

Pendle Hill

Financial Statements
Years Ended August 31, 2021 and 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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
February 28, 2022**

PENDLE HILL

STATEMENTS OF FINANCIAL POSITION

August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 496,807	\$ 635,406
Contributions receivable	62,750	108,834
Prepaid expenses	102,522	32,780
Inventory	32,898	53,014
Investments	10,645,576	9,372,403
Property and equipment, net	2,943,304	2,927,299
Assets of pooled life income fund	562,340	501,832
Beneficial interest in perpetual trusts	314,500	302,000
Beneficial interest in trust agreements	<u>684,500</u>	<u>624,900</u>
Total assets	<u>\$ 15,845,197</u>	<u>\$ 14,558,468</u>
LIABILITIES		
Note payable	\$ 731,635	\$ 766,615
Note payable - Paycheck Protection Program	423,408	305,732
Accounts payable and accrued expenses	8,915	68,157
Annuities payable	20,700	25,000
Deferred revenue	<u>373,170</u>	<u>341,318</u>
Total liabilities	<u>1,557,828</u>	<u>1,506,822</u>
NET ASSETS		
Without donor restrictions		
Operating	2,765,131	2,820,595
Board designated for staff support	<u>76,500</u>	<u>76,500</u>
	2,841,631	2,897,095
With donor restrictions	<u>11,445,738</u>	<u>10,154,551</u>
Total net assets	<u>14,287,369</u>	<u>13,051,646</u>
Total liabilities and net assets	<u>\$ 15,845,197</u>	<u>\$ 14,558,468</u>

See accompanying notes

PENDLE HILL

STATEMENT OF ACTIVITIES

Year ended August 31, 2021 with comparative totals for 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2021</u>	<u>2020</u>
REVENUE AND SUPPORT				
Contributions	\$ 503,166	\$ 8,575	\$ 511,741	\$ 1,310,734
Tuition, net of scholarships of \$38,048 in 2021 and \$50,171 in 2020	13,316	-	13,316	29,676
Sojourner rooms and meals	20,427	-	20,427	57,438
Short term education programs, net of scholarships of \$94,141 in 2021 and \$0 in 2020	73,793	-	73,793	205,646
Conference services	17,280	-	17,280	411,554
Rental income	30,500	-	30,500	28,450
Youth programs	6,045	-	6,045	10,807
Miscellaneous income	83,096	-	83,096	88,288
Net assets released from restrictions				
Satisfaction of purpose and time restrictions	307,226	(307,226)	-	-
Endowment spending practice	212,729	(212,729)	-	-
Total revenue and support	<u>1,267,578</u>	<u>(511,380)</u>	<u>756,198</u>	<u>2,142,593</u>
EXPENSES				
Program services	1,033,325	-	1,033,325	1,687,826
Supporting services				
General and administrative	456,581	-	456,581	402,424
Fundraising	199,206	-	199,206	288,377
Total expenses	<u>1,689,112</u>	<u>-</u>	<u>1,689,112</u>	<u>2,378,627</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES				
	<u>(421,534)</u>	<u>(511,380)</u>	<u>(932,914)</u>	<u>(236,034)</u>
OTHER CHANGES				
Investment income	60,338	1,698,783	1,759,121	1,268,411
Gain on forgiveness of note payable - Paycheck Protection Program	305,732	-	305,732	-
Change in value of beneficial interest in split interest agreements	-	103,784	103,784	60,837
Total other changes	<u>366,070</u>	<u>1,802,567</u>	<u>2,168,637</u>	<u>1,329,248</u>
CHANGE IN NET ASSETS				
	<u>(55,464)</u>	<u>1,291,187</u>	<u>1,235,723</u>	<u>1,093,214</u>
NET ASSETS				
Beginning of year	<u>2,897,095</u>	<u>10,154,551</u>	<u>13,051,646</u>	<u>11,958,432</u>
End of year	<u>\$ 2,841,631</u>	<u>\$ 11,445,738</u>	<u>\$ 14,287,369</u>	<u>\$ 13,051,646</u>

