

**LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)**

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

June 30, 2021

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-profit Corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lehigh Valley Children's Centers, Inc.
Allentown, PA

Report on the Financial Statements

We have audited the accompanying financial statements of Lehigh Valley Children's Centers, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2021, and the related statements of revenue without donor restrictions, expenses and other changes in net assets without donor restrictions from operations, activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lehigh Valley Children's Centers, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Lehigh Valley Children's Centers, Inc.'s 2020 financial statements, and our report dated September 17, 2020, 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, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supporting schedules of support and revenue on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021 on our consideration of Lehigh Valley Children's Centers, 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 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 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 Lehigh Valley Children's Centers, Inc.'s internal control over financial reporting and compliance.

Corybell, Rappold & Yurasita LLP

September 23, 2021

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
June 30, 2021 with Summarized Totals for 2020

<u>Assets</u>	Without Donor Restrictions	With Donor Restrictions	Total June 30,	
			2021	2020
Cash and Cash Equivalents	\$ 7,923,565	\$ 357,330	\$ 8,280,895	\$ 6,515,342
Investments (Notes 2 and 3)	1,670,203	1,218,974	2,889,177	2,271,943
Other Investments (Note 2)	79,516	-	79,516	79,389
Grants and Accounts Receivable				
Governments and Others	548,205	-	548,205	818,511
Parent Fees, Less Allowance for Uncollectibles of (\$7,250 and \$6,500)	2,844	-	2,844	10,882
Other Current Assets (Note 5)	106,049	-	106,049	105,635
Land, Building and Equipment (Net of Accumulated Depreciation) (Note 4)	<u>2,205,655</u>	<u>-</u>	<u>2,205,655</u>	<u>2,151,864</u>
Total Assets	<u>\$ 12,536,037</u>	<u>\$ 1,576,304</u>	<u>\$ 14,112,341</u>	<u>\$ 11,953,566</u>
<u>Liabilities and Net Assets</u>				
Liabilities				
Accounts Payable	\$ 246,592	\$ -	\$ 246,592	\$ 141,101
Accrued Payroll	916,264	-	916,264	521,129
Other Liabilities (Note 6)	261,040	-	261,040	253,939
Notes Payable (Note 7)	<u>1,252,125</u>	<u>-</u>	<u>1,252,125</u>	<u>1,397,490</u>
Total Liabilities	<u>2,676,021</u>	<u>-</u>	<u>2,676,021</u>	<u>2,313,659</u>
Net Assets				
Net Assets Without Donor Restrictions				
Undesignated	2,405,175	-	2,405,175	2,831,126
Designated by the Governing Board for:				
Scholarship and Program Enrichment	348,728	-	348,728	347,672
Endowment Earnings Designated by the Governing Board for:				
Teacher Salaries, Professional Development, Scholarship and Child Care Environment (Note 8)	800,907	-	800,907	735,516
Other Board Designations (Note 8)	4,099,551	-	4,099,551	2,588,722
Fixed Assets	<u>2,205,655</u>	<u>-</u>	<u>2,205,655</u>	<u>2,006,499</u>
Net Assets With Donor Restrictions (Notes 8 and 9)				
Restricted for a Purpose	-	561,511	561,511	274,174
Restricted in Perpetuity	-	1,014,793	1,014,793	856,198
Total Net Assets	<u>9,860,016</u>	<u>1,576,304</u>	<u>11,436,320</u>	<u>9,639,907</u>
Total Liabilities and Net Assets	<u>\$ 12,536,037</u>	<u>\$ 1,576,304</u>	<u>\$ 14,112,341</u>	<u>\$ 11,953,566</u>

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF REVENUE WITHOUT DONOR RESTRICTIONS, EXPENSES AND OTHER
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS
Years Ended June 30, 2021 and 2020

	Year Ended June 30,	
	2021	2020
Revenues		
Revenue for Child Care Services -		
Subsidized Child Care	\$ 3,008,174	\$ 3,187,821
Tuition	1,399,787	2,019,552
Other Revenue and Support -		
Child Care Food Program - LVCC	653,359	623,253
Child Care Food Program -		
Other Providers	1,873,237	1,919,443
CARES Act Revenue	1,582,600	-
Interest Income	56,298	94,977
Contributions	4,555,880	4,525,691
Fund-Raising	120	8,929
Other Income	123,620	159,206
	<u>13,253,075</u>	<u>12,538,872</u>
Expenses		
Child Care	10,034,381	10,243,882
Management and General	1,773,001	1,820,488
Fund Raising	103,056	106,386
	<u>11,910,438</u>	<u>12,170,756</u>
Increase in Net Assets Without Donor		
Restrictions from Operations	1,342,637	368,116
Other Changes		
Realized and Unrealized Gain on		
Investments	246,456	409
Depreciation	(238,612)	(276,173)
Increase in Net Assets Without		
Donor Restrictions	<u>\$ 1,350,481</u>	<u>\$ 92,352</u>
Amounts Released from Restrictions Included in		
Revenues	<u>\$ 238,410</u>	<u>\$ 198,675</u>

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021
with Summarized Totals for 2020

