

Pendle Hill

Financial Statements
Year Ended August 31, 2022



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PENDLE HILL

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Pendle Hill (a nonprofit organization), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pendle Hill as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pendle Hill and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Adjustment

As discussed in Note 3 to the financial statements, management determined that contributions receivable and net assets with donor restrictions were understated at August 31, 2020. As a result, Pendle Hill made a prior period adjustment to increase contributions receivable and net assets with donor restrictions by \$151,348 at August 31, 2020. Accordingly, contributions receivable and net assets with donor restrictions have been restated in the 2021 summarized comparative information now presented. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pendle Hill's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pendle Hill's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pendle Hill's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Pendle Hill's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the restated audited financial statements from which it has been derived.

BBD, LLP

Philadelphia, Pennsylvania
March 15, 2023

PENDLE HILL

STATEMENT OF FINANCIAL POSITION

August 31, 2022 with comparative totals for 2021

	<u>2022</u>	<u>2021</u> <u>as restated</u>
ASSETS		
Cash	\$ 500,493	\$ 496,807
Accounts receivable	49,499	-
Contributions receivable, net	316,027	214,098
Prepaid expenses	67,964	102,522
Inventory	16,758	32,898
Investments	8,778,971	10,645,576
Property and equipment, net	2,887,326	2,943,304
Assets of pooled life income fund	462,416	562,340
Beneficial interest in perpetual trusts	296,500	314,500
Beneficial interest in trust agreements	717,400	684,500
Total assets	<u>\$ 14,093,354</u>	<u>\$ 15,996,545</u>
LIABILITIES		
Note payable	\$ 729,000	\$ 731,635
Note payable - Paycheck Protection Program	-	423,408
Accounts payable and accrued expenses	37,107	8,915
Annuities payable	16,800	20,700
Deferred revenue	274,417	373,170
Total liabilities	<u>1,057,324</u>	<u>1,557,828</u>
NET ASSETS		
Without donor restrictions		
Operating	2,399,366	2,077,100
Board designated	619,381	764,531
	3,018,747	2,841,631
With donor restrictions	10,017,283	11,597,086
Total net assets	<u>13,036,030</u>	<u>14,438,717</u>
Total liabilities and net assets	<u>\$ 14,093,354</u>	<u>\$ 15,996,545</u>

See accompanying notes

PENDLE HILL

STATEMENT OF ACTIVITIES

Year ended August 31, 2022 with comparative totals for 2021

	Without Donor Restrictions			Totals	
	Operating	Board Designated	With Donor Restrictions	2022	2021 as restated
REVENUE AND SUPPORT					
Contributions	\$ 608,639	\$ -	\$ 746,962	\$ 1,355,601	\$ 511,741
Tuition, net of scholarships of \$79,137 in 2022 and \$38,048 in 2021	38,559	-	-	38,559	13,316
Sojourner rooms and meals	78,552	-	-	78,552	20,427
Short term education programs, net of scholarships of \$111,344 in 2022 and \$94,141 in 2021	141,618	-	-	141,618	73,793
Conference services	460,066	-	-	460,066	17,280
Rental income	25,300	-	-	25,300	30,500
Youth programs	1,105	-	-	1,105	6,045
Miscellaneous income	84,967	-	-	84,967	83,096
Net assets released from restrictions					
Satisfaction of purpose and time restrictions	579,593	-	(579,593)	-	-
Endowment spending practice	255,599	(26,156)	(229,443)	-	-
Total revenue and support	<u>2,273,998</u>	<u>(26,156)</u>	<u>(62,074)</u>	<u>2,185,768</u>	<u>756,198</u>
EXPENSES					
Program services	1,787,118	-	-	1,787,118	1,033,325
Supporting services					
General and administrative	522,871	-	-	522,871	456,581
Fundraising	115,581	-	-	115,581	199,206
Total expenses	<u>2,425,570</u>	<u>-</u>	<u>-</u>	<u>2,425,570</u>	<u>1,689,112</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>(151,572)</u>	<u>(26,156)</u>	<u>(62,074)</u>	<u>(239,802)</u>	<u>(932,914)</u>
OTHER CHANGES					
Investment income (loss)	15,128	(83,692)	(1,366,526)	(1,435,090)	1,759,121
Other transfers	35,302	(35,302)	-	-	-
Gain on forgiveness of note payable - Paycheck Protection Program	423,408	-	-	423,408	305,732
Change in value of beneficial interest in split interest agreements	-	-	(151,203)	(151,203)	103,784
Total other changes	<u>473,838</u>	<u>(118,994)</u>	<u>(1,517,729)</u>	<u>(1,162,885)</u>	<u>2,168,637</u>
CHANGE IN NET ASSETS	<u>322,266</u>	<u>(145,150)</u>	<u>(1,579,803)</u>	<u>(1,402,687)</u>	<u>1,235,723</u>
NET ASSETS					
Beginning of year, as previously reported	2,077,100	764,531	11,597,086	14,438,717	13,051,646
Prior period adjustment	-	-	-	-	151,348
Beginning of year, as restated	<u>2,077,100</u>	<u>764,531</u>	<u>11,597,086</u>	<u>14,438,717</u>	<u>13,202,994</u>
End of year	<u>\$ 2,399,366</u>	<u>\$ 619,381</u>	<u>\$ 10,017,283</u>	<u>\$ 13,036,030</u>	<u>\$ 14,438,717</u>

