



Financial Statements
December 31, 2017 and 2016



Valley Youth House Committee, Inc.

Table of Contents

December 31, 2017 and 2016

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3 and 4
Statement of Activities	5
Statement of Cash Flows	6 and 7
Statement of Functional Expenses	
Year Ended December 31, 2017	8 and 9
Year Ended December 31, 2016	10 and 11
Notes to Financial Statements	12 to 29



Independent Auditor's Report

To the Board of Directors
Valley Youth House Committee, Inc.
Allentown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Valley Youth House Committee, Inc. (a Pennsylvania nonprofit corporation), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Youth House Committee, Inc. as of December 31, 2017 and 2016, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2018 on our consideration of Valley Youth House Committee, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valley Youth House Committee, Inc.'s internal control over financial reporting and compliance.

RKL LLP

April 25, 2018
Wyomissing, Pennsylvania

Valley Youth House Committee, Inc.

Statement of Financial Position

	December 31, 2017				December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets								
Cash and cash equivalents	\$ 1,079,426	\$ -	\$ -	\$ 1,079,426	\$ 487,299	\$ -	\$ -	\$ 487,299
Investments	2,390,462	1,302,591	2,755,283	6,448,336	2,132,839	889,377	2,661,190	5,683,406
Investments, Rabbi Trust Fund	686,525	-	-	686,525	573,432	-	-	573,432
Contracts and grants receivable, less allowance for doubtful accounts 2017 \$191,327; 2016 \$141,739	6,568,919	-	-	6,568,919	5,717,978	-	-	5,717,978
Contributions receivable, less allowance for uncollectible amounts 2017 \$2,809; 2016 \$6,416	-	51,171	-	51,171	-	116,813	-	116,813
Other receivables	38,357	-	-	38,357	37,343	-	-	37,343
Prepaid expenses	461,507	-	-	461,507	475,835	-	-	475,835
Cash value of life insurance	-	-	13,763	13,763	-	-	11,909	11,909
Due (to) from	(897,680)	965,648	(67,968)	-	(890,332)	866,907	23,425	-
Assets held for sale, property	46,102	-	-	46,102	-	-	-	-
Property and equipment, less accumulated depreciation 2017 \$2,982,192; 2016 \$3,793,109	8,004,670	-	-	8,004,670	3,840,701	-	-	3,840,701
Total Assets	\$ 18,378,288	\$ 2,319,410	\$ 2,701,078	\$ 23,398,776	\$ 12,375,095	\$ 1,873,097	\$ 2,696,524	\$ 16,944,716

Valley Youth House Committee, Inc.

Statement of Financial Position (continued)

	December 31, 2017				December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Liabilities and Net Assets								
Liabilities								
Long-term debt								
Mortgage payable	\$ 3,698,517	\$ -	\$ -	\$ 3,698,517	\$ -	\$ -	\$ -	\$ -
Current portion of mortgage payable	107,733	-	-	107,733	-	-	-	-
Line of credit	1,200,000	-	-	1,200,000	-	-	-	-
Accounts payable	724,231	-	-	724,231	380,842	-	-	380,842
Accrued expenses	1,206,923	-	-	1,206,923	1,051,122	-	-	1,051,122
Deferred compensation plan	731,341	-	-	731,341	617,892	-	-	617,892
Deferred revenues	168,632	-	-	168,632	203,834	-	-	203,834
Total Liabilities	7,837,377	-	-	7,837,377	2,253,690	-	-	2,253,690
Net Assets								
Unrestricted	1,784,414	-	-	1,784,414	2,039,293	-	-	2,039,293
Unrestricted, board designated	2,190,000	-	-	2,190,000	2,190,000	-	-	2,190,000
Unrestricted, board designated quasi-endowment	2,368,077	-	-	2,368,077	2,051,411	-	-	2,051,411
Unrestricted, invested in property and equipment	4,198,420	-	-	4,198,420	3,840,701	-	-	3,840,701
	10,540,911	-	-	10,540,911	10,121,405	-	-	10,121,405
Temporarily restricted	-	2,319,410	-	2,319,410	-	1,873,097	-	1,873,097
Permanently restricted	-	-	2,701,078	2,701,078	-	-	2,696,524	2,696,524
Total Net Assets	10,540,911	2,319,410	2,701,078	15,561,399	10,121,405	1,873,097	2,696,524	14,691,026
Total Liabilities and Net Assets	\$ 18,378,288	\$ 2,319,410	\$ 2,701,078	\$ 23,398,776	\$ 12,375,095	\$ 1,873,097	\$ 2,696,524	\$ 16,944,716

