



**Financial Statements**  
**December 31, 2020 and 2019**



# Valley Youth House Committee, Inc.

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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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 7, 2021, 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

July 7, 2021  
Wyomissing, Pennsylvania

# Valley Youth House Committee, Inc.

## Statement of Financial Position

	December 31, 2020			December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 732,075	\$ -	\$ 732,075	\$ 1,501,524	\$ -	\$ 1,501,524
Contracts and grants receivable, net	7,899,336	-	7,899,336	5,034,081	-	5,034,081
Promises to give, net	-	75,000	75,000	-	75,520	75,520
Other receivables	42,097	-	42,097	68,323	-	68,323
Prepaid expenses	531,334	-	531,334	524,224	-	524,224
<b>Total Current Assets</b>	<b>9,204,842</b>	<b>75,000</b>	<b>9,279,842</b>	<b>7,128,152</b>	<b>75,520</b>	<b>7,203,672</b>
<b>Property and Equipment, Net</b>	<b>8,334,178</b>	<b>556,342</b>	<b>8,890,520</b>	<b>7,573,174</b>	<b>45,541</b>	<b>7,618,715</b>
<b>Other Assets</b>						
Investments	3,018,531	4,482,713	7,501,244	2,711,383	4,157,550	6,868,933
Investments, Rabbi Trust Fund	337,758	-	337,758	532,540	-	532,540
Cash value of life insurance	-	17,234	17,234	-	15,939	15,939
Due (to) from	(2,211,177)	2,211,177	-	(1,184,392)	1,184,392	-
<b>Total Other Assets</b>	<b>1,145,112</b>	<b>6,711,124</b>	<b>7,856,236</b>	<b>2,059,531</b>	<b>5,357,881</b>	<b>7,417,412</b>
<b>Total Assets</b>	<b>\$ 18,684,132</b>	<b>\$ 7,342,466</b>	<b>\$ 26,026,598</b>	<b>\$ 16,760,857</b>	<b>\$ 5,478,942</b>	<b>\$ 22,239,799</b>

## Valley Youth House Committee, Inc.

### Statement of Financial Position (continued)

	December 31, 2020			December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities</b>						
Current portion of long-term debt	\$ 2,891,467	\$ -	\$ 2,891,467	\$ 114,767	\$ -	\$ 114,767
Accounts payable	231,253	-	231,253	434,050	-	434,050
Accrued expenses	1,510,016	-	1,510,016	1,248,677	-	1,248,677
Deferred revenues	228,506	-	228,506	180,156	-	180,156
<b>Total Current Liabilities</b>	<b>4,861,242</b>	<b>-</b>	<b>4,861,242</b>	<b>1,977,650</b>	<b>-</b>	<b>1,977,650</b>
Deferred Compensation Plan	337,758	-	337,758	532,540	-	532,540
<b>Long-Term Debt, Less Current Portion</b>	<b>3,353,883</b>	<b>-</b>	<b>3,353,883</b>	<b>3,472,650</b>	<b>-</b>	<b>3,472,650</b>
<b>Total Liabilities</b>	<b>8,552,883</b>	<b>-</b>	<b>8,552,883</b>	<b>5,982,840</b>	<b>-</b>	<b>5,982,840</b>
<b>Net Assets</b>						
Without donor restrictions						
Board-designated	5,193,855	-	5,193,855	4,886,531	-	4,886,531
Undesignated	4,937,394	-	4,937,394	5,891,486	-	5,891,486
	<b>10,131,249</b>	<b>-</b>	<b>10,131,249</b>	<b>10,778,017</b>	<b>-</b>	<b>10,778,017</b>
With donor restrictions	-	7,342,466	7,342,466	-	5,478,942	5,478,942
<b>Total Net Assets</b>	<b>10,131,249</b>	<b>7,342,466</b>	<b>17,473,715</b>	<b>10,778,017</b>	<b>5,478,942</b>	<b>16,256,959</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 18,684,132</b>	<b>\$ 7,342,466</b>	<b>\$ 26,026,598</b>	<b>\$ 16,760,857</b>	<b>\$ 5,478,942</b>	<b>\$ 22,239,799</b>

See accompanying notes.

