



Financial Statements

December 31, 2023 and 2022

Valley Youth House Committee, Inc.

Table of Contents

December 31, 2023 and 2022

	Page
INDEPENDENT AUDITOR'S REPORT	1 to 3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5 and 6
Statement of Functional Expenses - by Natural Classification	7 and 8
Statement of Cash Flows	9 and 10
Notes to Financial Statements	11 to 33
SUPPLEMENTARY INFORMATION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 and 35

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, 2023 and 2022, 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, 2023 and 2022 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.

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 April 23, 2024, 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

April 23, 2024
Allentown, Pennsylvania

Valley Youth House Committee, Inc.

Statement of Financial Position

	December 31,	
	2023	2022
Assets		
Cash and cash equivalents	\$ 1,334,706	\$ 2,047,092
Investments	8,360,987	7,087,405
Contracts and grants receivable, net	7,643,524	8,226,956
Promises to give, net	1,652,500	135,000
Other receivables	175,682	177,248
Prepaid expenses and other assets	906,168	825,543
Property and equipment, net	9,746,477	9,721,071
Right-of-use assets, operating leases	1,638,219	1,552,901
Total Assets	\$ 31,458,263	\$ 29,773,216
Liabilities and Net Assets		
Accounts payable	296,636	232,005
Accrued expenses	1,753,864	1,559,882
Mortgage payable - Highpoint	3,106,017	3,231,784
Mortgage payable - Whittier	184,804	188,469
Deferred compensation plan and obligations under operating leases	1,823,664	1,704,673
Deferred revenues	708,177	1,668,425
Total Liabilities	7,873,162	8,585,238
Net Assets		
Without donor restrictions	15,812,977	15,515,511
With donor restrictions	7,772,124	5,672,467
Total Net Assets	23,585,101	21,187,978
Total Liabilities and Net Assets	\$ 31,458,263	\$ 29,773,216

Valley Youth House Committee, Inc.

Statement of Activities

	Year Ended December 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Changes			
Contributions	\$ 1,351,539	\$ 3,028,912	\$ 4,380,451
In-kind contributions	423,318	35,150	458,468
United Way allocations	130,559	-	130,559
Purchase of service fees	27,556,990	-	27,556,990
State and federal grants	6,084,265	-	6,084,265
Magellan/Medical Assistance	1,444,007	-	1,444,007
Program service fees	1,533,867	-	1,533,867
Special events	1,695,080	-	1,695,080
Net assets released from restrictions	1,528,313	(1,528,313)	-
Total Revenues and Other Changes	41,747,938	1,535,749	43,283,687
Expenses			
Program services	34,653,511	-	34,653,511
Management and general	5,022,692	-	5,022,692
Fundraising	2,196,580	-	2,196,580
Total Expenses	41,872,783	-	41,872,783
Excess (Deficiency) of Revenues and Other Changes over Expenses	(124,845)	1,535,749	1,410,904
Nonoperating Activities			
Return on investments, net	410,332	563,908	974,240
Gain on disposal of property and equipment	8,834	-	8,834
Property insurance proceeds	3,145	-	3,145
Total Nonoperating Activities	422,311	563,908	986,219
Change in Net Assets	297,466	2,099,657	2,397,123
Net Assets at Beginning of Year	15,515,511	5,672,467	21,187,978
Net Assets at End of Year	\$ 15,812,977	\$ 7,772,124	\$ 23,585,101

Valley Youth House Committee, Inc.

