THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA

FINANCIAL STATEMENTS

(AND INDEPENDENT AUDITOR'S REPORT)

YEARS ENDED JUNE 30, 2020 AND 2019

C O N T E N T S

ISDANER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of
The Sunday Breakfast Association of Philadelphia
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of The Sunday Breakfast Association of Philadelphia (a Pennsylvania nonprofit organization, d/b/a Sunday Breakfast Rescue Mission) (the "Mission"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 accounting principles generally accepted in the United States of America; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Mission'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 Mission'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ISDANER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sunday Breakfast Association of Philadelphia as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of The Sunday Breakfast Association of Philadelphia (d/b/a Sunday Breakfast Rescue Mission) as of June 30, 2019, were audited by other auditors whose report dated December 17, 2019, expressed an unmodified opinion on those statements.

Isdaner + Company LLC

October 20, 2020

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Current assets:		
Cash and cash equivalents	$ 886,117	$ 231,211
Grant receivable	146,096	-
Prepaid expenses	25,978	13,008
Total current assets	1,058,191	244,219
Split and beneficial interest in trusts	514,124	540,328
Property and equipment - at cost	4,681,564	5,110,032
Less accumulated depreciation	(2,789,038)	(2,782,200)
	1,892,526	2,327,832
	$ 3,464,841	$ 3,112,379

LIABILITIES AND NET ASSETS

	2020	2019
Current liabilities:		
Accounts payable and accrued expenses	$ 102,580	$ 78,181
Notes payable, current portion	-	23,063
Other deposits	394	13,085
Total current liabilities	102,974	114,329
Notes payable, less current portion	-	260,096
Total liabilities	102,974	374,425
Net assets:		
Without donor restrictions	2,650,021	2,159,904
With donor restriction	711,846	578,050
	3,361,867	2,737,954
	$ 3,464,841	$ 3,112,379

The accompanying notes are an integral part of these statements.

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Support and revenues:						
Contributions	$ 2,659,114	$ 160,000	$ 2,819,114	$ 1,732,429	$ -	$ 1,732,429
Gifts in kind-donations	229,978	-	229,978	406,263	-	406,263
Change in value of trusts	-	(26,204)	(26,204)	-	(10,174)	(10,174)
Thrift store sales	-	-	-	312,982	-	312,982
Trust and investment income	2,124	-	2,124	24,940	-	24,940
Rental income	24,016	-	24,016	58,553	-	58,553
Net assets released from restrictions	-	-	-	91,862	(91,862)	-
	2,915,232	133,796	3,049,028	2,627,029	102,036)	2,524,993
Expenses:						
Program	1,828,480	-	1,828,480	2,187,881	-	2,187,881
Management and general	212,554	-	212,554	449,739	-	449,739
Fundraising	391,840	-	391,840	451,990	-	451,990
	2,432,874	-	2,432,874	3,089,610	-	3,089,610
Change in net assets from operations	482,358	133,796	616,154	(462,581)	(102,036)	(564,617)
Gain on sale of property and equipment	7,759	-	7,759	345,398	-	345,398
Change in net assets	490,117	133,796	623,913	(117,183)	(102,036)	(219,219)
Net assets at beginning of year	2,159,904	578,050	2,737,954	2,277,087	680,086	2,957,173
Net assets at end of year	$ 2,650,021	$ 711,846	$ 3,361,867	$ 2,159,904	$ 578,050	$ 2,737,954

The accompanying notes are an integral part of these statements.