# Valley Youth House Committee, Inc.

## Statement of Activities

	Year Ended December 31, 2020			Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Support</b>						
Contributions	\$ 1,289,077	\$ 2,491,789	\$ 3,780,866	\$ 934,419	\$ 1,604,349	\$ 2,538,768
United Way allocations	371,000	-	371,000	371,000	-	371,000
Purchase of service fees						
Bucks County	1,021,675	-	1,021,675	1,201,201	-	1,201,201
Lehigh County	1,929,162	-	1,929,162	2,395,792	-	2,395,792
Northampton County	1,699,137	-	1,699,137	2,415,612	-	2,415,612
Philadelphia County	4,515,191	-	4,515,191	4,732,787	-	4,732,787
Other counties	8,633,894	-	8,633,894	8,881,322	-	8,881,322
State and federal grants	4,788,439	203,000	4,991,439	3,889,590	-	3,889,590
Magellan/Medical Assistance	1,721,391	-	1,721,391	1,874,902	-	1,874,902
Program service fees	395,398	-	395,398	423,402	-	423,402
Special events	722,925	-	722,925	1,070,537	-	1,070,537
Investment income	308,616	510,266	818,882	473,905	707,241	1,181,146
Gain (loss) on disposal of property and equipment	(3,664)	-	(3,664)	113,224	-	113,224
Net assets released from restrictions	1,341,531	(1,341,531)	-	1,488,391	(1,488,391)	-
<b>Total Revenues, Gains, and Other Support</b>	<b>28,733,772</b>	<b>1,863,524</b>	<b>30,597,296</b>	<b>30,266,084</b>	<b>823,199</b>	<b>31,089,283</b>
<b>Expenses</b>						
Program services	24,759,044	-	24,759,044	25,860,786	-	25,860,786
Management and general	3,217,870	-	3,217,870	2,680,536	-	2,680,536
Fundraising	1,403,626	-	1,403,626	1,501,545	-	1,501,545
<b>Total Expenses</b>	<b>29,380,540</b>	<b>-</b>	<b>29,380,540</b>	<b>30,042,867</b>	<b>-</b>	<b>30,042,867</b>
<b>Change in Net Assets</b>	<b>(646,768)</b>	<b>1,863,524</b>	<b>1,216,756</b>	<b>223,217</b>	<b>823,199</b>	<b>1,046,416</b>
<b>Net Assets at Beginning of Year</b>	<b>10,778,017</b>	<b>5,478,942</b>	<b>16,256,959</b>	<b>10,554,800</b>	<b>4,655,743</b>	<b>15,210,543</b>
<b>Net Assets at End of Year</b>	<b>\$ 10,131,249</b>	<b>\$ 7,342,466</b>	<b>\$ 17,473,715</b>	<b>\$ 10,778,017</b>	<b>\$ 5,478,942</b>	<b>\$ 16,256,959</b>

See accompanying notes.