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Activities

	Year Ended December 31, 2017				Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains, and Other Support								
Contributions	\$ 1,456,463	\$ 699,708	\$ 1,853	\$ 2,158,024	\$ 1,145,342	\$ 508,938	\$ 94,942	\$ 1,749,222
United Way allocations	168,000	-	-	168,000	168,000	-	-	168,000
Purchase of service fees								
Bucks County	798,925	-	-	798,925	936,425	-	-	936,425
Lehigh County	2,128,049	-	-	2,128,049	2,205,995	-	-	2,205,995
Northampton County	2,199,621	-	-	2,199,621	2,384,436	-	-	2,384,436
Philadelphia County	4,028,070	-	-	4,028,070	3,758,625	-	-	3,758,625
Other counties	7,632,580	-	-	7,632,580	5,667,018	-	-	5,667,018
State and federal grants	3,740,409	-	-	3,740,409	3,185,086	-	-	3,185,086
Magellan/Medical Assistance	2,668,449	-	-	2,668,449	2,749,033	-	-	2,749,033
Program service fees	303,350	-	-	303,350	432,952	-	-	432,952
Special events	674,266	-	-	674,266	660,770	-	-	660,770
Investment income	332,523	580,849	2,701	916,073	125,868	191,680	-	317,548
Gain on disposal of property and equipment	441,653	-	-	441,653	-	-	-	-
Net assets released from restrictions, satisfaction of program restrictions	834,244	(834,244)	-	-	722,111	(722,111)	-	-
Total Revenues, Gains, and Other Support	27,406,602	446,313	4,554	27,857,469	24,141,661	(21,493)	94,942	24,215,110
Expenses								
Program services	23,004,534	-	-	23,004,534	20,613,095	-	-	20,613,095
Management and general	2,474,919	-	-	2,474,919	2,020,879	-	-	2,020,879
Fund-raising	1,507,643	-	-	1,507,643	1,226,833	-	-	1,226,833
Total Expenses	26,987,096	-	-	26,987,096	23,860,807	-	-	23,860,807
Increase (Decrease) in Net Assets	419,506	446,313	4,554	870,373	280,854	(21,493)	94,942	354,303
Net Assets at Beginning of Year	10,121,405	1,873,097	2,696,524	14,691,026	9,840,551	1,894,590	2,601,582	14,336,723
Net Assets at End of Year	\$ 10,540,911	\$ 2,319,410	\$ 2,701,078	\$ 15,561,399	\$ 10,121,405	\$ 1,873,097	\$ 2,696,524	\$ 14,691,026

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Cash Flows

	Years Ended December 31,	
	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	\$ 870,373	\$ 354,303
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation	416,974	381,553
Deferred compensation expense	74,791	43,240
Increase in cash surrender value of life insurance	(1,854)	(849)
Increase in allowance for uncollectible amounts of contracts and grants receivable	49,588	-
Increase (decrease) in allowance for uncollectible amounts of contributions receivable	(3,607)	1,655
Loss recognized on discounted cash flows from contributions receivable	(3,074)	(6,320)
Gain on disposal of property and equipment	(140,172)	-
Realized gain on investments	(244,133)	(141,843)
Unrealized gain on investments	(516,605)	(50,443)
Deferred compensation paid	(46,800)	(90,144)
(Increase) decrease in assets		
Contracts and grants receivable	(900,529)	(525,467)
Contributions receivable	200	9,000
Other receivables	(1,014)	27,434
Prepaid expenses	14,328	98,249
Increase (decrease) in liabilities		
Accounts payable	343,389	13,212
Accrued expenses	155,801	200,954
Deferred revenues	(35,202)	174,861
Net Cash Provided by Operating Activities	32,454	489,395
Cash Flows from Investing Activities		
Purchases of investments	(3,086,486)	(2,242,483)
Proceeds from sales of investments	3,054,659	2,316,055
Proceeds from sale of property and equipment	441,653	-
Purchases of property and equipment	(4,928,526)	(197,061)
Net Cash Used in Investing Activities	(4,518,700)	(123,489)

Valley Youth House Committee, Inc.

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2017	2016
Cash Flows from Financing Activities		
Principal payments made on line of credit	\$ (900,000)	\$ (800,000)
Proceeds from line of credit	2,100,000	500,000
Principal payments made on mortgage	(43,750)	-
Proceeds from mortgage	3,850,000	-
Capital campaign contributions received	72,123	101,287
	<u>5,078,373</u>	<u>(198,713)</u>
Net Cash Provided by (Used in) Financing Activities		
	<u>5,078,373</u>	<u>(198,713)</u>
Increase in Cash and Cash Equivalents	592,127	167,193
Cash and Cash Equivalents at Beginning of Year	<u>487,299</u>	<u>320,106</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,079,426</u>	<u>\$ 487,299</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 13,170</u>	<u>\$ 1,426</u>

Valley Youth House Committee, Inc.

 Statement of Functional Expenses
 Year Ended December 31, 2017

	Program Services					
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Group Homes	Children's Mental Health	Family Intervention
Salaries	\$ 1,286,130	\$ 598,931	\$ 498,175	\$ 160,197	\$ 1,536,782	\$ 436,107
Employee benefits	210,970	117,717	77,601	34,109	259,823	84,773
Payroll taxes	104,160	48,851	41,613	19,858	127,273	35,001
Total Salaries and Related Benefits	1,601,260	765,499	617,389	214,164	1,923,878	555,881
Professional fees/contracts	31,189	78,335	298,967	12,223	70,711	12,778
Supplies						
Office	51,722	5,204	12,553	10,134	12,742	3,041
Food	72,611	1,063	13,772	9,975	2,290	251
Communications	18,923	7,422	3,811	1,998	17,816	6,872
Postage	374	93	977	83	1,020	378
Occupancy						
Utilities/taxes/interest	34,641	10,883	6,145	7,176	21,953	7,014
Maintenance and repairs	35,228	5,564	3,334	4,019	11,818	3,584
Property insurance	2,789	842	348	847	1,487	382
Rentals	73,626	161	7,743	8,021	13,515	12,555
Professional liability insurance	1,610	464	434	217	1,103	462
Printing	5,494	2,480	2,706	327	3,902	859
Transportation	81,352	24,787	9,321	5,544	109,516	30,696
Conferences and training	14,029	4,759	9,863	459	24,617	26,294
Dues and subscriptions	2,949	509	60	297	-	-
Assistance to individuals	58,815	429	1,108	49,682	18,236	978
Equipment maintenance and repair	25,217	11,045	22,460	2,097	21,261	11,637
Miscellaneous	6,006	2,876	1,710	52	109	2,316
Special events	10,185	4,524	24,114	-	56	-
Endowment expense	-	-	-	-	-	-
	2,128,020	926,939	1,036,815	327,315	2,256,030	675,978
Depreciation	53,743	12,780	4,372	7,449	26,561	4,987
Total Functional Expenses	\$ 2,181,763	\$ 939,719	\$ 1,041,187	\$ 334,764	\$ 2,282,591	\$ 680,965

Valley Youth House Committee, Inc.