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020						2019					
	Program Services			Support Services			Program Services			Support Services		
	Homeless Services	Wayne Hall	Program Total	Management and General	Fund Raising	Total	Homeless Services	Wayne Hall	Program Total	Management and General	Fund Raising	Total
Salaries	$ 622,203	$ 62,644	$ 684,847	$ 56,531	$ 114,107	$ 855,485	$ 614,167	$ 136,268	$ 750,435	$ 162,380	$ 148,162	$ 1,060,977
Payroll taxes and benefits	154,195	32,935	187,130	39,600	24,668	251,398	149,355	22,383	171,738	61,474	18,476	251,688
	776,398	95,579	871,977	96,131	138,775	1,106,883	763,522	158,651	922,173	223,854	166,638	1,312,665
Advertising	4,308	-	4,308	-	32,020	36,328	442	-	442	2,210	13,620	16,272
Automobile and travel	7,423	400	7,823	470	756	9,049	12,157	490	12,647	3,719	359	16,725
Clothing	-	-	-	-	-	-	312,983	-	312,983	-	-	312,983
Confrences and meetings	3,997	-	3,997	73	1,929	5,999	3,081	-	3,081	2,399	25	5,505
Depreciation	130,587	26,235	156,822	6,218	1,382	164,422	153,021	31,802	184,823	2,241	689	187,753
Food	317,116	358	317,474	-	-	317,474	265,238	6,752	271,990	-	-	271,990
House expense	36,243	136	36,379	132	175	36,686	38,103	5,390	43,493	74	292	43,859
Insurance	64,146	3,724	67,870	4,489	1,045	73,404	59,806	10,698	70,504	3,168	501	74,173
Interest	12,151	-	12,151	5,298	47	17,496	16,330	-	16,330	27,330	52	43,712
Marketing	4,460	-	4,460	4,217	120,304	128,981	2,942	-	2,942	566	207,620	211,128
Newsletter	5,320	-	5,320	-	31,320	36,640	-	-	-	-	29,548	29,548
Office expense	14,383	-	14,383	2,913	9,284	26,580	20,096	359	20,455	4,452	5,472	30,379
Postage	1,260	-	1,260	1,302	10,262	12,824	1,598	-	1,598	3,080	20,748	25,426
Professional fees	21,639	1,750	23,389	48,210	7,453	79,052	6,516	2,360	8,876	130,804	594	140,274
Program supplies	27,616	2,494	30,110	1,465	1,352	32,927	6,136	314	6,450	1,128	682	8,260
Real estate commission	-	-	-	21,005	-	21,005	-	-	-	32,220	-	32,220
Real estate taxes	11,429	1,942	13,371	186	373	13,930	17,432	971	18,403	-	-	18,403
Repairs and maintenance	68,315	3,835	72,150	495	682	73,327	76,648	11,779	88,427	446	-	88,873
Software and IT support	18,337	-	18,337	13,457	33,238	65,032	3,969	-	3,969	4,957	4,802	13,728
Utilities	136,359	30,540	166,899	6,493	1,443	174,835	170,958	27,337	198,295	7,091	348	205,734
	$ 1,661,487	$ 166,993	$ 1,828,480	$ 212,554	$ 391,840	$ 2,432,874	$ 1,930,978	$ 256,903	$ 2,187,881	$ 449,739	$ 451,990	$ 3,089,610

The accompanying notes are an integral part of these statements.

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 623,913	$ (219,219)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Gain on sale of property and equipment	(7,759)	(345,398)
Depreciation	164,422	187,752
Net realized and unrealized gain on investments	-	(2,818)
Decrease in value of trusts	26,204	10,174
Changes in operating assets and liabilities:		
Grant receivable	(146,096)	-
Inventory	-	116,425
Prepaid expenses	(12,970)	(2,962)
Other deposits	(12,691)	12,935
Accounts payable and accrued expenses	24,399	(53,254)
Net cash provided by (used in) operating activities	659,422	(296,365)
Cash flows from investing activities:		
Purchases of property and equipment	(123,807)	(54,318)
Purchase of investments	-	(43,228)
Proceeds from sale of property and equipment	402,450	599,800
Proceeds from sale of investments	-	240,292
Net cash provided by investing activities	278,643	742,546
Cash flows from financing activities:		
Net payments on lines of credit	-	(234,118)
Payments on notes payable	(283,159)	(23,591)
Net cash used in financing activities	(283,159)	(257,709)
Net increase in cash and cash equivalents	654,906	188,472
Cash and cash equivalents, beginning of year	231,211	42,739
Cash and cash equivalents, end of year	$ 886,117	$ 231,211
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 17,496	$ 43,712

The accompanying notes are an integral part of these statements.