**Valley Youth House Committee, Inc.**

## Statement of Functional Expenses

	Year Ended December 31, 2020											
	Program Services								Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Children's Mental Health	Family Intervention	Project Child	Independent Living	Camp Fowler				
Salaries	\$ 1,627,715	\$ 849,463	\$ 100,278	\$ 898,735	\$ 520,203	\$ 32,485	\$ 8,665,998	\$ 129,303	\$ 12,824,180	\$ 1,709,158	\$ 706,244	\$ 15,239,582
Employee benefits	269,447	158,535	6,050	189,594	130,344	8,614	1,506,312	16,483	2,285,379	304,502	110,682	2,700,563
Payroll taxes	129,937	63,782	8,579	73,409	38,663	2,481	664,181	11,190	992,222	129,835	49,316	1,171,373
<b>Total Salaries and Related Benefits</b>	<b>2,027,099</b>	<b>1,071,780</b>	<b>114,907</b>	<b>1,161,738</b>	<b>689,210</b>	<b>43,580</b>	<b>10,836,491</b>	<b>156,976</b>	<b>16,101,781</b>	<b>2,143,495</b>	<b>866,242</b>	<b>19,111,518</b>
Programmatic												
Contracted client services	11,485	7,959	1,965	14,686	1,575	507	527,810	5,623	571,610	7,768	520	579,898
Direct client service costs	132,688	92	258	2,027	(262)	1,544	3,439,456	2,171	3,577,974	7,614	97,214	3,682,802
Program occupancy	88,213	-	-	-	-	-	563,433	-	651,646	-	-	651,646
Program supplies	85,278	1,244	5,402	3,147	3,741	252	466,411	7,971	573,446	8,060	21,352	602,858
Occupancy	161,740	21,531	10,688	44,865	18,199	6,007	721,584	46,735	1,031,349	115,183	19,992	1,166,524
Communications	17,785	14,290	3,939	22,818	7,520	2,315	242,470	5,701	316,838	74,440	9,626	400,904
Postage and shipping	685	394	167	567	182	230	10,173	35	12,433	6,676	2,909	22,018
Printing and photocopying	3,089	699	310	1,516	584	174	23,924	1,235	31,531	3,010	20,007	54,548
Materials and supplies	37,487	4,227	807	3,521	1,530	702	174,793	37,400	260,467	67,688	6,165	334,320
Transportation	57,423	17,014	630	22,048	15,864	523	393,003	10,237	516,742	41,344	3,324	561,410
Travel and conference	826	-	-	-	-	-	29,869	253	30,948	6,700	1,161	38,809
Building, equipment, and furnishings	4,771	-	-	-	-	-	-	17,758	22,529	-	9,171	31,700
Office equipment and furnishings	15,202	2,713	1,848	5,763	2,507	489	305,287	3,449	337,258	31,120	6,723	375,101
Insurance	1,201	686	340	1,428	579	191	61,841	11,612	77,878	101,252	426	179,556
Advertising and public relations	2,916	-	-	-	-	423	9,664	1,974	14,977	3,033	131,250	149,260
Dues and subscriptions	3,115	-	-	-	-	256	4,991	2,037	10,399	17,402	6,887	34,688
Professional fees	20,238	12,703	3,396	19,748	5,799	570	115,941	7,132	185,527	309,067	4,854	499,448
Fundraising	-	-	-	-	-	149	47	-	196	-	2,290	2,486
Event	-	2,700	-	-	-	-	813	3,736	7,249	661	180,217	188,127
Miscellaneous	1,269	-	-	-	-	-	1,734	913	3,916	119,744	1,116	124,776
Other staff	5,630	5,652	4,178	9,585	1,128	187	41,811	1,046	69,217	54,488	2,066	125,771
Bank charges and interest	-	-	-	-	-	-	-	-	-	35,702	2,297	37,999
Endowment	-	-	-	-	-	-	-	-	-	-	678	678
	2,678,140	1,163,684	148,835	1,313,457	748,156	58,099	17,971,546	323,994	24,405,911	3,154,447	1,396,487	28,956,845
Depreciation	33,048	10,931	5,203	22,304	9,243	2,984	145,805	123,615	353,133	63,423	7,139	423,695
<b>Total Functional Expenses</b>	<b>\$ 2,711,188</b>	<b>\$ 1,174,615</b>	<b>\$ 154,038</b>	<b>\$ 1,335,761</b>	<b>\$ 757,399</b>	<b>\$ 61,083</b>	<b>\$ 18,117,351</b>	<b>\$ 447,609</b>	<b>\$ 24,759,044</b>	<b>\$ 3,217,870</b>	<b>\$ 1,403,626</b>	<b>\$ 29,380,540</b>

See accompanying notes.