Statement of Activities (continued)

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Changes			
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
Net assets released from restrictions	1,514,606	(1,514,606)	-
Total Revenues and Other Changes	38,856,418	(96,814)	38,759,604
Expenses			
Program services	32,902,503	-	32,902,503
Management and general	3,820,791	-	3,820,791
Fundraising	1,468,956	-	1,468,956
Total Expenses	38,192,250	-	38,192,250
Excess (Deficiency) of Revenues and Other Changes over Expenses	664,168	(96,814)	567,354
Nonoperating Activities			
Return on investments, net	(523,866)	(811,095)	(1,334,961)
Gain on disposal of property and equipment	-	-	-
Property insurance proceeds	-	-	-
Total Nonoperating Activities	(523,866)	(811,095)	(1,334,961)
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

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2023												
	Program Services									Management and	Fundraising	Total	
	Shelter Operations	Adolescents/Families Together	Prevention Education	Children's Mental Health	Family Intervention	Independent Living	AAI / AIC	Housing Programs	Camp Fowler	Total Program Services	General		
Salaries	\$ 2,377,198	\$ 417,011	\$ 2,230,051	\$ 807,667	\$ 544,333	\$ 3,929,867	\$ 5,630,155	\$ 1,514,365	\$ 336,486	\$ 17,787,133	\$ 2,915,533	\$ 943,948	\$ 21,646,614
Employee benefits	393,614	101,187	533,980	176,555	130,517	726,193	1,081,948	265,225	60,064	3,469,283	449,728	157,086	4,076,097
Payroll taxes	190,138	32,383	173,578	74,363	43,563	309,781	440,380	119,566	24,603	1,408,355	235,020	68,080	1,711,455
Total Salaries and Related Benefits	2,960,950	550,581	2,937,609	1,058,585	718,413	4,965,841	7,152,483	1,899,156	421,153	22,664,771	3,600,281	1,169,114	27,434,166
Programmatic													
Contracted client services	7,743	417	12,495	8,275	1,150	210,999	302,660	25,681	(10,837)	558,583	22,547	100	581,230
Direct client service costs	179,461	420	13,779	12,980	2,497	2,132,953	1,033,413	2,237,110	21,604	5,634,217	7,212	133,360	5,774,789
Program occupancy	9	-	-	-	-	664,178	4,586	150,032	-	818,805	-	-	818,805
Program supplies	143,107	2,527	27,616	3,794	1,056	265,503	148,023	108,979	42,220	742,825	8,701	20,303	771,829
Occupancy	197,132	11,554	30,796	34,610	17,681	481,444	658,516	144,021	137,794	1,713,548	141,492	23,098	1,878,138
Communications	25,307	6,813	13,575	20,841	8,023	86,405	122,755	28,925	5,608	318,252	67,116	13,397	398,765
Postage and shipping	107	76	203	222	116	2,329	5,542	2,385	1	10,981	6,565	2,016	19,562
Printing and photocopying	3,766	299	7,716	145	253	5,330	5,979	1,073	8,206	32,767	8,671	28,165	69,603
Materials and supplies	22,922	1,517	6,670	5,539	5,190	49,763	74,456	17,599	24,857	208,513	22,396	11,422	242,331
Transportation	99,381	18,523	8,819	69,632	29,347	107,378	272,098	56,135	9,234	670,547	42,120	10,769	723,436
Travel and conference	8,060	-	453	414	2,512	29,182	8,773	3,283	4,076	56,753	31,748	8,306	96,807
Building, equipment, and furnishings	10,544	355	1,112	1,394	551	29,428	15,151	965	4,388	63,888	3,692	82	67,662
Office equipment and furnishings	31,657	8,550	9,560	9,629	5,708	75,762	110,602	23,959	9,687	285,114	53,267	8,743	347,124
Insurance	1,011	986	2,589	2,892	1,507	12,929	9,075	15,720	611	47,320	221,046	2,079	270,445
Advertising and public relations	232	-	50	-	-	98	-	-	-	380	6,463	46,921	53,764
Dues and subscriptions	2,525	-	984	89	-	2,685	2,197	-	2,616	11,096	20,309	9,952	41,357
Professional fees	23,262	3,536	19,188	8,941	6,219	59,677	73,689	27,953	11,217	233,682	331,834	22,982	588,498
Fundraising	519	-	-	-	-	129	62	9	10	729	(1,877)	1,781	633
Event	1,474	-	14	-	-	150	1,135	139	1,212	4,124	(96)	661,436	665,464
Miscellaneous	426	-	-	-	-	75	281	-	50	832	133,179	-	134,011
Other staff	16,896	1,287	14,176	12,565	47,545	36,805	47,483	3,535	6,125	186,417	206,456	3,742	396,615
Bank charges and interest	-	-	-	-	-	-	15	-	1,600	1,615	23,061	6,524	31,200
Endowment	-	-	-	-	-	-	-	-	-	-	-	399	399
	3,736,491	607,441	3,107,404	1,250,547	847,768	9,219,043	10,048,974	4,746,659	701,432	34,265,759	4,956,183	2,184,691	41,406,633
Depreciation	46,933	5,981	15,348	16,973	8,866	69,881	21,926	13,098	188,746	387,752	66,509	11,889	466,150
Total Functional Expenses	\$ 3,783,424	\$ 613,422	\$ 3,122,752	\$ 1,267,520	\$ 856,634	\$ 9,288,924	\$ 10,070,900	\$ 4,759,757	\$ 890,178	\$ 34,653,511	\$ 5,022,692	\$ 2,196,580	\$ 41,872,783

