



Financial Statements
December 31, 2019 and 2018



Valley Youth House Committee, Inc.

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December 31, 2019 and 2018

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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, 2019 and 2018, 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.

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, 2019 and 2018, 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 August 27, 2020, 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.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

August 27, 2020
Wyomissing, Pennsylvania

Valley Youth House Committee, Inc.

Statement of Financial Position

	December 31, 2019			December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Cash and cash equivalents	\$ 1,501,524	\$ -	\$ 1,501,524	\$ 564,175	\$ -	\$ 564,175
Investments	2,711,383	4,157,550	6,868,933	2,237,091	3,630,309	5,867,400
Investments, Rabbi Trust Fund	532,540	-	532,540	502,535	-	502,535
Contracts and grants receivable, net	5,034,081	-	5,034,081	5,762,224	-	5,762,224
Promises to give, net	-	75,520	75,520	-	9,769	9,769
Other receivables	68,323	-	68,323	112,220	-	112,220
Prepaid expenses	524,224	-	524,224	487,824	-	487,824
Cash value of life insurance	-	15,939	15,939	-	13,797	13,797
Due (to) from	(1,184,392)	1,184,392	-	(1,001,868)	1,001,868	-
Assets held for sale, property	-	-	-	49,020	-	49,020
Property and equipment, net	7,573,174	45,541	7,618,715	7,847,292	-	7,847,292
Total Assets	\$ 16,760,857	\$ 5,478,942	\$ 22,239,799	\$ 16,560,513	\$ 4,655,743	\$ 21,216,256

Valley Youth House Committee, Inc.

Statement of Financial Position (continued)

	December 31, 2019			December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities and Net Assets						
Liabilities						
Mortgage payable	\$ 3,587,417	\$ -	\$ 3,587,417	\$ 3,698,516	\$ -	\$ 3,698,516
Accounts payable	434,050	-	434,050	346,905	-	346,905
Accrued expenses	1,248,677	-	1,248,677	1,324,836	-	1,324,836
Deferred compensation plan	532,540	-	532,540	497,580	-	497,580
Deferred revenues	180,156	-	180,156	137,876	-	137,876
Total Liabilities	5,982,840	-	5,982,840	6,005,713	-	6,005,713
Net Assets						
Without donor restrictions						
Board-designated	4,886,531	-	4,886,531	4,413,575	-	4,413,575
Undesignated	5,891,486	-	5,891,486	6,141,225	-	6,141,225
	10,778,017	-	10,778,017	10,554,800	-	10,554,800
With donor restrictions	-	5,478,942	5,478,942	-	4,655,743	4,655,743
Total Net Assets	10,778,017	5,478,942	16,256,959	10,554,800	4,655,743	15,210,543
Total Liabilities and Net Assets	\$ 16,760,857	\$ 5,478,942	\$ 22,239,799	\$ 16,560,513	\$ 4,655,743	\$ 21,216,256

