Building foundations, shaping futures.

Financial Statements

December 31, 2018 and 2017

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December 31, 2018 and 2017

Independent Auditor's Report

To the Board of Directors
Valley Youth House Committee, Inc.
Bethlehem, 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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

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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, 2018 and 2017, 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 solely dated April 24, 2019, on our consideration of Valley Youth House Committee, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of Valley Youth House Committee, Inc.'s 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 24, 2019
Wyomissing, Pennsylvania

Valley Youth House Committee, Inc.

Statement of Financial Position

	December 31, 2018			December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	**$ 564,175**	**$ -**	**$ 564,175**	$ 1,079,426	$ -	$ 1,079,426
Investments	**2,237,091**	**3,630,309**	**5,867,400**	2,390,462	4,057,874	6,448,336
Investments, Rabbi Trust Fund	**502,535**	**-**	**502,535**	686,525	-	686,525
Contracts and grants receivable, net	**5,762,224**	**-**	**5,762,224**	6,568,919	-	6,568,919
Contributions receivable, net	**-**	**9,769**	**9,769**	-	51,171	51,171
Other receivables	**112,220**	**-**	**112,220**	38,357	-	38,357
Prepaid expenses	**487,824**	**-**	**487,824**	461,507	-	461,507
Cash value of life insurance	**-**	**13,797**	**13,797**	-	13,763	13,763
Due (to) from	**(1,001,868)**	**1,001,868**	**-**	(897,680)	897,680	-
Assets held for sale, property	**49,020**	**-**	**49,020**	46,102	-	46,102
Property and equipment, net	**7,847,292**	**-**	**7,847,292**	8,004,670	-	8,004,670
Total Assets	**$ 16,560,513**	**$ 4,655,743**	**$ 21,216,256**	$ 18,378,288	$ 5,020,488	$ 23,398,776

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Financial Position (continued)

	December 31, 2018			December 31, 2017		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Liabilities and Net Assets						
Liabilities						
Mortgage payable	**$ 3,698,516**	**$ -**	**$ 3,698,516**	$ 3,806,250	$ -	$ 3,806,250
Line of credit	**-**	**-**	**-**	1,200,000	-	1,200,000
Accounts payable	**346,905**	**-**	**346,905**	724,231	-	724,231
Accrued expenses	**1,324,836**	**-**	**1,324,836**	1,206,923	-	1,206,923
Deferred compensation plan	**497,580**	**-**	**497,580**	731,341	-	731,341
Deferred revenues	**137,876**	**-**	**137,876**	168,632	-	168,632
Total Liabilities	**6,005,713**	**-**	**6,005,713**	7,837,377	-	7,837,377
Net Assets						
Without donor restrictions						
Board-designated	**4,413,575**	**-**	**4,413,575**	4,558,077	-	4,558,077
Undesignated	**6,141,225**	**-**	**6,141,225**	5,982,834	-	5,982,834
Total net assets without donor restrictions	**10,554,800**	**-**	**10,554,800**	10,540,911	-	10,540,911
With donor restrictions	**-**	**4,655,743**	**4,655,743**	-	5,020,488	5,020,488
Total Net Assets	**10,554,800**	**4,655,743**	**15,210,543**	10,540,911	5,020,488	15,561,399
Total Liabilities and Net Assets	**$ 16,560,513**	**$ 4,655,743**	**$ 21,216,256**	$ 18,378,288	$ 5,020,488	$ 23,398,776

