



Financial Statements

December 31, 2021 and 2020

Valley Youth House Committee, Inc.

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December 31, 2021 and 2020

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Valley Youth House Committee, Inc. (a Pennsylvania nonprofit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and; therefore, is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

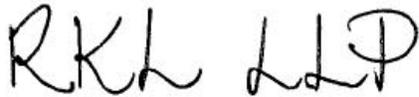
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

As described in Note 19, the Organization restated their net assets and net assets released from restrictions as of and for the year ended December 31, 2020. Our opinion is not modified in respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 10, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

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

May 10, 2022
Wyomissing, Pennsylvania

Valley Youth House Committee, Inc.

Statement of Financial Position

| | December 31, | |
|--------------------------------------|----------------------|---------------|
| | 2021 | 2020 |
| | | (As Restated) |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,296,973 | \$ 732,075 |
| Contracts and grants receivable, net | 8,500,975 | 7,899,336 |
| Promises to give, net | 37,000 | 75,000 |
| Other receivables | 126,388 | 42,097 |
| Prepaid expenses | 859,529 | 531,334 |
| Total Current Assets | 11,820,865 | 9,279,842 |
| Property and Equipment, Net | 9,974,280 | 8,890,520 |
| Other Assets | | |
| Investments | 8,301,696 | 7,501,244 |
| Investments, Rabbi Trust Fund | 197,657 | 337,758 |
| Cash value of life insurance | 20,918 | 17,234 |
| Total Other Assets | 8,520,271 | 7,856,236 |
| Total Assets | \$ 30,315,416 | \$ 26,026,598 |

Valley Youth House Committee, Inc.

Statement of Financial Position (continued)

| | December 31, | |
|---|----------------------|----------------------|
| | 2021 | 2020 |
| | | (As Restated) |
| <i>Liabilities and Net Assets</i> | | |
| Current Liabilities | | |
| Current portion of long-term debt | \$ 125,630 | \$ 2,891,467 |
| Accounts payable | 219,613 | 231,253 |
| Accrued expenses | 2,052,507 | 1,510,016 |
| Deferred revenues | 2,344,171 | 228,506 |
| | <u>4,741,921</u> | <u>4,861,242</u> |
| Total Current Liabilities | 4,741,921 | 4,861,242 |
| Deferred Compensation Plan | 197,657 | 337,758 |
| Long-Term Debt, Less Current Portion | 3,420,253 | 3,353,883 |
| | <u>8,359,831</u> | <u>8,552,883</u> |
| Total Liabilities | 8,359,831 | 8,552,883 |
| Net Assets | | |
| Without donor restrictions | | |
| Board-designated | 5,610,266 | 5,193,855 |
| Undesignated | 9,764,943 | 6,157,964 |
| | <u>15,375,209</u> | <u>11,351,819</u> |
| With donor restrictions | 6,580,376 | 6,121,896 |
| | <u>21,955,585</u> | <u>17,473,715</u> |
| Total Net Assets | 21,955,585 | 17,473,715 |
| | <u>\$ 30,315,416</u> | <u>\$ 26,026,598</u> |
| Total Liabilities and Net Assets | \$ 30,315,416 | \$ 26,026,598 |

Valley Youth House Committee, Inc.

