

# Pendle Hill

Financial Statements  
Years Ended August 31, 2019 and 2018



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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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended August 31, 2019, 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, 2019 and 2018, 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 27, 2020**

# PENDLE HILL

## STATEMENTS OF FINANCIAL POSITION

August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 125,551	\$ 175,160
Accounts receivable	79,139	47,478
Contributions receivable	396,003	84,312
Prepaid expenses	48,967	77,486
Inventory	60,562	60,063
Investments	8,020,241	8,528,003
Property and equipment, net	3,018,731	3,025,304
Assets of pooled life income fund	578,370	614,378
Beneficial interest in perpetual trusts	294,100	286,200
Beneficial interest in trust agreements	<u>593,000</u>	<u>593,300</u>
<b>Total assets</b>	<b><u>\$ 13,214,664</u></b>	<b><u>\$ 13,491,684</u></b>
<b>LIABILITIES</b>		
Note payable	\$ 802,207	\$ 843,104
Accounts payable and accrued expenses	45,454	16,834
Annuities payable	25,000	25,000
Deferred revenue	<u>383,571</u>	<u>353,714</u>
<b>Total liabilities</b>	<b><u>1,256,232</u></b>	<b><u>1,238,652</u></b>
<b>NET ASSETS</b>		
Without donor restrictions		
Operating	2,741,957	3,222,725
Board designated for staff support	<u>76,500</u>	<u>-</u>
	2,818,457	3,222,725
With donor restrictions	<u>9,139,975</u>	<u>9,030,307</u>
<b>Total net assets</b>	<b><u>11,958,432</u></b>	<b><u>12,253,032</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 13,214,664</u></b>	<b><u>\$ 13,491,684</u></b>

See accompanying notes

# PENDLE HILL

## STATEMENT OF ACTIVITIES

Year ended August 31, 2019 with comparative totals for 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 355,938	\$ 405,444	\$ 761,382	\$ 1,167,618
Tuition, net of scholarships of \$105,056 in 2019 and \$90,878 in 2018	6,454	-	6,454	14,347
Sojourner rooms and meals	91,585	-	91,585	102,561
Short term education programs	279,188	-	279,188	211,194
Conference services	801,498	-	801,498	861,788
Rental income	27,600	-	27,600	30,100
Youth programs	8,144	-	8,144	9,110
Miscellaneous income	96,462	-	96,462	85,409
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>	<u>2,482,127</u>
<b>EXPENSES</b>				
Program services	1,814,938	-	1,814,938	1,781,363
Supporting services				
General and administrative	478,629	-	478,629	457,543
Fundraising	269,478	-	269,478	187,825
<b>Total expenses</b>	<u>2,563,045</u>	<u>-</u>	<u>2,563,045</u>	<u>2,426,731</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<u>(436,748)</u>	<u>(53,984)</u>	<u>(490,732)</u>	<u>55,396</u>
<b>OTHER CHANGES</b>				
Investment income	32,480	149,337	181,817	1,287,567
Change in value of beneficial interest in split interest agreements	-	14,315	14,315	58,734
<b>Total other changes</b>	<u>32,480</u>	<u>163,652</u>	<u>196,132</u>	<u>1,346,301</u>
<b>CHANGE IN NET ASSETS</b>	<u>(404,268)</u>	<u>109,668</u>	<u>(294,600)</u>	<u>1,401,697</u>
<b>NET ASSETS</b>				
Beginning of year	<u>3,222,725</u>	<u>9,030,307</u>	<u>12,253,032</u>	<u>10,851,335</u>
End of year	<u>\$ 2,818,457</u>	<u>\$ 9,139,975</u>	<u>\$ 11,958,432</u>	<u>\$ 12,253,032</u>