**Valley Youth House Committee, Inc.**

Statement of Functional Expenses (continued)

	Year Ended December 31, 2019											
	Program Services								Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Children's Mental Health	Family Intervention	Project Child	Independent Living	Camp Fowler				
Salaries	\$ 1,519,648	\$ 730,892	\$ 555,889	\$ 1,315,103	\$ 489,517	\$ 90,955	\$ 8,041,852	\$ 227,219	\$ 12,971,075	\$ 1,624,438	\$ 615,726	\$ 15,211,239
Employee benefits	237,148	126,594	89,783	203,383	91,499	11,846	1,385,286	28,949	2,174,488	52,336	105,112	2,331,936
Payroll taxes	116,283	55,633	45,756	100,991	36,992	7,019	612,810	17,782	993,266	108,424	45,515	1,147,205
<b>Total Salaries and Related Benefits</b>	<b>1,873,079</b>	<b>913,119</b>	<b>691,428</b>	<b>1,619,477</b>	<b>618,008</b>	<b>109,820</b>	<b>10,039,948</b>	<b>273,950</b>	<b>16,138,829</b>	<b>1,785,198</b>	<b>766,353</b>	<b>18,690,380</b>
Programmatic												
Contracted client services	8,487	16,962	6,850	20,032	3,466	1,452	856,701	348	914,298	2,351	1,329	917,978
Direct client service costs	69,359	2,271	3,643	4,940	(1,526)	3,271	3,823,929	1,489	3,907,376	65	16,215	3,923,656
Program occupancy	1,465	-	-	-	-	-	521,106	-	522,571	-	-	522,571
Program supplies	93,452	2,571	17,115	2,428	2,622	3,438	498,309	48,514	668,449	350	111,235	780,034
Occupancy	161,036	22,885	15,278	47,768	19,254	6,355	718,677	72,998	1,064,251	98,734	20,451	1,183,436
Communications	19,792	11,524	5,140	24,036	8,305	2,570	213,078	5,727	290,172	60,955	8,344	359,471
Postage and shipping	249	428	463	947	217	446	10,966	33	13,749	7,057	1,388	22,194
Printing and photocopying	5,772	1,119	2,071	2,010	920	487	41,116	2,484	55,979	7,371	18,201	81,551
Materials and supplies	22,977	5,623	2,227	5,800	935	1,513	144,783	31,477	215,335	39,356	13,411	268,102
Transportation	97,803	24,082	6,395	63,910	32,162	1,416	700,206	15,043	941,017	57,189	11,377	1,009,583
Travel and conference	7,155	1,139	620	450	2,787	355	76,914	2,145	91,565	10,486	6,411	108,462
Building, equipment, and furnishings	3,046	-	-	-	-	-	7,568	3,000	13,614	800	-	14,414
Office equipment and furnishings	21,753	5,567	2,147	10,017	2,967	1,547	161,292	3,909	209,199	13,194	3,181	225,574
Insurance	2,187	669	435	1,393	565	186	58,115	12,068	75,618	95,492	651	171,761
Advertising and public relations	3,518	1,552	1,100	-	-	632	19,553	3,061	29,416	3,167	14,746	47,329
Dues and subscriptions	5,319	186	50	-	-	50	2,959	625	9,189	15,354	6,331	30,874
Professional fees	23,536	14,587	8,092	24,016	6,460	626	111,693	1,396	190,406	191,701	13,479	395,586
Fundraising	-	-	-	-	-	13	-	-	13	(298)	1,251	966
Event	132	5,716	8	54	13	8,101	8,211	62	22,297	4,139	467,520	493,956
Miscellaneous	(2,084)	-	(27)	(30)	(28)	(1)	4,264	653	2,747	118,197	2,063	123,007
Other staff	13,661	2,334	1,417	26,169	12,795	497	62,930	9,320	129,123	96,439	7,334	232,896
Bank charges and interest	-	-	-	-	-	-	-	-	-	13,599	2,619	16,218
Endowment	-	-	-	-	-	-	-	-	-	-	678	678
	2,431,694	1,032,334	764,452	1,853,417	709,922	142,774	18,082,318	488,302	25,505,213	2,620,896	1,494,568	29,620,677
Depreciation	30,990	10,672	6,722	21,761	9,017	2,909	149,476	124,026	355,573	59,640	6,977	422,190
<b>Total Functional Expenses</b>	<b>\$ 2,462,684</b>	<b>\$ 1,043,006</b>	<b>\$ 771,174</b>	<b>\$ 1,875,178</b>	<b>\$ 718,939</b>	<b>\$ 145,683</b>	<b>\$ 18,231,794</b>	<b>\$ 612,328</b>	<b>\$ 25,860,786</b>	<b>\$ 2,680,536</b>	<b>\$ 1,501,545</b>	<b>\$ 30,042,867</b>

See accompanying notes.