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended December 31, 2022												
	Program Services									Total Program Services	Management and General	Fundraising	Total
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Children's Mental Health	Family Intervention	Independent Living	AAI / AIC	Housing Programs	Camp Fowler				
Salaries	\$ 2,090,231	\$ 317,486	\$ 1,607,684	\$ 816,607	\$ 555,748	\$ 3,819,093	\$ 5,148,392	\$ 1,734,785	\$ 220,336	\$ 16,310,362	\$ 2,091,429	\$ 710,701	\$ 19,112,492
Employee benefits	366,116	86,155	314,106	152,140	161,811	686,892	1,047,899	348,075	32,666	3,195,860	297,643	125,895	3,619,398
Payroll taxes	164,756	24,168	127,549	63,229	42,462	296,900	399,391	133,334	16,511	1,268,300	157,118	52,499	1,477,917
Total Salaries and Related Benefits	2,621,103	427,809	2,049,339	1,031,976	760,021	4,802,885	6,595,682	2,216,194	269,513	20,774,522	2,546,190	889,095	24,209,807
Programmatic													
Contracted client services	8,683	-	7,579	7,400	3,174	54,080	339,972	190	22,914	443,992	7,716	-	451,708
Direct client service costs	185,560	1,365	7,291	12,163	1,265	1,551,837	1,885,606	2,291,559	25,631	5,962,277	1,223	108,373	6,071,873
Program occupancy	18,535	-	3,700	1	-	1,405,659	52,178	105,141	1	1,585,215	-	-	1,585,215
Program supplies	119,883	783	26,197	3,171	1,243	218,660	128,270	62,806	39,261	600,274	790	38,316	639,380
Occupancy	196,097	9,831	24,290	31,579	16,205	512,353	209,178	124,851	113,917	1,238,301	127,390	20,465	1,386,156
Communications	21,978	5,803	11,075	17,992	6,726	101,055	109,945	30,311	6,295	311,180	55,506	13,664	380,350
Postage and shipping	183	86	305	295	146	4,098	3,750	3,275	51	12,189	7,240	1,707	21,136
Printing and photocopying	2,106	307	4,228	227	336	5,639	4,525	830	4,427	22,625	11,364	21,578	55,567
Materials and supplies	25,062	1,473	3,364	3,432	2,194	43,661	43,478	14,794	21,435	158,893	21,176	30,322	210,391
Transportation	83,931	13,028	5,399	51,104	33,291	111,555	267,575	53,031	9,522	628,436	36,268	4,891	669,595
Travel and conference	2,680	-	3,460	1,059	256	15,078	2,455	2,491	1,174	28,653	10,906	2,878	42,437
Building, equipment, and furnishings	6,545	16	47	64	23	7,357	79	81	6,626	20,838	(74)	-	20,764
Office equipment and furnishings	26,178	4,855	23,128	10,796	7,012	49,670	77,243	13,159	16,576	228,617	55,856	10,008	294,481
Insurance	2,009	852	2,014	2,545	1,332	15,637	11,160	14,069	2,500	52,118	178,221	1,802	232,141
Advertising and public relations	3,664	-	11,712	-	-	798	2,652	980	7,615	27,421	1,648	43,775	72,844
Dues and subscriptions	3,249	-	175	-	-	2,103	783	-	2,424	8,734	22,022	5,439	36,195
Professional fees	21,743	3,432	12,023	13,859	4,700	81,815	68,422	29,294	3,659	238,947	374,070	7,660	620,677
Fundraising	1	-	4	-	-	5	169	-	-	179	8,349	1,810	10,338
Event	120	-	189	-	1,050	3,318	1,867	5	182	6,731	794	245,024	252,549
Miscellaneous	395	-	-	-	-	1,700	(3)	-	(376)	1,716	121,704	154	123,574
Other staff	13,771	2,610	3,730	15,839	27,247	29,751	31,078	9,098	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
	3,363,476	472,250	2,199,249	1,203,502	866,221	9,018,714	9,836,069	4,972,159	562,332	32,493,972	3,765,427	1,457,952	37,717,351
Depreciation	54,976	5,861	14,316	18,286	9,378	75,416	24,340	12,268	193,690	408,531	55,364	11,004	474,899
Total Functional Expenses	\$ 3,418,452	\$ 478,111	\$ 2,213,565	\$ 1,221,788	\$ 875,599	\$ 9,094,130	\$ 9,860,409	\$ 4,984,427	\$ 756,022	\$ 32,902,503	\$ 3,820,791	\$ 1,468,956	\$ 38,192,250