(1) NATURE OF ACTIVITIES

The Sunday Breakfast Association of Philadelphia, doing business as Sunday Breakfast Rescue Mission (the "Mission"), is a Pennsylvania nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Mission exists to minister in the name of Jesus Christ to the spiritual and practical needs of the disadvantaged in the Philadelphia area.

The Mission operates a homeless mission and shelter for men, women and children, where residents can receive shelter and three meals a day, every day of the year to anyone in need. The Mission also offers rehabilitation programs and job training programs. The Mission previously owned and operated a thrift store (the "Thrift Store") located in Penndel, Pennsylvania, which closed in January 2019 and was sold to a third party in May 2020. The Mission is primarily supported through donor contributions.

(2) CORONAVIRUS

In December 2019, an outbreak of a novel strain of coronavirus, COVID-19, emerged in China and continues to spread globally, including in the United States. COVID-19 is currently impacting countries, communities, supply chains, and markets around the world. The Mission is following the protocols and guidelines prescribed by the applicable laws and regulations. As of the date of this report, management cannot predict whether the COVID-19 outbreak will have a material impact on the Mission's financial condition and results of operations in the foreseeable future. See Note 11 for the Mission's financial assets and liquidity resources available for general expenditure within the next year as of June 30, 2020.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. Accordingly, the Mission distinguishes between net assets with donor restrictions and net assets without donor restrictions, based upon the existence or absence of donor-imposed restrictions, as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. These net assets may be used at the discretion of the Mission's management and the board of trustees. Donor-restricted contributions whose restrictions are met in the same reporting period are classified as net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are met by actions of the Mission and/or the passage of time, at which point the net assets are reclassified to net assets without donor restrictions. Other donor-imposed restrictions are perpetual in nature and require the funds be maintained permanently by the Mission.

<u>Adoption of New Accounting Pronouncements</u>

Effective in fiscal year ended June 30, 2020 ("fiscal year 2020"), the Mission adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, "Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made", which requires that an entity evaluate whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. The implementation of ASU 2018-08 did not have a material effect on the Mission's financial position, results of operations or cash flows. There was no cumulative-effect adjustment required to be recognized at the date of adoption.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Adoption of New Accounting Pronouncements - Continued

Effective in fiscal year 2020, the Mission adopted FASB Accounting Standards Codification Topic 606, "Revenue from Contracts with Customers" ("ASC 606") and all related amendments. ASC 606 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance. This standard requires an entity to recognize revenue to reflect the transfer of promised goods or services to customers in an amount equal to the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. ASC 606 also requires additional financial statement footnote disclosures. The Mission adopted this standard using the modified retrospective method approach, however, there was no cumulative-effect adjustment required to be recognized at the date of adoption. The adoption of ASC 606 did not have a material impact on the Mission's financial position, results of operations or cash flows.

In accordance with ASC 606, the Mission recognizes earned revenue primarily via the following steps:

- Identification of the contract with the customer;
- Identification of the performance obligation(s) under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligation(s); and
- Recognition of revenue as (or when) the Mission satisfies the identified performance obligation(s).

Revenue and Support Recognition

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give are not recognized as support until the conditions on which they depend on are substantially met. Promises to give are recorded at net realizable value. No allowance for uncollectible receivables was considered necessary at June 30 2020 or 2019. One donor accounted for 100% of the grant receivable balance at June 30, 2020.

Prior to the closing of the Thrift Store in January 2019, revenue from thrift store sales was recognized when the sale took place.

