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VALLEY YOUTH HOUSE

Building foundations, shaping futures.

Financial Statements

December 31, 2022 and 2021

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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, 2022 and 2021, 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, 2022 and 2021 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022, the Organization adopted new accounting guidance pursuant to Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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.

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Responsibilities of Management for the Financial Statements (continued)

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 12, 2023, 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.

RKL LLP

May 12, 2023
Allentown, Pennsylvania

Valley Youth House Committee, Inc.

Statement of Financial Position

	December 31, 2022	December 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**$ 2,047,092**	$ 2,296,973
Contracts and grants receivable, net	**8,226,956**	8,500,975
Promises to give, net	**135,000**	37,000
Other receivables	**177,248**	126,388
Prepaid expenses	**808,855**	859,529
Total Current Assets	**11,395,151**	11,820,865
Property and Equipment, Net	**9,721,071**	9,974,280
Other Assets		
Investments	**6,947,271**	8,301,696
Investments, Rabbi Trust Fund	**140,134**	197,657
Right of use assets, operating leases	**1,552,901**	-
Cash value of life insurance	**16,688**	20,918
Total Other Assets	**8,656,994**	8,520,271
Total Assets	**$ 29,773,216**	$ 30,315,416

See accompanying notes.

	December 31, 2022	December 31, 2021
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	**$ 129,432**	$ 125,630
Current portion of obligations under operating leases	**326,152**	-
Accounts payable	**232,005**	219,613
Accrued expenses	**1,559,882**	2,052,507
Deferred revenues	**1,668,425**	2,344,171
Total Current Liabilities	**3,915,896**	4,741,921
Deferred Compensation Plan	**140,134**	197,657
Long-Term Debt, Less Current Portion	**3,290,821**	3,420,253
Obligations Under Operating Leases, Long-Term	**1,238,387**	-
Total Liabilities	**8,585,238**	8,359,831
Net Assets		
Without donor restrictions		
Board-designated	**5,088,740**	5,610,266
Undesignated	**10,426,771**	9,764,943
	15,515,511	15,375,209
With donor restrictions	**5,672,467**	6,580,376
Total Net Assets	**21,187,978**	21,955,585
Total Liabilities and Net Assets	**$ 29,773,216**	$ 30,315,416

Valley Youth House Committee, Inc.

Statement of Activities

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 1,018,745	$ 1,417,792	$ 2,436,537
In-kind contributions	344,593	-	344,593
United Way allocations	371,000	-	371,000
Purchase of service fees	26,288,680	-	26,288,680
State and federal grants	4,989,806	-	4,989,806
Magellan/Medical Assistance	2,062,114	-	2,062,114
Program service fees	1,358,720	-	1,358,720
Special events	908,154	-	908,154
Realized investment income	74,109	443,175	517,284
Net assets released from restrictions	1,514,606	(1,514,606)	-
Total Revenues, Gains, and Other Support	38,930,527	346,361	39,276,888
Expenses			
Program services	32,902,498	-	32,902,498
Management and general	3,820,796	-	3,820,796
Fundraising	1,468,956	-	1,468,956
Total Expenses	38,192,250	-	38,192,250
Excess of Revenues, Gains, and Other Support over Expenses	738,277	346,361	1,084,638
Unrealized Investment Loss	(597,975)	(1,254,270)	(1,852,245)
Gain on Disposal of Property and Equipment	-	-	-
Paycheck Protection Program Loan Forgiveness	-	-	-
Change in Net Assets	140,302	(907,909)	(767,607)
Net Assets at Beginning of Year	15,375,209	6,580,376	21,955,585
Net Assets at End of Year	$ 15,515,511	$ 5,672,467	$ 21,187,978

See accompanying notes.