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Cash Flows

	Years Ended December 31,	
	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 2,397,123	\$ (767,607)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	466,150	474,899
Amortization of right-of-use assets, operating leases	439,493	328,114
Provision for uncollectible amounts of contracts and grants receivable	131,221	120,000
Gain on sale of property and equipment	(8,834)	-
Realized and unrealized (gains) losses on investments	(781,172)	1,509,035
Restricted contributions, endowment	(1,630,263)	(16,120)
(Increase) decrease in assets		
Contracts and grants receivable, net	452,211	154,019
Promises to give, net	(260,000)	(98,000)
Other receivables	1,566	(50,860)
Prepaid expenses and other assets	(80,625)	54,904
Increase (decrease) in liabilities		
Accounts payable	64,631	12,392
Accrued expenses	193,982	(492,625)
Obligations under operating leases	(424,927)	(316,476)
Deferred revenues	(960,248)	(675,746)
Net Cash Provided by Operating Activities	308	235,929
Cash Flows from Investing Activities		
Purchases of investments	(635,942)	(422,191)
Proceeds from sales of investments	162,639	267,581
Purchases of property and equipment	(499,545)	(221,690)
Proceeds from sale of property and equipment	16,823	-
Net Cash Used in Investing Activities	(956,025)	(376,300)

Valley Youth House Committee, Inc.

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2023	2022
Cash Flows from Financing Activities		
Principal payments made on long-term debt	\$ (129,432)	\$ (125,630)
Restricted contributions, endowment	<u>372,763</u>	<u>16,120</u>
Net Cash Provided by (Used in) Financing Activities	<u>243,331</u>	<u>(109,510)</u>
Decrease in Cash and Cash Equivalents	(712,386)	(249,881)
Cash and Cash Equivalents at Beginning of Year	<u>2,047,092</u>	<u>2,296,973</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,334,706</u>	<u>\$ 2,047,092</u>
Supplemental Disclosure of Cash Flows Information		
Interest paid	<u>\$ 124,733</u>	<u>\$ 129,558</u>
Supplemental Schedule of Noncash Investing and Financing Activities		
Right-of-use assets and lease liability recorded	<u>\$ 524,811</u>	<u>\$ 1,881,015</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 1 - Nature of Activities

Valley Youth House Committee, Inc. (the Organization) is a not-for-profit organization which provides a wide range of counseling, case management, skill development, and prevention education services to young people and their families. The Organization operates the following nine major programs:

Shelter Operations

Two 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.

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.