Statement of Activities

| | Year Ended December 31, 2021 | | | Year Ended December 31, 2020 (As Restated) | | |
|---|------------------------------|-------------------------|----------------------|--|-------------------------|----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenues, Gains, and Other Support | | | | | | |
| Contributions | \$ 1,032,694 | \$ 3,026,032 | \$ 4,058,726 | \$ 1,289,077 | \$ 2,491,789 | \$ 3,780,866 |
| United Way allocations | 371,000 | - | 371,000 | 371,000 | - | 371,000 |
| Purchase of service fees | 22,660,849 | - | 22,660,849 | 17,799,059 | - | 17,799,059 |
| State and federal grants | 5,237,373 | (7,532) | 5,229,841 | 4,788,439 | 203,000 | 4,991,439 |
| Magellan/Medical Assistance | 1,978,127 | - | 1,978,127 | 1,721,391 | - | 1,721,391 |
| Program service fees | 610,229 | - | 610,229 | 395,398 | - | 395,398 |
| Special events | 745,403 | - | 745,403 | 722,925 | - | 722,925 |
| Investment income | 440,647 | 642,418 | 1,083,065 | 308,616 | 510,266 | 818,882 |
| Gain (loss) on disposal of property and equipment | 11,698 | - | 11,698 | (3,664) | - | (3,664) |
| Paycheck Protection Program loan forgiveness | 2,804,212 | - | 2,804,212 | - | - | - |
| Net assets released from restrictions | 3,202,438 | (3,202,438) | - | 2,562,101 | (2,562,101) | - |
| Total Revenues, Gains, and Other Support | 39,094,670 | 458,480 | 39,553,150 | 29,954,342 | 642,954 | 30,597,296 |
| Expenses | | | | | | |
| Program services | 29,853,145 | - | 29,853,145 | 24,759,044 | - | 24,759,044 |
| Management and general | 3,856,475 | - | 3,856,475 | 3,217,870 | - | 3,217,870 |
| Fundraising | 1,361,660 | - | 1,361,660 | 1,403,626 | - | 1,403,626 |
| Total Expenses | 35,071,280 | - | 35,071,280 | 29,380,540 | - | 29,380,540 |
| Change in Net Assets | 4,023,390 | 458,480 | 4,481,870 | 573,802 | 642,954 | 1,216,756 |
| Net Assets at Beginning of Year | 11,351,819 | 6,121,896 | 17,473,715 | 10,778,017 | 5,478,942 | 16,256,959 |
| Net Assets at End of Year | \$ 15,375,209 | \$ 6,580,376 | \$ 21,955,585 | \$ 11,351,819 | \$ 6,121,896 | \$ 17,473,715 |