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Activities

	Year Ended December 31, 2019			Year Ended December 31, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support						
Contributions	\$ 934,419	\$ 1,604,349	\$ 2,538,768	\$ 1,112,186	\$ 968,708	\$ 2,080,894
United Way allocations	371,000	-	371,000	269,500	-	269,500
Purchase of service fees						
Bucks County	1,201,201	-	1,201,201	1,007,190	-	1,007,190
Lehigh County	2,395,792	-	2,395,792	2,143,208	-	2,143,208
Northampton County	2,415,612	-	2,415,612	2,676,608	-	2,676,608
Philadelphia County	4,732,787	-	4,732,787	5,211,484	-	5,211,484
Other counties	8,881,322	-	8,881,322	8,137,391	-	8,137,391
State and federal grants	3,889,590	-	3,889,590	3,238,421	-	3,238,421
Magellan/Medical Assistance	1,874,902	-	1,874,902	2,482,565	-	2,482,565
Program service fees	423,402	-	423,402	229,372	-	229,372
Special events	1,070,537	-	1,070,537	868,264	-	868,264
Investment income (losses)	473,905	707,241	1,181,146	(144,194)	(199,563)	(343,757)
Gain on disposal of property and equipment	113,224	-	113,224	3,036	-	3,036
Life insurance proceeds	-	-	-	46	-	46
Net assets released from restrictions	1,488,391	(1,488,391)	-	1,133,890	(1,133,890)	-
Total Revenues, Gains, and Other Support	30,266,084	823,199	31,089,283	28,368,967	(364,745)	28,004,222
Expenses						
Program services	25,860,778	-	25,860,778	24,707,534	-	24,707,534
Management and general	2,680,531	-	2,680,531	2,215,223	-	2,215,223
Fund-raising	1,501,558	-	1,501,558	1,432,321	-	1,432,321
Total Expenses	30,042,867	-	30,042,867	28,355,078	-	28,355,078
Change in Net Assets	223,217	823,199	1,046,416	13,889	(364,745)	(350,856)
Net Assets at Beginning of Year	10,554,800	4,655,743	15,210,543	10,540,911	5,020,488	15,561,399
Net Assets at End of Year	\$ 10,778,017	\$ 5,478,942	\$ 16,256,959	\$ 10,554,800	\$ 4,655,743	\$ 15,210,543

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Functional Expenses

	Year Ended December 31, 2019				
	Program Services				
	Shelter Operations	Adolescents/ Families/ Together	Prevention Education	Children's Mental Health	Family Intervention
Salaries	\$ 1,519,647	\$ 730,892	\$ 555,888	\$ 1,315,104	\$ 489,516
Employee benefits	237,149	126,594	89,783	203,383	91,498
Payroll taxes	116,283	55,633	45,756	100,990	36,992
Total Salaries and Related Benefits	1,873,079	913,119	691,427	1,619,477	618,006
Professional fees/contracts	32,022	31,549	14,942	44,048	9,925
Supplies					
Office	53,485	7,798	5,264	7,228	2,430
Food	62,945	397	14,079	1,000	1,127
Communications	19,791	11,523	5,139	24,036	8,305
Postage	249	428	463	947	217
Occupancy					
Utilities/taxes/interest	37,233	15,768	10,549	32,945	13,248
Maintenance and repairs	26,736	6,137	4,089	12,783	5,181
Property insurance	3,084	618	401	1,287	522
Rentals	93,671	331	215	689	279
Professional liability insurance	2,187	669	435	1,393	565
Printing	5,772	1,119	2,071	2,010	919
Transportation	97,802	24,081	6,395	63,909	32,163
Conferences and training	20,816	3,472	2,037	26,620	15,582
Dues and subscriptions	5,319	186	50	-	-
Assistance to individuals	69,881	2,259	1,125	4,940	(1,526)
Equipment maintenance and repair	25,109	5,598	2,171	10,081	2,993
Miscellaneous	(2,084)	-	(27)	(30)	(28)
Special events	4,592	7,280	3,626	54	13
Endowment expense	-	-	-	-	-
	<u>2,431,689</u>	<u>1,032,332</u>	<u>764,451</u>	<u>1,853,417</u>	<u>709,921</u>
Depreciation	30,990	10,672	6,722	21,761	9,017
Total Functional Expenses	<u>\$ 2,462,679</u>	<u>\$ 1,043,004</u>	<u>\$ 771,173</u>	<u>\$ 1,875,178</u>	<u>\$ 718,938</u>

Valley Youth House Committee, Inc.

Statement of Functional Expenses (continued)