Achieving Independence

Achieving Independence Center (AIC)

This program is a Department of Human Services funded program that assists youth, ages 14-23, with identifying and developing independent living skills and becoming more self-sufficient. It supports education, employment, life skills and well-being services for 1,000 foster care youth annually. Throughout the year, AIC Members work with Coaches according to an individualized goal plan focused on improving education, employment, permanency and life skills outcomes.

Adolescents Achieving Independence (AAI)

This program provides out-client assistance to current or former foster care youth and young adults. Life skills development assists young people in making a successful transition from foster care or juvenile probation to independence. The program provides group and individual life skills and job development instruction and support.

Housing Programs

This program has nine components:

- A. The Lehigh Valley Host Homes program connects youth who are experiencing homelessness or housing instability with volunteer homes. This includes individuals who are living transiently with extended family or other adults or who are living on the street, in shelters, in out-of-home care, or in other unstable or temporary housing situations. Available in areas surrounding Lehigh County and Northampton County.
- B. Valley Youth House's Pride program is the longest running housing program for LGBTQ+ youth in Philadelphia. Pride provides housing and supportive services for lesbian, gay, bisexual, transgender, queer, and questioning (LGBTQ+) youth experiencing homelessness or housing instability. Youth are provided a safe place to be themselves and gain support to make the typical transitions that occur during late adolescence and early adulthood

Note 1 - Nature of Activities (continued)

Housing Programs (continued)

- C. Rapid ReHousing (RRH) assists young adults in locating safe housing, gaining employment, and developing the life skills to be self-supporting by allowing them to work closely with their Life Skills Counselor, Housing Stability Coach, and/or Mental Health Therapist. The program operates on a step-down approach in which young adults receive 100% of rent for the first three months, followed by 75%, 50%, and 25% for each of the following three-month periods, after which they are expected to be responsible for their full rent.
- D. The Room & Board Program provides housing and case management for youth formerly in care and experiencing unstable housing. The two primary purposes are:
 - a. **Emergency Housing:** provides emergency housing and case management up to 20 days for youth formerly in care and experiencing unstable housing and in need of immediate shelter.
 - b. **Rental Assistance:** provides housing and case management for youth up to 12 months for youth formerly in care and experiencing unstable housing.
- E. The Supervised Independent Living program supports youth in finding an apartment, signing a lease, and obtaining housing-related services. Funding is provided for monthly rent, utilities, transportation, and groceries on a step-down basis in which youth assume increasing levels of responsibility for monthly payments. This step-down process is designed to enable the youth to continue to maintain financial obligations upon program discharge.
- F. The THRIVE Program (Transitional Housing. Resilience. Independence. Victorious. Empowerment.) at the Sasso House, offers housing, meals, clothes, and personal items for female-identifying trafficking survivors and connects them with peer mentors, drug and alcohol treatment, psychiatric care, employment training, and medical/dental care. Youth are provided individualized support in developing a plan to meet their life goals. The ultimate goal of the program is to provide the necessary skills and support for these young people to successfully reclaim their lives and have a place in the community.
- G. The Transitional Living Program (TLP) provides semi-supervised independent living for homeless and runaway youth. Living in groups of apartments with housemates in a semi-staffed setting, the youth are given appropriate freedom and responsibility in order to prepare them for independence. TLP consists of several residential sites located throughout Lehigh and Northampton Counties. Youth reside in apartments with other youth of like-age and experience and are under the supervision of a live-in Resident Advisor. All the sites are located in residential neighborhoods within the community.
- H. The Independent Living Program provides individual or group counseling and planning while assisting young people in transitioning to independence. Youth are supported in identifying themselves, understanding where they come from, discovering appropriate resources, and fostering the important permanent connections that are integral to successful adulthood.

Note 1 - Nature of Activities (continued)

Housing Programs (continued)

- I. Supervised Independent Living Plus provides supervised housing/residential transitional living services, including single scattered-site apartments, life skills, individual therapy, and cultural and recreational events. The program consists of small group living that aims to provide youth with a positive experience while receiving assistance with transportation, groceries, life skills, individual therapy, and educational and recreational groups.