## Valley Youth House Committee, Inc.

### Statement of Cash Flows

	Years Ended December 31,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,216,756	\$ 1,046,416
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	423,695	422,189
Deferred compensation forfeitures	-	(64,615)
Increase in cash surrender value of life insurance	(1,295)	(2,142)
Provision for uncollectible amounts of contracts and grants receivable	10,651	115,450
Provision for uncollectible amounts of promises to give	-	(531)
Change in unamortized discount for promises to give	-	(879)
Gain (loss) on disposal of property and equipment	3,664	(113,224)
Realized and unrealized gains on investments	(646,747)	(1,045,917)
Deferred compensation paid	(233,725)	-
(Increase) decrease in assets		
Contracts and grants receivable	(2,875,906)	612,693
Promises to give	-	(75,000)
Other receivables	26,226	43,897
Prepaid expenses	(7,110)	(36,400)
Increase (decrease) in liabilities		
Accounts payable	(202,797)	87,145
Accrued expenses	261,339	(76,159)
Deferred revenues	48,350	42,280
	<u>(1,976,899)</u>	<u>955,203</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(1,818,818)	(177,753)
Proceeds from sales of investments	2,066,979	291,707
Proceeds from sale of property and equipment	212,574	166,916
Purchases of property and equipment	(1,911,738)	(198,284)
	<u>(1,451,003)</u>	<u>82,586</u>

**Valley Youth House Committee, Inc.**

## Statement of Cash Flows (continued)

	Years Ended December 31,	
	2020	2019
<b>Cash Flows from Financing Activities</b>		
Repayments made on line of credit	\$ -	\$ -
Principal payments made on long-term debt	(114,767)	(111,099)
Proceeds from issuance of long-term debt	2,772,700	-
Capital campaign contributions received	520	10,659
	<u>2,658,453</u>	<u>(100,440)</u>
<b>Net Cash Provided by (Used in) Financing Activities</b>		
	<u>2,658,453</u>	<u>(100,440)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(769,449)	937,349
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>1,501,524</u>	<u>564,175</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 732,075</u>	<u>\$ 1,501,524</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 151,340</u>	<u>\$ 135,402</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 eight 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.

## **Valley Youth House Committee, Inc.**

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Notes to Financial Statements

December 31, 2020 and 2019

### **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, 2020 and 2019, management has established an allowance for uncollectible amounts of \$260,651 and \$250,000, 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. Management has concluded that no allowance for doubtful accounts was required at December 31, 2020 and 2019.

**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

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Property and Equipment (continued)**

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, 2020 and 2019.

**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. If a restriction is satisfied in the same year the contribution is received, the support is reported as revenue without donor restrictions.

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

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as 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.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Revenue Recognition (continued)**

**Contributions (continued)**

The Organization received materials for use at special events of \$56,346 and \$126,258 for the years ended December 31, 2020 and 2019, 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.

Grant revenue deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are nonreciprocal, unconditional, and voluntary.

**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, 2020 and 2019, advertising expense amounted to \$149,260 and \$47,329, 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.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Income Taxes and Tax-Exempt Status (continued)**

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, 2020 and 2019, 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 (ASC) 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 2017.

**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 Principles**

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurements (Topic 820)*. The amendments in this ASU remove, modify, and add certain disclosure requirements of ASC Topic 820. The Organization implemented this standard during the year ended December 31, 2020. The Organization has determined that the adoption of ASU 2018-13 did not have a material effect on the 2020 financial statements.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, as subsequently amended in ASU 2019-10. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*, 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 whether 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. The new standard will be effective for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require for not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets, as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