Statement of Functional Expenses (continued)

Year Ended December 31, 2017

Program Services			Total Program Services	Management and General	Fund- Raising	2017 Total	2016 Total
Project Child	Independent Living	Camp Fowler					
\$ 101,514	\$ 5,858,679	\$ 169,266	\$ 10,645,781	\$ 1,308,105	\$ 337,753	\$ 12,291,639	\$ 11,482,817
13,047	1,049,422	24,758	1,872,220	176,261	41,913	2,090,394	1,811,615
8,353	466,775	14,011	865,895	114,014	26,605	1,006,514	940,538
122,914	7,374,876	208,035	13,383,896	1,598,380	406,271	15,388,547	14,234,970
3,849	1,327,000	4,970	1,840,022	190,876	5,035	2,035,933	1,538,272
1,440	300,935	41,061	438,832	19,149	264,124	722,105	515,379
2,046	315,547	16,316	433,871	387	2,541	436,799	378,876
830	129,879	4,416	191,967	34,325	5,483	231,775	179,833
305	8,243	282	11,755	8,975	1,155	21,885	26,771
2,083	152,430	24,700	267,025	96,349	5,921	369,295	220,215
715	90,252	17,662	172,176	25,549	2,404	200,129	153,922
103	4,271	4,106	15,175	6,026	451	21,652	18,595
38	342,929	74	458,662	74,399	84	533,145	488,401
36	35,604	8,375	48,305	68,160	302	116,767	110,732
2,908	34,185	3,747	56,608	7,762	8,662	73,032	79,577
1,325	567,771	13,703	844,015	37,900	6,648	888,563	844,785
1,067	107,516	11,421	200,025	114,210	18,879	333,114	278,309
854	3,971	1,200	9,840	11,490	3,376	24,706	11,565
99	3,709,002	3,540	3,841,889	4,564	372,199	4,218,652	3,579,252
1,364	154,267	5,104	254,452	68,774	5,347	328,573	219,149
3	44,483	1,748	59,303	40,237	16,459	115,999	35,702
10,525	38,357	8,268	96,029	12,777	373,931	482,737	538,816
-	-	26,036	26,036	-	678	26,714	26,133
152,504	14,741,518	404,764	22,649,883	2,420,289	1,499,950	26,570,122	23,479,254
1,473	123,558	119,728	354,651	54,630	7,693	416,974	381,553
<u>\$ 153,977</u>	<u>\$ 14,865,076</u>	<u>\$ 524,492</u>	<u>\$ 23,004,534</u>	<u>\$ 2,474,919</u>	<u>\$ 1,507,643</u>	<u>\$ 26,987,096</u>	<u>\$ 23,860,807</u>

Valley Youth House Committee, Inc.

 Statement of Functional Expenses
 Year Ended December 31, 2016

	Program Services					
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Group Homes	Children's Mental Health	Family Intervention
Salaries	\$ 1,131,946	\$ 694,818	\$ 398,410	\$ 312,517	\$ 1,549,502	\$ 483,532
Employee benefits	181,781	106,652	51,702	30,710	218,602	83,764
Payroll taxes	93,302	56,158	33,111	26,013	129,314	39,012
Total Salaries and Related Benefits	1,407,029	857,628	483,223	369,240	1,897,418	606,308
Professional fees/contracts	16,585	87,712	426,173	14,114	62,863	5,474
Supplies						
Office	73,803	5,260	4,514	15,854	8,436	3,518
Food	65,528	76	14,077	19,032	920	420
Communications	16,832	7,204	2,207	3,829	18,493	5,536
Postage	686	1,011	951	370	2,080	868
Occupancy						
Utilities/taxes/interest	31,951	5,292	214	10,821	8,331	290
Maintenance and repairs	25,542	6,074	2,019	9,858	10,012	2,223
Property insurance	1,374	5	12	1,336	43	14
Rentals	70,087	8	21,284	21	23,290	21,948
Professional liability insurance	2,394	112	527	593	1,187	567
Printing	8,744	2,620	3,494	861	3,036	815
Transportation	78,416	25,324	7,994	12,306	102,769	33,070
Conferences and training	17,252	2,931	5,928	3,432	34,400	20,352
Dues and subscriptions	988	-	95	264	-	-
Assistance to individuals	92,676	1,745	579	11,275	14,049	(541)
Equipment maintenance and repair	17,075	15,993	9,619	9,796	16,504	13,367
Miscellaneous	722	6	134	219	10	1
Special events	14,681	2,389	25,696	342	159	38
Endowment expense	-	-	-	-	-	-
	1,942,365	1,021,390	1,008,740	483,563	2,204,000	714,268
Depreciation	64,399	8,929	741	28,213	18,635	1,223
Total Functional Expenses	\$ 2,006,764	\$ 1,030,319	\$ 1,009,481	\$ 511,776	\$ 2,222,635	\$ 715,491

Valley Youth House Committee, Inc.