See accompanying notes

PENDLE HILL

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2022 with comparative totals for 2021

	Program Services	General and Administrative	Fundraising	Totals	
				2022	2021
Salaries and benefits	\$ 928,620	\$ 247,631	\$ 61,908	\$ 1,238,159	\$ 798,794
Book store expenses	42,418	-	-	42,418	44,780
Depreciation expense	150,545	40,145	10,036	200,726	189,265
Honoraria	87,075	-	-	87,075	25,877
Hospitality expenses	81,234	-	-	81,234	11,207
Insurance	48,166	12,844	3,211	64,221	57,490
Interest expense	21,018	5,605	1,401	28,024	33,812
Office expenses	52,921	14,112	3,528	70,561	57,956
Professional fees	89,644	59,264	5,976	154,884	106,551
Real estate taxes	59,352	15,827	3,957	79,136	79,871
Repairs and maintenance	51,356	13,695	3,424	68,475	48,272
Supplies	17,480	4,661	1,165	23,306	5,776
Travel	-	2,400	-	2,400	1,072
Utilities	77,882	20,768	5,192	103,842	86,588
Website and communication	39,001	10,400	2,600	52,001	55,208
Miscellaneous	40,406	75,519	13,183	129,108	86,593
Total expenses	\$ 1,787,118	\$ 522,871	\$ 115,581	\$ 2,425,570	\$ 1,689,112

See accompanying notes

PENDLE HILL

STATEMENT OF CASH FLOWS

Year ended August 31, 2022 with comparative totals for 2021

	<u>2022</u>	<u>2021</u> <u>as restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (1,402,687)	\$ 1,235,723
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Realized and unrealized (gain) loss on investments	1,662,495	(1,544,198)
Depreciation expense	200,726	189,265
Contribution of beneficial interest in split interest agreements	(155,200)	-
Gain on forgiveness of note payable - Paycheck Protection Program	(423,408)	(305,732)
Change in value of beneficial interest in split interest agreements	151,203	(103,784)
(Increase) decrease in		
Accounts receivable	(49,499)	-
Contributions receivable	(101,929)	46,084
Prepaid expenses	34,558	(69,742)
Inventory	16,140	20,116
Increase (decrease) in		
Accounts payable and accrued expenses	28,192	(59,242)
Annuities payable	(3,900)	(4,300)
Deferred revenue	(9,732)	3,028
Net cash used for operating activities	<u>(53,041)</u>	<u>(592,782)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(237,236)	(347,532)
Proceeds from sale of investments	441,346	618,557
Acquisition of property and equipment	(144,748)	(205,270)
Net cash provided by investing activities	<u>59,362</u>	<u>65,755</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(731,635)	(34,980)
Proceeds from note payable	729,000	-
Proceeds from note payable - Paycheck Protection Program	-	423,408
Net cash provided by (used for) financing activities	<u>(2,635)</u>	<u>388,428</u>
Net change in cash	3,686	(138,599)
CASH		
Beginning of year	<u>496,807</u>	<u>635,406</u>
End of year	<u>\$ 500,493</u>	<u>\$ 496,807</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 16,951</u>	<u>\$ 33,812</u>

See accompanying notes

PENDLE HILL

NOTES TO FINANCIAL STATEMENTS

August 31, 2022

(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 statement 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.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2022

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 5**). 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 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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NOTES TO FINANCIAL STATEMENTS

August 31, 2022

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, accounts and contributions receivable. Pendle Hill maintains its cash at various high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Accounts receivable are related to conference services and expected to be collected in 2023. Contributions receivable consists primarily of amounts from foundations and individuals and is more fully described in **Note 4**.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended August 31, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the 2021 summarized comparative totals have been reclassified in order to conform to the 2022 presentation, such as the reclassification of Pendle Hill's board designated endowment (**See Note 13**).

