

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2026 AND 2025

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Pennsylvania Home of the Sparrow (a nonprofit organization), which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses and cash flows for the years 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 Pennsylvania Home of the Sparrow as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Pennsylvania Home of the Sparrow 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Pennsylvania Home of the Sparrow'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 Pennsylvania Home of the Sparrow'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 Pennsylvania Home of the Sparrow'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.

Umbriet, Wilczek & Associates, P.C.

Kennett Square, Pennsylvania
September 28, 2026

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,585,540	$ 1,464,985
Restricted cash and cash equivalents	100,488	1,495
Promises to give	-	20,000
Prepaid expenses	11,433	10,505
TOTAL CURRENT ASSETS	1,697,461	1,496,985
Investments	308,617	288,223
Property and equipment, net	381,547	403,962
Operating lease right-of-use assets	259,037	330,820
TOTAL ASSETS	$ 2,646,662	$ 2,519,990
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 2,320	$ 8,500
Accrued expenses	6,005	5,264
Deferred revenue	18,000	2,500
Operating lease liabilities, current portion	60,337	69,760
Refundable advance	98,407	-
TOTAL CURRENT LIABILITIES	185,069	86,024
Operating lease liabilities, net of current portion	200,888	261,226
TOTAL LIABILITIES	385,957	347,250
NET ASSETS		
Without donor restrictions	1,886,672	1,671,388
With donor restrictions	374,033	501,352
TOTAL NET ASSETS	2,260,705	2,172,740
TOTAL LIABILITIES AND NET ASSETS	$ 2,646,662	$ 2,519,990

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

	Without Donor Restrictions	With Donor Restrictions	**Total 2026**
SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Contributions	$ 1,125,684	$ -	$ 1,125,684
Contributions in-kind	126,914	-	126,914
Government support	201,415	-	201,415
Program fees	42,825	-	42,825
Special events, (net of direct costs of $96,649)	164,644	-	164,644
Investment income, net	36,930	5,181	42,111
Net assets released from restrictions	132,500	(132,500)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	1,830,912	(127,319)	1,703,593
EXPENSES			
Program services	1,336,408	-	1,336,408
Management and general	85,454	-	85,454
Fundraising	193,766	-	193,766
TOTAL EXPENSES	1,615,628	-	1,615,628
CHANGE IN NET ASSETS	215,284	(127,319)	87,965
NET ASSETS - BEGINNING OF YEAR	1,671,388	501,352	2,172,740
NET ASSETS - END OF YEAR	$ 1,886,672	$ 374,033	$ 2,260,705

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restrictions	With Donor Restrictions	**Total 2025**
SUPPORT, REVENUES, AND RECLASSIFICATIONS			
Contributions	$ 1,030,474	$ 70,000	$ 1,100,474
Contributions in-kind	124,662	-	124,662
Government support	136,770	-	136,770
Program fees	38,043	-	38,043
Special events, (net of direct costs of $92,545)	181,104	-	181,104
Investment income, net	28,362	4,887	33,249
Net assets released from restrictions	102,778	(102,778)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	1,642,193	(27,891)	1,614,302
EXPENSES			
Program services	1,258,032	-	1,258,032
Management and general	86,199	-	86,199
Fundraising	255,921	-	255,921
TOTAL EXPENSES	1,600,152	-	1,600,152
CHANGE IN NET ASSETS	42,041	(27,891)	14,150
NET ASSETS - BEGINNING OF YEAR	1,629,347	529,243	2,158,590
NET ASSETS - END OF YEAR	$ 1,671,388	$ 501,352	$ 2,172,740