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	$ 824,447	$ 3,026,032	$ 3,850,479
In-kind contributions	208,247	-	208,247
United Way allocations	371,000	-	371,000
Purchase of service fees	22,660,849	-	22,660,849
State and federal grants	5,237,373	(7,532)	5,229,841
Magellan/Medical Assistance	1,978,127	-	1,978,127
Program service fees	610,229	-	610,229
Special events	745,403	-	745,403
Realized investment income	312,476	317,852	630,328
Net assets released from restrictions	3,202,438	(3,202,438)	-
Total Revenues, Gains, and Other Support	36,150,589	133,914	36,284,503
Expenses			
Program services	29,853,145	-	29,853,145
Management and general	3,856,475	-	3,856,475
Fundraising	1,361,660	-	1,361,660
Total Expenses	35,071,280	-	35,071,280
Excess of Revenues, Gains, and Other Support over Expenses	1,079,309	133,914	1,213,223
Unrealized Investment Income	128,171	324,566	452,737
Gain on Disposal of Property and Equipment	11,698	-	11,698
Paycheck Protection Program Loan Forgiveness	2,804,212	-	2,804,212
Change in Net Assets	4,023,390	458,480	4,481,870
Net Assets at Beginning of Year	11,351,819	6,121,896	17,473,715
Net Assets at End of Year	$ 15,375,209	$ 6,580,376	$ 21,955,585

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification

Year Ended December 31, 2022

	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	$ 1,929,689	$ 317,486	$ 1,598,138	$ 816,607	$ 555,748	$ 9,546	$ 10,862,812	$ 220,336	$ 16,310,362	$ 2,091,429	$ 710,701	$ 19,112,492
Employee benefits	352,005	86,155	310,962	152,140	161,811	3,144	2,096,977	32,666	3,195,860	297,643	52,499	3,546,002
Payroll taxes	152,571	24,168	126,656	63,229	42,462	893	841,811	16,511	1,268,301	157,117	125,895	1,551,313
Total Salaries and Related Benefits	2,434,265	427,809	2,035,756	1,031,976	760,021	13,583	13,801,600	269,513	20,774,523	2,546,189	889,095	24,209,807
Programmatic												
Contracted client services	8,683	-	7,579	7,400	3,174	-	394,242	22,914	443,992	7,716	-	451,708
Direct client service costs	175,225	1,365	7,240	12,163	1,265	51	5,739,337	25,631	5,962,277	1,223	108,373	6,071,873
Program occupancy	18,535	-	3,700	1	-	-	1,562,977	1	1,585,214	1	-	1,585,215
Program supplies	118,342	783	26,197	3,171	1,243	-	411,277	39,261	600,274	790	38,316	639,380
Occupancy	189,423	9,831	22,641	31,579	16,205	1,649	853,055	113,917	1,238,300	127,391	20,465	1,386,156
Communications	21,407	5,803	10,040	17,992	6,726	1,035	241,881	6,295	311,179	55,507	13,664	380,350
Postage and shipping	108	86	208	295	146	97	11,197	51	12,188	7,241	1,707	21,136
Printing and photocopying	2,103	307	3,898	227	336	330	10,997	4,427	22,625	11,364	21,578	55,567
Materials and supplies	24,820	1,473	3,213	3,432	2,194	151	102,175	21,435	158,893	21,176	30,322	210,391
Transportation	74,404	13,028	5,282	51,104	33,291	117	441,687	9,522	628,435	36,269	4,891	669,595
Travel and conference	2,680	-	3,460	1,059	256	-	20,023	1,174	28,652	10,907	2,878	42,437
Building, equipment, and furnishings	6,545	16	47	64	23	-	7,518	6,626	20,839	(75)	-	20,764
Office equipment and furnishings	24,016	4,855	22,807	10,796	7,012	321	142,234	16,576	228,617	55,856	10,008	294,481
Insurance	1,363	852	1,890	2,545	1,332	124	41,512	2,500	52,118	178,221	1,802	232,141
Advertising and public relations	3,664	-	11,712	-	-	-	4,429	7,615	27,420	1,649	43,775	72,844
Dues and subscriptions	3,249	-	120	-	-	55	2,886	2,424	8,734	22,022	5,439	36,195
Professional fees	20,669	3,432	11,929	13,859	4,700	94	180,604	3,659	238,946	374,071	7,660	620,677
Fundraising	1	-	-	-	-	4	174	-	179	8,349	1,810	10,338
Event	120	-	189	-	1,050	-	5,191	182	6,732	793	245,024	252,549
Miscellaneous	395	-	-	-	-	-	1,697	(376)	1,716	121,704	154	123,574
Other staff	13,541	2,610	3,691	15,839	27,247	39	70,157	8,985	142,109	161,310	4,334	307,753
Bank charges and interest	-	-	-	-	-	-	5	-	5	15,758	5,979	21,742
Endowment	-	-	-	-	-	-	-	-	-	-	678	678
	3,143,558	472,250	2,181,599	1,203,502	866,221	17,650	24,046,855	562,332	32,493,967	3,765,432	1,457,952	37,717,351
Depreciation	54,976	5,861	13,128	18,286	9,378	1,188	112,024	193,690	408,531	55,364	11,004	474,899
Total Functional Expenses	$ 3,198,534	$ 478,111	$ 2,194,727	$ 1,221,788	$ 875,599	$ 18,838	$ 24,158,879	$ 756,022	$ 32,902,498	$ 3,820,796	$ 1,468,956	$ 38,192,250