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification

| Year Ended December 31, 2021 | | | | | | | | | | | | |
|--|-----------------------|--------------------------------------|-------------------------|--------------------------------|------------------------|------------------|-----------------------|-------------------|------------------------------|------------------------------|---------------------|----------------------|
| Program Services | | | | | | | | | | | | |
| | Shelter Operations | Adolescents/ Families Together | Prevention Education | Children's Mental Health | Family Intervention | Project Child | Independent Living | Camp Fowler | Total Program Services | Management and General | Fundraising | Total |
| Salaries | \$ 1,674,754 | \$ 494,293 | \$ 611,515 | \$ 896,713 | \$ 482,836 | \$ 30,795 | \$ 9,526,879 | \$ 192,223 | \$ 13,910,008 | \$ 2,040,772 | \$ 755,368 | \$ 16,706,148 |
| Employee benefits | 309,487 | 128,770 | 65,295 | 181,298 | 150,445 | 10,505 | 1,946,991 | 30,347 | 2,823,138 | 362,698 | 124,008 | 3,309,844 |
| Payroll taxes | 131,791 | 40,881 | 49,751 | 72,232 | 38,613 | 2,524 | 751,781 | 15,204 | 1,102,777 | 157,608 | 54,303 | 1,314,688 |
| Total Salaries and Related Benefits | 2,116,032 | 663,944 | 726,561 | 1,150,243 | 671,894 | 43,824 | 12,225,651 | 237,774 | 17,835,923 | 2,561,078 | 933,679 | 21,330,680 |
| Programmatic | | | | | | | | | | | | |
| Contracted client services | 9,485 | 2 | 6,751 | 12,913 | 2,331 | 1,125 | 407,863 | 2,041 | 442,511 | 26,032 | (20) | 468,523 |
| Direct client service costs | 173,303 | 89 | 24,500 | 581 | 1,526 | 3,377 | 6,333,491 | 7,342 | 6,544,209 | 18,856 | 16,965 | 6,580,030 |
| Program occupancy | 33,998 | - | - | - | - | - | 960,863 | - | 994,861 | - | - | 994,861 |
| Program supplies | 89,895 | 688 | 20,810 | 794 | 836 | 183 | 546,512 | 11,520 | 671,238 | 2,273 | 77,778 | 751,289 |
| Occupancy | 168,883 | 9,654 | 21,112 | 47,406 | 22,494 | 6,343 | 748,329 | 89,352 | 1,113,573 | 106,633 | 22,399 | 1,242,605 |
| Communications | 20,180 | 6,192 | 7,187 | 20,846 | 7,731 | 2,412 | 230,841 | 7,348 | 302,737 | 36,141 | 7,915 | 346,793 |
| Postage and shipping | 325 | 67 | 223 | 352 | 152 | 1,002 | 14,072 | 226 | 16,419 | 8,147 | 2,014 | 26,580 |
| Printing and photocopying | 1,049 | 94 | 1,456 | 515 | 309 | 65 | 12,385 | 2,502 | 18,375 | 1,499 | 14,241 | 34,115 |
| Materials and supplies | 35,608 | 414 | 2,338 | 2,647 | 1,543 | 455 | 143,520 | 51,151 | 237,676 | 28,135 | 5,827 | 271,638 |
| Transportation | 62,620 | 12,040 | 1,951 | 29,491 | 20,549 | 518 | 416,916 | 15,702 | 559,787 | 37,511 | 3,122 | 600,420 |
| Travel and conference | 1,214 | 561 | 138 | 744 | 274 | 8 | 18,682 | 161 | 21,782 | 1,585 | 2,007 | 25,374 |
| Building, equipment, and furnishings | 3,326 | - | - | - | - | - | 9,025 | 18,552 | 30,903 | 144 | - | 31,047 |
| Office equipment and furnishings | 19,175 | 885 | 8,730 | 6,430 | 3,069 | 740 | 152,655 | 5,798 | 197,482 | 51,948 | 2,545 | 251,975 |
| Insurance | 3,818 | 321 | 610 | 1,457 | 680 | 192 | 55,371 | 11,568 | 74,017 | 116,205 | 579 | 190,801 |
| Advertising and public relations | 801 | 6 | 17,064 | 30 | 15 | 164 | 21,414 | 3,795 | 43,289 | 10,847 | 49,875 | 104,011 |
| Dues and subscriptions | 1,626 | - | 8,056 | 35 | - | (54) | 3,702 | 1,549 | 14,914 | 19,334 | 3,643 | 37,891 |
| Professional fees | 24,288 | 9,018 | 9,794 | 26,191 | 7,779 | 821 | 126,758 | 1,118 | 205,767 | 363,587 | 11,621 | 580,975 |
| Fundraising | - | - | - | - | - | 126 | 164 | - | 290 | 4,680 | 2,244 | 7,214 |
| Event | 546 | - | - | - | 2,100 | 119 | 3,734 | 3,790 | 10,289 | 1,693 | 190,373 | 202,355 |
| Miscellaneous | 83 | - | - | - | - | - | 8,502 | 34 | 8,619 | 256,124 | - | 264,743 |
| Other staff | 8,629 | 2,121 | 32,339 | 6,070 | 18,503 | 1,800 | 44,107 | 8,952 | 122,521 | 107,416 | 3,532 | 233,469 |
| Bank charges and interest | - | - | - | - | - | - | 10,905 | - | 10,905 | 35,399 | 3,497 | 49,801 |
| Endowment | - | - | - | - | - | - | - | - | - | - | 678 | 678 |
| | 2,774,884 | 706,096 | 889,620 | 1,306,745 | 761,785 | 63,220 | 22,495,462 | 480,275 | 29,478,087 | 3,795,267 | 1,354,514 | 34,627,868 |
| Depreciation | 37,048 | 5,074 | 9,599 | 22,335 | 10,742 | 2,990 | 127,155 | 160,115 | 375,058 | 61,208 | 7,146 | 443,412 |
| Total Functional Expenses | \$ 2,811,932 | \$ 711,170 | \$ 899,219 | \$ 1,329,080 | \$ 772,527 | \$ 66,210 | \$ 22,622,617 | \$ 640,390 | \$ 29,853,145 | \$ 3,856,475 | \$ 1,361,660 | \$ 35,071,280 |

