

**THE SUNDAY BREAKFAST ASSOCIATION
OF PHILADELPHIA**

D/B/A PHILLY HOUSE 1878

**FINANCIAL STATEMENTS
(AND INDEPENDENT AUDITOR'S REPORT)**

YEARS ENDED JUNE 30, 2023 AND 2022



**ISDANER &
COMPANY_{LLC}**
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees of
The Sunday Breakfast Association of Philadelphia
d/b/a Philly House 1878
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of The Sunday Breakfast Association of Philadelphia (a Pennsylvania nonprofit organization, d/b/a Philly House 1878) ("Philly House"), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 The Sunday Breakfast Association of Philadelphia d/b/a Philly House 1878 as of June 30, 2023 and 2022, 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 audits 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 Philly House, 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.

Responsibility of Management 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; 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 Philly House'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 Responsibility 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, including omissions, 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 Philly House'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 Philly House'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.



Bala Cynwyd, Pennsylvania
November 30, 2023

**THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	\$ 812,911	\$ 2,011,633
Grants and pledges receivable	960,524	465,905
Prepaid expenses	8,657	11,412
Total current assets	1,782,092	2,488,950
Split and beneficial interest in trusts	432,942	438,769
Property and equipment - at cost	5,691,383	5,406,176
Less accumulated depreciation	(3,002,891)	(2,760,124)
	2,688,492	2,646,052
	\$ 4,903,526	\$ 5,573,771

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 84,004	\$ 486,530
Other deposits	5,785	5,492
Total current liabilities	89,789	492,022
Net assets:		
Without donor restrictions	4,234,295	4,566,980
With donor restriction	579,442	514,769
	4,813,737	5,081,749
	\$ 4,903,526	\$ 5,573,771

The accompanying notes are an integral part of these statements

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenues:						
Contributions	\$ 3,182,979	\$ 76,500	\$ 3,259,479	\$ 3,390,064	\$ 6,000	\$ 3,396,064
Gifts in kind-donations	255,913	-	255,913	239,391	-	239,391
Change in value of trusts	-	(5,827)	(5,827)	-	(128,533)	(128,533)
Trust and interest income	7,066	-	7,066	3,937	-	3,937
Rental income	37,960	-	37,960	29,849	-	29,849
Net assets released from restrictions	6,000	(6,000)	-	25,000	(25,000)	-
	<u>3,489,918</u>	<u>64,673</u>	<u>3,554,591</u>	<u>3,688,241</u>	<u>(147,533)</u>	<u>3,540,708</u>
Expenses:						
Program	2,795,558	-	2,795,558	2,483,922	-	2,483,922
Fundraising	816,717	-	816,717	684,226	-	684,226
Management and General	210,328	-	210,328	233,059	-	233,059
	<u>3,822,603</u>	<u>-</u>	<u>3,822,603</u>	<u>3,401,207</u>	<u>-</u>	<u>3,401,207</u>
Change in net assets from operations	(332,685)	64,673	(268,012)	287,034	(147,533)	139,501
Gain on sale of property and equipment	-	-	-	277,076	-	277,076
Change in net assets	(332,685)	64,673	(268,012)	564,110	(147,533)	416,577
Net assets at beginning of year	4,566,980	514,769	5,081,749	4,002,870	662,302	4,665,172
Net assets at end of year	<u>\$ 4,234,295</u>	<u>\$ 579,442</u>	<u>\$ 4,813,737</u>	<u>\$ 4,566,980</u>	<u>\$ 514,769</u>	<u>\$ 5,081,749</u>