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

	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

	Years Ended December 31, 2022	2021
Cash Flows from Operating Activities		
Change in net assets	**$ (767,607)**	$ 4,481,870
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	**474,899**	443,412
Amortization of right of use assets, operating leases	**328,114**	-
(Increase) decrease in cash surrender value of life insurance	**4,230**	(3,684)
Provision for uncollectible amounts of contracts and grants receivable	**120,000**	240,989
Gain on sale of property and equipment	**-**	(11,698)
Realized and unrealized (gains) losses on investments	**1,509,035**	(959,148)
Restricted contributions, endowment	**(16,120)**	(203,684)
Paycheck Protection Program loan forgiveness	**-**	(2,772,700)
(Increase) decrease in assets		
Contracts and grants receivable	**154,019**	(842,628)
Promises to give	**(98,000)**	38,000
Other receivables	**(50,860)**	(84,291)
Prepaid expenses	**50,674**	(328,195)
Deferred compensation plan	**57,523**	140,101
Increase (decrease) in liabilities		
Accounts payable	**12,392**	(11,640)
Accrued expenses	**(492,625)**	542,491
Deferred revenues	**(675,746)**	2,115,665
Obligations under operating leases	**(316,476)**	-
Deferred compensation plan	**(57,523)**	(140,101)
Net Cash Provided by Operating Activities	**235,929**	2,644,759
Cash Flows from Investing Activities		
Purchases of investments	**(422,191)**	(153,559)
Proceeds from sales of investments	**267,581**	312,255
Proceeds from sale of property and equipment	**-**	23,886
Purchases of property and equipment	**(221,690)**	(1,539,360)
Net Cash Used in Investing Activities	**(376,300)**	(1,356,778)

	Years Ended December 31, 2022	2021
Cash Flows from Financing Activities		
Principal payments made on long-term debt	**$ (125,630)**	$ (118,767)
Proceeds from issuance of long-term debt	**-**	192,000
Restricted contributions, endowment	**16,120**	203,684
Net Cash Provided by (Used in) Financing Activities	**(109,510)**	276,917
Increase (Decrease) in Cash and Cash Equivalents	**(249,881)**	1,564,898
Cash and Cash Equivalents at Beginning of Year	**2,296,973**	732,075
Cash and Cash Equivalents at End of Year	**$ 2,047,092**	$ 2,296,973
Supplemental Disclosure of Cash Flows Information		
Interest paid	**$ 129,558**	$ 114,835
Supplemental Schedules of Noncash Investing and Financing Activities		
Right of use asset and lease liability recorded	**$ 1,881,015**	$ -

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 of the Organization's 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.

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 collectability 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, 2022 and 2021, management has established an allowance for uncollectible amounts of $197,306 and $150,000, 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-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, 2022 and 2021.

Right-of-Use Assets and Liabilities

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

Note 2 - Summary of Significant Accounting Policies (continued)

Right-of-Use Assets and Liabilities (continued)

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate by class of asset, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842). The Organization elected to use the risk-free borrowing rate for building leases and an incremental borrowing rate for all vehicle and equipment leases.