See accompanying notes

**PENDLE HILL****STATEMENT OF ACTIVITIES**

Year ended August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 1,099,936	\$ 67,682	\$ 1,167,618
Tuition, net of scholarships of \$90,878	14,347	-	14,347
Sojourner rooms and meals	102,561	-	102,561
Short term education programs	211,194	-	211,194
Conference services	861,788	-	861,788
Rental income	30,100	-	30,100
Youth programs	9,110	-	9,110
Miscellaneous income	85,409	-	85,409
Net assets released from restrictions			
Satisfaction of purpose and time restrictions	93,815	(93,815)	-
Endowment spending practice	269,737	(269,737)	-
<b>Total revenue and support</b>	<u>2,777,997</u>	<u>(295,870)</u>	<u>2,482,127</u>
<b>EXPENSES</b>			
Program services	1,781,363	-	1,781,363
Supporting services			
General and administrative	457,543	-	457,543
Fundraising	187,825	-	187,825
<b>Total expenses</b>	<u>2,426,731</u>	<u>-</u>	<u>2,426,731</u>
<b>CHANGE IN NET ASSETS BEFORE OTHER CHANGES</b>	<u>351,266</u>	<u>(295,870)</u>	<u>55,396</u>
<b>OTHER CHANGES</b>			
Investment income	146,059	1,141,508	1,287,567
Change in value of beneficial interest in split interest agreements	2,700	56,034	58,734
<b>Total other changes</b>	<u>148,759</u>	<u>1,197,542</u>	<u>1,346,301</u>
<b>CHANGE IN NET ASSETS</b>	<u>500,025</u>	<u>901,672</u>	<u>1,401,697</u>
<b>NET ASSETS</b>			
Beginning of year	<u>2,722,700</u>	<u>8,128,635</u>	<u>10,851,335</u>
End of year	<u>\$ 3,222,725</u>	<u>\$ 9,030,307</u>	<u>\$ 12,253,032</u>

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*See accompanying notes*

# PENDLE HILL

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2019 with comparative totals for 2018

	Program Services	General and Administrative	Fundraising	Totals	
				2019	2018
Salaries and benefits	\$ 928,895	\$ 300,535	\$ 223,684	\$ 1,453,114	\$ 1,330,568
Book store expenses	24,791	-	-	24,791	22,486
Depreciation expense	169,185	18,903	945	189,033	185,138
Honoraria	80,515	-	-	80,515	69,145
Insurance	47,286	4,598	2,299	54,183	50,695
Interest expense	31,538	3,710	1,855	37,103	49,430
Office expenses	8,063	30,526	12,140	50,729	49,326
Professional fees	40,383	30,417	3,204	74,004	72,974
Real estate taxes	60,842	7,158	3,579	71,579	69,596
Rental expense	153,371	-	204	153,575	143,761
Repairs and maintenance	46,481	5,469	2,733	54,683	59,438
Supplies	33,461	4,058	433	37,952	38,712
Travel	10,343	-	8,257	18,600	7,891
Utilities	98,304	11,565	5,782	115,651	112,858
Website and communication	47,987	7,756	2,193	57,936	59,561
Miscellaneous	33,493	53,934	2,170	89,597	105,152
<b>Total expenses</b>	<b>\$ 1,814,938</b>	<b>\$ 478,629</b>	<b>\$ 269,478</b>	<b>\$ 2,563,045</b>	<b>\$ 2,426,731</b>

See accompanying notes

# PENDLE HILL

## STATEMENTS OF CASH FLOWS

Years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Change in net assets</i>	\$ (294,600)	\$ 1,401,697
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Realized and unrealized gain on investments	(7,432)	(1,117,928)
Contributions restricted for long-term purposes	(222,344)	-
Depreciation expense	189,033	185,138
Change in value of beneficial interest in split interest agreements	(14,315)	(58,734)
(Increase) decrease in		
Accounts receivable	(31,661)	84,129
Contributions receivable	(89,347)	20,653
Prepaid expenses	28,519	9,766
Inventory	(499)	5,803
Increase (decrease) in		
Accounts payable and accrued expenses	28,620	(3,708)
Deferred revenue	34,375	351
<b>Net cash provided by (used for) operating activities</b>	<u>(379,651)</u>	<u>527,167</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(179,599)	(693,271)
Proceeds from sale of investments	694,793	536,731
Proceeds from assets of pooled life income fund	38,205	-
Acquisition of property and equipment	<u>(182,460)</u>	<u>(122,599)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>370,939</u>	<u>(279,139)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayments on note payable	<u>(40,897)</u>	<u>(289,925)</u>
<b>Net change in cash</b>	(49,609)	(41,897)
<b>CASH</b>		
Beginning of year	<u>175,160</u>	<u>217,057</u>
End of year	<u>\$ 125,551</u>	<u>\$ 175,160</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 37,103</u>	<u>\$ 49,430</u>

