

**CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)**

**Financial Statements,
Independent Auditor's Report,
and Supplementary Information**

June 30, 2024

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Center for Humanistic Change, Inc.
Allentown, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Center for Humanistic Change, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Center for Humanistic Change, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *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 Center for Humanistic Change, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Humanistic Change, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards 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 Center for Humanistic Change, Inc.'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 Center for Humanistic Change, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Center for Humanistic Change, Inc.'s 2023 financial statements, and our report dated March 26, 2024 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2025 on our consideration of Center for Humanistic Change, Inc.'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 Center for Humanistic Change, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Humanistic Change, Inc.'s internal control over financial reporting and compliance.

Congbell, Rappold & Yasuta LLP

March 17, 2025

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>Assets</u>	
	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and Cash Equivalents	\$ 635,484	\$ 751,673
Accounts Receivable (Note 4)	344,339	218,495
Prepaid Expenses	34,109	5,634
Investments (Note 5)	2,011,416	1,743,182
Total Current Assets	3,025,348	2,718,984
Property and Equipment, Net (Note 7)	10,657	15,966
Right-of-Use Assets (Note 8)	283,814	251,087
Total Assets	<u>\$ 3,319,819</u>	<u>\$ 2,986,037</u>

<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Accounts Payable	\$ 36,376	\$ 21,822
Accrued Payroll and Compensated Absences	66,331	60,730
Deferred Revenue	36,204	44,357
Current Portion of Long-Term Lease Liability (Note 8)	77,352	67,540
Total Current Liabilities	216,263	194,449
Long-Term Lease Liability, Net of Current Portion (Note 8)	210,926	207,624
Total Liabilities	427,189	402,073
Commitments and Contingencies (Note 9)		
Net Assets:		
Without Donor Restrictions		
Undesignated	881,214	834,892
Board Designated (Note 10)	2,011,416	1,743,182
	2,892,630	2,578,074
With Donor Restrictions (Note 11)	-	5,890
Total Net Assets	2,892,630	2,583,964
Total Liabilities and Net Assets	<u>\$ 3,319,819</u>	<u>\$ 2,986,037</u>

See independent auditor's report and notes to financial statements.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Year Ended June 30, 2024
With Summarized Comparative Information for the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30,	
			2024	2023
Revenues, Gains, and Other Support:				
Government Contracts	\$ 1,720,861	\$ -	\$ 1,720,861	\$ 1,844,788
Grants	315,063	-	315,063	255,424
Service Fees	50,138	-	50,138	42,805
Contributions	34,626	-	34,626	15,359
Fundraising Events	19,544	-	19,544	-
Less: Direct Costs of Fundraising Events	(5,504)	-	(5,504)	-
Investment Income, Net (Note 5)	180,974	-	180,974	161,909
Miscellaneous Income	657	-	657	10
Net Assets Released from Restrictions (Note 11)	5,890	(5,890)	-	-
Total Revenues, Gains, and Other Support	<u>2,322,249</u>	<u>(5,890)</u>	<u>2,316,359</u>	<u>2,320,295</u>
Expenses:				
Program Expenses	1,747,168	-	1,747,168	1,777,897
Management and General Expenses	235,209	-	235,209	225,047
Fundraising Expenses	25,316	-	25,316	39,206
Total Expenses	<u>2,007,693</u>	<u>-</u>	<u>2,007,693</u>	<u>2,042,150</u>
Change in Net Assets	314,556	(5,890)	308,666	278,145
Cumulative Effect of Adopting ASU No. 2016-02	-	-	-	(21,423)
Net Assets at Beginning of Year	<u>2,578,074</u>	<u>5,890</u>	<u>2,583,964</u>	<u>2,327,242</u>
Net Assets at End of Year	<u>\$ 2,892,630</u>	<u>\$ -</u>	<u>\$ 2,892,630</u>	<u>\$ 2,583,964</u>

See independent auditor's report and notes to financial statements.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2024