Statement of Functional Expenses (continued)

Year Ended December 31, 2016

Program Services			Total Program Services	Management and General	Fund- Raising	2016 Total	2015 Total
Project Child	Independent Living	Camp Fowler					
\$ 88,539	\$ 5,247,723	\$ 113,375	\$ 10,020,362	\$ 1,191,748	\$ 270,707	\$ 11,482,817	\$ 10,260,490
11,318	843,183	15,131	1,542,843	217,746	51,026	1,811,615	1,693,824
7,200	418,031	9,164	811,305	107,841	21,392	940,538	836,465
107,057	6,508,937	137,670	12,374,510	1,517,335	343,125	14,234,970	12,790,779
6,980	717,969	(3,885)	1,333,985	204,132	155	1,538,272	1,471,457
863	157,778	17,590	287,616	15,345	212,418	515,379	469,518
1,721	272,054	160	373,988	-	4,888	378,876	330,563
138	92,094	2,843	149,176	25,252	5,405	179,833	169,997
46	10,253	15	16,280	7,516	2,975	26,771	27,687
6	125,322	26,801	209,028	9,453	1,734	220,215	255,313
126	49,880	23,098	128,832	21,049	4,041	153,922	216,277
-	4,478	9,044	16,306	2,149	140	18,595	18,319
-	351,212	21	487,871	530	-	488,401	418,688
-	45,894	13,421	64,695	45,287	750	110,732	107,546
2,181	30,987	302	53,040	6,105	20,432	79,577	72,691
1,378	544,932	7,829	814,018	24,519	6,248	844,785	782,950
4,101	89,074	5,132	182,602	83,826	11,881	278,309	260,146
619	2,755	-	4,721	3,866	2,978	11,565	12,758
69	3,221,055	107	3,341,014	16	238,222	3,579,252	3,420,244
83	104,899	2,423	189,759	25,969	3,421	219,149	170,046
5	3,531	1,412	6,040	11,849	17,813	35,702	31,220
22,029	117,504	5,584	188,422	6,111	344,283	538,816	228,723
-	-	25,455	25,455	-	678	26,133	31,585
147,402	12,450,608	275,022	20,247,358	2,010,309	1,221,587	23,479,254	21,286,507
93	97,662	145,842	365,737	10,570	5,246	381,553	346,120
<u>\$ 147,495</u>	<u>\$ 12,548,270</u>	<u>\$ 420,864</u>	<u>\$ 20,613,095</u>	<u>\$ 2,020,879</u>	<u>\$ 1,226,833</u>	<u>\$ 23,860,807</u>	<u>\$ 21,632,627</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 1 - Nature of Activities

Valley Youth House Committee, Inc. (the Organization) is a not-for-profit organization which provides a wide range of counseling, case management, skill development, and prevention education services to young people and their families. The Organization operates the following nine major programs:

Shelter Operations

Two organization programs, located in Lehigh and Bucks Counties, provide 24 hours a day, 365 days a year, walk-in crisis intervention, short-term residency, counseling, and life skills education to youth between the ages of 6 and 17 years of age. A federally funded Street Outreach Program also operates out of the Lehigh Valley Shelter in Bethlehem, Pennsylvania, the Bucks Shelter in Warminster, Pennsylvania, and out of Philadelphia, Pennsylvania.

Adolescents/Families Together

This program provides children and families with out-client home, community, and school-based counseling services focused on truancy intervention, mentoring, respite services, and intervention for victims of abuse.

Prevention Education

This program provides a variety of small group and classroom programs in the schools and the community to prevent destructive behaviors of youths, and provide youth with life skills and developmental assets to create and enhance positive experiences. The program also operates a Public Information Organization on drug prevention. A student assistant component provides short-term school-based counseling for students exhibiting behavioral difficulty.

Group Homes

This program includes a community group home in Lehigh County. The program provides a long-term living situation for emotionally troubled youth between the ages of 7 to 14 who have been removed from their families because of abuse and/or behavior difficulties.

Children's Mental Health

This program has four components:

- A. The Family Based Mental Health Program provides in-home counseling and education services to those families that have an emotionally troubled child, to prevent out of home placement.
- B. Behavioral Health Rehabilitative Service provides behavior specialists, mobile therapists, and/or therapeutic staff support to work with children and families in the home, school, or community to improve an emotionally troubled child's behavior.

Note 1 - Nature of Activities (continued)

Children's Mental Health (continued)

- C. Family Focused Solution Based Services is a new program, the first in the region to offer medical assistance funded treatment to families with child welfare, as well as behavioral concerns. Unique modality allows for strong treatment components to be blended with family support and concerns for child safety.
- D. Functional Family Therapy provides an outcome-driven prevention/intervention approach to working with a wide range of problem youth and their families. To engage and motivate youth and families, and especially deal with the intense negative affect (anger, hopelessness) that prevents change.

Family Intervention Program

This program provides services for families with children at risk of maltreatment due to substance abuse and mental health problems within the family. Services include intensive clinical intervention and case management.

Project Child

This program is a community coalition that works to eliminate child abuse and neglect through public education, legislative advocacy, community planning, and promotion of positive parenting.