See accompanying notes



# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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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.

## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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**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.

**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.

# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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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.

### **Tuition Revenue**

Tuition revenue is recorded as earned. Tuition associated with years after August 31 is deferred to the next fiscal year. Such revenues collected prior to August 31 are included in deferred revenue in the statements of financial position.

### **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 is owed from various sources and is expected to be collected in 2020. Contributions receivable consists primarily of amounts from foundations and individuals and is more fully described in Note 3.

### **Accounting Pronouncements Adopted**

On August 18, 2016, the Financial Accounting Standards Board ("**FASB**") issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. Pendle Hill has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of Pendle Hill's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- A statement of functional expenses was added providing an analysis of expenses by functional and natural expense classifications.
- The financial statements include a new disclosure about liquidity and availability of resources (**Note 16**).

## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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#### (3) CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at August 31,:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 14,250	\$ 20,892
Other	<u>383,403</u>	<u>75,070</u>
	397,653	95,962
Less allowance for uncollectible contributions receivable	-	(10,000)
Less discount to net present value	<u>(1,650)</u>	<u>(1,650)</u>
Net contributions receivable	<u>\$396,003</u>	<u>\$ 84,312</u>
Amount due in:		
Less than one year	\$328,097	\$ 85,073
One to five years	<u>69,556</u>	<u>10,889</u>
	<u>\$397,653</u>	<u>\$ 95,962</u>

#### (4) INVESTMENTS

Investments consisted of the following at August 31,:

	<u>2019</u>	<u>2018</u>
Money market funds	\$ 566,854	\$ 728,030
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	3,736,043	3,794,364
Corporate bonds	51,286	49,045
Common stocks	3,666,058	3,674,907
Preferred stocks	<u>-</u>	<u>281,657</u>
	<u>\$8,020,241</u>	<u>\$8,528,003</u>

The Quaker Growth and Income Fund (the "**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 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 was comprised of the following:

	<u>2019</u>	<u>2018</u>
Net realized and unrealized gain	\$ 7,432	\$1,117,928
Interest and dividends	179,599	173,831
Investment management fees	(21,398)	(20,008)
Distributions from perpetual trusts	<u>16,184</u>	<u>15,816</u>
	<u>\$ 181,817</u>	<u>\$1,287,567</u>

#### (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.

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## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

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#### (6) PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 183,835	\$ 183,835
Buildings	6,358,259	6,198,289
Furniture and equipment	<u>218,136</u>	<u>195,646</u>
	6,760,230	6,577,770
Less accumulated depreciation	<u>(3,741,499)</u>	<u>(3,552,466)</u>
Total	<u>\$ 3,018,731</u>	<u>\$ 3,025,304</u>

Pendle Hill obtained an independent appraisal of all its land, buildings and site improvements in 2013. These values were as follows:

Building and site improvements	\$4,750,000
Land	\$2,450,000

#### (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 Everance Association, Inc. that expires in 2035. The note had an outstanding balance of \$802,207 at August 31, 2019 and \$843,104 at August 31, 2018. 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 \$37,103 and \$49,430 were made during the years ended August 31, 2019 and 2018, respectively. Principal payments on this note will be made as follows:

# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

August 31, 2019 and 2018

### Year ending August 31,

2020	\$ 42,776
2021	44,741
2022	46,796
2023	48,946
2024	51,195
Thereafter	<u>567,753</u>
	<u>\$802,207</u>

### (11) NET ASSETS WITHOUT DONOR RESTRICTIONS DESIGNATED BY THE BOARD OF DIRECTORS

At August 31, 2019, 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.