(3) PRIOR PERIOD ADJUSTMENT

During 2022, management determined that a bequest that was unconditionally promised during the year ended August 31, 2017 was not recorded. As a result, an adjustment was made to increase contributions receivable and net assets with donor restrictions at August 31, 2020 by \$151,348.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2022

(4) CONTRIBUTIONS RECEIVABLE

Contributions receivable at August 31 are expected to be collected as follows:

	<u>2022</u>	<u>As Restated 2021</u>
Within one year	\$249,303	\$270,098
Other	<u>76,849</u>	<u>-</u>
	326,152	270,098
Less allowance for uncollectible contributions receivable	<u>(10,125)</u>	<u>(56,000)</u>
Contributions receivable, net	<u>\$316,027</u>	<u>\$214,098</u>

(5) INVESTMENTS

Investments consisted of the following at August 31,:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 386,699	\$ 449,850
Units in the Quaker Growth & Income Fund of Friends Fiduciary Corporation	4,336,454	5,359,038
Corporate bonds	763,270	869,585
Common stocks	<u>3,292,548</u>	<u>3,967,103</u>
	<u>\$8,778,971</u>	<u>\$10,645,576</u>

The Quaker Growth & Income Fund is a co-mingled investment fund 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 & 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.

Investment income (loss) was comprised of the following for the year ended August 31,:

	<u>2022</u>	<u>2021</u>
Net realized and unrealized gain (loss)	\$(1,662,495)	\$1,544,198
Interest and dividends	237,236	222,571
Investment management fees	(24,411)	(22,399)
Distributions from perpetual trusts	<u>14,580</u>	<u>14,751</u>
	<u>\$(1,435,090)</u>	<u>\$1,759,121</u>

(6) 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.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2022

(7) PROPERTY AND EQUIPMENT

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

	<u>2022</u>	<u>2021</u>
Land	\$ 183,835	\$ 183,835
Buildings	6,651,356	6,519,542
Furniture and equipment	<u>367,387</u>	<u>354,453</u>
	7,202,578	7,057,830
Less: accumulated depreciation	<u>(4,315,252)</u>	<u>(4,114,526)</u>
Total	<u>\$ 2,887,326</u>	<u>\$ 2,943,304</u>

(8) 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.

(9) 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. During 2022, a new charitable remainder unitrust contribution was unconditionally promised and was recorded with a value of \$140,200.

(10) 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 statement of activities.

(11) NOTE PAYABLE

During 2022, Pendle Hill refinanced their note payable that was with Everence Association, Inc. with the U.S. Small Business Administration ("**SBA**"). The SBA note payable matures on December 20, 2051 and accrues interest at 2.75%. The new loan is secured by Pendle Hill's properties and payments will begin on June 24, 2024. The SBA note had an outstanding balance of \$729,000 at August 31, 2022.

Principal payments on this note will be made as follows:

Year ending August 31,

2023	\$ -
2024	-
2025	19,147
2026	19,680
2027	20,228
Thereafter	<u>669,945</u>
	<u>\$729,000</u>

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NOTES TO FINANCIAL STATEMENTS

August 31, 2022

(12) GAIN ON FORGIVENESS OF 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.

On June 25, 2021, the Small Business Administration forgave 100% of the first PPP note payable.

On March 9, 2021, Pendle Hill received a second loan under the PPP in the amount of \$423,408, which was forgiven on February 22, 2022.

(13) NET ASSETS WITHOUT DONOR RESTRICTIONS - DESIGNATED BY THE BOARD OF DIRECTORS

Board designated net assets consist of the following:

	<u>Beginning Balance</u>	<u>Additions (Subtractions)</u>	<u>Releases</u>	<u>Ending Balance</u>
Staff support	\$ 76,500	\$ -	\$(22,649)	\$ 53,851
Endowments	<u>688,031</u>	<u>(83,692)</u>	<u>(38,809)</u>	<u>565,530</u>
	<u>\$764,531</u>	<u>\$(83,692)</u>	<u>\$(61,458)</u>	<u>\$619,381</u>

Income from the board designated endowments is for general operations and board and staff education. Staff support is for raises and professional development activities for staff.