The Organization qualifies as a tax-exempt organization under the provision of Internal Revenue Code Section 501(c)(3); therefore, the Organization's exempt-purpose 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.

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. The significant estimates include the allowance for credit losses and the useful lives of property and equipment. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Contracts and Grants Receivable

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. The Organization adopted ASU 2016-13 as of January 1, 2023. The Organization implemented the provisions of this standard. Management determined the ASU did not have a material impact on the Organization's financial statements.

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, 2023 and 2022, management has established an allowance for credit losses amounts of \$150,000 and \$197,306, 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 credit losses related to promises to give was required at December 31, 2023 and 2022.

Note 2 - Summary of Significant Accounting Policies (continued)

Right-of-Use Assets and Liabilities

In February 2016, the 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 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. 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.

Property and Equipment

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

The Organization's policy is to capitalize property, building and improvements, equipment and software, and vehicle expenditures of \$5,000 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, 2023 and 2022.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions (continued)

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

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, 2023 and 2022, advertising expense amounted to \$53,764 and \$72,844, 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, 2023 and 2022, 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 has 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 2020.

Changes in Net Assets from Operations

The statement of activities and changes in net assets includes changes in net assets from operations. Nonoperating activities, which are excluded from changes in net assets from operations, consistent with industry practice, include investment return, net; gain on disposal of property and equipment; and property insurance proceeds.

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.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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>2023</u>	<u>2022</u>
Financial Assets		
Cash and cash equivalents	\$ 1,334,706	\$ 2,047,092
Investments	8,360,987	7,087,405
Contracts and grants receivable, net	7,643,524	8,226,956
Promises to give, net	771,500	135,000
Other receivables	175,682	177,248
Cash value of life insurance	17,821	16,688
	<u>18,304,220</u>	<u>17,690,389</u>
Total Financial Assets	18,304,220	17,690,389
Amounts that are internally designated or externally restricted		
Promises to give restricted for endowment	(451,500)	-
Financial assets subject to donor restrictions for specified purpose	(1,883,054)	(1,509,739)
Financial assets subject to time restrictions	(1,093,096)	(1,239,586)
Financial assets held for specified purpose designated by Board	(2,190,000)	(2,190,000)
Investments held for quasi-endowment	(3,432,674)	(2,898,740)
Investments held in perpetual endowment	(3,288,474)	(2,923,142)
Investments held for Rabbi Trust Fund	(159,241)	(140,134)
	<u>(15,498,539)</u>	<u>(14,901,341)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 5,806,181	\$ 6,789,048

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. Donor-restricted endowments are subject to an annual spending rate. The Board of Directors approves annual disbursements for the board-designated endowment.

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 \$4,900,000 at December 31, 2023.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 4 - Investments

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

	<u>2023</u>	<u>2022</u>
Cash equivalents	\$ 597,717	\$ 452,752
Mutual funds	7,745,410	6,557,764
Corporate bonds	-	58,847
Investments held by the Lehigh Valley Community Foundation	<u>17,860</u>	<u>18,042</u>
	<u>7,763,270</u>	<u>6,634,653</u>
	<u>\$ 8,360,987</u>	<u>\$ 7,087,405</u>

Return on investments, net was comprised of the following for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 239,151	\$ 216,383
Realized gains	149,533	343,210
Unrealized gains (losses)	631,639	(1,852,245)
Investment fees	<u>(46,083)</u>	<u>(42,309)</u>
	<u>\$ 974,240</u>	<u>\$ (1,334,961)</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.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 - Fair Value of Financial Instruments (continued)

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

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.

Investments held by the Lehigh Valley Community Foundation - The Lehigh Valley Community Foundation (the Foundation) holds the investments of the Organization in the Foundation's name. Investment income is allocated to the Organization based on its share of the Foundation's investment portfolio. The fair value of this investment is based on the Organization's share of the investments held by the Foundation.