The accompanying notes are an integral part of these statements

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Program	Fund Raising	Management and General	Total	Program Total	Fund Raising	Management and General	Total
Salaries	\$ 1,059,227	\$ 124,244	\$ 63,166	\$ 1,246,637	\$ 915,715	\$ 176,098	\$ 82,180	\$ 1,173,993
Payroll taxes and benefits	269,974	20,072	22,594	312,640	219,806	28,845	8,538	257,189
	<u>1,329,201</u>	<u>144,316</u>	<u>85,760</u>	<u>1,559,277</u>	<u>1,135,521</u>	<u>204,943</u>	<u>90,718</u>	<u>1,431,182</u>
Advertising	-	45,706	-	45,706	250	47,322	-	47,572
Automobile and travel	6,217	4,131	4,191	14,539	10,918	2,553	4,161	17,632
Conferences and meetings	7,480	538	9,322	17,340	2,355	2,745	6,893	11,993
Depreciation	218,767	12,000	12,000	242,767	139,708	7,661	7,661	155,030
Food	595,217	-	-	595,217	637,977	-	49	638,026
House expense	62,752	1,074	1,238	65,064	60,601	37	269	60,907
Insurance	40,875	1,731	4,651	47,257	48,127	1,740	2,793	52,660
Interest	14	-	36	50	-	-	3,542	3,542
Outreach and advocacy	57,692	467,461	64	525,217	63,768	311,424	470	375,662
Office expense	25,710	29,503	8,346	63,559	54,525	12,485	33,033	100,043
Postage	12,906	2,924	715	16,545	11,219	637	653	12,509
Professional fees	26,319	63,567	59,378	149,264	11,879	42,528	62,454	116,861
Program supplies	40,702	3,492	3,210	47,404	55,646	5,476	4,835	65,957
Real estate taxes	3,389	188	188	3,765	3,880	6	6	3,892
Repairs and maintenance	105,425	2,305	12,141	119,871	82,384	1,653	4,030	88,067
Software and IT support	92,528	28,574	1,755	122,857	40,192	35,910	5,044	81,146
Utilities	170,364	9,207	7,333	186,904	124,972	7,106	6,448	138,526
	<u>\$ 2,795,558</u>	<u>\$ 816,717</u>	<u>\$ 210,328</u>	<u>\$ 3,822,603</u>	<u>\$ 2,483,922</u>	<u>\$ 684,226</u>	<u>\$ 233,059</u>	<u>\$ 3,401,207</u>

The accompanying notes are an integral part of these statements

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (268,012)	\$ 416,577
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Gain on sale of property and equipment	-	(277,076)
Depreciation	242,767	155,030
Decrease in value of trusts	5,827	128,533
Changes in operating assets and liabilities:		
Grants and pledges receivable	(494,619)	256,689
Prepaid expenses	2,755	11,703
Accounts payable and accrued expenses	(402,526)	256,061
Other deposits	293	4,497
	<u>(913,515)</u>	<u>952,014</u>
Cash flows from investing activities:		
Purchases of property and equipment	(285,207)	(849,824)
Proceeds from sale of property and equipment	-	650,400
	<u>(285,207)</u>	<u>(199,424)</u>
Net cash used in investing activities		
	<u>(1,198,722)</u>	<u>752,590</u>
Net (decrease) increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>2,011,633</u>	<u>1,259,043</u>
Cash and cash equivalents, end of year	<u>\$ 812,911</u>	<u>\$ 2,011,633</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 50</u>	<u>\$ 3,542</u>

The accompanying notes are an integral part of these statements

**THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

(1) OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Sunday Breakfast Association of Philadelphia, d/b/a Philly House 1878 (“Philly House”), is a Pennsylvania nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Philly House 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. Philly House also offers rehabilitation programs and job training programs as well. Philly House’s mission is to open their doors every day with a welcoming spirit of Christian compassion, walking alongside the homeless, hungry, and hurting of Philadelphia so that they may experience the love of God by acts of mercy, dignity, and respect. More than just a safe space, warm bed, and a hot meal, Philly House empowers everyone served through deep, intentional engagement with compassionate programs and trauma-informed care—activating their God-given potential for life transformation.

Philly House changed its operating name from what was previously Sunday Breakfast Rescue Mission to “Philly House”.

On August 5, 2021, Philly House sold its Wayne Hall building located at 5200-5208 Wayne Avenue, Philadelphia, Pennsylvania for \$650,000. The sale of the property resulted in a gain of approximately \$277,000, which is shown as gain on sale of property and equipment in the statement of activities for the year ended June 30, 2022.

Philly House is in the initial stage of a new multi-faceted project estimated to cost up to \$34M for the purpose of renewing and renovating the existing building, as well as constructing a new building as an expanded dining room and permanent residence to accommodate 70 homeless individuals. Philly House has secured \$4.5M in committed funding and is in the process of applying for additional commitments. Initial costs incurred during the years ended June 30, 2023 and 2022 consisted of architect costs and project development costs and are included in construction in progress, as presented in Note 2.