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Activities

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Contributions	**$ 1,112,186**	**$ 968,708**	**$ 2,080,894**	$ 1,456,463	$ 701,561	$ 2,158,024
United Way allocations	**269,500**	**-**	**269,500**	168,000	-	168,000
Purchase of service fees						
Bucks County	**1,007,190**	**-**	**1,007,190**	798,925	-	798,925
Lehigh County	**2,143,208**	**-**	**2,143,208**	2,128,049	-	2,128,049
Northampton County	**2,676,608**	**-**	**2,676,608**	2,199,621	-	2,199,621
Philadelphia County	**5,211,484**	**-**	**5,211,484**	4,028,070	-	4,028,070
Other counties	**8,137,391**	**-**	**8,137,391**	7,632,580	-	7,632,580
State and federal grants	**3,238,421**	**-**	**3,238,421**	3,740,409	-	3,740,409
Magellan/Medical Assistance	**2,482,565**	**-**	**2,482,565**	2,668,449	-	2,668,449
Program service fees	**229,372**	**-**	**229,372**	303,350	-	303,350
Special events	**868,264**	**-**	**868,264**	674,266	-	674,266
Investment income (losses)	**(144,194)**	**(199,563)**	**(343,757)**	318,999	557,514	876,513
Gain on disposal of property and equipment	**3,036**	**-**	**3,036**	441,653	-	441,653
Life insurance proceeds	**46**	**-**	**46**	**-**	-	-
Net assets released from restrictions	**1,133,890**	**(1,133,890)**	**-**	808,208	(808,208)	-
Total Revenues, Gains, and Other Support	**28,368,967**	**(364,745)**	**28,004,222**	27,367,042	450,867	27,817,909
Expenses						
Program services	**24,707,534**	**-**	**24,707,534**	22,978,498	-	22,978,498
Management and general	**2,215,223**	**-**	**2,215,223**	2,474,919	-	2,474,919
Fund-raising	**1,432,321**	**-**	**1,432,321**	1,494,119	-	1,494,119
Total Expenses	**28,355,078**	**-**	**28,355,078**	26,947,536	-	26,947,536
Change in Net Assets	**13,889**	**(364,745)**	**(350,856)**	419,506	450,867	870,373
Net Assets at Beginning of Year	**10,540,911**	**5,020,488**	**15,561,399**	10,121,405	4,569,621	14,691,026
Net Assets at End of Year	**$ 10,554,800**	**$ 4,655,743**	**$ 15,210,543**	$ 10,540,911	$ 5,020,488	$ 15,561,399

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Children's Mental Health	Family Intervention
Salaries	$ 1,457,674	$ 610,678	$ 766,341	$ 1,501,143	$ 492,852
Employee benefits	224,731	102,661	138,534	227,278	73,770
Payroll taxes	115,510	47,731	60,914	118,903	38,426
Total Salaries and Related Benefits	1,797,915	761,070	965,789	1,847,324	605,048
Professional fees/contracts	38,568	34,193	18,723	58,215	12,416
Supplies					
Office	61,218	6,523	11,710	9,560	3,559
Food	62,707	1,222	18,471	2,509	316
Communications	23,078	9,601	6,093	20,004	8,429
Postage	418	393	595	1,156	201
Occupancy					
Utilities/taxes/interest	37,617	17,064	13,739	35,784	14,440
Maintenance and repairs	25,538	4,650	3,794	10,068	4,000
Property insurance	1,957	500	385	1,028	407
Rentals	89,798	348	282	727	296
Professional liability insurance	1,748	553	433	1,123	455
Printing	5,955	1,291	4,068	2,089	1,016
Transportation	95,230	25,011	7,972	95,427	37,789
Conferences and training	17,091	2,287	11,201	36,818	20,658
Dues and subscriptions	5,142	1	140	3	1
Assistance to individuals	81,930	2,846	19	13,335	(1,354)
Equipment maintenance and repair	13,060	5,200	10,029	7,352	2,266
Miscellaneous	2,217	(120)	3	19	-
Special events	8,727	911	5,756	24	10
Endowment expense	-	-	-	-	-
	2,369,914	873,544	1,079,202	2,142,565	709,953
Depreciation	47,898	11,157	8,454	26,898	9,119
Total Functional Expenses	$ 2,417,812	$ 884,701	$ 1,087,656	$ 2,169,463	$ 719,072