(14) NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>As Restated Balance August 31, 2021</u>	<u>Additions (Subtractions)</u>	<u>Reclasses</u>	<u>Releases</u>	<u>Balance August 31, 2022</u>
Net assets spendable for specific purposes or periods					
Programming	\$ 31,340	\$ 277,952	\$ -	\$(90,750)	\$ 218,542
Scholarships	76,129	12,810	163,607	(224,992)	27,554
Maintenance and improvements	28,125	210,000	-	(107,503)	130,622
Available for future periods					
Pooled life income fund	289,127	(10,903)	-	-	278,224
Gift annuities administered by Friends Fiduciary Corporation	144,300	(29,300)	-	-	115,000
Charitable remainder trusts	540,200	62,200	-	-	602,400
Contributions receivable	<u>156,348</u>	<u>135,000</u>	<u>-</u>	<u>(156,348)</u>	<u>135,000</u>
	<u>1,265,569</u>	<u>657,759</u>	<u>163,607</u>	<u>(579,593)</u>	<u>1,507,342</u>
Net assets to be maintained indefinitely					
Endowment funds	10,017,017	(1,410,526)	(163,607)	(229,443)	8,213,441
Beneficial interest in perpetual trusts	<u>314,500</u>	<u>(18,000)</u>	<u>-</u>	<u>-</u>	<u>296,500</u>
	<u>10,331,517</u>	<u>(1,428,526)</u>	<u>(163,607)</u>	<u>(229,443)</u>	<u>8,509,941</u>
	<u>\$11,597,086</u>	<u>\$(770,767)</u>	<u>\$ -</u>	<u>\$(809,036)</u>	<u>\$10,017,283</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.

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(15) 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 and board designated endowment funds to support various programs and operations. The current spending practice is to distribute an amount equal to 5% on total endowment investments of a moving three-year average of the fair value of the endowment funds.

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, August 31, 2021	\$688,031	\$10,017,017	\$10,705,048
Investment loss	(83,692)	(1,410,526)	(1,494,218)
Spending practice distribution (5%)	(26,156)	(393,050)	(419,206)
Other transfers	<u>(12,653)</u>	<u>-</u>	<u>(12,653)</u>
Endowment net assets, August 31, 2022	<u>\$565,530</u>	<u>\$ 8,213,441</u>	<u>\$ 8,778,971</u>

(16) RETIREMENT PLAN

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 contribution, which is determined each year by management. Pendle Hill made contributions to the Plan of \$19,177 in 2022 and \$12,478 in 2021.

(17) 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, 2022</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>
Assets				
Investments				
Money market funds	\$ 386,699	\$ 386,699	\$ -	\$ -
Units in the Quaker Growth & Income Fund of Friends Fiduciary Corporation	4,336,454	-	4,336,454	-
Corporate bonds	763,270	-	763,270	-
Common stocks	<u>3,292,548</u>	<u>3,292,548</u>	<u>-</u>	<u>-</u>
Total investments	8,778,971	3,679,247	5,099,724	-

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NOTES TO FINANCIAL STATEMENTS

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Contributions receivable	316,027	-	316,027	-
Accounts receivable	49,499	-	49,499	-
Assets of pooled life income fund	462,416	-	462,416	-
Beneficial interest in perpetual trusts	296,500	-	-	296,500
Beneficial interest in trust agreements	<u>717,400</u>	<u>-</u>	<u>-</u>	<u>717,400</u>
	<u>\$10,620,813</u>	<u>\$3,679,247</u>	<u>\$5,927,666</u>	<u>\$1,013,900</u>
Liabilities				
Annuities payable	<u>\$ 16,800</u>	<u>\$ -</u>	<u>\$ 16,800</u>	<u>\$ -</u>

Level 3 assets (beneficial interest in perpetual trusts and beneficial interest in trust agreements) had gains/(losses) of \$(140,300) and \$72,100, respectively, in the statements of activities in 2022 and 2021.

(18) LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash	\$ 500,493
Accounts receivable	49,499
Contributions receivable, net	316,027
Investments	<u>8,778,971</u>
Total financial assets	9,644,990
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(511,718)
Restricted by donor to be maintained indefinitely	(8,213,441)
Endowment spending practice distribution for FY 23	368,341
Designated by Board of Directors	<u>(619,381)</u>
Total financial assets available within one year	<u>\$ 668,791</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.

(19) SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2023, the date on which the financial statements were available to be issued. No material subsequent events have occurred since August 31, 2022 that required recognition or disclosure in the financial statements.