On April 25, 2020, the Mission received a forgivable loan in the amount of $196,200 under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act and provides forgivable loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of qualifying business. The PPP loan is administered by the United States Small Business Administration ("SBA") through an eligible lender. The loan and accrued interest are forgivable after eight weeks, or up to twenty-four weeks, as long as the borrower uses the loan proceeds for eligible purposes and maintains certain payroll levels, as defined by the PPP. Any portion of the loan not used for qualifying costs will be payable over two years at an interest rate of 1%.

The Mission has concluded that the PPP loan represents, in substance, a conditional government grant that is expected to be forgiven after donor conditions are met and a loan forgiveness application is approved by the lender and the SBA. As of June 30, 2020, the Mission has recognized contribution revenue for the full amount of the PPP loan proceeds received totaling $196,200, which is the amount that the Mission expects to be forgiven to based on qualifying costs incurred for eligible purposes during fiscal year 2020.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Donated Services and Materials

A significant number of volunteers have donated a substantial amount of time to the Mission's program services, management and fundraising campaigns. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition. The Mission receives a significant amount of food donations from food banks, organizations and individuals. The Mission recognizes the estimated fair value of the food donations in their financial statements by using a value per meal served and subtracting out the costs of food purchases. In addition, the Thrift Store programs received substantial donations of materials and clothing which were recognized at estimated fair value, until the Thrift Store closed in January 2019.

For the years ended June 30, 2020 and 2019, amounts recorded for donated food totaled $229,978 and $209,704, respectively, and amounts recorded for materials and clothing totaled $-0- and $196,559, respectively.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses, including functional allocations, during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Mission considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in operating accounts at major financial institutions and also in money market mutual funds, in which the Mission is exposed to market and credit risk. The Mission's uninsured cash balances total $628,744 and $-0- at June 30, 2020 and 2019, respectively. No losses have been incurred to date.

Property and Equipment

Property and equipment are stated at cost or if donated, at fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets by the straight-line method. Estimated useful lives of three to forty years are used for building and building improvements, five years for vehicles, and three to ten years for furniture, fixtures and equipment. It is the Mission's policy to capitalize expenditures in excess of $1,000. Maintenance, repairs and minor renewals are charged to operations as incurred.

The Mission reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If such circumstances are determined to exist then the estimated undiscounted future cash flows produced by the long-lived asset is compared to the carrying value to determine whether impairment exists. If an asset is determined to be impaired, the loss is measured based on the difference between the asset's fair value and its carrying value. An estimate of the asset's fair value is based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of the fair value is based on various valuation techniques, including a discounted value or its estimated net realizable value. The Mission concluded there were no indicators of impairment as of June 30, 2020 and 2019.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value of Financial Instruments

The Mission applies the authoritative guidance of the FASB ASC Topic 820, *Fair Value Measurement*, which defines fair value and establishes a framework for measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal market or, in the absence of a principal market, the most advantageous market for the asset or liability, in an orderly transaction between market participants on the measurement date. This guidance also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included within Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves, credit risks, and default rates) or other inputs that are principally derived from or corroborated by observable market data by correlation or by other means.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Split Interest Agreements and Beneficial Interest in Perpetual Trusts

The Mission has accepted a gift subject to a split interest agreement. Under this trust agreement the Mission receives semi-annual trust income distributions. Upon the death of the last individual beneficiary, the Mission will receive a proportionate share of the remaining principal. The estimated value of the Mission's share has been subjected to a discount rate in order to record the asset at its present value. The net asset has been recorded as with donor restriction due to time restrictions.

The Mission also received three gifts of beneficial interests in trusts that are held by others. Under the terms of these trusts, the Mission has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. At the time of the receipt, a gift is recorded based on the fair value of the assets contributed to the trust (or the portion thereof that benefits the Mission). Annual distributions from the trust are reported as investment income and classified as with or without donor restrictions based upon donor designations. The beneficial interests in perpetual trusts are reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions that are perpetual in nature. Given the nature of the promises, as well as the inability to compute the present value of the perpetual income stream of the trusts, the Mission has recorded its proportionate share of the total fair market value of the principal trust assets upon which its income distributions are based as net assets with donor restrictions that are perpetual in nature.