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

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other designations limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 732,075	\$ 1,501,524
Investments	7,501,244	6,868,933
Investments, Rabbi Trust Fund	337,758	532,540
Contracts and grants receivable, net	7,899,336	5,034,081
Promises to give, net	75,000	75,520
Other receivables	42,097	68,323
Cash value of life insurance	17,234	15,939
	<u>16,604,744</u>	<u>14,096,860</u>
<b>Total Financial Assets</b>	<b>16,604,744</b>	<b>14,096,860</b>
Amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose	(2,160,531)	(1,870,001)
Financial assets subject to time restrictions	(2,477,386)	(905,687)
Financial assets held for specified purpose designated by Board	(2,190,000)	(2,190,000)
Investments held for quasi-endowment	(3,003,855)	(2,696,531)
Investments held in perpetual endowment	(2,704,549)	(2,703,253)
Investments held for Rabbit Trust Fund	(337,758)	(532,540)
	<u>(13,873,079)</u>	<u>(10,903,012)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures within One Year</b>	<b>\$ 3,730,665</b>	<b>\$ 3,198,848</b>

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.

**Valley Youth House Committee, Inc.**

## Notes to Financial Statements

December 31, 2020 and 2019

**Note 4 - Investments**

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

	<u>2020</u>	<u>2019</u>
Cash equivalents	<u>\$ 191,468</u>	<u>\$ 227,126</u>
Common stocks	1,103,537	2,354,789
Mutual funds	5,433,781	3,669,589
Municipal bonds	133,270	115,622
Corporate bonds	572,048	552,888
Foreign bonds	58,079	69,132
Obligations of the U.S. Government and its agencies	332,143	397,475
Investments held by the Lehigh Valley Community Foundation	<u>14,676</u>	<u>14,852</u>
	<u>7,647,534</u>	<u>7,174,347</u>
	<u>\$ 7,839,002</u>	<u>\$ 7,401,473</u>

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

	<u>2020</u>	<u>2019</u>
Investments	<u>\$ 7,501,244</u>	<u>\$ 6,868,933</u>
Investments, Rabbi Trust Fund	<u>337,758</u>	<u>532,540</u>
	<u>\$ 7,839,002</u>	<u>\$ 7,401,473</u>

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

	<u>2020</u>	<u>2019</u>
Interest and dividends	<u>\$ 214,697</u>	<u>\$ 176,037</u>
Realized gains	99,192	49,116
Unrealized gains	547,555	996,801
Investment fees	<u>(42,562)</u>	<u>(40,808)</u>
	<u>\$ 818,882</u>	<u>\$ 1,181,146</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 measurements). 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 methods 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.

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### Note 5 - Fair Value of Financial Instruments (continued)

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, 2020				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Common Stocks</b>				
Consumer discretionary	\$ 160,480	\$ -	\$ -	\$ 160,480
Consumer staples	80,814	-	-	80,814
Energy	24,555	-	-	24,555
Financials	95,620	-	-	95,620
Health care	128,374	-	-	128,374
Industrials	80,722	-	-	80,722
Information technology	336,857	-	-	336,857
Materials	12,986	-	-	12,986
Real estate	12,384	-	-	12,384
Telecommunication	126,856	-	-	126,856
Utilities	43,889	-	-	43,889
<b>Mutual Funds, Fixed Income</b>	915,241	-	-	915,241
<b>Mutual Funds, Equities</b>				
Domestic	3,615,206	-	-	3,615,206
International	903,334	-	-	903,334
<b>Municipal Bonds</b>	-	133,270	-	133,270
<b>Corporate Bonds</b>	-	572,048	-	572,048
<b>Foreign Bonds</b>	-	58,079	-	58,079
<b>U.S. Government and Governmental Agency Obligations</b>	-	332,143	-	332,143
<b>Investments Held by the Lehigh Valley Community Foundation</b>	-	-	14,676	14,676
	<b>\$ 6,537,318</b>	<b>\$ 1,095,540</b>	<b>\$ 14,676</b>	<b>\$ 7,647,534</b>

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### Note 5 - Fair Value of Financial Instruments (continued)