See accompanying notes

PENDLE HILL

STATEMENT OF ACTIVITIES

Year ended August 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 776,462	\$ 534,272	\$ 1,310,734
Tuition, net of scholarships of \$50,171	29,676	-	29,676
Sojourner rooms and meals	57,438	-	57,438
Short term education programs	205,646	-	205,646
Conference services	411,554	-	411,554
Rental income	28,450	-	28,450
Youth programs	10,807	-	10,807
Miscellaneous income	88,288	-	88,288
Net assets released from restrictions			
Satisfaction of purpose and time restrictions	259,226	(259,226)	-
Endowment spending practice	355,382	(355,382)	-
Total revenue and support	<u>2,222,929</u>	<u>(80,336)</u>	<u>2,142,593</u>
EXPENSES			
Program services	1,687,826	-	1,687,826
Supporting services			
General and administrative	402,424	-	402,424
Fundraising	<u>288,377</u>	<u>-</u>	<u>288,377</u>
Total expenses	<u>2,378,627</u>	<u>-</u>	<u>2,378,627</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>(155,698)</u>	<u>(80,336)</u>	<u>(236,034)</u>
OTHER CHANGES			
Investment income	234,336	1,034,075	1,268,411
Change in value of beneficial interest in split interest agreements	<u>-</u>	<u>60,837</u>	<u>60,837</u>
Total other changes	<u>234,336</u>	<u>1,094,912</u>	<u>1,329,248</u>
CHANGE IN NET ASSETS	<u>78,638</u>	<u>1,014,576</u>	<u>1,093,214</u>
NET ASSETS			
Beginning of year	<u>2,818,457</u>	<u>9,139,975</u>	<u>11,958,432</u>
End of year	<u>\$ 2,897,095</u>	<u>\$ 10,154,551</u>	<u>\$ 13,051,646</u>

See accompanying notes

PENDLE HILL

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2021 with comparative totals for 2020

	Program Services	General and Administrative	Fundraising	Totals	
				2021	2020
Salaries and benefits	\$ 359,595	\$ 294,222	\$ 144,977	\$ 798,794	\$ 1,399,047
Book store expenses	44,780	-	-	44,780	37,659
Depreciation expense	160,875	18,927	9,463	189,265	185,400
Honoraria	25,877	-	-	25,877	61,647
Insurance	48,867	5,749	2,874	57,490	54,906
Interest expense	28,740	3,381	1,691	33,812	35,408
Office expenses	49,263	5,796	2,897	57,956	53,394
Professional fees	59,970	37,017	9,564	106,551	92,654
Real estate taxes	67,890	7,987	3,994	79,871	74,511
Rental expense	11,207	-	-	11,207	75,510
Repairs and maintenance	41,031	4,827	2,414	48,272	52,289
Supplies	3,143	2,229	404	5,776	25,782
Travel	21	455	596	1,072	5,425
Utilities	73,600	8,659	4,329	86,588	107,855
Website and communication	46,927	5,521	2,760	55,208	43,642
Miscellaneous	11,539	61,811	13,243	86,593	73,498
Total expenses	\$ 1,033,325	\$ 456,581	\$ 199,206	\$ 1,689,112	\$ 2,378,627

See accompanying notes

PENDLE HILL

STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2020

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

See accompanying notes

PENDLE HILL

STATEMENTS OF CASH FLOWS

Years ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ 1,235,723	\$ 1,093,214
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Realized and unrealized gain on investments	(1,544,198)	(1,079,589)
Contributions restricted for long-term purposes	-	(348,006)
Depreciation expense	189,265	185,400
Gain on forgiveness of note payable - Paycheck Protection Program	(305,732)	-
Change in value of beneficial interest in split interest agreements	(103,784)	(60,837)
(Increase) decrease in		
Accounts receivable	-	79,139
Contributions receivable	46,084	144,825
Prepaid expenses	(69,742)	16,187
Inventory	20,116	7,548
Increase (decrease) in		
Accounts payable and accrued expenses	(59,242)	22,703
Annuities payable	(4,300)	-
Deferred revenue	3,028	(62,043)
Net cash used for operating activities	<u>(592,782)</u>	<u>(1,459)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(347,532)	(679,243)
Proceeds from sale of investments	618,557	406,670
Proceeds from assets of pooled life income fund	-	117,365
Acquisition of property and equipment	(205,270)	(93,968)
Net cash provided by (used for) investing activities	<u>65,755</u>	<u>(249,176)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments on note payable	(34,980)	(35,592)
Proceeds from note payable - Paycheck Protection Program	423,408	305,732
Collections of contributions restricted for investment in endowment	-	490,350
Net cash provided by financing activities	<u>388,428</u>	<u>760,490</u>
Net change in cash	(138,599)	509,855
CASH		
Beginning of year	<u>635,406</u>	<u>125,551</u>
End of year	<u>\$ 496,807</u>	<u>\$ 635,406</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 33,812</u>	<u>\$ 35,408</u>