Program Services						
Project Child	**Independent Living**	**Camp Fowler**	**Total Program Services**	**Management and General**	**Fund-Raising**	**Total**
$ 90,891	$ 7,222,889	$ 242,597	$ 12,385,065	$ 1,241,118	$ 562,080	$ 14,188,263
11,456	1,124,179	26,568	1,929,177	188,311	94,325	2,211,813
7,277	557,078	19,828	965,667	105,663	42,574	1,113,904
109,624	8,904,146	288,993	15,279,909	1,535,092	698,979	17,513,980
2,912	1,084,564	(7,090)	1,242,501	197,876	11,313	1,451,690
1,653	250,179	47,150	391,552	28,499	195,037	615,088
994	348,887	27,994	463,100	88	6,503	469,691
1,637	179,374	5,631	253,847	31,360	7,447	292,654
323	10,939	649	14,674	7,301	1,670	23,645
4,765	190,474	28,878	342,761	110,415	10,983	464,159
1,328	99,587	51,549	200,514	18,653	2,876	222,043
128	4,815	2,312	11,532	9,717	1,111	22,360
98	357,102	1,874	450,525	1,098	4,033	455,656
150	44,475	9,706	58,643	72,614	524	131,781
820	35,088	3,290	53,617	6,714	29,774	90,105
1,054	703,266	21,025	986,774	34,189	12,269	1,033,232
4,306	77,002	18,177	187,540	95,646	12,484	295,670
1,111	4,763	1,938	13,099	17,157	7,113	37,369
151	3,979,595	2,027	4,078,549	-	36,050	4,114,599
2,388	151,157	6,782	198,234	27,761	6,027	232,022
-	12,657	576	15,352	(38,983)	3,571	(20,060)
10,505	64,646	4,435	95,014	6,821	374,492	476,327
-	-	-	-	-	678	678
143,947	16,502,716	515,896	24,337,737	2,162,018	1,422,934	27,922,689
2,934	142,136	121,201	369,797	53,205	9,387	432,389
$ 146,881	$ 16,644,852	$ 637,097	$ 24,707,534	$ 2,215,223	$ 1,432,321	$ 28,355,078

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

Valley Youth House Committee, Inc.

Statement of Functional Expenses (continued)
Year Ended December 31, 2017

Program Services							
Family Intervention	Project Child	Independent Living	Camp Fowler	Total Program Services	Management and General	Fund-Raising	Total
$ 436,107	$ 101,514	$ 5,858,679	$ 169,266	$ 10,645,781	$ 1,308,105	$ 337,753	$ 12,291,639
84,773	13,047	1,049,422	24,758	1,872,220	176,261	41,913	2,090,394
35,001	8,353	466,775	14,011	865,895	114,014	26,605	1,006,514
555,881	122,914	7,374,876	208,035	13,383,896	1,598,380	406,271	15,388,547
12,778	3,849	1,327,000	4,970	1,840,022	190,876	5,035	2,035,933
3,041	1,440	300,935	41,061	438,832	19,149	264,124	722,105
251	2,046	315,547	16,316	433,871	387	2,541	436,799
6,872	830	129,879	4,416	191,967	34,325	5,483	231,775
378	305	8,243	282	11,755	8,975	1,155	21,885
7,014	2,083	152,430	24,700	267,025	96,349	5,921	369,295
3,584	715	90,252	17,662	172,176	25,549	2,404	200,129
382	103	4,271	4,106	15,175	6,026	451	21,652
12,555	38	342,929	74	458,662	74,399	84	533,145
462	36	35,604	8,375	48,305	68,160	302	116,767
859	2,908	34,185	3,747	56,608	7,762	8,662	73,032
30,696	1,325	567,771	13,703	844,015	37,900	6,648	888,563
26,294	1,067	107,516	11,421	200,025	114,210	18,879	333,114
-	854	3,971	1,200	9,840	11,490	3,376	24,706
978	99	3,709,002	3,540	3,841,889	4,564	372,199	4,218,652
11,637	1,364	154,267	5,104	254,452	68,774	5,347	328,573
2,316	3	44,483	1,748	59,303	40,237	2,935	102,475
-	10,525	38,357	8,268	96,029	12,777	373,931	482,737
-	-	-	-	-	-	678	678
675,978	152,504	14,741,518	378,728	22,623,847	2,420,289	1,486,426	26,530,562
4,987	1,473	123,558	119,728	354,651	54,630	7,693	416,974
$ 680,965	$ 153,977	$ 14,865,076	$ 498,456	$ 22,978,498	$ 2,474,919	$ 1,494,119	$ 26,947,536

Valley Youth House Committee, Inc.