Year Ended December 31, 2019

Program Services						
Project Child	Independent Living	Camp Fowler	Total Program Services	Management and General	Fund-Raising	Total
\$ 90,954	\$ 8,041,852	\$ 227,218	\$ 12,971,071	\$ 1,624,441	\$ 615,726	\$ 15,211,238
11,846	1,385,286	28,949	2,174,488	52,337	105,111	2,331,936
7,020	612,810	17,782	993,266	108,423	45,516	1,147,205
109,820	10,039,948	273,949	16,138,825	1,785,201	766,353	18,690,379
2,078	968,394	1,745	1,104,703	194,055	14,808	1,313,566
2,617	274,528	50,620	403,970	39,412	123,937	567,319
2,334	368,564	29,371	479,817	293	708	480,818
2,569	213,078	5,727	290,168	60,958	8,344	359,470
446	10,966	33	13,749	7,058	1,388	22,195
4,373	191,920	26,312	332,348	56,750	10,075	399,173
1,710	113,741	37,743	208,120	21,434	3,812	233,366
172	4,319	3,355	13,758	8,069	394	22,221
92	406,428	4,522	506,227	12,428	6,152	524,807
186	58,115	12,068	75,618	95,491	651	171,760
487	41,116	2,484	55,978	7,370	18,201	81,549
1,416	700,206	15,042	941,014	57,191	11,377	1,009,582
853	139,844	11,464	220,688	106,917	13,745	341,350
50	2,959	625	9,189	15,355	6,331	30,875
201	4,272,236	1,565	4,350,681	65	14,296	4,365,042
1,556	171,129	7,977	226,614	14,092	3,200	243,906
(1)	4,264	652	2,746	131,747	4,693	139,186
11,816	100,565	3,046	130,992	7,006	485,438	623,436
-	-	-	-	-	678	678
142,775	18,082,320	488,300	25,505,205	2,620,892	1,494,581	29,620,678
2,909	149,476	124,026	355,573	59,639	6,977	422,189
<u>\$ 145,684</u>	<u>\$ 18,231,796</u>	<u>\$ 612,326</u>	<u>\$ 25,860,778</u>	<u>\$ 2,680,531</u>	<u>\$ 1,501,558</u>	<u>\$ 30,042,867</u>

Valley Youth House Committee, Inc.

Statement of Functional Expenses (continued)

	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

Valley Youth House Committee, Inc.

Statement of Functional Expenses (continued)

Year Ended December 31, 2018

Program Services			Total Program Services	Management and General	Fund- Raising	Total
Project Child	Independent Living	Camp Fowler				
\$ 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
<u>\$ 146,881</u>	<u>\$ 16,644,852</u>	<u>\$ 637,097</u>	<u>\$ 24,707,534</u>	<u>\$ 2,215,223</u>	<u>\$ 1,432,321</u>	<u>\$ 28,355,078</u>

Valley Youth House Committee, Inc.

Statement of Cash Flows

	Years Ended December 31,	
	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 1,046,416	\$ (350,856)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	422,189	432,389
Deferred compensation forfeitures	(64,615)	(6,177)
Increase in cash surrender value of life insurance	(2,142)	(34)
Provision for uncollectible amounts of contracts and grants receivable	115,450	(56,777)
Provision for uncollectible amounts of promises to give	(531)	17,564
Change in unamortized discount for promises to give	(879)	(1,837)
Gain on disposal of property and equipment	(113,224)	(3,036)
Realized and unrealized (gains) losses on investments	(1,045,917)	505,073
Deferred compensation paid	-	(194,926)
(Increase) decrease in assets		
Contracts and grants receivable	612,693	863,472
Promises to give	(75,000)	-
Other receivables	43,897	(73,863)
Prepaid expenses	(36,400)	(26,317)
Increase (decrease) in liabilities		
Accounts payable	87,145	(377,326)
Accrued expenses	(76,159)	117,913
Deferred revenues	42,280	(30,756)
Net Cash Provided by Operating Activities	955,203	814,506
Cash Flows from Investing Activities		
Purchases of investments	(177,753)	(253,451)
Proceeds from sales of investments	291,707	480,646
Proceeds from sale of property and equipment	166,916	28,995
Purchases of property and equipment	(198,284)	(303,888)
Net Cash Provided by (Used in) Investing Activities	82,586	(47,698)

Valley Youth House Committee, Inc.