Philly House does not utilize any form of self-insurance.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) using the accrual basis of accounting. In accordance with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, Not-for-Profit Entities. Philly House 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 Philly House’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.

**THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are met by actions of Philly House 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 Philly House.

Adoption of New Accounting Pronouncement

Effective during the fiscal year ended June 30, 2023 (“FY2023”), Philly House adopted Accounting Standards Update (“ASU”) 2016-02, *Leases*, and all subsequent ASUs that modified ASC Topic 842 (“ASC 842”). FASB ASC 842 requires lessees to recognize a right-of-use asset and related liability for all leases with terms in excess of twelve months as either an operating lease or a finance lease in the financial statements. The new guidance requires lessors to account for leases using an approach that is substantially similar to the prior guidance for sales-type, direct financing leases and operating leases. Philly House determines if an arrangement is a lease at inception. Philly House has elected the practical expedient to apply the short-term lease exception for lease terms less than twelve months to all of its classes of underlying assets. Philly House does not have any right-of-use assets or related liabilities that required recognition in the FY2023 financial statements; therefore, the adoption of ASU 2016-02 had no material impact on Philly House’s statement of financial position or statement of activities during FY2023.

Contributions

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, 2023 or 2022.

Two donors accounted for 92% of the grants and pledges receivable balance at June 30, 2023, and one donor accounted for 98% of the grants and pledges receivable balance at June 30, 2022.

Donated Services and Materials

A significant number of volunteers have donated a substantial amount of time to Philly House’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. Philly House receives a significant amount of food donations from food banks, organizations and individuals. Philly House 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.

For the years ended June 30, 2023 and 2022, amounts recorded for donated food totaled \$253,528 and \$219,141, respectively.

**THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878**

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP 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, Cash Equivalents and Concentration of Credit Risk

Philly House 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 Philly House is exposed to market and credit risk. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Philly House's uninsured cash balances totaled \$626,049 and \$1,752,697 at June 30, 2023 and 2022, 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 fifteen years for furniture, fixtures, and equipment and other.

It is Philly House's policy to capitalize and depreciate major renewals and betterments in excess of \$5,000. Maintenance and repairs that do not extend the life of the respective assets are expensed as incurred. Contributions received with donor restrictions related to capital improvements are not released until the related assets are placed in service.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to fair value.

Fair Value of Financial Instruments

Philly House 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:

**THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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 inactive markets, or other inputs that can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Philly House has accepted a gift subject to a split interest agreement. Under this trust agreement Philly House receives semi-annual trust income distributions. Upon the death of the last individual beneficiary, Philly House will receive a proportionate share of the remaining principal. The estimated value of Philly House'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.

Philly House also received three gifts of beneficial interests in trusts that are held by others. Under the terms of these trusts, Philly House 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 Philly House). 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, Philly House 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, 2023 and 2022 was a decrease of \$5,827 and \$128,533, respectively. Income from distributions from the trusts amounted to \$6,787 and \$1,462, for the years ended June 30, 2023 and 2022, respectively.

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.

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Income Taxes

Philly House 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*, Philly House 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, 2023 or 2022. In addition, Philly House qualifies for charitable contribution deductions and has not been classified as a private foundation.

Subsequent Events

Management has evaluated subsequent events through November 30, 2023, which is the date the financial statements were available to be issued.

Reclassifications

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

(2) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Land	\$ 350,050	\$ 350,050
Buildings and improvements	4,477,927	4,222,441
Vehicles	87,293	87,293
Furniture, fixtures, and equipment and other	364,871	460,469
Construction in progress	411,242	285,923
	5,691,383	5,406,176
Less accumulated depreciation	(3,002,891)	(2,760,124)
	\$ 2,688,492	\$ 2,646,052

Depreciation expense for the years ended June 30, 2023 and 2022 was \$242,767 and \$155,030, respectively.

(3) FAIR VALUE MEASUREMENTS

Philly House uses fair value measurements to record fair value adjustments to investments and to determine fair value disclosures.