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

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, 2023			
	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	\$ 1,178,156	\$ -	\$ -	\$ 1,178,156
Mutual Funds, Equities				
Domestic	6,068,405	-	-	6,068,405
International	498,849	-	-	498,849
Investments Held by the Lehigh Valley Community Foundation	-	-	17,860	17,860
	<u>\$ 7,745,410</u>	<u>\$ -</u>	<u>\$ 17,860</u>	<u>\$ 7,763,270</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 5 - Fair Value of Financial Instruments (continued)

	Fair Value Measurements at December 31, 2022			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
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
	<u>\$ 6,557,764</u>	<u>\$ 58,847</u>	<u>\$ 18,042</u>	<u>\$ 6,634,653</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, 2023 and 2022, 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:

	2023	2022
Carter Family Center	\$ 35,150	\$ -
Program supplies	197,227	220,060
Services and ticket	59,435	64,055
Furniture and appliances	18,255	700
Events/auction items	148,401	59,778
	<u>\$ 458,468</u>	<u>\$ 344,593</u>

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 6 - In-Kind Contributions (continued)

The Carter Family Center is currently under construction at Camp Fowler. The vision is to have a recreation and education center to round out the services for young campers. It will include indoor activity spaces as well as educational programming to complement the enrichment programs. All donations are restricted for use with the Center and are reported at the estimated fair market value in the financial statements.

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:

	<u>2023</u>	<u>2022</u>
Land*	\$ 1,214,268	\$ 1,214,268
Buildings and improvements	11,577,314	11,545,744
Equipment and software	973,863	822,139
Vehicles	807,178	831,628
Construction in progress*	246,689	10,214
	<u>14,819,312</u>	<u>14,423,993</u>
Accumulated depreciation	<u>(5,072,835)</u>	<u>(4,702,922)</u>
	<u>\$ 9,746,477</u>	<u>\$ 9,721,071</u>

* Not depreciated

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 7 - Property and Equipment (continued)

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$466,150 and \$474,899, respectively.

Note 8 - Promises to Give

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

	<u>2023</u>	<u>2022</u>
Unconditional promises to give	<u>\$ 1,652,500</u>	<u>\$ 135,000</u>

Due dates of promises to give, assuming no changes in current terms, consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 771,500	\$ 135,000
One to five years	<u>881,000</u>	<u>-</u>
	<u>\$ 1,652,500</u>	<u>\$ 135,000</u>

Note 9 - Lines of Credit

The Organization has an unsecured line of credit of \$4,900,000 and \$3,700,000 at December 31, 2023 and 2022, respectively. The line is with a financial institution at the bank's prime interest rate (8.50% and 7.50% at December 31, 2023 and 2022, respectively). There was no amount outstanding at December 31, 2023 and 2022. This line of credit has an expiration date of December 31, 2079.

Note 10 - Long-Term Debt

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

	<u>2023</u>	<u>2022</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.	\$ 3,106,017	\$ 3,231,784

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 10 - Long-Term Debt (continued)

	<u>2023</u>	<u>2022</u>
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.	<u>\$ 184,804</u>	<u>\$ 188,469</u>
	3,290,821	3,420,253
Current portion	<u>(132,905)</u>	<u>(129,432)</u>
	<u>\$ 3,157,916</u>	<u>\$ 3,290,821</u>

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

2024	\$ 132,905
2025	137,383
2026	141,868
2027	146,024
2028	150,186
Thereafter	<u>2,582,455</u>
	<u>\$ 3,290,821</u>

Total interest expense incurred under the lines of credit and long-term debt for the years ended December 31, 2023 and 2022 was \$124,733 and \$129,558, respectively.