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2026

	Program Services	Management and General	Fundraising	**Total 2026**
COMPENSATION RELATED				
Salaries	$ 538,366	$ 27,134	$ 112,096	$ 677,596
Payroll taxes	43,168	81	9,019	52,268
Employee benefits	37,106	2,489	9,472	49,067
Worker's compensation insurance	6,675	340	1,406	8,421
TOTAL COMPENSATION RELATED	625,315	30,044	131,993	787,352
Accounting and legal	-	42,550	-	42,550
Advertising	4,443	226	936	5,605
Client assistance	406,555	-	-	406,555
Depreciation and amortization	22,235	35	145	22,415
Dues and subscriptions	16,246	756	3,125	20,127
Insurance	13,858	706	2,920	17,484
License, tax and registrations	640	-	-	640
Meetings and training	19,635	753	3,114	23,502
Office expense	15,798	806	6,845	23,449
Printing and postage	9,870	495	2,047	12,412
Professional services	50,300	4,989	25,715	81,004
Lease expense	53,260	2,652	10,963	66,875
Repairs and maintenance	36,888	289	1,197	38,374
Telephone and internet	21,567	529	2,185	24,281
Travel	11,397	123	511	12,031
Utilities	28,401	501	2,070	30,972
TOTAL EXPENSES	$ 1,336,408	$ 85,454	$ 193,766	$ 1,615,628

See Independent Auditor's Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025

	Program Services	Management and General	Fundraising	**Total 2025**
COMPENSATION RELATED				
Salaries	$ 470,054	$ 33,370	$ 177,161	$ 680,585
Payroll taxes	38,470	86	14,208	52,764
Employee benefits	43,557	2,276	8,237	54,070
Worker's compensation insurance	7,256	346	1,436	9,038
TOTAL COMPENSATION RELATED	559,337	36,078	201,042	796,457
Accounting and legal	-	41,000	-	41,000
Advertising	12,876	613	2,549	16,038
Client assistance	414,301	-	-	414,301
Depreciation and amortization	22,578	49	204	22,831
Dues and subscriptions	5,435	224	932	6,591
Insurance	12,690	605	2,512	15,807
License, tax and registrations	1,014	-	-	1,014
Meetings and training	15,206	211	1,102	16,519
Office expense	12,472	587	9,436	22,495
Printing and postage	14,804	698	2,902	18,404
Professional services	62,647	2,503	20,153	85,303
Lease expense	45,556	2,181	9,063	56,800
Repairs and maintenance	18,894	358	1,489	20,741
Telephone and internet	21,164	587	2,441	24,192
Travel	10,762	101	418	11,281
Utilities	28,296	404	1,678	30,378
TOTAL EXPENSES	$ 1,258,032	$ 86,199	$ 255,921	$ 1,600,152

See Independent Auditor's Report and Notes to Financial Statements

PENNSYLVANIA HOME OF THE SPARROW

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 87,965	$ 14,150
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation and amortization	22,415	22,831
Net realized and unrealized gain on investments	(4,694)	(4,565)
Donations of marketable securities	(31,943)	(6,542)
Noncash operating lease expense	71,783	(248,840)
(Increase) decrease in operating assets:		
Promises to give	20,000	-
Prepaid expenses	(928)	309
Increase (decrease) in operating liabilities:		
Accounts payable	(6,180)	8,200
Accrued expenses	741	74
Deferred revenue	15,500	2,500
Operating lease liability	(69,761)	246,070
Refundable advance	98,407	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	203,305	34,187
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of investments	(269,394)	(36,897)
Proceeds from sale of investments	285,637	8,673
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	16,243	(28,224)
NET INCREASE IN CASH AND CASH EQUIVALENTS	219,548	5,963
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,466,480	1,460,517
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,686,028	$ 1,466,480
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	$ 1,585,540	$ 1,464,985
Restricted cash and cash equivalents	100,488	1,495
	$ 1,686,028	$ 1,466,480
SUPPLEMENTAL INFORMATION		
Noncash recognition of operating leases (ASC 842)	$ -	$ 322,134

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

NOTE 1 – NATURE OF ACTIVITIES

Pennsylvania Home of the Sparrow (the "Organization") is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing housing, supportive services and educational opportunities for low-income women and children who are facing or experiencing homelessness. The Organization accepts clients who are residents of Chester County, Pennsylvania.