With Summarized Comparative Information for the Year Ended June 30, 2023

	Program Activities	Management and General	Fundraising	Year Ended June 30,	
				2024	2023
Salaries and Benefits:					
Salaries and Wages	\$ 1,099,663	\$ 158,433	\$ 15,791	\$ 1,273,887	\$ 1,279,689
Employee Benefits - Retirement	15,559	1,862	199	17,620	18,101
Employee Benefits - Health Insurance	142,301	17,102	2,009	161,412	162,374
Payroll Tax Expense	89,112	12,651	1,262	103,025	106,652
Total Salaries and Benefits	1,346,635	190,048	19,261	1,555,944	1,566,816
Operating Expenses:					
Contract Training	1,392	-	-	1,392	51,268
Direct Program Expenses	136,726	3,112	-	139,838	107,185
Travel	21,342	19	55	21,416	26,337
Curriculum Resources	5,174	-	-	5,174	29,471
Advertising and Marketing	4,635	122	12	4,769	12,229
Staff Development	5,629	-	-	5,629	2,369
Equipment Lease	3,724	506	56	4,286	3,843
Insurance	32,056	4,449	565	37,070	34,807
Office Supplies	18,166	2,717	1,355	22,238	20,649
Postage and Printing	4,927	43	458	5,428	529
Professional Fees	99,389	23,501	1,322	124,212	93,391
Repairs and Maintenance	5,426	1,058	40	6,524	3,085
Occupancy Expenses	52,338	7,221	614	60,173	79,085
Board Expenses	-	355	-	355	518
Fundraising	-	-	6,761	6,761	973
Miscellaneous Expenses	5,070	1,448	161	6,679	4,287
Depreciation Expense	4,539	610	160	5,309	5,308
Total Expenses	\$ 1,747,168	\$ 235,209	\$ 30,820	\$ 2,013,197	\$ 2,042,150
Less: Expenses included with					
Support and Revenues on the Statements					
of Activities and Changes in Net Assets					
Direct Costs of Fundraising Events	-	-	(5,504)	(5,504)	-
	\$ 1,747,168	\$ 235,209	\$ 25,316	\$ 2,007,693	\$ 2,042,150

See independent auditor's report and notes to financial statements.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>
Salaries and Benefits:				
Salaries and Wages	\$ 1,096,903	\$ 156,581	\$ 26,205	\$ 1,279,689
Employee Benefits - Retirement	15,864	1,713	524	18,101
Employee Benefits - Health Insurance	141,530	17,796	3,048	162,374
Payroll Tax Expense	91,400	13,066	2,186	106,652
	<u>1,345,697</u>	<u>189,156</u>	<u>31,963</u>	<u>1,566,816</u>
Operating Expenses:				
Contract Training	51,268	-	-	51,268
Direct Program Expenses	106,814	371	-	107,185
Travel	26,025	312	-	26,337
Curriculum Resources	29,471	-	-	29,471
Advertising and Marketing	12,137	79	13	12,229
Staff Development	2,276	91	2	2,369
Equipment Lease	3,353	415	75	3,843
Insurance	30,047	4,010	750	34,807
Office Supplies	11,422	7,905	1,322	20,649
Postage and Printing	172	13	344	529
Professional Fees	81,241	10,366	1,784	93,391
Repairs and Maintenance	2,653	370	62	3,085
Occupancy Expenses	68,397	9,159	1,529	79,085
Board Expenses	-	518	-	518
Fundraising	-	-	973	973
Miscellaneous Expenses	2,386	1,672	229	4,287
Depreciation Expense	4,538	610	160	5,308
	<u>\$ 1,777,897</u>	<u>\$ 225,047</u>	<u>\$ 39,206</u>	<u>\$ 2,042,150</u>
Less: Expenses included with				
Support and Revenues on the Statements of Activities and Changes in Net Assets				
Direct Costs of Fundraising Events	-	-	-	-
	<u>\$ 1,777,897</u>	<u>\$ 225,047</u>	<u>\$ 39,206</u>	<u>\$ 2,042,150</u>

See independent auditor's report and notes to financial statements.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2024 and 2023

	Year Ended June 30,	
	2024	2023
<i>Cash Flows from Operating Activities:</i>		
Change in Net Assets	\$ 308,666	\$ 278,145
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Lease Amortization	(19,613)	2,654
Realized Gains/(Loss) on Investments	(1,920)	1,338
Unrealized Gains on Investments	(122,853)	(110,883)
Depreciation Expense	5,309	5,308
(Increase) Decrease in Assets:		
Accounts Receivable	(125,844)	32,912
Prepaid Expenses	(28,475)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	14,554	11,050
Accrued Payroll and Compensated Absences	5,601	(33,248)
Deferred Revenue	(8,153)	44,357
Net Cash Provided by Operating Activities	<u>27,272</u>	<u>231,633</u>
<i>Cash Flows from Investing Activities:</i>		
Purchase of Investments	(325,403)	(81,172)
Proceeds from Sale of Investments	<u>181,942</u>	<u>29,454</u>
Net Cash Used by Investing Activities	<u>(143,461)</u>	<u>(51,718)</u>
Increase (Decrease) in Cash and Cash Equivalents	(116,189)	179,915
Cash and Cash Equivalents at Beginning of Year	<u>751,673</u>	<u>571,758</u>
Cash and Cash Equivalents at End of Year	<u>\$ 635,484</u>	<u>\$ 751,673</u>