Statement of Cash Flows

	Years Ended December 31, 2018	2017
Cash Flows from Operating Activities		
Change in net assets	**$ (350,856)**	$ 870,373
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	**432,389**	416,974
Deferred compensation forfeitures	**(6,177)**	-
Increase in cash surrender value of life insurance	**(34)**	(1,854)
Provision for uncollectible amounts of contracts and grants receivable	**(56,777)**	49,588
Provision for uncollectible amounts of contributions receivable	**17,564**	(3,607)
Change in unamortized discount for contributions receivable	**(1,837)**	(3,074)
Gain on disposal of property and equipment	**(3,036)**	(441,653)
Realized and unrealized (gains) losses on investments	**505,073**	(761,071)
Deferred compensation paid	**(194,926)**	(46,800)
(Increase) decrease in assets		
Contracts and grants receivable	**863,472**	(900,529)
Contributions receivable	**-**	200
Other receivables	**(73,863)**	(1,014)
Prepaid expenses	**(26,317)**	14,328
Increase (decrease) in liabilities		
Accounts payable	**(377,326)**	343,389
Accrued expenses	**117,913**	155,801
Deferred revenues	**(30,756)**	(35,202)
Net Cash Provided by (Used In) Operating Activities	**814,506**	(344,151)
Cash Flows from Investing Activities		
Purchases of investments	**(253,451)**	(2,707,705)
Proceeds from sales of investments	**480,646**	2,751,001
Proceeds from sale of property and equipment	**28,995**	743,135
Purchases of property and equipment	**(303,888)**	(4,928,526)
Net Cash Used in Investing Activities	**(47,698)**	(4,142,095)

	Years Ended December 31, 2018	2017
Cash Flows from Financing Activities		
Repayments made on line of credit	**$ (1,200,000)**	$ (900,000)
Proceeds from line of credit	**-**	2,100,000
Principal payments made on mortgage	**(107,734)**	(43,750)
Proceeds from mortgage	**-**	3,850,000
Capital campaign contributions received	**25,675**	72,123
Net Cash Provided by (Used in) Financing Activities	**(1,282,059)**	5,078,373
Increase (Decrease) in Cash and Cash Equivalents	**(515,251)**	592,127
Cash and Cash Equivalents at Beginning of Year	**1,079,426**	487,299
Cash and Cash Equivalents at End of Year	**$ 564,175**	$ 1,079,426
Supplemental Disclosure of Cash Flow Information		
Interest paid	**$ 156,239**	$ 100,054

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 and Harrisburg, 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.

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:

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Organization's financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in accordance 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, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

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 net assets without donor restrictions, unless the income or loss is restricted by donor or by law.

Note 2 - Summary of Significant Accounting Policies (continued)

Contracts and Grants 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. As of December 31, 2018 and 2017, management has established an allowance for uncollectible amounts of $134,550 and $191,327, respectively.

Contributions Receivable

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.

The Organization uses the allowance method to determine uncollectible contributions receivables. 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 donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. Unpaid balances remaining after the stated payment terms are considered past due. As of December 31, 2018 and 2017, management has established an allowance for doubtful accounts of $531 and $2,809, 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.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

The Organization's policy is to capitalize property, building and improvements, equipment and software, and vehicle expenditures of $2,000 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 the years ended December 31, 2018 and 2017.

Deferred Compensation

The Organization records its liability for deferred compensation as it is earned. The liability has been determined according to the terms of the deferred compensation plan.

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 net assets with donor restrictions.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions (continued)

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 donor 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.

The Organization received materials for use at special events of $94,120 and $232,811 for the years ended December 31, 2018 and 2017, respectively, which were reflected as revenues and expenses on the statement of activities.

Purchase of Service Fees, Magellan/Medical Assistance, and Program Service Fees

The Organization accounts for purchase of service fees, Magellan/Medical Assistance, and program service fees, which are exchange transactions in the statement of activities to the extent that services have been provided during the period. In applying this concept, the legal requirements of each individual program are used as guidance. Additionally, any funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

Grants

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

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2018 and 2017, advertising expense amounted to $25,433 and $32,323, respectively.

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, 2018 and 2017, there was no accrual for the payment of penalties and interest.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes and Tax-Exempt Status (continued)

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of the Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, *Income Taxes*, which prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes have been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years ending after 2015.