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

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

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

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

In 2017, the Organization began a partnership with the Chester County Adult Probation, Parole and Pre-Trial Services Office to provide housing stabilization plans and supportive services for justice-involved women in the Chester County Prison. The goal is to coordinate successful reentry into the community and prevent recidivism and reoffending.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Under Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-10-65-1, the Organization is required to report information regarding its financial position and activities according to two mutually exclusive classes according to

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Statement Presentation (Cont'd)

the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.

Net Assets with Donor Restrictions

Net assets with donor restrictions is the part of net assets of the Organization that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants). Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized.

Net Assets without Donor Restrictions

Net assets without donor restrictions is the part of net assets of the Organization that is not subject to donor-imposed restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers cash in operating bank accounts, cash on hand and all highly liquid securities purchased with an original maturity of three months or less to be cash and cash equivalents.

Promises to Give

Unconditional promises to give are recorded at estimated fair market value at the date in which notification of such promise is received. Unconditional promises to give expected to be collected in less than one year are recorded at their net realizable value. Unconditional promises to give due in more than one year are recorded at the present value of estimated future cash flows using a risk-free rate of return on the date of donation. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Promises to Give (Cont'd)

Provision for losses on promises to give is made when considered necessary to maintain an adequate allowance to cover bad debts. Promises to give are charged against the allowance when the Organization determines that payments will not be received. As of June 30, 2026 and 2025, the Organization estimates that all of its promises to give are collectible; accordingly, there is no provision for an allowance for doubtful accounts.

Investments

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

Donor-Restricted Endowment Fund

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

Property and Equipment

Property and equipment are stated at cost. Acquisitions in excess of $10,000 are capitalized. Donations of property and equipment are recorded as support at their estimated fair value at the time of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows: buildings and building improvements – 30-39 years, equipment and fixtures – 3-7 years.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grant revenues are recognized when received or when spent, whichever occurs first. Contributions are recorded at fair value, which is net of estimated uncollectible amounts. Revenue from fundraising events and other functions is recognized as earned having applicable costs concurrently recognized. Investment income is recognized as earned.

The Organization receives grants and other advances that may be subject to donor-imposed conditions or performance requirements. Amounts received before conditions are substantially met or explicitly waived are recorded as refundable advances in the statements of financial position. Revenue is recognized when the related conditions are

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Revenue Recognition (Cont'd)

satisfied, including when qualifying program expenditures are incurred or other specified barriers are overcome.

The Organization recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Organization's principal activities resulting in contracts with customers are program fees and special events.

The Organization recognizes revenue from program fees over the period services are provided. The performance obligation related to program fees is to provide the customer (residents) with access to housing as part of a comprehensive plan for support, which includes intensive case management, budgeting education, and other services such as access to mental health counseling, or one time aid for program residents such as car repairs. The Organization uses two owned properties, one in West Chester and a second in Coatesville. The residents who live in these properties pay program fees monthly. There is no formal lease agreement in place and rent is not charged in either location. Program fees are assessed to each resident. The transaction price is based on a sliding scale and is 30% percent of a participant's income and typically ranges from $200 to $550 per month.

The Organization recognizes revenue from special events in the period the goods and services are provided. The performance obligation related to special events is to provide the customer with access to the event on a specified date. The transaction price is based on published rates.

Because the benefits received from program fees and special events have an original expected duration of one year or less, the Organization has elected the practical expedient and not disclosed the value of unsatisfied performance obligations and expected timing for completion related to the revenue.

Donated Materials and Services

Donated goods are recorded at their estimated fair value as of the date of donation.

The Organization enjoys a vibrant volunteer program. Its 15-member Board of Directors serve as a governing board, as well as the Organization's principal fund raisers. All board members serve on at least one of the Organization's standing committees, which include governance and nominating, finance and development. All board members contribute to the Organization's annual appeal.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Donated Materials and Services (Cont'd)

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

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

Accounting standards require that only volunteer services that (1) create or enforce long-lived assets, or (2) require specialized skills provided by individuals possessing skills that would typically need to be purchased, if not donated, must be recorded. The Organization does receive some donated services that meet this criteria. Those services are recorded at estimated fair market value at the time the services are rendered.