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

Adoption of Topic 842 resulted in the recording of an additional ROU asset and lease liability related to the Organization's operating leases of $1,881,015, at January 1, 2022. The adoption of the new lease standard did have a material impact to the statement of financial position but did not materially impact the change in net assets or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

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

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

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

The Organization's policy is to capitalize property, building and improvements, equipment and software, and vehicle expenditures of $2,000 or more.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows, and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended December 31, 2022 and 2021.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

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

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

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, as 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, 2022 and 2021, advertising expense amounted to $72,844 and $104,011, respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes and Tax-Exempt Status

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

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its statement of activities. At December 31, 2022 and 2021, 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 FASB 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 before 2019.

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.

Change in Accounting Principles

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 was effective for fiscal years beginning after December 15, 2021.

Note 2 - Summary of Significant Accounting Policies (continued)

Change in Accounting Principles (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.

During the year ended December 31, 2022, the Organization implemented the provisions of these standards.

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:

	2022	2021
Financial Assets		
Cash and cash equivalents	**$ 2,047,092**	$ 2,296,973
Investments	**6,947,271**	8,301,696
Investments, Rabbi Trust Fund	**140,134**	197,675
Contracts and grants receivable, net	**8,226,956**	8,500,975
Promises to give, net	**135,000**	37,000
Other receivables	**177,248**	126,388
Cash value of life insurance	**16,688**	20,918
Total Financial Assets	**17,690,389**	19,481,625
Amounts that are internally designated or externally restricted		
Financial assets subject to donor restrictions for specified purpose	**(1,509,739)**	(2,540,510)
Financial assets subject to time restrictions	**(1,239,586)**	(1,131,633)
Financial assets held for specified purpose designated by Board	**(2,190,000)**	(2,190,000)
Investments held for quasi-endowment	**(2,898,740)**	(3,420,266)
Investments held in perpetual endowment	**(2,923,142)**	(2,908,233)
Investments held for Rabbi Trust Fund	**(140,134)**	(197,675)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	**$ 6,789,048**	$ 7,093,308

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 an unsecured line of credit available which can provide borrowings up to $3,700,000 at December 31, 2022.

Note 4 - Investments

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

	2022	2021
Cash equivalents	**$ 452,752**	$ 238,648
Common stocks	**-**	901,850
Mutual funds	**6,557,764**	6,219,411
Corporate bonds	**58,847**	784,415
Obligations of the U.S. Government and its agencies	**-**	336,290
Investments held by the Lehigh Valley Community Foundation	**18,042**	18,739
	6,634,653	8,260,705
	$ 7,087,405	$ 8,499,353

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

	2022	2021
Investments	**$ 6,947,271**	$ 8,301,696
Investments, Rabbi Trust Fund	**140,134**	197,657
	$ 7,087,405	$ 8,499,353

Note 4 - Investments (continued)

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

	2022	2021
Interest and dividends	**$ 216,383**	$ 174,048
Realized gains	**343,210**	506,411
Unrealized gains	**(1,852,245)**	452,737
Investment fees	**(42,309)**	(50,131)
	$ (1,334,961)	$ 1,083,065

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.

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, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds, Fixed Income	$ 1,007,497	$ -	$ -	$ 1,007,497
Mutual Funds, Equities				
Domestic	5,050,652	-	-	5,050,652
International	499,615	-	-	499,615
Corporate Bonds	-	58,847	-	58,847
Investments Held by the Lehigh Valley Community Foundation	-	-	18,042	18,042
	$ 6,557,764	$ 58,847	$ 18,042	$ 6,634,653

Note 5 - Fair Value of Financial Instruments (continued)

	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
	$ 7,121,261	$ 1,120,705	$ 18,739	$ 8,260,705

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, 2022 and 2021, there were no transfers into or out of Level 3.