Functional Allocation of Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time of effort or on the basis of square footage.

Reclassification

Certain information in the 2017 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2018 financial statements.

Change in Accounting Principle

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions," and expands disclosures about the nature and amount of any donor restrictions. This guidance is effective for annual periods beginning after December 15, 2017. The Organization implemented this standard during the year ended December 31, 2018. The ASU has been applied retrospectively to all periods presented.

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States of America when it becomes effective, and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine which lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. This standard is effective for the fiscal years beginning after December 15, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities.

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

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	$ 564,175
Investments	5,867,400
Investments, Rabbi Trust Fund	502,535
Contracts and grants receivable, net	5,762,224
Contributions receivable, net	9,769
Other receivables	112,220
Cash value of life insurance	13,797
Total Financial Assets	12,832,120
Amounts that are internally designated or externally restricted	
Financial assets subject to donor restrictions for specified purpose	(1,428,954)
Financial assets subject to time restrictions	(525,677)
Financial assets held for specified purpose designated by Board	(2,190,000)
Investments held for quasi-endowment	(2,223,575)
Investments held in perpetual endowment	(2,701,112)
Investments held for Rabbit Trust Fund	(502,535)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	$ 3,260,267

The Organization's endowment consists of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures. The board-designated endowment is subject to an annual spending rate. The Board of Directors approves annual disbursements from the fund on a specific need basis.

Financial assets included in board-designated net assets are not available for general expenditures, but could be made available if necessary through board action. The Organization manages its liquidity following three spending principles: operating within a product range of financial soundness and stability, maintaining adequate liquid assets to meet near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To help manage unanticipated liquidity needs, the Organization has two unsecured lines of credit available which can provide borrowings up to $3,700,000.

Note 4 - Investments

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

	2018	2017
Cash equivalents	**$ 259,361**	$ 181,972
Common stocks	**1,844,966**	2,450,057
Mutual funds	**2,984,412**	3,158,772
Municipal bonds	**109,857**	-
Corporate bonds	**653,268**	664,772
Foreign bonds	**50,620**	41,107
Obligations of the U.S. Government and its agencies	**453,935**	625,683
Investments held by the Lehigh Valley Community Foundation	**13,516**	12,498
	6,110,574	6,952,889
	$ 6,369,935	$ 7,134,861

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

	2018	2017
Investments	**$ 5,867,400**	$ 6,448,336
Investments, Rabbi Trust Fund	**502,535**	686,525
	$ 6,369,935	$ 7,134,861

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

	2018	2017
Interest and dividends	**$ 202,917**	$ 155,002
Realized gains	**197,421**	242,100
Unrealized gains (losses)	**(702,494)**	518,971
Investment fees	**(41,601)**	(39,560)
	$ (343,757)	$ 876,513

Note 5 - Fair Value of Financial Instruments

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following valuation techniques were used to measure fair value of assets in the table below on a recurring basis:

Common stocks - Fair value of common stocks were based on quoted market prices for the identical asset.

Mutual funds - Fair value of mutual funds were based on quoted market prices for the identical mutual fund or direct investment and interest in underlying assets.

U.S. Government and its agencies obligations and 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.

Investments held by the Lehigh Valley Community Foundation - 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.

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

Note 5 - Fair Value of Financial Instruments (continued)

The carrying amounts of cash and cash equivalents, contracts and grants receivable, contributions receivable, other receivables, accounts payable, accrued expenses, deferred compensation plan, and deferred revenues included in the statement of financial position approximate fair value given the short-term nature of these financial instruments. The carrying amount of the long-term debt in the statement of financial position approximates fair value as the interest rates are commensurate with rates currently offered for such arrangements. 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, 2018			
	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	$ 190,601	$ -	$ -	$ 190,601
Consumer staples	248,830	-	-	248,830
Energy	79,781	-	-	79,781
Financials	213,356	-	-	213,356
Health care	285,251	-	-	285,251
Industrials	203,878	-	-	203,878
Information technology	411,449	-	-	411,449
Materials	22,716	-	-	22,716
Real estate	26,737	-	-	26,737
Telecommunication	116,522	-	-	116,522
Utilities	45,845	-	-	45,845
Mutual Funds, Fixed Income	735,247	-	-	735,247
Mutual Funds, Equities				
Domestic	1,532,799	-	-	1,532,799
International	716,366	-	-	716,366
Municipal Bonds	-	109,857	-	109,857
Corporate Bonds	-	653,268	-	653,268
Foreign Bonds	-	50,620	-	50,620
U.S. Government and Governmental Agency Obligations	-	453,935	-	453,935
Investments Held by the Lehigh Valley Community Foundation	-	-	13,516	13,516
	$ 4,829,378	$ 1,267,680	$ 13,516	$ 6,110,574