See independent auditor's report and notes to financial statements.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

1. Nature of Activities

Center for Humanistic Change, Inc. was incorporated in 1979 and is a private nonprofit organization that provides alcohol, tobacco, and other drug prevention and life skills education. The Organization teaches skills to increase resiliency for managing change and life transitions. The goal is to equip people with knowledge and life skills, so they may be more likely to make positive, healthy choices in their lives. The Organization offers its programs in schools, the community, and the workplace. Its primary areas of service are Lehigh and Northampton Counties in Pennsylvania.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the entity and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the Board of Trustees.

Net Assets With Donor Restrictions: Net assets subject to donor or certain grantor-imposed 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 conformity 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 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.

CENTER FOR HUMANISTICCHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (Continued)

Income Taxes

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or liabilities recorded for the fiscal years ended 2024 and 2023.

Center for Humanistic Change, Inc. files Form 990 with the United States Internal Revenue Service. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2020.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless otherwise restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets are reported as net assets released from restrictions. The Organization's revenue from contracts with customers in the scope of ASC 606 is recognized within Services Fees as such:

- **Service Fees:** The Organization earns income from providing skill-based prevention education to entities located outside the boundaries of Lehigh County and Northampton County. Service fee income is also earned through Lehigh County Adult Probation for anger management classes and private pay for program services within the two-county service area. The Organization's policy is to recognize revenue from providing educational services at the time the service is performed.
- **Fundraising Events:** The Organization holds an annual Golf Tournament and entrance to the event requires the attendees to purchase a ticket for admission. Each ticket contains the characteristics of a contribution and an exchange transaction. The Organization recognizes the contribution when the ticket is purchased; revenue is recognized from the exchange transaction when the event takes place.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution, and nature of fundraising activity. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as contributions without donor restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire land, buildings, and equipment without such donor stipulations are reported as revenues with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash invested in money market funds and cash in checking and savings accounts. The Organization, at times, maintains cash balances with a financial institution which may exceed federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Organization has not historically experienced any credit related losses. At June 30, 2024, the Organization had \$385,426 in excess of the FDIC insured limit.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable consist of amounts due from various sources, but primarily from Lehigh County and Northampton County. The allowance for uncollectible accounts receivable is determined based on management's historical experience of the relationship with funding sources, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when they are determined to be uncollectible. At June 30, 2024 and 2023, management determined that an allowance for uncollectible accounts is unnecessary.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments are carried at fair value. The unrealized gain or loss on investments is reflected in the Statements of Activities and Changes in Net Assets.

Property and Equipment

Property and equipment is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives which range from five to seven years. The Organization capitalizes property and equipment purchases with a cost exceeding \$2,500 and a useful life greater than one year. Routine repairs and maintenance is expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Advertising Costs

Advertising costs are expensed as incurred and were \$4,769 and \$12,229 for the years ended June 30, 2024 and 2023, respectively.

Adoption of New Accounting Standard

On July 1, 2023, the Organization adopted Accounting Standards Update 2016-13 *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses* on Financial Instruments, as amended, which modifies the measurement of expected credit losses on certain financial instruments. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined. Under the new standard, management is required to consider specific situations related to the receivable balance, current and future expected economic conditions, past experience of losses, as well as an assessment of potential recoverability for expected credit losses in determining an allowance for uncollectible accounts.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the Statement of Financial Position, consist of the following:

	June 30,	
	2024	2023
Cash	\$ 635,484	\$ 751,673
Accounts Receivable	344,339	218,495
Investments	2,011,416	1,743,182
Net Assets with Board Designations	(2,011,416)	(1,743,182)
Net Assets with Donor Restrictions	-	(5,890)
	\$ 979,823	\$ 964,278

The Organization is supported mainly by grants and contributions. The Organization believes that contracts, grants, and contributions along with the assets held at June 30, 2024, are sufficient to enable the Organization to continue to operate for the upcoming year. The Organization holds its investments with a long-term view in mind to generate income. Additionally, by approval of the Board of Directors, net assets with designations which are comprised of investments (see Note 5) could be made available if necessary. The Organization also has a \$250,000 line of credit available to provide working capital, if needed.