The change in value of split interest agreements and perpetual trusts for the years ended June 30, 2020 and 2019 were decreases amounting to $(26,204) and $(10,174) respectively. Income from distributions from the trusts amounted to $1,513 and $9,816, for the years ended June 30, 2020 and 2019, respectively.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Expenses are directly charged to the program activities other than those that benefit multiple functions. Certain expenses applicable to more than one program or activity have been allocated among the programs and supporting services based on activities of personnel, the usage of space, and the type of services received. Salaries, payroll taxes and benefits are allocated based on time and effort. Depreciation, utilities and insurance are allocated based on square footage. Office expense and software and IT support are allocated based upon direct usage of materials.

Income Taxes

The Mission is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for federal or state income taxes. Pursuant to FASB ASC Topic 740, *Income Taxes*, the Mission recognizes tax benefits only if it is more likely than not that a tax position will be sustained upon examination. No liability for uncertain tax positions was recorded as of June 30, 2020 and 2019. In addition, the Mission qualifies for charitable contribution deductions and has not been classified as a private foundation.

Subsequent Events

Management has evaluated subsequent events through October 20, 2020, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(4) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land	$ 430,050	$ 430,050
Buildings and improvements	3,903,192	4,359,919
Vehicles	93,903	131,363
Furniture, fixtures and equipment	254,419	188,700
	4,681,564	5,110,032
Less accumulated depreciation	(2,789,038)	(2,782,200)
	$1,892,526	$2,327,832

Depreciation expense for the years ended June 30, 2020 and 2019 was $164,422 and $187,753, respectively.

(5) FAIR VALUE MEASUREMENTS

The Mission uses fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. For additional information on how the Mission measures fair value refer to Note 3.

The following table presents the Mission's fair value hierarchy for those investments measured at fair value on a recurring basis for the years ended June 30, 2020 and 2019.

June 30, 2020	Quotes Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Split interest and beneficial interest in trusts	$244,745	$ -	$269,379	$514,124
June 30, 2019				
Split interest and beneficial interest in trusts	$261,586	$ -	$278,742	$540,328

The Mission is beneficiary to an irrevocable residual trust (split interest agreement) and certain perpetual trusts. The Mission's beneficial interest in these trusts range from 8.33 percent to 50 percent and includes annual distributions. The split interest agreement trust funds and one of the perpetual trusts are held in pooled funds invested with Wells Fargo and consist of fixed income and equity mutual funds. The remaining two perpetual trust funds are held at PNC and consist of fixed income and equity mutual funds. The irrevocable trust is further valued by discounting the net present value of the balance of the funds based upon the life expectancy of the donor. Net present value was discounted at 6% at June 30, 2020 and 2019. All trust funds are measured at fair value in the statements of financial position.

The change in Level 3 assets for the years ended June 30, 2020 and 2019 are as follows:

	Split Interest	Beneficial Interest in Perpetual Trusts	Total
Beginning balance, July 1, 2019	$278,742	$261,586	$540,328
Decrease in value of split and beneficial interest in trusts	(9,363)	(16,841)	(26,204)
Ending balance, June 30, 2020	$269,379	$244,745	$514,124

	Split Interest	Beneficial Interest in Perpetual Trusts	Total
Beginning balance, July 1, 2018	$290,100	260,402	$550,502
Increase (decrease) in value of split and beneficial interest in trusts	(11,358)	1,184	(10,174)
Ending balance, June 30, 2019	$278,742	$261,586	$540,328

(6) RENTAL INCOME

The Mission leases space on their roof for a cellular tower to AT&T under a lease that was amended in March 2018 to extend through 2023 with automatic renewal for up to 4 additional 5 year terms. Rental income is recognized on a straight-line basis and totaled $23,006 and $26,714 for the years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, future minimum rent payments under the lease agreement are as follows:

2021	$23,389
2022	23,857
2023	16,115
	$63,361

(7) LINES OF CREDIT

The Mission has available a $250,000 revolving commercial line of credit from Citizen Bank that is renewed on an annual basis and secured by certain real estate. The interest rate is the prime rate as published by the Wall Street Journal on the applicable date plus 1 percent. The interest rate was 4.25% and 6.5% at June 2020 and 2019, respectively. There was no outstanding balance on the line of credit as of June 30, 2020 or 2019.