	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
<b>Common Stocks</b>				
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
<b>Mutual Funds, Fixed Income</b>	854,602	-	-	854,602
<b>Mutual Funds, Equities</b>				
Domestic	2,092,398	-	-	2,092,398
International	722,589	-	-	722,589
<b>Municipal Bonds</b>	-	115,622	-	115,622
<b>Corporate Bonds</b>	-	552,888	-	552,888
<b>Foreign Bonds</b>	-	69,132	-	69,132
<b>U.S. Government and Governmental Agency Obligations</b>	-	397,475	-	397,475
<b>Investments Held by the Lehigh Valley Community Foundation</b>	-	-	14,852	14,852
	<u>\$ 6,024,378</u>	<u>\$ 1,135,117</u>	<u>\$ 14,852</u>	<u>\$ 7,174,347</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, 2020 and 2019, there were no transfers into or out of Level 3.

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### Note 6 - Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Land*	\$ 1,040,445	\$ 1,040,445
Buildings and improvements	9,563,384	8,777,989
Equipment and software	741,249	637,985
Vehicles	708,646	718,629
Construction in progress*	721,960	61,739
	<u>12,775,684</u>	11,236,787
Accumulated depreciation	<u>(3,885,164)</u>	<u>(3,618,072)</u>
	<u>\$ 8,890,520</u>	<u>\$ 7,618,715</u>

\* Not depreciated.

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$423,695 and \$422,189, respectively.

#### Note 7 - Promises to Give

Unconditional promises to give to the Organization at December 31, 2020 and 2019 were \$75,000 and 75,520, respectively. These amounts are due in less than one year.

#### 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 (3.25% and 4.75% as of December 31, 2020 and 2019, respectively). There was no amount outstanding at December 31, 2020 and 2019. This line of credit has an expiration date of April 30, 2021. 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 (3.25% and 4.75% as of December 31, 2020 and 2019, respectively). There was no amount outstanding at December 31, 2020 and 2019. This line of credit has an expiration date of June 30, 2021.

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### Note 9 - Long-Term Debt

A summary of the long-term debt is as follows at December 31:

	<u>2020</u>	<u>2019</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	\$ 3,472,650	\$ 3,587,417
Payroll protection program loan received from a bank. Total amount of the loan was \$2,772,700 received on April 20, 2020. On March 27, 2020, Congress enacted the CARES Act which established the Program to assist organizations in paying their employees and certain other expenses as established under the Program. Any of the loan amount not forgiven under the Program is expected to be due in April 2022 with interest at 1.00%. The loan is uncollateralized. On June 4, 2021, the Organization was notified that the PPP loan was fully forgiven and no further payments are due. Management has elected to present the full amount of the loan as current	<u>2,772,700</u>	-
	<b>6,245,350</b>	3,587,417
Current portion	<u>(2,891,467)</u>	<u>(114,767)</u>
	<b>\$ 3,353,883</b>	<b>\$ 3,472,650</b>

The future principal payments on the long-term debt are as follows for the five years ending December 31 and thereafter:

2021	\$ 2,891,467
2022	122,100
2023	125,767
2024	129,100
2025	133,433
Thereafter	<u>2,843,483</u>
	<b>\$ 6,245,350</b>

Total interest expense incurred under the lines of credit and long-term debt for the years ended December 31, 2020 and 2019 was \$151,340 and \$135,402, respectively.

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### 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. 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 \$337,758 and \$532,540 at December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Undesignated	\$ 4,937,394	\$ 5,891,486
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>3,003,855</u>	<u>2,696,531</u>
	<u>\$ 10,131,249</u>	<u>\$ 10,778,017</u>

#### 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>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
Project Child and other programs	\$ 25,115	\$ 14,505
Acquisition, renovation, and operation of the camp	1,699,613	1,353,095
Capital campaign, Great Beginnings	435,803	502,402
Subject to the passage of time		
Promises to give, net	75,000	75,520
Future periods	2,402,386	830,167
Perpetual in nature		
Endowment investments	<u>2,704,549</u>	<u>2,703,253</u>
	<u>\$ 7,342,466</u>	<u>\$ 5,478,942</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.

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.