Note 5 - Fair Value of Financial Instruments (continued)

	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				
Domestic	1,353,006	-	-	1,353,006
International	807,384	-	-	807,384
Municipal Bonds	-	-	-	-
Corporate Bonds	-	664,772	-	664,772
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
	$ 5,608,829	$ 1,331,562	$ 12,498	$ 6,952,889

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, 2018 and 2017, there were no transfers into or out of Level 3.

Note 5 - Fair Value of Financial Instruments (continued)

Changes in Fair Value Levels (continued)

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

	2018	2017
Investments Held by the Lehigh Valley Community Foundation		
Balance at Beginning of Year	**$ 12,498**	$ 11,474
Contributions	**1,000**	-
Unrealized gains	**143**	1,659
Fees and expenses	**(125)**	(635)
Balance at End of Year	**$ 13,516**	$ 12,498

Note 6 - Property and Equipment

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

	2018	2017
Land	**$ 1,040,445**	$ 1,040,445
Buildings and improvements	**8,741,369**	8,640,400
Equipment and software	**641,742**	668,554
Vehicles	**667,067**	605,191
Construction in progress	**-**	32,272
	11,090,623	10,986,862
Accumulated depreciation	**(3,243,331)**	(2,982,192)
	$ 7,847,292	$ 8,004,670

Note 7 - Contributions Receivable

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

	2018	2017
Unconditional promises	**$ 10,624**	$ 56,141
Unamortized discount	**(324)**	(2,161)
Allowance for uncollectible amounts	**(531)**	(2,809)
Net unconditional promises to give	**$ 9,769**	$ 51,171
Amounts due		
Less than one year	**$ -**	$ 39,779
One to five years	**10,300**	14,201
	10,300	53,980
Allowance for uncollectible amounts	**(531)**	(2,809)
	$ 9,769	$ 51,171

Note 8 - 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% (5.50% and 4.75% as of December 31, 2018 and 2017, respectively). The amount outstanding on this note was $-0- and $1,200,000 at December 31, 2018 and 2017, respectively. This line of credit has an expiration date of April 30, 2019. This line of credit has an annual renewal feature. The Organization is in the process of renewing this line of credit.

In February 2018, the Organization opened an $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% (5.00% as of December 31, 2018). There was no amount outstanding at December 31, 2018. This line of credit has an expiration date of June 30, 2019.

Note 9 - Mortgage Payable

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

	2018	2017
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, through April 2027, and 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	**$ 3,698,516**	$ 3,806,250

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

2019	$ 111,100
2020	114,767
2021	118,767
2022	122,100
2023	125,767
Thereafter	3,106,015
	$ 3,698,516

Total interest expense incurred under the lines of credit and mortgage payable for the years ended December 31, 2018 and 2017 was $156,239 and $100,054, respectively.

Note 10 - 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. During the years ended December 31, 2018 and 2017, the Organization made contributions in the amount of $43,594 and $74,791 respectively. The liability was reduced by $194,926 and $46,800 during the years ended December 31, 2018 and 2017, respectively, for distributions paid to plan participants. At December 31, 2018 and 2017, $497,580 and $731,341, respectively, is accrued 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 $502,535 and $686,525 at December 31, 2018 and 2017, 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 11 - Net Assets without Donor Restrictions

The Organization's net assets without donor restrictions is comprised of undesignated and Board-designated amounts for the following purposes at December 31:

	2018	2017
Undesignated	**$ 6,141,225**	$ 5,982,834
Board-designated for specified purpose		
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
Board-designated for quasi-endowment	**2,223,575**	2,368,077
	$ 10,554,800	$ 10,540,911