Independent Living

This program provides assistance with education, employment, residential planning, and attainment of life and interpersonal skills for youth between the ages of 16 to 21. This program operates supervised apartments to help develop independent living skills.

Camp Fowler

This program provides year-round therapeutic, challenge-based recreation, and adventure in a 43-acre camp setting.

The Organization qualifies as a tax-exempt organization under the provision of Internal Revenue Code Section 501(c)(3), therefore, the Organization's income is not subject to federal or state income taxes.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

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. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accrual method of accounting is utilized.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less, to be cash and cash equivalents.

Accounts Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectibility and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a client's ability to pay, current economic conditions, and other relevant factors. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. This evaluation is inherently subjective as it requires estimates that may be susceptible to changes.

Contributions

Contributions are recorded as revenue when an unconditional promise to give is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed services are recognized when the Organization would typically purchase such services if they require specialized skills and the contributor possesses such skills.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions (continued)

Conditional promises to give are not included as support until the conditions are substantially met. When collected prior to satisfaction of donor restrictions, amounts are reported as refundable advances.

The Organization received materials for use at special events of \$232,811 and \$229,040 for the years ended December 31, 2017 and 2016, respectively, which were reflected as revenues and expenses on the statement of activities.

Grants

The Organization records grants when all conditions stipulated by the grant have been substantially met. Direct service program expenses are recorded as incurred.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2017 and 2016, advertising expense amounted to \$32,323 and \$25,130, respectively.

Assets Held for Sale

The Organization reports assets held for sale when a component of the Organization has been disposed of or is classified as held for sale.

During the year ended December 31, 2017, the Organization placed a property for sale that had been used for administrative purposes. This property is recorded as assets held for sale, property on the statement of financial position of \$46,102 at December 31, 2017.

Property and Equipment

Expenditures for the acquisition of land, buildings and improvements, equipment and software, and vehicles are capitalized at cost. The fair value of donated property and equipment at the date of gift is similarly capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	2 to 33 years
Equipment and software	2 to 20 years
Vehicles	2 to 5 years

Maintenance and repairs of equipment and vehicles are charged to operations, and major improvements are capitalized. Upon retirement, sale, or other disposition of equipment and vehicles, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The Organization's policy is to capitalize property, building, and equipment expenditures of \$1,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows, and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during 2017 and 2016.

Deferred Revenues

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts are measurable, but are not available as earned revenues at this time.

Income Taxes and Tax-Exempt Status

As a not-for-profit organization, the Organization is generally exempt from federal and state income taxes. The Organization is subject to federal and state income taxes on unrelated business income.

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its statement of activities. At December 31, 2017 and 2016, there was no accrual for the payment of penalties and interest.

When returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above, is reflected as a liability for unrecognized tax benefits in the accompanying statement of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Organization files informational returns (IRS Form 990) in the U.S. Federal jurisdiction. The Organization's income tax returns are not subject to examination through the year ended December 31, 2014.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs, fund-raising, and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs, management and general, and fund-raising activities benefited.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for fiscal years beginning after December 15, 2019.

In August 2016, FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for not-for-profit entities. The standard improves current requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017.

The Organization is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

Note 3 - Investments

The following is a summary of the Organization's investments as of December 31:

	<u>2017</u>	<u>2016</u>
Cash equivalents	\$ 181,972	\$ 240,162
Common stocks	2,450,058	2,697,663
Mutual funds	3,158,771	2,276,977
Obligations of the U.S. Government and its agencies	625,683	436,206
Corporate bonds	664,772	594,356
Foreign bonds	41,107	-
Investments held by the Lehigh Valley Community Foundation	12,498	11,474
	<u>6,952,889</u>	<u>6,016,676</u>
	<u>\$ 7,134,861</u>	<u>\$ 6,256,838</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 3 - Investments (continued)

The investments are included on the statement of financial position as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Investments	\$ 6,448,336	\$ 5,683,406
Investments, Rabbi Trust Fund	<u>686,525</u>	<u>573,432</u>
	<u>\$ 7,134,861</u>	<u>\$ 6,256,838</u>

Investment income was comprised of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 155,002	\$ 125,262
Realized gains	<u>242,100</u>	<u>141,843</u>
Unrealized gains	<u>518,971</u>	<u>50,443</u>
	<u>\$ 916,073</u>	<u>\$ 317,548</u>

Note 4 - Fair Value of Financial Instruments

The Organization defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy.

Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate level, the Organization performs a detailed analysis of its assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 4 - Fair Value of Financial Instruments (continued)

The following is a summary of the Organization's investments measured at fair value on a recurring basis by level within the hierarchy as of December 31:

Fair Value Measurements at December 31, 2017				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stocks				
Consumer discretionary	\$ 316,473	\$ -	\$ -	\$ 316,473
Consumer staples	225,762	-	-	225,762
Energy	127,275	-	-	127,275
Financials	345,777	-	-	345,777
Health care	326,888	-	-	326,888
Industrials	282,705	-	-	282,705
Information technology	584,487	-	-	584,487
Materials	85,003	-	-	85,003
Real estate	37,163	-	-	37,163
Telecommunication	62,914	-	-	62,914
Utilities	55,610	-	-	55,610
Mutual Funds,				
Fixed Income	998,382	-	-	998,382
Mutual Funds,				
Equities				
Emerging markets	56,111	-	-	56,111
Large growth	110,340	-	-	110,340
Large blend	311,839	-	-	311,839
Large value	110,679	-	-	110,679
Mid growth	214,767	-	-	214,767
Mid value	137,817	-	-	137,817
Small growth	287,250	-	-	287,250
Small value	145,738	-	-	145,738
Intermediate	34,576	-	-	34,576
International	751,273	-	-	751,273
Corporate Bonds				
Moody's rating: Aa1	-	25,925	-	25,925
Moody's rating: Aa2	-	95,474	-	95,474
Moody's rating: A1	-	176,426	-	176,426
Moody's rating: A2	-	183,152	-	183,152
Moody's rating: A3	-	183,795	-	183,795
Moody's rating: Baa3	-	-	-	-
Foreign Bonds	-	41,107	-	41,107
U.S. Government and				
Governmental Agency				
Obligations	-	625,683	-	625,683
Investments Held by the				
Lehigh Valley				
Community				
Foundation	-	-	12,498	12,498
	<u>\$ 5,608,829</u>	<u>\$ 1,331,562</u>	<u>\$ 12,498</u>	<u>\$ 6,952,889</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 4 - Fair Value of Financial Instruments (continued)

Fair Value Measurements at December 31, 2016				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Common Stocks				
Consumer discretionary	\$ 404,564	\$ -	\$ -	\$ 404,564
Consumer staples	287,730	-	-	287,730
Energy	126,094	-	-	126,094
Financials	383,876	-	-	383,876
Health care	365,249	-	-	365,249
Industrials	292,348	-	-	292,348
Information technology	582,883	-	-	582,883
Materials	67,882	-	-	67,882
Real estate	35,163	-	-	35,163
Telecommunication	87,729	-	-	87,729
Utilities	64,145	-	-	64,145
Mutual Funds,				
Fixed Income	693,956	-	-	693,956
Mutual Funds,				
Equities				
Emerging markets	33,930	-	-	33,930
Large growth	26,534	-	-	26,534
Large blend	258,319	-	-	258,319
Large value	94,500	-	-	94,500
Mid growth	192,776	-	-	192,776
Mid value	126,550	-	-	126,550
Small growth	199,294	-	-	199,294
Small value	132,869	-	-	132,869
International	518,249	-	-	518,249
Corporate Bonds				
Moody's rating: Aa1	-	20,601	-	20,601
Moody's rating: Aa2	-	84,650	-	84,650
Moody's rating: A1	-	228,919	-	228,919
Moody's rating: A2	-	134,581	-	134,581
Moody's rating: A3	-	111,155	-	111,155
Moody's rating: Baa3	-	14,450	-	14,450
U.S. Government and				
Governmental Agency				
Obligations	-	436,206	-	436,206
Investments Held by the				
Lehigh Valley				
Community				
Foundation	-	-	11,474	11,474
	<u>\$ 4,974,640</u>	<u>\$ 1,030,562</u>	<u>\$ 11,474</u>	<u>\$ 6,016,676</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 4 - Fair Value of Financial Instruments (continued)

The following is a description of the valuation methodology used for Level 2 investments measured at fair value:

U.S. Government and corporate bonds - The custodian of the investments uses various market inputs to determine fair value of Level 2 investments. These inputs include sales of similar investments in public markets.

The following is a description of the valuation methodology used for Level 3 investments measured at fair value:

The Lehigh Valley Community Foundation (the Foundation) holds the investments of the Organization in the Foundation's name. Investment income is allocated to the Organization based on its share of the Foundation's investment portfolio. The fair value of this investment is based on the Organization's share of the investments held by the Foundation.

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and the size of the transfer relative to total assets. For the years ended December 31, 2017 and 2016, there were no transfers into or out of Level 3.

The following is a summary of changes in the fair value of the Organization's Level 3 assets for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Investments Held by the Lehigh Valley Community Foundation		
Balance at Beginning of Year	\$ 11,474	\$ -
Contributions		10,000
Unrealized gains	1,659	1,599
Fees and expenses	<u>(635)</u>	<u>(125)</u>
Balance at End of Year	<u>\$ 12,498</u>	<u>\$ 11,474</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 5 - Property and Equipment

A summary of property and equipment is as follows at December 31:

	<u>2017</u>	<u>2016</u>
Land	\$ 1,040,445	\$ 441,945
Buildings and improvements	8,640,400	5,965,524
Equipment and software	668,554	670,088
Vehicles	605,191	556,253
Construction in progress	32,272	-
	<u>10,986,862</u>	<u>7,633,810</u>
Accumulated depreciation	<u>(2,982,192)</u>	<u>(3,793,109)</u>
	<u>\$ 8,004,670</u>	<u>\$ 3,840,701</u>

Note 6 - Contributions Receivable

Unconditional promises to give to the Organization consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Unconditional promises	\$ 56,141	\$ 128,260
Unamortized discount	(2,161)	(5,031)
Allowance for uncollectible amounts	<u>(2,809)</u>	<u>(6,416)</u>
Net unconditional promises to give	<u>\$ 51,171</u>	<u>\$ 116,813</u>
Amounts due		
Less than one year	\$ 39,779	\$ 89,848
One to five years	<u>14,201</u>	<u>33,381</u>
	<u>53,980</u>	<u>123,229</u>
Allowance for uncollectible amounts	<u>(2,809)</u>	<u>(6,416)</u>
	<u>\$ 51,171</u>	<u>\$ 116,813</u>

Note 7 - Lines of Credit

The Organization has a \$1,900,000 unsecured line of credit with a financial institution at the bank's prime interest rate less 0.50% with a floor of 4.00%. The amount outstanding on this note was \$1,200,000 and \$-0- at December 31, 2017 and 2016, respectively. This line of credit was renewed in May 2017 and now has an expiration date of April 30, 2018. This line of credit has an annual renewal feature. The Organization is in the process of renewing this line of credit.