See accompanying notes

PENDLE HILL

NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

(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.

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NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

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 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, 2021 and 2020

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.

(3) CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following at August 31,:

	<u>2021</u>	<u>2020</u>
Capital campaign	\$ 13,500	\$ 14,250
Other	<u>105,250</u>	<u>116,234</u>
	118,750	130,484
Less allowance for uncollectible contributions receivable	(56,000)	(20,000)
Less discount to net present value	<u>-</u>	<u>(1,650)</u>
Net contributions receivable	<u>\$ 62,750</u>	<u>\$108,834</u>
Amount due in:		
Less than one year	\$118,750	\$119,984
One to five years	<u>-</u>	<u>10,500</u>
	<u>\$118,750</u>	<u>\$130,484</u>

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NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

(4) INVESTMENTS

Investments consisted of the following at August 31,:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 449,850	\$ 339,256
Units in the Quaker Growth and Income Fund of Friends Fiduciary Corporation	5,359,038	4,458,601
Units in the Short Term Investment Fund of Friends Fiduciary Corporation	-	30,246
Corporate bonds	869,585	727,228
Common stocks	<u>3,967,103</u>	<u>3,817,072</u>
	<u>\$10,645,576</u>	<u>\$9,372,403</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>2021</u>	<u>2020</u>
Net realized and unrealized gain	\$1,544,198	\$1,079,589
Interest and dividends	222,571	194,130
Investment management fees	(22,399)	(21,287)
Distributions from perpetual trusts	<u>14,751</u>	<u>15,979</u>
	<u>\$1,759,121</u>	<u>\$1,268,411</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.

(6) PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 183,835	\$ 183,835
Buildings	6,519,542	6,452,227
Furniture and equipment	<u>354,453</u>	<u>216,498</u>
	7,057,830	6,852,560
Less accumulated depreciation	<u>(4,114,526)</u>	<u>(3,925,261)</u>
Total	<u>\$ 2,943,304</u>	<u>\$ 2,927,299</u>

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NOTES TO FINANCIAL STATEMENTS

August 31, 2021 and 2020

(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 \$731,635 at August 31, 2021 and \$766,615 at August 31, 2020. 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 \$33,812 and \$35,408 were made during the years ended August 31, 2021 and 2020, respectively. Principal payments on this note will be made as follows:

Year ending August 31,

2022	\$ 39,659
2023	42,341
2024	45,223
2025	46,994
2026	48,765
Thereafter	<u>508,653</u>
	<u>\$731,635</u>

(11) 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. 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.

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NOTES TO FINANCIAL STATEMENTS

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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.

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

At August 31, 2021 and 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:

	<u>Balance</u> <u>August 31, 2020</u>	<u>Additions</u>	<u>Reclasses</u>	<u>Releases</u>	<u>Balance</u> <u>August 31, 2021</u>
Net assets spendable for specific purposes or periods					
Programming	\$ 30,218	\$ 43,840	\$ -	\$ (42,718)	\$ 31,340
Scholarships	29,728	735	145,330	(99,664)	76,129
Maintenance and improvements	166,064	21,905	-	(159,844)	28,125
Available for future periods					
Pooled life income fund	257,443	31,684	-	-	289,127
Gift annuities administered by Friends Fiduciary Corporation	127,300	17,000	-	-	144,300
Charitable remainder unitrusts	497,600	42,600	-	-	540,200
Contributions receivable	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>5,000</u>
	<u>1,118,353</u>	<u>157,764</u>	<u>145,330</u>	<u>(307,226)</u>	<u>1,114,221</u>
Net assets to be maintained indefinitely					
Endowment funds	8,734,198	1,640,878	(145,330)	(212,729)	10,017,017
Beneficial interest in perpetual trusts	<u>302,000</u>	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>314,500</u>
	<u>9,036,198</u>	<u>1,653,378</u>	<u>(145,330)</u>	<u>(212,729)</u>	<u>10,331,517</u>
	<u>\$10,154,551</u>	<u>\$1,811,142</u>	<u>\$ -</u>	<u>\$(519,955)</u>	<u>\$11,445,738</u>