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2018	2017
Subject to expenditure for specified purpose		
Project Child and other programs	**$ 45,820**	$ 108,880
Acquisition, renovation, and operation of the camp	**843,997**	1,191,808
Capital campaign, Great Beginnings	**539,137**	577,767
Subject to the passage of time		
Contributions receivable, net	**9,769**	51,171
Future periods	**515,908**	389,784
Perpetual in nature		
Endowment investments	**2,701,112**	2,701,078
	$ 4,655,743	$ 5,020,488

Note 13 - Net Assets in Endowment Fund

The Organization's endowments consist of several funds established for a variety of purposes. Its endowments include various donor-restricted endowment funds as well as a fund designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization interprets relevant Pennsylvania law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, at the time the accumulation is added to the fund.

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. 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 spending policy of the Organization states distributions from the endowment funds should be determined as follows:

- For those endowments where the donor has stipulated the amount of allowable distributions, the donor's restrictions will govern.
- For those endowments which are absent donor's restrictions, the annual spendable distributions from the fund shall use a target of 5% of the three-year moving average of its market value, as determined annually.
- For the camp endowment, the annual spendable distributions from the fund shall use a target of 5% of the three-year moving average of its market value, as determined annually to fund general camp operations. Additionally, distributions from the camp endowment may be made for capital improvements to the camp facilities as approved by the finance committee and the CEO. In no event will a withdrawal invade the corpus of the camp endowment.

The following table represents the endowment net asset composition by type of endowment fund as of December 31:

	2018	2017
Endowment funds - without donor restrictions	**$ 2,223,575**	$ 2,368,077
Endowment funds - with donor restrictions	**3,545,109**	3,892,886
	$ 5,768,684	$ 6,260,963

Note 13 - Net Assets in Endowment Fund

Interpretation of Relevant Law (continued)

The following schedule represents the changes in endowment net assets for the years ended December 31:

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets at Beginning of Year	**$ 2,368,077**	**$ 3,892,886**	**$ 6,260,963**
Contributions	**-**	**34**	**34**
Investment return			
Investment income	**81,418**	**119,628**	**201,046**
Net depreciation (realized and unrealized)	**(209,863)**	**(285,375)**	**(495,238)**
Investment fees	**(14,188)**	**(26,630)**	**(40,818)**
Withdrawals	**(1,869)**	**(155,434)**	**(157,303)**
Endowment Net Assets at End of Year	**$ 2,223,575**	**$ 3,545,109**	**$ 5,768,684**

	2017		
Endowment Net Assets at Beginning of Year	$ 2,051,411	$ 3,482,876	$ 5,534,287
Contributions	-	1,853	1,853
Investment return			
Investment income	54,594	95,587	150,181
Net appreciation (realized and unrealized)	275,346	479,873	755,219
Investment fees	(13,274)	(25,703)	(38,977)
Withdrawals	-	(141,600)	(141,600)
Endowment Net Assets at End of Year	$ 2,368,077	$ 3,892,886	$ 6,260,963

Underwater Endowment Funds

The fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. In accordance with the Organization's investment policy, endowment funds with donor restrictions are reported at the original value of initial and subsequent gifts (see Interpretation of Relevant Law). As a result, there were no deficiencies reported as of December 31, 2018 and 2017.

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, 2018 and 2017 was $367,270 and $289,093, 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 $315 to $12,393. The future minimum rental payments required under the operating leases are as follows for the years ending December 31:

2019	$ 428,560
2020	356,877
2021	325,586
2022	273,999
2023	214,863
Thereafter	155,053
	$ 1,754,938

Total rent expense amounted to $1,054,902 and $947,510 for the years ended December 31, 2018 and 2017, respectively.

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, 2018 and 2017. 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 $71,787 and $39,047 at December 31, 2018 and 2017, respectively, and have been included in accrued expenses.

Note 15 - Commitments and Contingencies (continued)

Contingencies

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.

Investments

The Organization's investments of $6,369,935 and $7,134,861 at December 31, 2018 and 2017, respectively, 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 4.

Government Contracts

During the years ended December 31, 2018 and 2017, the Organization received approximately 79% and 75%, respectively, 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 24, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2018 were noted.