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

| Year Ended December 31, 2020 | | | | | | | | | | | | |
|--|-----------------------|--------------------------------------|-------------------------|--------------------------------|------------------------|------------------|-----------------------|-------------------|------------------------------|------------------------------|---------------------|----------------------|
| Program Services | | | | | | | | | | | | |
| | Shelter Operations | Adolescents/ Families Together | Prevention Education | Children's Mental Health | Family Intervention | Project Child | Independent Living | Camp Fowler | Total Program Services | Management and General | Fundraising | Total |
| Salaries | \$ 1,627,715 | \$ 629,306 | \$ 274,537 | \$ 898,735 | \$ 566,101 | \$ 32,485 | \$ 8,665,998 | \$ 129,303 | \$ 12,824,180 | \$ 1,709,158 | \$ 706,244 | \$ 15,239,582 |
| Employee benefits | 269,447 | 130,386 | 28,970 | 189,594 | 135,572 | 8,614 | 1,506,312 | 16,483 | 2,285,378 | 304,502 | 110,682 | 2,700,562 |
| Payroll taxes | 129,937 | 47,102 | 21,933 | 73,409 | 41,989 | 2,481 | 664,181 | 11,190 | 992,222 | 129,835 | 49,316 | 1,171,373 |
| Total Salaries and Related Benefits | 2,027,099 | 806,794 | 325,440 | 1,161,738 | 743,662 | 43,580 | 10,836,491 | 156,976 | 16,101,780 | 2,143,495 | 866,242 | 19,111,517 |
| Programmatic | | | | | | | | | | | | |
| Contracted client services | 11,485 | - | 1,965 | 14,686 | 9,534 | 507 | 527,810 | 5,623 | 571,610 | 7,768 | 520 | 579,898 |
| Direct client service costs | 132,688 | 40 | 304 | 2,027 | (256) | 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 | 42 | 5,402 | 3,147 | 4,943 | 252 | 466,411 | 7,971 | 573,446 | 8,060 | 21,352 | 602,858 |
| Occupancy | 161,740 | 10,031 | 19,082 | 44,865 | 21,305 | 6,007 | 721,584 | 46,735 | 1,031,349 | 115,183 | 19,992 | 1,166,524 |
| Communications | 17,785 | 7,478 | 9,756 | 22,818 | 8,515 | 2,315 | 242,470 | 5,701 | 316,838 | 74,440 | 9,626 | 400,904 |
| Postage and shipping | 685 | 230 | 287 | 567 | 226 | 230 | 10,173 | 35 | 12,433 | 6,676 | 2,909 | 22,018 |
| Printing and photocopying | 3,089 | 292 | 628 | 1,516 | 674 | 174 | 23,924 | 1,235 | 31,532 | 3,010 | 20,007 | 54,549 |
| Materials and supplies | 37,487 | 770 | 2,406 | 3,521 | 3,388 | 702 | 174,793 | 37,400 | 260,467 | 67,688 | 6,165 | 334,320 |
| Transportation | 57,423 | 11,982 | 3,241 | 22,048 | 18,284 | 523 | 393,003 | 10,237 | 516,741 | 41,344 | 3,324 | 561,409 |
| 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 | 1,777 | 2,532 | 5,763 | 2,760 | 489 | 305,287 | 3,449 | 337,259 | 31,120 | 6,723 | 375,102 |
| Insurance | 1,201 | 319 | 607 | 1,428 | 678 | 191 | 61,841 | 11,612 | 77,877 | 101,252 | 426 | 179,555 |
| 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 | 7,903 | 7,141 | 19,748 | 6,855 | 570 | 115,941 | 7,132 | 185,528 | 309,067 | 4,854 | 499,449 |
| 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 | 1,425 | 8,108 | 9,585 | 1,425 | 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 | 849,083 | 386,899 | 1,313,457 | 824,693 | 58,099 | 17,971,546 | 323,994 | 24,405,911 | 3,154,447 | 1,396,487 | 28,956,845 |
| Depreciation | 33,048 | 5,070 | 9,585 | 22,304 | 10,722 | 2,984 | 145,805 | 123,615 | 353,133 | 63,423 | 7,139 | 423,695 |
| Total Functional Expenses | \$ 2,711,188 | \$ 854,153 | \$ 396,484 | \$ 1,335,761 | \$ 835,415 | \$ 61,083 | \$ 18,117,351 | \$ 447,609 | \$ 24,759,044 | \$ 3,217,870 | \$ 1,403,626 | \$ 29,380,540 |