The Mission had a $200,000 revolving commercial line of credit from TD Bank that was renewed on an annual basis and secured by certain real estate. The interest rate was the prime rate as published by the Wall Street Journal on the applicable date plus 2.5%, with a minimum rate of 4%. The interest rate was 5.75% and 8% at June 2020 and 2019. There was no outstanding balance on the line of credit as of June 30, 2020 or 2019. On July 2, 2020, the line of credit was closed down.

On July 28, 2020, the Mission obtained a new revolving line of credit up to $500,000 from Truist Bank that matures on July 28, 2022 and bears interest at the prime rate as published by the Wall Street Journal plus .25%, with a minimum rate of 3.25%. The line is secured by certain real estate.

(8) NOTES PAYABLE

The Mission had a note payable to an individual, secured by the Thrift Store real estate in Penndel, Pennsylvania. The note had an original maturity date of February 1, 2031 and required monthly payments of $2,640 consisting of principal and interest at 5%. The outstanding balance at June 30, 2019 was $278,107. On May 15, 2020, the real estate was sold to a third party for $390,000, of which $263,726 was used to repay the outstanding note payable and the rest was received in cash, net of settlement fees.

The Mission also had a vehicle loan payable which required monthly payments of $431 consisting of principal and interest at 3.89%. The loan balance at June 30, 2019 was $5,052, and the loan was repaid in full in June 2020.

(9) CONTINGENCIES

On June 26, 2007, the Mission received a forgivable direct subsidy loan from the Federal Home Loan Bank of Pittsburgh through the Affordable Housing Program in the amount of $500,000, funded by Firstrust Bank. On August 22, 2008, the Mission received a forgivable direct subsidy loan from the Federal Home Loan Bank of New York through the Affordable Housing Program in the amount of $1,119,906, funded by Commerce Bank.

As stipulated in the loan agreements, the total loan proceeds were used for capital improvement projects in a prior year. The loans require no interest or principal payments, and stipulates that the Mission must remain in business and continue operating under its mission for a 15-year period (“retention period”), at which point the loans will be fully released.

The Mission intends to follow all provisions of both forgivable loans, and concluded that the likelihood of noncompliance with the loan terms was remote at the time of receipt. As such, the total loan proceeds were recognized as contributed revenue in the period it was received. As of June 30, 2020, there were twenty-four months of the retention period remaining on the loan received in June 2007, and thirty-eight months of the retention period remaining on the loan received in August 2008.

(10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2020 and 2019 consisted of the following:

	2020	2019
Subject to expenditure for a specified purpose:		
Wayne Hall renovations	$ 47,722	$ 37,722
Renovation of shower rooms	150,000	-
	197,722	37,722
Subject to passage of time:		
Split interest agreement	269,379	278,742
Beneficial interest in perpetual trusts	244,745	261,586
Total net assets	$711,846	$578,050

For the year ended June 30, 2019, $11,779 was released for Wayne Hall and $80,083 was released for homeless services. No amounts were released for the year ended June 30, 2020.

(11) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects the Mission's financial assets and liquidity resources as of June 30, 2020, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or donor restrictions. Amounts not available to meet general expenditures within one year include net assets with donor restrictions, detailed in Note 10. In addition to financial assets available to meet general expenditures over the next 12 months, the Mission has two revolving commercial lines of credit with banks, detailed in Note 7.

Current Financial Assets:	
Cash and cash equivalents	$ 886,117
Grant receivable	146,096
	1,032,213
Less amounts not available to be used within one year	
Net assets with donor restrictions	(197,722)
Financial assets available to meet general expenditure Over the next 12 months	$ 834,491