Management estimates that approximately 1,724 and 1,701 hours have been contributed in the years ended June 30, 2026 and 2025, respectively.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Total advertising costs were $5,605 and $16,038 for the years ended June 30, 2026 and 2025, respectively.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the lease payments over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Allocation of Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between the program and supporting services. Housing and education program costs include utilities, supplies, rent expenses, and education expenses to provide a support network and family services. Fund-raising expenses are costs related to campaigns, development, grant writing, and other fund-raising efforts. Management and

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Allocation of Functional Expenses (Cont'd)

general expenses are costs directly related to the overall operation of the Organization, which are not associated with program or fund-raising services. Certain management and general expenses, such as payroll, employee benefits and payroll taxes, are allocated to program and fund-raising based on the employees' use of their time.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

Date of Management's Review

The Organization has evaluated those events and transactions that occurred after the statement of financial position date of June 30, 2026 through September 28, 2026, the date which the financial statements were available to be issued, and determined there were no other items to be disclosed.

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2026 and 2025, financial assets and liquidity resources available within one year for general expenditures such as operating expenses were as follows:

	2026	2025
Financial assets:		
Cash and cash equivalents - unrestricted	$ 1,585,540	$ 1,464,985
Promises to give	-	20,000
Donor restricted financial assets	(325,000)	(387,500)
Total financial assets available within one year	$ 1,260,540	$ 1,097,485

At June 30, 2026 and 2025, the Organization had $1,260,540 and $1,097,485, respectively, of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. As part of the Organization's

NOTE 3 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (Cont'd)

liquidity management, it has a goal to maintain cash and short-term investments on hand to meet twelve months of normal operating expenses, which are on average approximately $1,600,000. In addition, any cash in excess of daily requirements is invested in short-term investments, certificates of deposit, or money market funds. To help manage unanticipated liquidity needs, the Organization also could draw upon a $150,000 line of credit. Management evaluates, at least annually, any additional investment or designated reserve options for excess liquidity, based on expected operations.

NOTE 4 – CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

Custodial credit risk is the risk that, in the event of a bank failure, the Organization's deposits may not be returned to it. The Organization maintains cash and cash equivalent balances at several local financial institutions. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization's money market accounts are covered under the Securities Investor Protection Corporation (SIPC) up to $250,000. At times during the year, cash may be temporarily held by a third-party agent that is not FDIC insured. In the normal course of operations, cash balances may exceed FDIC and SIPC limits during the year. Uninsured balances were $340,602 and $266,489 at June 30, 2026 and 2025, respectively.

NOTE 5 – PROMISES TO GIVE

Promises to give were as follows at June 30, 2026 and 2025:

	2026	2025
Gross amounts due in less than one year	$ -	$ 20,000

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the Fair Value Measurement Topic of the FASB ASC, assets that are measured at fair value are categorized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. If the inputs used fall within different levels of the hierarchy, the categorization is based upon the lowest level input that is significant to the fair value measurement.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

The three levels of the fair value hierarchy are as follows:

- *Level 1* – Unadjusted quoted market prices for identical assets and liabilities in active markets.
- *Level 2* – Unadjusted quoted market prices for similar assets and liabilities in active markets (other than those included in Level 1), which are observable for the asset or liability, either directly or indirectly.
- *Level 3* – Significant unobservable inputs for the asset or liability.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The following table presents assets that were measured at fair value on a recurring basis at June 30, 2026:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 259,584	$ -	$ 259,584
Beneficial interest in perpetual trust	-	-	49,033	49,033
Total	$ -	$ 259,584	$ 49,033	$ 308,617

The following table presents assets that were measured at fair value on a recurring basis at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 244,371	$ -	$ 244,371
Beneficial interest in perpetual trust	-	-	43,852	43,852
Total	$ -	$ 244,371	$ 43,852	$ 288,223

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different value measurement at the reporting date.