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Cash Flows

| | Years Ended December 31, | |
|--|--------------------------|--------------------|
| | 2021 | 2020 |
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 4,481,870 | \$ 1,216,756 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 443,412 | 423,695 |
| Increase in cash surrender value of life insurance | (3,684) | (1,295) |
| Provision for uncollectible amounts of contracts and grants receivable | 240,989 | 10,651 |
| (Gain) loss on sale of property and equipment | (11,698) | 3,664 |
| Realized and unrealized gains on investments | (959,148) | (646,747) |
| Deferred compensation paid | (178,507) | (233,725) |
| Restricted contributions, endowment | (203,684) | (1,296) |
| Paycheck Protection Program loan forgiveness | (2,772,700) | - |
| (Increase) decrease in assets | | |
| Contracts and grants receivable | (842,628) | (2,875,906) |
| Promises to give | 38,000 | - |
| Other receivables | (84,291) | 26,226 |
| Prepaid expenses | (328,195) | (7,110) |
| Increase (decrease) in liabilities | | |
| Accounts payable | (11,640) | (202,797) |
| Accrued expenses | 542,491 | 261,339 |
| Deferred revenues | 2,115,665 | 48,350 |
| Net Cash Provided by (Used in) Operating Activities | 2,466,252 | (1,978,195) |
| Cash Flows from Investing Activities | | |
| Purchases of investments | (153,559) | (1,818,818) |
| Proceeds from sales of investments | 490,762 | 2,066,979 |
| Proceeds from sale of property and equipment | 23,886 | 212,574 |
| Purchases of property and equipment | (1,539,360) | (1,911,738) |
| Net Cash Used in Investing Activities | (1,178,271) | (1,451,003) |

Valley Youth House Committee, Inc.

Statement of Cash Flows (continued)

| | Years Ended December 31, | |
|---|---------------------------------|-------------------|
| | 2021 | 2020 |
| Cash Flows from Financing Activities | | |
| Principal payments made on long-term debt | \$ (118,767) | \$ (114,767) |
| Proceeds from issuance of long-term debt | 192,000 | 2,772,700 |
| Capital campaign contributions received | - | 520 |
| Restricted contributions, endowment | 203,684 | 1,296 |
| | <u>276,917</u> | <u>2,659,749</u> |
| Net Cash Provided by Financing Activities | | |
| | <u>276,917</u> | <u>2,659,749</u> |
| Increase (Decrease) in Cash and Cash Equivalents | 1,564,898 | (769,449) |
| Cash and Cash Equivalents at Beginning of Year | 732,075 | 1,501,524 |
| Cash and Cash Equivalents at End of Year | \$ 2,296,973 | \$ 732,075 |
| Supplemental Disclosure of Cash Flow Information | | |
| Interest paid | <u>\$ 114,835</u> | <u>\$ 151,340</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 assistance component provides short-term school-based counseling for students exhibiting behavioral difficulty.

Children's Mental Health

This program has three 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. 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.

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020, management has established an allowance for uncollectible amounts of \$150,000 and \$260,651, 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-adjusted 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, 2021 and 2020.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

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, 2021 and 2020.

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.

The Organization received materials for use at special events of \$53,682 and \$56,346 for the years ended December 31, 2021 and 2020, respectively, which were reflected as revenues and expenses on the statement of activities.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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, 2021 and 2020, advertising expense amounted to \$104,011 and \$149,260, respectively.

Income Taxes and Tax-Exempt Status

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

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its statement of activities. At December 31, 2021 and 2020, there was no accrual for the payment of penalties and interest.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes and Tax-Exempt Status (continued)

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of 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 before 2018.

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 - by natural classification. 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.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, as subsequently amended in ASU 2020-10. 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.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

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.