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2019	2018
Cash Flows from Financing Activities		
Repayments made on line of credit	\$ -	\$ (1,200,000)
Principal payments made on mortgage	(111,099)	(107,734)
Capital campaign contributions received	10,659	25,675
	<u>(100,440)</u>	<u>(1,282,059)</u>
Net Cash Used in Financing Activities		
	<u>(100,440)</u>	<u>(1,282,059)</u>
Increase (Decrease) in Cash and Cash Equivalents	937,349	(515,251)
Cash and Cash Equivalents at Beginning of Year	<u>564,175</u>	<u>1,079,426</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,501,524</u>	<u>\$ 564,175</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 135,402</u>	<u>\$ 156,239</u>

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.
- 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.

Note 1 - Nature of Activities (continued)

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, 2019 and 2018, management has established an allowance for uncollectible amounts of \$250,000 and \$134,550, respectively.

Promises to Give

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 promises to give. 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, 2019 and 2018, management has established an allowance for doubtful accounts of \$- and \$531, 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. During the year ended December 31, 2019, the Organization sold the property and recorded a gain on disposal of property and equipment of \$113,224 in the statement of activities.

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, 2019 and 2018.

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.

Revenue Recognition

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

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 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 \$126,258 and \$94,120 for the years ended December 31, 2019 and 2018, 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.

State and Federal Grants

The Organization receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. The Organization records grants when all conditions stipulated by the grant have been substantially met. Direct service program expenses are recorded as incurred.

Special Events

Special events include some events with both an exchange element in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received, and a contribution element for the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. Special event fees collected by the Organization in advance are initially recorded as liabilities (deferred revenue) and recognized as special events after delivery of the event.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2019 and 2018, advertising expense amounted to \$12,714 and \$25,433, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2019 and 2018, there was no accrual for the payment of penalties and interest.

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of 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 2016.

Functional Allocation of Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the 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.

Change in Accounting Principle

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements, under a modified perspective basis. Accordingly, there is no effect on net assets in connection with the Organization's implementation of ASU 2018-08.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncement

In February 2016, the 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 statement of financial position 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 statement of activities and changes in net assets. The new standard is effective for fiscal years beginning after December 15, 2021. Management is currently evaluating the impact of this guidance 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 at December 31:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 1,501,524	\$ 564,175
Investments	6,868,933	5,867,400
Investments, Rabbi Trust Fund	532,540	502,535
Contracts and grants receivable, net	5,034,081	5,762,224
Promises to give, net	75,520	9,769
Other receivables	68,323	112,220
Cash value of life insurance	15,939	13,797
Total Financial Assets	14,096,860	12,832,120
Amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose	(1,870,001)	(1,428,954)
Financial assets subject to time restrictions	(905,687)	(525,677)
Financial assets held for specified purpose designated by Board	(2,190,000)	(2,190,000)
Investments held for quasi-endowment	(2,696,531)	(2,223,575)
Investments held in perpetual endowment	(2,703,253)	(2,701,112)
Investments held for Rabbit Trust Fund	(532,540)	(502,535)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 3,198,848	\$ 3,260,267

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 3 - Liquidity and Availability (continued)

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:

	<u>2019</u>	<u>2018</u>
Cash equivalents	\$ 227,126	\$ 259,361
Common stocks	2,354,789	1,844,966
Mutual funds	3,669,589	2,984,412
Municipal bonds	115,622	109,857
Corporate bonds	552,888	653,268
Foreign bonds	69,132	50,620
Obligations of the U.S. Government and its agencies	397,475	453,935
Investments held by the Lehigh Valley Community Foundation	14,852	13,516
	<u>7,174,347</u>	<u>6,110,574</u>
	<u>\$ 7,401,473</u>	<u>\$ 6,369,935</u>

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

	<u>2019</u>	<u>2018</u>
Investments	\$ 6,868,933	\$ 5,867,400
Investments, Rabbi Trust Fund	532,540	502,535
	<u>\$ 7,401,473</u>	<u>\$ 6,369,935</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 4 - Investments (continued)

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 176,037	\$ 202,917
Realized gains	49,116	197,421
Unrealized gains (losses)	996,801	(702,494)
Investment fees	<u>(40,808)</u>	<u>(41,601)</u>
	<u>\$ 1,181,146</u>	<u>\$ (343,757)</u>

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.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 5 - Fair Value of Financial Instruments (continued)

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.