PENNSYLVANIA HOME OF THE SPARROW

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2026 AND 2025

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

Changes in Level 3 fair value measurements were as follows:

	2026	2025
BALANCE AT BEGINNING OF YEAR	$ 43,852	$ 38,965
Investment income (loss)	5,789	5,445
Management fees	(608)	(558)
BALANCE AT END OF YEAR	$ 49,033	$ 43,852

NOTE 7 – INVESTMENTS

Investments in marketable securities and beneficial interest in perpetual trust stated at fair value consisted of the following at June 30, 2026 and 2025:

	2026	2025
Certificates of deposit	$ 259,584	$ 244,371
Beneficial interest in perpetual trust	49,033	43,852
	$ 308,617	$ 288,223

The following summarizes investment income for the years ended June 30, 2026 and 2025:

	2026	2025
WITHOUT DONOR RESTRICTIONS		
Interest and dividends	$ 36,930	$ 28,362
WITH DONOR RESTRICTIONS		
Interest and dividends	1,095	880
Unrealized gain (loss) on investments	1,886	1,851
Realized gain (loss) on sale of investments	2,808	2,714
Management fees	(608)	(558)
	5,181	4,887
TOTAL	$ 42,111	$ 33,249

NOTE 7 – INVESTMENTS (Cont'd)

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust consists of the Organization's investment in a permanent designated fund managed by the Chester County Community Foundation (the "Foundation"). The Foundation has sole discretion over the ability to retain, invest and reinvest the funds and the power to commingle the endowed assets with those of other funds for investment purposes. At the end of each fiscal year, 5% of the trust's value can be distributed and used for the purpose of supporting the nonprofit operating, program and capital needs of the Organization. The distributable amount of trust assets at June 30, 2026 and 2025 was $2,452 and $2,193, respectively. The Organization makes appropriations from the trust up to the distributable amount as deemed necessary. The Organization considers the market rate of return and the amount of available funds in the trust when determining its annual spending. No appropriations have been made as of June 30, 2026 and 2025.

The Organization received donated securities in the amount of $31,943 and $6,542 for the years ended June 30, 2026 and 2025, respectively. The securities were recorded at fair market value based on Level 1 quoted market prices. Subsequently, and in accordance with board policy, all donated investments held by the Organization were sold.

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment were as follows at June 30, 2026 and 2025:

	2026	2025
Land	$ 30,000	$ 30,000
Building and improvements	764,684	764,684
Equipment	118,599	118,599
	913,283	913,283
Less: accumulated depreciation	(531,736)	(509,321)
Property and equipment, net	$ 381,547	$ 403,962

Depreciation expense for the years ended June 30, 2026 and 2025 was $22,415 and $22,831, respectively.

NOTE 9 – LINE OF CREDIT

In November 2018, the Organization received a $150,000 line of credit from a bank with a variable interest rate. The interest rate was 7.50% and 8.00% at June 30, 2026 and 2025, respectively. The line of credit is collateralized by real estate owned by the Organization and expires November 30, 2028. No borrowings occurred in the year ended June 30, 2026. There was no balance on the line of credit at June 30, 2026 and 2025.

NOTE 10 – REFUNDABLE ADVANCE

During the year ended June 30, 2026, the Organization received one conditional grant related to PHARE (Pennsylvania Housing and Rehabilitation Enhancement) funding, with an outstanding conditional amount of $98,407. At June 30, 2026, all payments of funding had been received and recorded as a refundable advance. The grant is conditioned on the Organization incurring qualifying program expenditures. The Organization expects to recognize the refundable advance as contribution revenue during the year ending June 30, 2027 as the related conditions are substantially met. There were no conditional promises to give or refundable advances outstanding at June 30, 2025.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2026 and 2025:

	2026	2025
Subject to expenditure for specific purposes		
Renovations to West Chester facility	$ 200,000	$ 200,000
Program expenses	125,000	187,500
Subject to timing restrictions	-	70,000
Subject to the Organization's Endowment spending policy and appropriation		
Beneficial interest in perpetual trust (Note 7)	49,033	43,852
	$ 374,033	$ 501,352

Net assets with donor restrictions released during the years ended June 30, 2026 and 2025 were as follows:

	2026	2025
Subject to expenditure for specific purposes		
Client assistance program	$ -	$ 20,278
Program expenses	62,500	62,500
Subject to timing restrictions	70,000	20,000
	$ 132,500	$ 102,778

NOTE 12 – REVENUE RECOGNITION

Performance Obligations

The performance obligation related to program fees consists of providing the participants with housing and related case management services with revenue ratably recognized as services are simultaneously received and consumed by the participants. The Organization recognizes revenue from program fees over the period of time in which the exchange transaction occurs.

Revenue and support received for the Organization's special events are comprised of an exchange element based upon the benefits provided to the participants and a contribution element for the portion of the payment received in excess of the participant benefits. The Organization recognizes exchange revenue from its special events at the point in time to which the event relates. The performance obligation consists of providing participants with access to the event.

The Organization does not have any significant payment terms as payment is received before, during, or shortly after the contract period or at the point in time of the transaction.

Disaggregation of Revenue

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2026 was as follows:

	Point in Time	Over Time	Total
Program fees	$ -	$ 42,825	$ 42,825
Special events	261,293	-	261,293
	$ 261,293	$ 42,825	$ 304,118

The disaggregation of the timing of recognizing revenue from contracts with customers for the year ended June 30, 2025 was as follows:

	Point in Time	Over Time	Total
Program fees	$ -	$ 38,043	$ 38,043
Special events	273,649	-	273,649
	$ 273,649	$ 38,043	$ 311,692

NOTE 12 – REVENUE RECOGNITION (Cont'd)

Contract Balances

The timing of revenue recognition, billings and cash collection results in billed accounts receivable, unbilled receivables (contract assets), and deferred revenue (contract liabilities) on the statements of financial position.

Contract assets arise when the Organization recognizes revenue for amounts that cannot be billed under the terms of the contract with the customer. The Organization does not have any material contract assets as of June 30, 2026 or 2025.

Contract liabilities arise when the Organization receives payment from customers in advance of recognizing revenues. Contract liabilities include advance payments for special event sponsorships and are reported on the statements of financial position as deferred revenue.

	2026	2025
Deferred revenue - special events, beginning of year	$ 2,500	$ -
Revenue recognized that was included in deferred revenue - special events at the beginning of the year	(2,500)	-
Increase in deferred revenue - special events due to cash received during the year	18,000	2,500
Deferred revenue - special events, end of year	$ 18,000	$ 2,500

NOTE 13 – DONATED MATERIALS AND SERVICES

The Organization received contributions of the following nonfinancial assets reflected within the statements of activities for the years ended June 30, 2026 and 2025:

	2026	2025
Donated client assistance	$ 124,964	$ 124,662
Donated services	1,950	-
Total contriubted nonfinancial assets	$ 126,914	$ 124,662

All nonfinancial donations were utilized by the Organization's programs. Unless otherwise noted, no donor restrictions existed for contributed nonfinancial assets.

NOTE 13 – DONATED MATERIALS AND SERVICES (Cont'd)

The Organization received donated materials and discounted camp fees during the years ended June 30, 2026 and 2025. These donations were utilized to support all programming efforts of the Organization. Donations were valued at the retail prices for acquiring similar materials or services.

The Organization received donated appraisal services during the year ended June 30, 2026. These donations were used to support the management and general activities of the Organization. Donated services were valued at the standard rate for acquiring similar services.

In the years ended June 30, 2026 and 2025, the Organization received various donated items to be sold at its special event auction. Contributed auction items are valued based on the actual cash proceeds received from the sale of the items. Valuation of these amounts has been recognized as revenue and expense in special events on the statements of activities.