Note 3 - Liquidity and Availability

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

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 2,296,973 | \$ 732,075 |
| Investments | 8,301,696 | 7,501,244 |
| Investments, Rabbi Trust Fund | 197,675 | 337,758 |
| Contracts and grants receivable, net | 8,500,975 | 7,899,336 |
| Promises to give, net | 37,000 | 75,000 |
| Other receivables | 126,388 | 42,097 |
| Cash value of life insurance | 20,918 | 17,234 |
| Total Financial Assets | 19,481,625 | 16,604,744 |
| Amounts that are internally designated or externally restricted | | |
| Financial assets subject to donor restrictions for specified purpose | (1,318,633) | (939,961) |
| Financial assets subject to time restrictions | (2,353,510) | (2,477,386) |
| Financial assets held for specified purpose designated by Board | (2,190,000) | (2,190,000) |
| Investments held for quasi-endowment | (3,420,266) | (3,003,855) |
| Investments held in perpetual endowment | (2,908,233) | (2,704,549) |
| Investments held for Rabbit Trust Fund | (197,675) | (337,758) |
| Financial Assets Available to Meet Cash Needs for General Expenditures within One Year | \$ 7,093,308 | \$ 4,951,235 |

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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 had two unsecured lines of credit available which can provide borrowings up to \$3,700,000 at December 31, 2021.

Note 4 - Investments

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

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Cash equivalents | \$ 238,648 | \$ 191,468 |
| Common stocks | 901,850 | 1,103,537 |
| Mutual funds | 6,219,411 | 5,433,781 |
| Municipal bonds | - | 133,270 |
| Corporate bonds | 784,415 | 572,048 |
| Foreign bonds | - | 58,079 |
| Obligations of the U.S. Government and its agencies | 336,290 | 332,143 |
| Investments held by the Lehigh Valley Community Foundation | 18,739 | 14,676 |
| | <u>8,260,705</u> | <u>7,647,534</u> |
| | <u>\$ 8,499,353</u> | <u>\$ 7,839,002</u> |

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

| | <u>2021</u> | <u>2020</u> |
|-------------------------------|---------------------|---------------------|
| Investments | \$ 8,301,696 | \$ 7,501,244 |
| Investments, Rabbi Trust Fund | 197,657 | 337,758 |
| | <u>\$ 8,499,353</u> | <u>\$ 7,839,002</u> |

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 4 - Investments (continued)

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

| | <u>2021</u> | <u>2020</u> |
|------------------------|---------------------|-------------------|
| Interest and dividends | \$ 174,048 | \$ 214,697 |
| Realized gains | 506,411 | 99,192 |
| Unrealized gains | 452,737 | 547,555 |
| Investment fees | <u>(50,131)</u> | <u>(42,562)</u> |
| | <u>\$ 1,083,065</u> | <u>\$ 818,882</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 tables 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.

Obligations of the U.S. Government and its agencies and other 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, 2021 and 2020

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, 2021 | | | |
|---|--|--|--|---------------------|
| | 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 | \$ 133,976 | \$ - | \$ - | \$ 133,976 |
| Consumer staples | 39,212 | - | - | 39,212 |
| Energy | 13,720 | - | - | 13,720 |
| Financials | 88,479 | - | - | 88,479 |
| Health care | 87,443 | - | - | 87,443 |
| Industrials | 62,260 | - | - | 62,260 |
| Information technology | 266,303 | - | - | 266,303 |
| Materials | 14,359 | - | - | 14,359 |
| Real estate | 87,991 | - | - | 87,991 |
| Telecommunication | 96,413 | - | - | 96,413 |
| Utilities | 11,694 | - | - | 11,694 |
| Mutual Funds, Fixed Income | 1,079,883 | - | - | 1,079,883 |
| Mutual Funds, Equities | | | | |
| Domestic | 4,107,243 | - | - | 4,107,243 |
| International | 1,032,285 | - | - | 1,032,285 |
| Corporate Bonds | - | 784,415 | - | 784,415 |
| U.S. Government and Governmental Agency Obligations | - | 336,290 | - | 336,290 |
| Investments Held by the Lehigh Valley Community Foundation | - | - | 18,739 | 18,739 |
| | <u>\$ 7,121,261</u> | <u>\$ 1,120,705</u> | <u>\$ 18,739</u> | <u>\$ 8,260,705</u> |