The carrying amounts of cash and cash equivalents, contracts and grants receivable, promises to give, 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, 2019				
	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	\$ 252,549	\$ -	\$ -	\$ 252,549
Consumer staples	247,282	-	-	247,282
Energy	88,587	-	-	88,587
Financials	331,393	-	-	331,393
Health care	316,994	-	-	316,994
Industrials	252,035	-	-	252,035
Information technology	591,124	-	-	591,124
Materials	26,608	-	-	26,608
Real estate	26,260	-	-	26,260
Telecommunication	175,235	-	-	175,235
Utilities	46,722	-	-	46,722
Mutual Funds,				
Fixed Income	854,602	-	-	854,602
Mutual Funds,				
Equities				
Domestic	2,092,398	-	-	2,092,398
International	722,589	-	-	722,589
Municipal Bonds	-	115,622	-	115,622
Corporate Bonds	-	552,888	-	552,888
Foreign Bonds	-	69,132	-	69,132
U.S. Government and				
Governmental Agency				
Obligations	-	397,475	-	397,475
Investments Held by the				
Lehigh Valley				
Community Foundation	-	-	14,852	14,852
	\$ 6,024,378	\$ 1,135,117	\$ 14,852	\$ 7,174,347

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 5 - Fair Value of Financial Instruments (continued)

	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
	<u>\$ 4,829,378</u>	<u>\$ 1,267,680</u>	<u>\$ 13,516</u>	<u>\$ 6,110,574</u>

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, 2019 and 2018, there were no transfers into or out of Level 3.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

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:

	<u>2019</u>	<u>2018</u>
Investments Held by the Lehigh Valley Community Foundation		
Balance at Beginning of Year	\$ 13,516	\$ 12,498
Contributions	1,000	1,000
Unrealized gains	461	143
Fees and expenses	(125)	(125)
Balance at End of Year	<u>\$ 14,852</u>	<u>\$ 13,516</u>

Note 6 - Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,040,445	\$ 1,040,445
Buildings and improvements	8,777,989	8,741,369
Equipment and software	637,985	641,742
Vehicles	718,629	667,067
Construction in progress	61,739	-
	11,236,787	11,090,623
Accumulated depreciation	<u>(3,618,072)</u>	<u>(3,243,331)</u>
	<u>\$ 7,618,715</u>	<u>\$ 7,847,292</u>

Note 7 - Promises to Give

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

	<u>2019</u>	<u>2018</u>
Unconditional promises	\$ 75,520	\$ 10,624
Unamortized discount	-	(324)
Allowance for uncollectible amounts	-	(531)
Net unconditional promises to give	<u>\$ 75,520</u>	<u>\$ 9,769</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 7 - Promises to Give (continued)

	<u>2019</u>	<u>2018</u>
Amounts due		
Less than one year	\$ 75,520	\$ -
One to five years	-	10,300
	<u>75,520</u>	<u>10,300</u>
Allowance for uncollectible amounts	-	(531)
	<u>\$ 75,520</u>	<u>\$ 9,769</u>

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% (4.75% and 5.50% as of December 31, 2019 and 2018, respectively). There was no amount outstanding at December 31, 2019 and 2018. This line of credit has an expiration date of April 30, 2020. 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 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% (4.75% and 5.00% as of December 31, 2019 and 2018, respectively). There was no amount outstanding at December 31, 2019 and 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:

	<u>2019</u>	<u>2018</u>
Series of 2017 tax-exempt mortgage revenue note with monthly payments of interest and principal, commencing April 2017 through April 2042, including interest 3.67% 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	<u>\$ 3,587,417</u>	<u>\$ 3,698,516</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 9 - Mortgage Payable (continued)

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

2020	\$	114,767
2021		118,767
2022		122,100
2023		125,767
2024		129,100
Thereafter		<u>2,976,916</u>
	\$	<u>3,587,417</u>