Note 6 - In-Kind Contributions

In-kind contributions meeting the requirements for recognition in the statement of activities consist of the following for the years ended December 31:

	2022	2021
Program supplies	**$ 220,060**	$ 76,597
Services and ticket	**64,055**	82,021
Furniture and appliances	**700**	6,159
Events/auction items	**59,778**	43,470
	$ 344,593	$ 208,247

Events/auctions are fundraisers sponsored by a donor, for example, donating the use of an airplane for a golf tournament managed through a random drawing. No donor restrictions are related to the contribution, and they are reported at the estimated fair market value in the financial statements.

Furniture and appliances are donations used within the Organization's programs, for example, refrigerator and kitchen set for youth in their apartments. No donor restrictions are related to the contribution, and they are reported at the estimated fair market value in the financial statements.

Program supplies are donations that directly impact the youth the Organization serves, for example, laptops, clothing, toiletries, etc. No donor restrictions are related to the contribution, and they are reported at the estimated fair market value in the financial statements.

Tickets are donations from organizations for the youth the Organization serves and staff to attend. No donor restrictions are related to the contribution, and they are reported at the estimated fair market value in the financial statements.

Services are donations from organizations, for example, the construction of a cabin at Camp Fowler. No donor restrictions are related to the contribution, and they are reported at the estimated fair market value in the financial statements.

Note 7 - Property and Equipment

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

	2022	2021
Land*	**$ 1,214,268**	$ 1,214,268
Buildings and improvements	**11,545,744**	11,478,937
Equipment and software	**822,139**	737,699
Vehicles	**831,628**	782,452
Construction in progress*	**10,214**	18,346
	14,423,993	14,231,702
Accumulated depreciation	**(4,702,922)**	(4,257,422)
	$ 9,721,071	$ 9,974,280

* Not depreciated

Depreciation expense for the years ended December 31, 2022 and 2021 amounted to $474,899 and $443,412, respectively.

Note 8 - Promises to Give

Unconditional promises to give to the Organization at December 31, 2022 and 2021 were $135,000 and $37,000, respectively. These amounts are due in less than one year.

Note 9 - Lines of Credit

The Organization has a $3,700,000 unsecured line of credit, increased from $1,900,000 in March 2022, with a financial institution at the bank's prime interest rate (7.50% and 3.25% at December 31, 2022 and 2021, respectively). There was no amount outstanding at December 31, 2022 and 2021. This line of credit has an expiration date of December 31, 2079.

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

Note 10 - Long-Term Debt

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

	2022	2021
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.	**$ 3,231,784**	$ 3,353,883
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.	**188,469**	192,000
	3,420,253	3,545,883
Current portion	**(129,432)**	(125,630)
	$ 3,290,821	$ 3,420,253

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

2023	**$ 129,432**
2024	**132,905**
2025	**137,383**
2026	**141,868**
2027	**146,024**
Thereafter	**2,732,641**
	$ 3,420,253

Total interest expense incurred under the lines of credit and long-term debt for the years ended December 31, 2022 and 2021 was $129,558 and $146,347, respectively.

Certain debt agreements contain covenants that set forth requirements and restrictions related to certain financial statement items and ratios. At December 31, 2022, the Organization was in compliance with all covenants.

Note 11 - 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 $140,134 and $197,657 at December 31, 2022 and 2021, 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 12 - Leases

The Organization leases various facilities under operating lease arrangements that have initial terms ranging from two to ten years. The leases include options to renew, generally at the Organization's sole discretion. These options to extend a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The Organization also leases various facilities under short team lease obligations and are included in the below table as short term and other lease costs.

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended December 31, 2022:

Operating lease cost	**$ 392,438**
Short term and other lease costs	**1,762,657**
	$ 2,155,095
Weighted-Average Remaining Lease Term	
Operating leases	**6.19 Years**
Weighted-Average Discount Rate	
Operating leases	**4.00%**

Total rent expense for operating leases was $2,155,095 for the year ended December 31, 2022. Rent expense for the year ended December 31, 2021 was $1,515,774.