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 5 - Fair Value of Financial Instruments (continued)

| | Fair Value Measurements at December 31, 2020 | | | Total |
|----------------------------|--|--|--|---------------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Common Stocks | | | | |
| 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 |
| Mutual Funds, | | | | |
| Fixed Income | 915,241 | - | - | 915,241 |
| Mutual Funds, | | | | |
| Equities | | | | |
| Domestic | 3,615,206 | - | - | 3,615,206 |
| International | 903,334 | - | - | 903,334 |
| Municipal Bonds | - | 133,270 | - | 133,270 |
| Corporate Bonds | - | 572,048 | - | 572,048 |
| Foreign Bonds | - | 58,079 | - | 58,079 |
| U.S. Government and | | | | |
| Governmental | | | | |
| Agency Obligations | - | 332,143 | - | 332,143 |
| Investments Held by | | | | |
| the Lehigh Valley | | | | |
| Community | | | | |
| Foundation | - | - | 14,676 | 14,676 |
| | <u>\$ 6,537,318</u> | <u>\$ 1,095,540</u> | <u>\$ 14,676</u> | <u>\$ 7,647,534</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, 2021 and 2020, there were no transfers into or out of Level 3.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 6 - Property and Equipment

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

| | <u>2021</u> | <u>2020</u> |
|----------------------------|---------------------|---------------------|
| Land* | \$ 1,214,268 | \$ 1,040,445 |
| Buildings and improvements | 11,478,937 | 9,563,384 |
| Equipment and software | 737,699 | 741,249 |
| Vehicles | 782,452 | 708,646 |
| Construction in progress* | 18,346 | 721,960 |
| | <u>14,231,702</u> | 12,775,684 |
| Accumulated depreciation | <u>(4,257,422)</u> | <u>(3,885,164)</u> |
| | <u>\$ 9,974,280</u> | <u>\$ 8,890,520</u> |

* Not depreciated.

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$443,412 and \$423,695, respectively.

Note 7 - Promises to Give

Unconditional promises to give to the Organization at December 31, 2021 and 2020 were \$37,000 and \$75,000, 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% at December 31, 2021 and 2020). There was no amount outstanding at December 31, 2021 and 2020. This line of credit has an expiration date of December 31, 2079. During March 2022, this line of credit was amended to increase the borrowing availability to \$3,700,000.

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% at December 31, 2021 and 2020). There was no amount outstanding at December 31, 2021 and 2020. This line of credit was cancelled by the Organization in March 2022.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 9 - Long-Term Debt

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

| | <u>2021</u> | <u>2020</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 | \$ 3,353,883 | \$ 3,472,650 |
| Community Lenders Community Development Corporation term loan with monthly payments of interest and principal, commencing January 2022 through December 2051, including interest 3.75%, and secured by the building. The note is based on a 30 year amortization | 192,000 | - |
| 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. On June 4, 2021, the Organization was notified that the PPP loan was fully forgiven and no further payments are due | - | 2,772,700 |
| | 3,545,883 | 6,245,350 |
| Current portion | (125,630) | (2,891,467) |
| | \$ 3,420,253 | \$ 3,353,883 |

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

| | |
|------------|---------------------|
| 2022 | \$ 125,630 |
| 2023 | 129,432 |
| 2024 | 132,905 |
| 2025 | 137,383 |
| 2026 | 141,868 |
| Thereafter | <u>2,878,665</u> |
| | \$ 3,545,883 |

Total interest expense incurred under the lines of credit and long-term debt for the years ended December 31, 2021 and 2020 was \$146,347 and \$151,340, respectively.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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 \$197,657 and \$337,758 at December 31, 2021 and 2020, 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>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Undesignated | \$ 9,764,943 | \$ 6,157,964 |
| 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>3,420,266</u> | <u>3,003,855</u> |
| | <u>\$ 15,375,209</u> | <u>\$ 11,351,819</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>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Subject to expenditure for specified purpose | | |
| Project Child and other programs | \$ 35,617 | \$ 25,115 |
| Acquisition, renovation, and operation of the camp | 847,213 | 479,043 |
| Capital campaign, Great Beginnings | 435,803 | 435,803 |
| Subject to the passage of time | | |
| Promises to give, net | 37,000 | 75,000 |
| Future periods | 2,316,510 | 2,402,386 |
| Perpetual in nature | | |
| Endowment investments | <u>2,908,233</u> | <u>2,704,549</u> |
| | <u>\$ 6,580,376</u> | <u>\$ 6,121,896</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 at target allocations of 65% in equities and 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, 2021 and 2020