The following table presents Philly House's fair value hierarchy for those investments measured at fair value on a recurring basis for the years ended June 30, 2023 and 2022:

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

<u>June 30, 2023</u>	<u>Quotes Prices In Active Markets (level 1)</u>	<u>Other Observable Inputs (level 2)</u>	<u>Signifigant Unobservable Inputs (Level 3)</u>	<u>Total</u>
Split interest and beneficial interest in trusts	\$ 241,224	\$ -	\$ 191,718	\$ 432,942
<u>June 30, 2022</u>				
Split interest and beneficial interest in trusts	\$ 241,121	\$ -	\$ 197,648	\$ 438,769

Philly House is beneficiary to an irrevocable residual trust (split interest agreement) and certain perpetual trusts. Philly House'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 3.81% and 2.98% at June 30, 2023 and 2022, respectively. All trust funds are measured at fair value in the statements of financial position.

The change in investment assets for the years ended June 30, 2023 and 2022 are as follows:

	<u>Split</u>	<u>Beneficial Interest in Perpetual Trusts</u>	<u>Total</u>
Beginning balance, July 1, 2022	\$ 197,648	\$ 241,121	\$ 438,769
Decrease in value of split and beneficial interest in trusts	(5,930)	103	(5,827)
Ending balance, June 30, 2023	<u>\$ 191,718</u>	<u>\$ 241,224</u>	<u>\$ 432,942</u>
	<u>Split Interest</u>	<u>Beneficial Interest in Perpetual Trusts</u>	<u>Total</u>
Beginning balance, July 1, 2021	\$ 270,674	\$ 296,628	\$ 567,302
Decrease in value of split and beneficial interest in trusts	(73,026)	(55,507)	(128,533)
Ending balance, June 30, 2022	<u>\$ 197,648</u>	<u>\$ 241,121</u>	<u>\$ 438,769</u>

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

(4) RENTAL INCOME

Philly House leases space on their roof for a cellular tower to AT&T under a lease for the period from March 2018 to 2023 with automatic renewal for up to 4 additional 5 year terms. During 2023, the first 5-year renewal was executed which extended the agreement through March 2028. Rental income under the lease totaled \$24,213 and \$23,857 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023, total future minimum rent payments under the lease agreement are as follows:

Year Ending June 30,	
2024	\$ 24,821
2025	25,317
2026	25,823
2027	26,340
2028	17,793
	<hr/>
	\$ 120,094
	<hr/> <hr/>

(5) LINE OF CREDIT

Philly House has a revolving line of credit up to \$500,000 from Truist Bank that matures on July 31, 2024 and bears interest at the prime rate as published by the Wall Street Journal. At June 30, 2023, the interest rate was 8.25% and there was no outstanding balance.

(6) CONTINGENCIES

On June 26, 2007, Philly House 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 Firsttrust Bank. On August 22, 2008, Philly House 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 Philly House 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.

Philly House 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, 2023, the retention period on the loan received in June 2007 came to an end, and there were two months of the retention period remaining on the loan received in August 2008.

THE SUNDAY BREAKFAST ASSOCIATION OF PHILADELPHIA
d/b/a PHILLY HOUSE 1878

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

(7) RETIREMENT PLAN

Philly House has a SIMPLE IRA plan whereby employee salary deferrals into the plan are tax deferred. All employees are eligible to join after one year of service and receiving an annual gross wage greater than \$5,000. Philly House makes a contribution to the plan in an amount determined by the board of trustees, which totaled \$20,853 and \$16,689 during the years ended June 30, 2023 and 2022, respectively.

(8) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Time and program restrictions:		
Pearl street public space engagement	\$ 70,000	\$ 70,000
Subsequent year operations	76,500	6,000
Split interest agreement	191,718	197,648
	338,218	273,648
Beneficial interest in perpetual trusts	241,224	241,121
Total net assets	\$ 579,442	\$ 514,769

(9) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The following table reflects Philly House's financial assets and liquidity resources as of June 30, 2023, 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 8. In addition to financial assets available to meet general expenditures over the next 12 months, Philly House has one revolving commercial line of credit shown in Note 5.

Current financial assets :	
Cash and cash equivalents	\$ 812,911
Grants and pledges receivable	960,524
	1,773,435
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(70,000)
Financial assets available to meet general expenditure over the next 12 months	\$ 1,703,435