part of Pendle Hill's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds and common stocks.

## **PENDLE HILL**

### ***NOTES TO FINANCIAL STATEMENTS***

**August 31, 2020 and 2019**

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#### **(18) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 28, 2021, the date on which the financial statements were available to be issued. Except as disclosed in Note 15 and below, no other material subsequent events have occurred since August 31, 2020 that required recognition or disclosure in the financial statements.

The extent of the impact of COVID-19 on Pendle Hill's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time.