Valley Youth House Committee, Inc.

Notes to Financial Statements
December 31, 2017 and 2016

Note 7 - Lines of Credit (continued)

The Organization had a \$1,800,000 unsecured line of credit with a financial institution at the bank's prime interest rate less 0.50% with a floor of 4.00%. There was no amount outstanding at December 31, 2017 and 2016. This line of credit was due to renew in November 2017. The Organization did not renew this line of credit.

In February 2018, the Organization opened a \$1,800,000 unsecured line of credit with a financial institution at the bank's prime interest rate less 0.50% with a floor of 4.00%. This line of credit has an expiration date of June 30, 2019.

Note 8 - Mortgage Payable

A summary of the mortgage payable is as follows at December 31:

	<u>2017</u>	<u>2016</u>
Series of 2017 tax-exempt mortgage revenue note with monthly payments of interest and principal, commencing April 2017 through April 2042, including interest at 3.02% through December 31, 2017 and 3.67% effective January 1, 2018 and, thereafter, secured by the building. The note is based on a 25 year amortization and has a 10-year term with the tax-exempt fixed rate for that period at which time the loan would become due or the terms and rate would be amended	<u>\$ 3,806,250</u>	<u>\$ -</u>

The future principal payments on the mortgage are as follows for the years ending December 31:

2018	\$ 107,733
2019	111,100
2020	114,768
2021	118,767
2022	122,100
2023-2027	667,833
2028-2032	773,833
2033-2037	897,833
2038-2042	892,283
	<u>\$ 3,806,250</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 9 - Deferred Compensation Plan

The Organization has a nonqualified deferred compensation plan for the benefit of certain management employees of the Organization. The Board of Directors determines the annual contribution to the plan. The contribution recognized as employee benefit expense for this plan in the statement of activities was \$74,791 and \$43,240 for the years ended December 31, 2017 and 2016, respectively. During 2017, \$46,800 was paid out of the plan. At December 31, 2017 and 2016, \$731,341 and \$617,892, respectively, is recognized as accrued expenses for this plan in the statement of financial position.

The Organization established a Rabbi Trust Fund for the purpose of funding the obligation of the plan. The Organization has purchased investments which have a value of \$686,525 and \$573,432 at December 31, 2017 and 2016, respectively, which are recognized as an asset in the statement of financial position. The assets of the Rabbi Trust Fund are subject to the claims of the Organization's creditors.

Note 10 - Unrestricted Net Assets, Board Designated

Unrestricted net assets have been designated by the Board of Directors as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Future program needs	\$ 550,000	\$ 550,000
Property enhancements/capital reserve	850,000	850,000
Unemployment benefits	150,000	150,000
Liability insurance	100,000	100,000
Endowment funds	540,000	540,000
	<u>\$ 2,190,000</u>	<u>\$ 2,190,000</u>

Note 11 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods as of December 31:

	<u>2017</u>	<u>2016</u>
Project Child	\$ 101,123	\$ 145,835
Future periods	440,955	346,968
Acquisition, renovation, and operation of the camp	1,191,808	786,352
Capital campaign, Great Beginnings	577,767	593,942
Bucks County programs	7,757	-
	<u>\$ 2,319,410</u>	<u>\$ 1,873,097</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 11 - Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets released from restrictions were as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Purpose restrictions	\$ 187,085	\$ 204,508
Time restrictions	<u>647,159</u>	<u>517,603</u>
	<u>\$ 834,244</u>	<u>\$ 722,111</u>

Note 12 - Permanently Restricted Net Assets

Permanently restricted net assets are net assets subject to donor-imposed restrictions requiring the net assets to be maintained in perpetuity as follows as of December 31:

	<u>2017</u>	<u>2016</u>
Bucks County programs	\$ 96,794	\$ 94,093
General operations	318,813	316,960
Operations and maintenance of the camp	<u>2,285,471</u>	<u>2,285,471</u>
	<u>\$ 2,701,078</u>	<u>\$ 2,696,524</u>

Note 13 - Net Assets in Endowment Fund

Unrestricted net assets include \$2,368,077 and \$2,051,411 representing funds designated by the Organization's Board of Directors as quasi-endowment for the years ended December 31, 2017 and 2016, respectively. Such funds may be expended only by further action of the Board of Directors.

The Organization's permanently restricted endowment consists of funds designated by donors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 13 - Net Assets in Endowment Fund (continued)

Changes in endowment net asset composition are as follows as of December 31:

2017	Unrestricted, Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	<u>\$ 2,051,411</u>	<u>\$ 786,352</u>	<u>\$ 2,696,524</u>	<u>\$ 5,534,287</u>
Contributions	<u>-</u>	<u>-</u>	<u>1,853</u>	<u>1,853</u>
Investment return				
Investment income	54,594	95,587	-	150,181
Net appreciation (realized and unrealized)	275,346	477,172	2,701	755,219
Investment fees	<u>(13,274)</u>	<u>(25,703)</u>	<u>-</u>	<u>(38,977)</u>
Total investment return	<u>316,666</u>	<u>547,056</u>	<u>2,701</u>	<u>866,423</u>
Withdrawals	<u>-</u>	<u>(141,600)</u>	<u>-</u>	<u>(141,600)</u>
Endowment net assets, end of the year	<u>\$ 2,368,077</u>	<u>\$ 1,191,808</u>	<u>\$ 2,701,078</u>	<u>\$ 6,260,963</u>
2016				
Endowment net assets, beginning of the year	<u>\$ 1,938,732</u>	<u>\$ 761,727</u>	<u>\$ 2,601,582</u>	<u>\$ 5,302,041</u>
Contributions	<u>-</u>	<u>-</u>	<u>94,942</u>	<u>94,942</u>
Investment return				
Investment income	50,379	74,628	-	125,007
Net appreciation (realized and unrealized)	74,684	117,052	-	191,736
Investment fees	<u>(12,384)</u>	<u>(25,455)</u>	<u>-</u>	<u>(37,839)</u>
Total investment return	<u>112,679</u>	<u>166,225</u>	<u>-</u>	<u>278,904</u>
Withdrawals	<u>-</u>	<u>(141,600)</u>	<u>-</u>	<u>(141,600)</u>
Endowment net assets, end of the year	<u>\$ 2,051,411</u>	<u>\$ 786,352</u>	<u>\$ 2,696,524</u>	<u>\$ 5,534,287</u>

In accordance with the donors' directions, investment returns in the unrestricted, Board designated investment account, including net appreciation (depreciation), are recorded in unrestricted, Board designated net assets. Investment returns in the temporarily restricted and permanently restricted investment account, including net appreciation (depreciation), are recorded in temporarily restricted net assets until expended.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2017 and 2016

Note 13 - Net Assets in Endowment Fund (continued)

The Organization has adopted investment policies for its endowment assets. The Organization invests endowment assets with the objectives of preservation of principal, availability of funds, and appreciation to include income and principal growth. Current income is not a priority. Under this policy, as approved by the Board of Directors, the endowment assets are invested no more than 65% in equities and no less than 35% in fixed income and cash. The investment manager has discretion within ranges around the target allocations.

The Organization determines the distribution of spendable income annually in accordance with its spending policy adopted by the Board of Directors.

Note 14 - Retirement Savings Plan

The Organization has a retirement savings 401(k) plan covering all employees meeting eligibility as defined in the plan. The Organization makes matching contributions up to 6% of employees' salaries. The total contribution to the plan for the years ended December 31, 2017 and 2016 was \$289,093 and \$355,606, respectively.

Note 15 - Commitments and Contingencies

Commitments

Lease Commitments and Total Rental Expense

The Organization has entered into operating leases expiring through October 2024 for the rental of real estate with monthly payments ranging from \$227 to \$11,854. The future minimum rental payments required under the operating leases are as follows for the years ending December 31:

2018	\$	449,279
2019		283,277
2020		241,980
2021		177,055
2022		180,288
Thereafter		<u>337,354</u>
	\$	<u>1,669,233</u>

Total rent expense amounted to \$947,510 and \$808,929 for the years ended December 31, 2017 and 2016, respectively.

Note 15 - Commitments and Contingencies

Commitments (continued)

Self-Insurance Accruals

The Organization retains a portion of the risk under health insurance programs. The Organization retains the risk of loss up to \$65,000 of claims per year on a per employee basis. The Organization has stop loss insurance that insures against losses in excess of \$65,000 on a per employee basis and against aggregate losses in excess of \$1,000,000 during the plan year. The Organization has recorded an accrual based on estimates of claims that have been incurred, but not reported at December 31, 2017 and 2016. While management believes that the amounts are adequate, there can be no assurance that changes to the accrual may not occur due to limitations inherent in the estimation process. Changes in the estimates of these accruals are charged or credited to earnings in the period determined. Amounts estimated to be paid totaled \$39,047 and \$17,100 at December 31, 2017 and 2016, respectively, and have been included in accrued expenses.

Contingencies

Litigation

The Organization is a defendant in a lawsuit that has been referred to the lawyers who represent the Organization's insurance carrier. While it is not feasible to determine the outcome of these matters, in the opinion of management, any total ultimate liability would not have a material effect on the Organization's financial position.

Unemployment Compensation

The Organization elected to fund unemployment compensation insurance with the Commonwealth of Pennsylvania Unemployment Compensation Fund on a reimbursable status with a nonprofit employer trust, whereby the Organization reimburses the trust for actual benefits paid to qualified claimants.

Audit

The grants and contract funding received by the Organization are subject to audit by federal and state governments. As of the date of this report, management is unaware of any material adjustments that will be required as a result of such audits.

Concentrations of Credit Risk

Cash and Cash Equivalents

The Organization maintains its cash in a bank deposit account which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Note 15 - Commitments and Contingencies (continued)

Contingencies (continued)

Concentrations of Credit Risk (continued)

Investments

The Organization's investments of \$7,134,861 at December 31, 2017 are subject to credit risk. The degree of concentration of risk varies by type of investment, however, the Organization does not anticipate any accounting loss. The major classes of investments are summarized in Note 3.

Government Contracts

The Organization receives approximately 75% of its support from government contracts. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

Note 16 - Related Party Transactions

The Organization has had, and may be expected to have in the future, transactions in the ordinary course of business with directors and organizations with which they are associated on substantially the same terms as those prevailing at the time for comparable transactions with others. The aggregate amounts of these transactions are not significant to the financial statements.

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through April 25, 2018. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2017 were noted.