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>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Endowment funds without donor restrictions | \$ 3,420,266 | \$ 3,003,855 |
| Endowment funds with donor restrictions | <u>2,908,233</u> | <u>2,704,549</u> |
| | <u>\$ 6,328,499</u> | <u>\$ 5,708,404</u> |

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

| | <u>2021</u> | | |
|--|---------------------------------------|------------------------------------|---------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment Net Assets at Beginning of Year | \$ 3,003,855 | \$ 2,704,549 | \$ 5,708,404 |
| Contributions | - | 203,684 | 203,684 |
| Investment return | | | |
| Investment income | 57,351 | - | 57,351 |
| Net appreciation (realized and unrealized) | 377,061 | - | 377,061 |
| Investment fees | <u>(18,001)</u> | <u>-</u> | <u>(18,001)</u> |
| Endowment Net Assets at End of Year | <u>\$ 3,420,266</u> | <u>\$ 2,908,233</u> | <u>\$ 6,328,499</u> |
| | <u>2020</u> | | |
| Endowment Net Assets at Beginning of Year | \$ 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> |
| Endowment Net Assets at End of Year | <u>\$ 3,003,855</u> | <u>\$ 2,704,549</u> | <u>\$ 5,708,404</u> |

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

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, 2021 and 2020.

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, 2021 and 2020 was \$465,382 and \$481,267, 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:

| | | |
|------|----|---------|
| 2022 | \$ | 559,319 |
| 2023 | | 216,375 |
| 2024 | | 153,910 |
| | | <hr/> |
| | \$ | 929,604 |
| | | <hr/> |

Total rent expense amounted to \$1,493,992 and \$1,180,554 for the years ended December 31, 2021 and 2020, 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 \$75,000 of claims per year on a per employee basis. The Organization has stop loss insurance that insures against losses in excess of \$75,000 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, 2021 and 2020. 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 \$120,756 and \$80,653 at December 31, 2021 and 2020, 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 and cash equivalents.

Investments

The Organization's investments of \$8,499,353 and \$7,839,002 at December 31, 2021 and 2020, 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, 2021 and 2020, the Organization received approximately 71% and 74%, 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 2020 financial statements have been reclassified to conform to the 2021 financial presentation. These reclassifications had no effect on the net income as previously reported in 2020.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2021 and 2020

Note 19 - Prior Period Adjustment

The Organization's net assets and net assets released from restrictions for the year ended December 31, 2020 were restated related to property incorrectly being classified as with donor restrictions. The balances were restated as follows:

| | Statement of Financial Position, December 31, 2020 | | |
|--|--|----------------------|------------------------------|
| | As Previously Reported | As Restated | Effect of Changes |
| Net Assets | | | |
| Without donor restrictions - undesignated | \$ 4,937,394 | \$ 6,157,964 | \$ (1,220,570) |
| With donor restrictions | \$ 7,342,466 | \$ 6,121,896 | \$ 1,220,570 |
| Total Net Assets | \$ 26,026,598 | \$ 26,026,598 | \$ - |
| | Statement of Activities, Year Ended December 31, 2020 | | |
| | As Previously Reported | As Restated | Effect of Changes |
| Revenues, Gains, and Other Support | | | |
| Net assets released from restrictions - without donor restrictions | \$ 1,341,531 | \$ 2,562,101 | \$ (1,220,570) |
| Net assets released from restrictions - with donor restrictions | \$ (1,341,531) | \$ (2,562,101) | \$ 1,220,570 |
| Change in Net Assets | \$ 1,216,756 | \$ 1,216,756 | \$ - |

Note 20 - Subsequent Events

The Organization has evaluated subsequent events through May 10, 2022. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2021 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. (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated May 10, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for determining 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

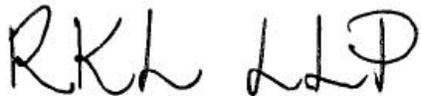
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 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.

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

May 10, 2022
Wyomissing, Pennsylvania