4. Accounts Receivable

Accounts receivable are summarized as follows:

	June 30,	
	2024	2023
Lehigh County	\$ 123,583	\$ 47,160
Northampton County	200,857	134,621
Others	19,899	36,714
	\$ 344,339	\$ 218,495

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

5. Investments

Investments are summarized as follows:

	June 30, 2024		June 30, 2023	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 263,279	\$ 263,279	\$ 90,888	\$ 90,888
Equities	1,086,147	1,304,108	1,197,342	1,304,923
Fixed Income	506,812	444,029	408,241	347,371
	<u>\$ 1,856,238</u>	<u>\$ 2,011,416</u>	<u>\$ 1,696,471</u>	<u>\$ 1,743,182</u>

Investment income was comprised of the following:

	Year Ended June 30,	
	2024	2023
Interest and Dividends	\$ 72,233	\$ 67,091
Unrealized Gains	122,853	110,883
Realized Gains/(Loss)	1,920	(1,338)
Investment Fees	(16,032)	(14,727)
	<u>\$ 180,974</u>	<u>\$ 161,909</u>

6. Fair Value of Financial Instruments

Financial Accounting Standards Board ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives 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 under FASB ASC 820-10 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

6. Fair Value of Financial Instruments (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any 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. Following is a description of the valuation method used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

Cash management funds: The carrying amount approximates fair value based on the short-term maturities of these investments.

Equities, Fixed Income, and Other: Measured at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value 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 that could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2024 and 2023:

<u>2024</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 263,279	\$ -	\$ -	\$ 263,279
Equities	1,304,108	-	-	1,304,108
Fixed Income	444,029	-	-	444,029
	<u>\$ 2,011,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,011,416</u>

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 90,888	\$ -	\$ -	\$ 90,888
Equities	1,304,923	-	-	1,304,923
Fixed Income	347,371	-	-	347,371
	<u>\$ 1,743,182</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,743,182</u>

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

7. Property and Equipment

Property and equipment consists of the following:

	June 30,	
	2024	2023
Equipment	\$ 38,424	\$ 38,424
Furniture and Fixtures	68,675	68,675
Other	7,789	7,789
	114,888	114,888
Less: Accumulated Depreciation	(104,231)	(98,922)
	\$ 10,657	\$ 15,966

Depreciation charged to expense was \$5,309 and \$5,308 for the years ended June 30, 2024 and 2023, respectively.

8. Leases

The Organization leased office space under a long-term lease agreement at 555 Union Blvd, Allentown, Pennsylvania; this lease is an operating lease which was terminated January 31, 2025. On February 1, 2025, the Organization entered into a new long-term lease agreement for office space which expires January 31, 2028.

Subsequent to the lease commencement date, the Organization reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate.

Lease-related assets and liabilities recorded on the Statements of Financial Position at June 30, 2024 and 2023 were as follows:

	Operating	
	Year Ended June 30,	
	2024	2023
Assets:		
Right-of-Use Assets, Net	\$ 283,814	\$ 251,087
Total Lease Assets	\$ 283,814	\$ 251,087
Liabilities:		
Current Portion of Long-Term Lease Liability	\$ 77,352	\$ 67,540
Long-Term Lease Liability, Net of Current Portion	210,926	207,624
Total Lease Liabilities	\$ 288,278	\$ 275,164

The total lease cost under the operating lease for the year ended June 30, 2024 and 2023 was \$55,716 and \$74,344, including common area maintenance charges, respectively.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

8. Leases (Continued)

Future minimum lease payments for operating leases as of June 30, 2024 are as follows:

Year ending June 30,	<u>Operating</u>
2025	\$ 81,955
2026	86,400
2027	86,400
2028	<u>50,400</u>
Total Future Minimum Lease Payments	\$ 305,155
Less: Amount Representing Interest	<u>(16,877)</u>
Present Value of Minimum Lease Payments	288,278
Less: Current Obligations	<u>(77,352)</u>
Long-term Lease Obligations	<u>\$ 210,926</u>

Other information related to the Organization's leases as of June 30, 2024 and 2023:

	<u>Year Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
Weighted-Average Remaining Lease Term		
Operating Lease	3.58 Years	3.58 Years
Weighted-Average Discount Term		
Operating Lease	4.33%	3.06%

9. Line of Credit

The Organization has a \$250,000 revolving line of credit with a bank for the purpose of providing working capital. The note bears interest at the prime rate as published in the Wall Street Journal, with a floor of 3.75%. The Organization did not utilize this line of credit during the fiscal year.