The Organization is required to meet certain financial covenants on a semi-annual basis in accordance with the long-term debt agreements issued by a bank. The covenants include a fixed charge coverage ratio minimum and a minimum days' cash on hand. At December 31, 2023, the Organization had violated the minimum days' cash on hand covenant, but did follow the required actions set out in the agreement including obtaining a written waiver from the bank.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

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 \$159,241 and \$140,134 at December 31, 2023 and 2022, respectively, which are recognized as part of investments on 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-term 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 years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	\$ 496,322	\$ 392,438
Short-term and other lease costs	<u>1,287,699</u>	<u>1,762,657</u>
	<u>\$ 1,784,021</u>	<u>\$ 2,155,095</u>
Weighted-Average Remaining Lease Term		
Operating leases	5.24 Years	6.19 Years
Weighted-Average Discount Rate		
Operating leases	4.00%	4.00%

Total rent expense for operating leases was \$1,784,021 and \$2,155,095 for the years ended December 31, 2023 and 2022, respectively.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 12 - Leases (continued)

Supplemental statement of financial position information related to leases is as follows as of December 31, 2023:

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, 2023:

	<u>Total Lease Payments</u>
2024	\$ 470,557
2025	316,434
2026	292,464
2027	244,380
2028	223,141
Thereafter	<u>302,346</u>
Total Lease Payment	1,849,322
Imputed interest	<u>(184,899)</u>
Total Present Value of Lease Liabilities	<u>\$ 1,664,423</u>

Note 13 - Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Other programs	\$ 73,198	\$ 9,874
Acquisition, renovation, and operation of the camp	1,716,977	1,388,634
Capital campaign, Great Beginnings	92,879	136,570
Subject to the passage of time		
Promises to give, net	250,000	135,000
Future periods	1,093,096	1,079,247
Perpetual in nature		
Promises to give	1,257,500	-
Endowment investments	<u>3,288,474</u>	<u>2,923,142</u>
	<u>\$ 7,772,124</u>	<u>\$ 5,672,467</u>

Note 14 - 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.
- The Board of Directors approves annual disbursements for the board-designated endowment.
- 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, 2023 and 2022

Note 14 - 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>2023</u>	<u>2022</u>
Endowment funds without donor restrictions	\$ 3,432,674	\$ 2,898,740
Endowment funds with donor restrictions	<u>4,545,974</u>	<u>2,923,142</u>
	<u>\$ 7,978,648</u>	<u>\$ 5,821,882</u>

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

	<u>2023</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets at Beginning of Year	\$ 2,898,740	\$ 2,923,142	\$ 5,821,882
Contributions	125,000	1,630,263	1,755,263
Investment return			
Investment income	74,910	-	74,910
Net appreciation (depreciation) (realized and unrealized)	351,879	(7,431)	344,448
Investment fees	<u>(17,855)</u>	<u>-</u>	<u>(17,855)</u>
Endowment Net Assets at End of Year	<u>\$ 3,432,674</u>	<u>\$ 4,545,974</u>	<u>\$ 7,978,648</u>
	<u>2022</u>		
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	<u>(16,322)</u>	<u>(290)</u>	<u>(16,612)</u>
Endowment Net Assets at End of Year	<u>\$ 2,898,740</u>	<u>\$ 2,923,142</u>	<u>\$ 5,821,882</u>

Note 14 - 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, 2023 and 2022.

Note 15 - 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, 2023 and 2022 was \$908,071 and \$620,169, respectively.

Note 16 - 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 \$100,000 and \$75,000 for the years ended December 31, 2023 and 2022, respectively, of claims per year on a per employee basis. The Organization has stop loss insurance that insures against losses in excess of \$100,000 and \$75,000 for the years ended December 31, 2023 and 2022, respectively, 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, 2023 and 2022. 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 at December 31, 2023 and 2022, 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.

Note 16 - Commitments and Contingencies (continued)

Contingencies (continued)

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 \$8,360,987 and \$7,087,405 at December 31, 2023 and 2022, 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, 2023 and 2022, the Organization received approximately 78% and 81%, respectively, of its revenue 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 17 - 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 18 - Reclassification of Prior Year

Certain items in the 2022 financial statements have been reclassified to conform to the 2023 financial presentation. These reclassifications had no effect on the net income as previously reported in 2022.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2023 and 2022

Note 19 - Subsequent Events

The Organization has evaluated subsequent events through April 23, 2024. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2023 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, 2023, 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 April 23, 2024.

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 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 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

April 23, 2024
Allentown, Pennsylvania