NOTE 14 – LEASE COMMITMENTS

The Organization evaluated current contracts to determine which met the criteria of a lease. The operating lease right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the operating lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has elected the risk-free rate practical expedient under ASC 842-20-30-3 in determining the discount rate for its operating facility leases. This election has been applied to the building class of underlying assets. The Organization has utilized risk-free rates between 2.85% and 3.77% to discount future lease payments.

The Organization leased office and garage space under an operating lease agreement with a three-year term with monthly payments of $5,350 that expired in July 2025. The lease was renewed for a five-year term that expires in July 2030, with monthly payments of $5,450 in year one, increasing by $100 annually to $5,850 in year five.

The Organization leases an apartment for use in their program under an operating lease agreement that requires monthly payments of $1,200. The lease agreement expired in August 2025 and the option to extend for an additional year was exercised. This property is owned by a member of the Board of Directors of the Organization. At times, the program allows a tenant to assume payments on the lease, therefore reducing the amount paid by the Organization. The Organization paid the member $3,672 and $14,400 in lease payments during the years ended June 30, 2026 and 2025, respectively.

NOTE 14 – LEASE COMMITMENTS (Cont'd)

Lease expense for the years ended June 30, 2026 and 2025 for operating leases subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was $70,547 and $71,200, respectively.

Future maturities of operating lease liabilities subject to ASU No. 2016-02, *Leases (Topic 842)* are as follows:

For the year ending June 30,	
2027	$ 68,900
2028	67,700
2029	68,900
2030	70,100
2031	5,850
Thereafter	-
Total operating lease payments	281,450
Less: present value discount	(20,225)
Total operating lease obligations	$ 261,225

In April 2022, the Organization entered into a one-year operating lease for an apartment for use in their program that expired March 2023. Monthly lease payments under this agreement were $1,000. At that time, the lease transitioned to a month-to-month lease. In August 2025, the monthly lease payments were increased to $1,250. The payments associated with this lease were not included in the ROU asset nor the lease liability recognized as of June 30, 2026 or 2025.

During the year ended June 30, 2025, the Organization entered into an operating lease agreement for an apartment for use in their program. The lease expired January 2026 and required monthly lease payments of $1,100. In February 2026, a new one-year lease was signed with required monthly lease payments of $1,125. The payments associated with this lease are not included in the ROU asset nor the lease liability recognized as of June 30, 2026 or 2025.

During the year ended June 30, 2024, the Organization entered into an operating lease agreement for an apartment for use in their program. The lease expired February 2025 and transitioned to a month-to-month lease with required monthly lease payments of $1,700, therefore, the payments associated with this lease are not included in the ROU asset nor the lease liability recognized as of June 30, 2026 or 2025.

During the year ended June 30, 2025, the Organization entered into an operating lease agreement for an apartment for use in their program. The lease expired January 2026 and

NOTE 14 – LEASE COMMITMENTS (Cont'd)

required monthly lease payments of $1,200. During the year ended June 30, 2026, a new one-year lease was signed requiring monthly lease payments of $1,225. The payments associated with this lease are not included in the ROU asset nor the lease liability recognized as of June 30, 2026 or 2025.

Lease expense for the years ended June 30, 2026 and 2025 for operating leases not subject to recognition under ASU No. 2016-02, *Leases (Topic 842)*, was $41,791 and $47,142, respectively.

Future maturities of operating leases not subject to ASU No. 2016-02, *Leases (Topic 842)*, are as follows:

For the year ending June 30,	
2027	$ 16,450

NOTE 15 – RETIREMENT PLAN

The Organization adopted a 403(b) plan for the benefit of all employees. The Organization makes a discretionary contribution to the plan based on a percentage of regular annual salary, up to 3%, determined annually by the Board of Directors. Retirement plan expense was $17,860 and $12,161 for the years ended June 30, 2026 and 2025, respectively.