	<u>Balance</u> <u>August 31, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>August 31, 2020</u>
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 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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(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 6% on total endowment investments in 2021 and 5% on investments held by Friends Fiduciary Corporation and 6% on the rest in 2020 of a moving three-year average of the fair value of the endowment fund.

Endowment net assets, at August 31, 2020	\$ 8,734,198
Investment income	1,745,128
Spending practice distribution (6%)	<u>(462,309)</u>
Endowment net assets, at August 31, 2021	<u>\$10,017,017</u>
Endowment net assets, at August 31, 2019	\$ 7,742,106
Contributions	348,006
Investment income	999,468
Spending practice distribution (5-6%)	<u>(355,382)</u>
Endowment net assets, at August 31, 2020	<u>\$ 8,734,198</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. 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. Pendle Hill made contributions to the Plan of \$12,478 in 2021.

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(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</u> <u>August 31, 2021</u>	<u>Quoted Prices in</u> <u>Active Markets</u> <u>(Level 1)</u>	<u>Significant Other</u> <u>Observable Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs (Level 3)</u>
Assets				
Investments				
Money market funds	\$ 449,850	\$ 449,850	\$ -	\$ -
Units in the Quaker Growth and Income Fund of Friends				
Fiduciary Corporation	5,359,038	-	5,359,038	-
Corporate bonds	869,585	-	869,585	-
Common stocks	<u>3,967,103</u>	<u>3,967,103</u>	<u>-</u>	<u>-</u>
Total investments	10,645,576	4,416,953	6,228,623	-
Contributions receivable	62,750	-	62,750	-
Assets of pooled life income fund	562,340	-	562,340	-
Beneficial interest in perpetual trusts	314,500	-	-	314,500
Beneficial interest in trust agreements	<u>684,500</u>	<u>-</u>	<u>-</u>	<u>684,500</u>
	<u>\$12,269,666</u>	<u>\$4,416,953</u>	<u>\$6,856,123</u>	<u>\$999,000</u>
Liabilities				
Annuities payable	<u>\$ 20,700</u>	<u>\$ -</u>	<u>\$ 20,700</u>	<u>\$ -</u>

<u>Description</u>	<u>Balance</u> <u>August 31, 2020</u>	<u>Quoted Prices in</u> <u>Active Markets</u> <u>(Level 1)</u>	<u>Significant Other</u> <u>Observable Inputs</u> <u>(Level 2)</u>	<u>Significant</u> <u>Unobservable</u> <u>Inputs (Level 3)</u>
Assets				
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>
Liabilities				
Annuities payable	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>

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Level 3 assets (beneficial interest in perpetual trusts and beneficial interest in trust agreements) had gains of \$72,100 and \$39,800, respectively, in the statements of activities in 2021 and 2020.

(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>2021</u>	<u>2020</u>
Cash	\$ 496,807	\$ 635,406
Contributions receivable	62,750	108,834
Investments	<u>10,645,576</u>	<u>9,372,403</u>
Total financial assets	11,205,133	10,116,643
Less: financial assets not available for general operations within one year		
Restricted by donor for specific purposes or periods	(135,594)	(226,010)
Restricted by donor to be maintained indefinitely	(10,017,017)	(8,734,198)
Endowment spending practice distribution for next year	370,000	389,000
Designated by Board of Directors	<u>(76,500)</u>	<u>(76,500)</u>
Total financial assets available within one year	<u>\$ 1,346,022</u>	<u>\$ 1,468,935</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.

(18) SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 28, 2022, the date on which the financial statements were available to be issued. 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. Except as disclosed in Note 11, no other material subsequent events have occurred since August 31, 2021 that required recognition or disclosure in the financial statements.