Note 12 - Leases (continued)

Supplemental statement of financial position information related to leases is as follows as of December 31, 2022:

Maturity Analysis

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

	Total Lease Payments
2023	$ 381,691
2024	323,041
2025	191,207
2026	196,943
2027	202,852
Thereafter	477,152
Total Lease Payment	1,772,886
Imputed interest	(208,347)
Total Present Value of Lease Liabilities	$ 1,564,539
Current portion of obligations under operating leases	$ 326,152
Obligations under operating leases, long-term	1,238,387
	$ 1,564,539

Note 13 - 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:

	2022	2021
Undesignated	$ 10,426,771	$ 9,764,943
Board-designated for specified purpose		
Future program needs	550,000	550,000
Property enhancements/capital reserve	850,000	850,000
Unemployment benefits	150,000	150,000
Liability insurance	100,000	100,000
Endowment funds	540,000	540,000
Board-designated for quasi-endowment	2,898,740	3,420,266
	$ 15,515,511	$ 15,375,209

Note 14 - Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for specified purpose		
Project Child and other programs	**$ 9,874**	$ 35,617
Acquisition, renovation, and operation of the camp	**1,064,062**	2,069,090
Capital campaign, Great Beginnings	**435,803**	435,803
Subject to the passage of time		
Promises to give, net	**135,000**	37,000
Future periods	**1,104,586**	1,094,633
Perpetual in nature		
Endowment investments	**2,923,142**	2,908,233
	$ 5,672,467	$ 6,580,376

Note 15 - 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.

Note 15 - Net Assets in Endowment Fund (continued)

Interpretation of Relevant Law (continued)

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

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

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

	2022	2021
Endowment funds without donor restrictions	**$ 2,898,740**	$ 3,420,266
Endowment funds with donor restrictions	**2,923,142**	2,908,233
	$ 5,821,882	$ 6,328,499

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

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment Net Assets at Beginning of Year	**$ 3,420,266**	**$ 2,908,233**	**$ 6,328,499**
Contributions	**-**	**16,120**	**16,120**
Investment return			
Investment income	**65,053**	**2,469**	**67,522**
Net depreciation (realized and unrealized)	**(570,257)**	**(3,390)**	**(573,647)**
Investment fees	**(16,322)**	**(290)**	**(16,612)**
Endowment Net Assets at End of Year	**$ 2,898,740**	**$ 2,923,142**	**$ 5,821,882**

Note 15 - Net Assets in Endowment Fund (continued)

	2021		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
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	(18,001)	-	(18,001)
Endowment Net Assets at End of Year	$ 3,420,266	$ 2,908,233	$ 6,328,499

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, 2022 and 2021.

Note 16 - 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, 2022 and 2021 was $620,169 and $465,382, respectively.

Note 17 - Commitments and Contingencies

Commitments

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, 2022 and 2021. 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 $120,000 and $120,756 at December 31, 2022 and 2021, respectively, and have been included in accrued expenses.

Note 17 - Commitments and Contingencies (continued)

Contingencies

Unemployment Compensation

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

Audit

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

Concentrations of Credit Risk

Cash and Cash Equivalents

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

Investments

The Organization's investments of $7,087,405 and $8,499,353 at December 31, 2022 and 2021, respectively, are subject to credit risk. The degree of concentration of risk varies by type of investment; however, the Organization does not anticipate any accounting loss. The major classes of investments are summarized in Note 4.

Government Contracts

During the years ended December 31, 2022 and 2021, the Organization received approximately 84% and 71%, 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 18 - 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 19- Risk and Uncertainties

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The actions taken to mitigate it adversely effected the economy, financial markets, and the geographical area in which the Organization operates. The pandemic and other world events have caused continuing economic and political uncertainties that have also affected the demand for the Organization's services. It is unknown how long these conditions will last and what the complete financial effect will be to the Organization, if any.

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 20 - Reclassification of Prior Year

Certain items in the 2021 financial statements have been reclassified to conform to the 2022 financial presentation. These reclassifications had no effect on the net income as previously reported in 2021.

Note 21 - Subsequent Events

The Organization has evaluated subsequent events through May 12, 2023. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2022 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, 2022, 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 12, 2023.

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 designing 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.

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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 statements. 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

May 12, 2023
Allentown, Pennsylvania