Total interest expense incurred under the lines of credit and mortgage payable for the years ended December 31, 2019 and 2018 was \$135,402 and \$156,239, 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, 2019 and 2018, the Organization made contributions in the amount of \$-0- and \$43,594, respectively. The liability was reduced by \$69,570 and \$194,926 during the years ended December 31, 2019 and 2018, respectively, for distributions paid to plan participants. At December 31, 2019 and 2018, \$532,540 and \$497,580, 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 \$532,540 and \$502,535 at December 31, 2019 and 2018, 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 are comprised of undesignated and Board-designated amounts for the following purposes at December 31:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 5,891,486	\$ 6,141,225
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	<u>2,696,531</u>	<u>2,223,575</u>
	<u>\$ 10,778,017</u>	<u>\$ 10,554,800</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 12 - Net Assets with Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Project Child and other programs	\$ 14,505	\$ 45,820
Acquisition, renovation, and operation of the camp	1,353,095	843,997
Capital campaign, Great Beginnings	502,402	539,137
Subject to the passage of time		
Promises to give, net	75,520	9,769
Future periods	830,167	515,908
Perpetual in nature		
Endowment investments	<u>2,703,253</u>	<u>2,701,112</u>
	<u>\$ 5,478,942</u>	<u>\$ 4,655,743</u>

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.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 13 - Net Assets in Endowment Fund (continued)

Interpretation of Relevant Law (continued)

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:

	<u>2019</u>	<u>2018</u>
Endowment funds - without donor restrictions	\$ 2,696,531	\$ 2,223,575
Endowment funds - with donor restrictions	<u>4,056,348</u>	<u>3,545,109</u>
	<u>\$ 6,752,879</u>	<u>\$ 5,768,684</u>

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

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets at Beginning of Year	\$ 2,223,575	\$ 3,545,109	\$ 5,768,684
Contributions	23	2,141	2,164
Investment return			
Investment income	63,684	108,193	171,877
Net depreciation (realized and unrealized)	423,819	606,157	1,029,976
Investment fees	(14,570)	(25,252)	(39,822)
Withdrawals	-	(180,000)	(180,000)
Endowment Net Assets at End of Year	<u>\$ 2,696,531</u>	<u>\$ 4,056,348</u>	<u>\$ 6,752,879</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

Note 13 - Net Assets in Endowment Fund (continued)

Interpretation of Relevant Law (continued)

	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	<u>\$ 2,223,575</u>	<u>\$ 3,545,109</u>	<u>\$ 5,768,684</u>

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, 2019 and 2018.

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, 2019 and 2018 was \$433,008 and \$367,270, respectively.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2019 and 2018

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 \$300 to \$13,378. The future minimum rental payments required under the operating leases are as follows for the years ending December 31:

2020	\$	501,905
2021		231,311
2022		231,311
2023		219,336
2024		157,893
		<hr/>
	\$	1,341,756

Total rent expense amounted to \$1,028,608 and \$1,054,902 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018. 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 \$68,641 and \$71,787 at December 31, 2019 and 2018, respectively, and have been included in accrued expenses.

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.

Note 15 - Commitments and Contingencies (continued)

Contingencies (continued)

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 \$7,401,473 and \$6,369,935 at December 31, 2019 and 2018, 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, 2019 and 2018, the Organization received approximately 76% and 79%, 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 August 27, 2020. This date is the date the financial statements were available to be issued. The following events subsequent to December 31, 2019 were noted:

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economy, financial markets, public support, and the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Paycheck Protection Program

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain other expenses during the COVID-19 crisis. The Organization applied for a loan under this Program and received from its bank a loan in the amount of \$2,772,700 on April 20, 2020. The loan is forgivable if the Organization meets certain criteria as established under the Program. The Organization intends to apply for loan forgiveness at a date yet to be determined. The Organization anticipates there may be further guidance issued by the Small Business Administration (SBA), the U.S. Department of the Treasury, the bank, and other regulators related to the Program which could impact the loan and loan forgiveness. Any of the loan amount not forgiven under the Program will be due in April 2022 with interest at 1.0%. Payments are deferred for six months; however, interest shall continue to accrue over this period. The loan is unsecured and does not require personal guarantees.

No other material events subsequent to December 31, 2019 were noted.