**Valley Youth House Committee, Inc.**

Notes to Financial Statements

December 31, 2020 and 2019

**Note 13 - Net Assets in Endowment Fund (continued)**

**Interpretation of Relevant Law (continued)**

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

	<u>2020</u>	<u>2019</u>
Endowment funds without donor restrictions	\$ 3,003,855	\$ 2,696,531
Endowment funds with donor restrictions	<u>2,704,549</u>	<u>2,703,253</u>
	<u>\$ 5,708,404</u>	<u>\$ 5,399,784</u>

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

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Endowment Net Assets at Beginning of Year</b>	\$ 2,696,531	\$ 2,703,253	\$ 5,399,784
Contributions	1,229,304	1,296	1,230,600
Investment return			
Investment income	94,924	-	94,924
Net appreciation (realized and unrealized)	208,184	-	208,184
Investment fees	(15,449)	-	(15,449)
Withdrawals	<u>(1,209,639)</u>	<u>-</u>	<u>(1,209,639)</u>
<b>Endowment Net Assets at End of Year</b>	<u>\$ 3,003,855</u>	<u>\$ 2,704,549</u>	<u>\$ 5,708,404</u>
	<u>2019</u>		
<b>Endowment Net Assets at Beginning of Year</b>	\$ 2,223,575	\$ 2,701,112	\$ 4,924,687
Contributions	23	2,141	2,164
Investment return			
Investment income	63,684	-	63,684
Net appreciation (realized and unrealized)	423,819	-	423,819
Investment fees	(14,570)	-	(14,570)
Withdrawals	<u>-</u>	<u>-</u>	<u>-</u>
<b>Endowment Net Assets at End of Year</b>	<u>\$ 2,696,531</u>	<u>\$ 2,703,253</u>	<u>\$ 5,399,784</u>

## Valley Youth House Committee, Inc.

### Notes to Financial Statements

December 31, 2020 and 2019

#### Note 13 - Net Assets in Endowment Fund (continued)

##### 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, 2020 and 2019.

#### 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, 2020 and 2019 was \$481,267 and \$433,008, 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 \$300 to \$13,378. The future minimum rental payments required under the operating leases are as follows for the years ending December 31:

2021	\$	312,224
2022		228,958
2023		218,398
2024		155,934
2025		<u>2,025</u>
	\$	<u>917,539</u>

Total rent expense amounted to \$1,180,554 and \$1,026,589 for the years ended December 31, 2020 and 2019, respectively.

**Note 15 - Commitments and Contingencies (continued)**

**Commitments (continued)**

**Self-Insurance Accruals**

The Organization retains a portion of the risk under health insurance programs. The Organization retains the risk of loss up to \$65,000 of claims per year on a per employee basis. The Organization has stop loss insurance that insures against losses in excess of \$65,000 on a per employee basis and against aggregate losses in excess of \$1,000,000 during the plan year. The Organization has recorded an accrual based on estimates of claims that have been incurred, but not reported at December 31, 2020 and 2019. 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 \$80,653 and \$68,641 at December 31, 2020 and 2019, 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.

**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 \$7,839,002 and \$7,401,473 at December 31, 2020 and 2019, 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.

**Note 15 - Commitments and Contingencies (continued)**

**Contingencies (continued)**

**Government Contracts**

During the years ended December 31, 2020 and 2019, the Organization received approximately 74% and 76%, 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 - Risk and Uncertainties**

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.

**Note 18 - Reclassification of Prior Year**

Certain items in the 2019 financial statements have been reclassified to conform to the 2020 financial presentation. These reclassifications had no effect on the net income as previously reported in 2019.

**Note 19 - Subsequent Events**

The Organization has evaluated subsequent events through July 7, 2021. This date is the date the financial statements were available to be issued. The following event subsequent to December 31, 2020 was noted:

On June 4, 2021, the Organization was notified that their PPP loan was fully forgiven and no further payments are due.

No other material events subsequent to December 31, 2020 were noted.



## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

### **Independent Auditor's Report**

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

We have audited, 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, the financial statements of Valley Youth House Committee, Inc., which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated July 7, 2021.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Valley Youth House Committee, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley Youth House Committee, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Valley Youth House Committee, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Valley Youth House Committee, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RKL LLP

July 7, 2021  
Wyomissing, Pennsylvania