### (12) NET ASSETS WITH DONOR RESTRICTIONS

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

	<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	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
	<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	<u>286,200</u>	<u>7,900</u>	<u>-</u>	<u>294,100</u>
	<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>
	<u>Balance</u> <u>August 31, 2017</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>August 31, 2018</u>
Net assets spendable for specific purposes or periods				
Programming	\$ 40,000	\$ 16,107	\$ (45,000)	\$ 11,107
Scholarships	65,442	-	(12,553)	52,909
Available for future periods				
Pooled life income fund	353,997	21,534	-	375,531
Gift annuities administered by				
Friends Fiduciary Corporation	114,800	5,000	-	119,800
Charitable remainder unitrusts	450,500	23,000	-	473,500
Contributions receivable	<u>34,707</u>	<u>50,000</u>	<u>(34,707)</u>	<u>50,000</u>
	<u>1,059,446</u>	<u>115,641</u>	<u>(92,240)</u>	<u>1,082,847</u>
Net assets to be maintained indefinitely				
Endowment funds	6,789,489	1,141,508	(269,737)	7,661,260
Beneficial interest in perpetual trusts	<u>279,700</u>	<u>6,500</u>	<u>-</u>	<u>286,200</u>
	<u>7,069,189</u>	<u>1,148,008</u>	<u>(269,737)</u>	<u>7,947,460</u>
	<u>\$8,128,635</u>	<u>\$1,263,649</u>	<u>\$(361,977)</u>	<u>\$9,030,307</u>

## PENDLE HILL

### NOTES TO FINANCIAL STATEMENTS

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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.

#### (13) 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 4% of a moving three-year average of the fair value of the endowment fund.

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>
Endowment net assets, at August 31, 2017	\$6,789,489
Investment income	1,141,508
Spending practice distribution (4.0%)	<u>(269,737)</u>
Endowment net assets, at August 31, 2018	<u>\$7,661,260</u>

#### (14) 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 \$4,334 in 2019 and \$3,433 in 2018.

#### (15) 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:

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<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>
<u>Description</u>	<u>Balance August 31, 2018</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	\$ 728,030	\$ 728,030	\$ -	\$ -
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	3,794,364	-	3,794,364	-
Corporate bonds	49,045	-	49,045	-
Common stocks	3,674,907	3,674,907	-	-
Preferred stocks	<u>281,657</u>	<u>281,657</u>	<u>-</u>	<u>-</u>
Total investments	8,528,003	4,684,594	3,843,409	-
Contributions receivable	84,312	-	84,312	-
Assets of pooled life income fund	614,378	-	614,378	-
Beneficial interest in perpetual trusts	286,200	-	-	286,200
Beneficial interest in trust agreements	<u>593,300</u>	<u>-</u>	<u>-</u>	<u>593,300</u>
	<u>\$10,106,193</u>	<u>\$4,684,594</u>	<u>\$4,542,099</u>	<u>\$879,500</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 \$7,600 and \$34,500, respectively, in the statement of activities in 2019 and 2018.



# PENDLE HILL

## NOTES TO FINANCIAL STATEMENTS

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### (16) 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	\$ 125,551
Accounts receivable	79,139
Contributions receivable	396,003
Investments	<u>8,020,241</u>
Total financial assets	8,620,934
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	(166,728)
Restricted by donor to be maintained indefinitely	(7,742,106)
Endowment spending practice distribution for FY2020	300,000
Designated by Board of Directors	<u>(76,500)</u>
Total financial assets available within one year	<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.

### (17) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 27, 2020, the date on which the financial statements were available to be issued. No material subsequent events have occurred since August 31, 2019 that required recognition or disclosure in the financial statements.