10. Board Designated Net Assets

The Board of Trustees passed a resolution which sets aside net assets without donor restrictions in the amount of \$2,011,416 as a reserve to be used in times when regular income is disrupted or decreased for typical operations to continue.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

11. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following:

	June 30,	
	2024	2023
Purpose Restricted:		
Grants	\$ -	\$ 5,890

The source of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donor were as follows:

	Year Ended June 30,	
	2024	2023
Purpose Restrictions:		
Grants	\$ 5,890	\$ -

12. Retirement Plan

The Organization provides a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) for all eligible members. The Organization's expense for this plan was \$17,620 and \$18,101 during the years ended June 30, 2024 and 2023, respectively.

13. Government Contracts Concentration

During the years ended June 30, 2024 and 2023, the Organization had the following revenues from governmental contracts:

	June 30,	
	2024	2023
Lehigh County	\$ 997,499	\$ 1,046,641
Northampton County	723,362	798,147
	\$ 1,720,861	\$ 1,844,788

The governmental contracts above represented approximately 81% and 85% of the Organization's total revenue from providing services during each of the years ended June 30, 2024 and 2023. Additionally, the two governmental contracts above accounted for approximately 94% and 83% of total accounts receivable at June 30, 2024 and 2023, respectively.

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

14. Summarized Totals for Year Ended June 30, 2023

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient details to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2023, from which summarized information was derived.

15. Subsequent Events

Subsequent events have been evaluated through March 17, 2025, the date on which the financial statements were available to be issued. Subsequent to the end of the fiscal year, the Organization signed a new lease for its primary location and the effects of the lease signing are reflected in Note 8.

SUPPLEMENTARY INFORMATION

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND NOTES
For the Year Ended June 30, 2024

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Additional Award Identification	Pass-Through Entity Identifying Number	Expenditures	Expenditures to Sub-Recipients
U.S. Department of Housing and Urban Development					
CDBG - Entitlement Grants Cluster:					
Passed Through the City of Bethlehem: Community Development Block Grants	14.218		N/A	\$ 18,497	\$ -
Total U.S. Department of Housing and Urban Development				<u>18,497</u>	<u>-</u>
U.S. Department of Health and Human Services					
Passed Through the County of Lehigh: Opioid STR	93.788		23-DA-07	151,882	-
Passed Through the County of Northampton: Opioid STR	93.788		23-503	<u>228,756</u>	<u>-</u>
Total Opioid STR				<u>380,638</u>	<u>-</u>
Passed Through the County of Lehigh: Block Grants for Prevention and Treatment of Substance Abuse	93.959		23-DA-07	337,389	-
Passed Through the County of Northampton: Block Grants for Prevention and Treatment of Substance Abuse	93.959		23-503	<u>411,687</u>	<u>-</u>
Total Block Grants for Prevention and Treatment of Substance Abuse				<u>749,076</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>1,129,714</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 1,148,211</u>	<u>\$ -</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Center for Humanistic Change, Inc. under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule represents only a selected portion of the operations of Center for Humanistic Change, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Center for Humanistic Change, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Center for Humanistic Change, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

See independent auditor's report on supplementary information.

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors of
Center for Humanistic Change, Inc.

We have audited, in accordance with the 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 Center for Humanistic Change, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 17, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Congbell, Rappold & Yasaita LLP

March 17, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Center for Humanistic Change, Inc.

Report on Compliance for each Major Program

Opinion on Each Major Federal Program

We have audited Center for Humanistic Change, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Center for Humanistic Change, Inc.'s major federal programs for the year ended June 30, 2024. Center for Humanistic Change, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Center for Humanistic Change, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Center for Humanistic Change, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Center for Humanistic Change, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Center for Humanistic Change, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Center for Humanistic Change, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Center for Humanistic Change, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Center for Humanistic Change, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Center for Humanistic Change, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Center for Humanistic Change, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Congbell, Roppold & Yasaita LLP

March 17, 2025

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiencies(s) identified that are
not considered to be material weakness(es)? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiencies(s) identified that are
not considered to be material weakness(es)? ___ yes X none reported

Type of auditor's report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2CFR Section 200.516(a)? ___ yes X no

Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

Section II – Financial Statement Findings

- NONE-

Section III – Federal Award Findings and Questioned Costs

- NONE-

CENTER FOR HUMANISTIC CHANGE, INC.
(A Nonprofit Organization)
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2024

Summary Schedule of Prior Audit Findings

- NONE-