	Year Ended June 30, 2021		Total	
	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2021	2020
<u>Change in Net Assets</u>				
Revenues				
Revenue for Child Care Services -				
Subsidized Child Care	\$ 3,008,174	\$ -	\$ 3,008,174	\$ 3,187,821
Tuition	1,399,787	-	1,399,787	2,019,552
Other Revenue and Support -				
Child Care Food Program - LVCC	653,359	-	653,359	623,253
Child Care Food Program -				
Other Providers	1,873,237	-	1,873,237	1,919,443
CARES Act Revenue	1,582,600	-	1,582,600	-
Investment Income	56,298	1,843	58,141	97,824
Realized and Unrealized (Loss) Gain on				
Investments	246,456	332,067	578,523	(93,543)
Contributions	4,317,470	350,432	4,667,902	4,561,797
Fund-Raising	120	-	120	8,929
Other Income	123,620	-	123,620	159,206
Net Assets Released from Restrictions	238,410	(238,410)	-	-
Total Revenues	13,499,531	445,932	13,945,463	12,484,282
Expenses				
Child Care	10,261,119	-	10,261,119	10,510,855
Management and General	1,784,875	-	1,784,875	1,829,688
Fund Raising	103,056	-	103,056	106,386
Total Expenses	12,149,050	-	12,149,050	12,446,929
Increase in Net Assets	1,350,481	445,932	1,796,413	37,353
Net Assets at Beginning of Year	8,509,535	1,130,372	9,639,907	9,602,554
Net Assets at End of Year	<u>\$ 9,860,016</u>	<u>\$ 1,576,304</u>	<u>\$ 11,436,320</u>	<u>\$ 9,639,907</u>

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	Year Ended June 30,	
	2021	2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ 1,796,413	\$ 37,353
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	238,612	276,173
Realized and Unrealized (Gain) Loss on Long-Term Investments	(578,523)	93,543
Contributions Restricted for Long-Term Investment	(5,000)	-
(Increase) Decrease in Assets:		
Grants and Accounts Receivable	278,344	42,325
Other Current Assets	(414)	5,963
Increase (Decrease) in Liabilities:		
Accounts Payable	105,491	(101,067)
Accrued Payroll	395,135	52,338
Other Liabilities	7,101	(28,698)
Net Cash Provided by Operating Activities	<u>2,237,159</u>	<u>377,930</u>
Cash Flows from Investing Activities		
Purchase of Building and Equipment	(292,403)	(119,236)
Purchase of Investments	(38,838)	(48,924)
Net Cash Used by Investing Activities	<u>(331,241)</u>	<u>(168,160)</u>
Cash Flows from Financing Activities		
Contributions Restricted for Long-Term Investment	5,000	-
Paycheck Protection Loan Program Borrowing	-	1,252,125
Daycare Center Loan Repayments	(145,365)	(42,498)
Vehicle Loan Repayments	-	(4,825)
Net Cash (Used) Provided by Financing Activities	<u>(140,365)</u>	<u>1,204,802</u>
Net Increase in Cash and Cash Equivalents	1,765,553	1,414,572
Cash and Cash Equivalents at Beginning of Year	<u>6,515,342</u>	<u>5,100,770</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,280,895</u>	<u>\$ 6,515,342</u>
<u>Additional Disclosure of Cash Flows</u>		
Interest Paid	<u>\$ 5,597</u>	<u>\$ 8,525</u>

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

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LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021
with Summarized Totals for 2020

	Year Ended June 30, 2021					
	Program Services	Supporting Services		Total	Total	
	Child Care	Management and General	Fund Raising	Supporting Services	Year Ended June 30, 2021	2020
Salaries	\$ 5,068,145	\$ 1,078,502	\$ 83,033	\$ 1,161,535	\$ 6,229,680	\$ 6,177,865
Employee Benefits	602,914	109,617	9,531	119,148	722,062	743,906
Payroll Taxes	387,713	82,505	6,352	88,857	476,570	472,607
Total Salaries and Related Expenses	6,058,772	1,270,624	98,916	1,369,540	7,428,312	7,394,378
Professional Fees	64,862	28,024	-	28,024	92,886	108,308
Postage and Supplies	574,175	76,723	3,553	80,276	654,451	787,768
Food and Food Service Supplies	512,480	696	-	696	513,176	527,748
CACFP Food Payments	1,873,237	-	-	-	1,873,237	1,919,443
Telephone	47,794	19,358	-	19,358	67,152	60,183
Occupancy	444,112	161,304	-	161,304	605,416	594,308
Insurance	43,854	10,311	-	10,311	54,165	61,101
Vehicle Operating Expenses	22,175	6,101	-	6,101	28,276	31,719
Travel	-	160	-	160	160	5,142
Interest	5,597	-	-	-	5,597	8,525
Staff Development	80,627	18,646	136	18,782	99,409	109,272
Furniture and Equipment Repairs and Minor Purchases	127,177	241	-	241	127,418	106,707
Publicity	96,168	4,625	75	4,700	100,868	94,574
Miscellaneous	68,882	176,188	376	176,564	245,446	306,458
Scholarship	14,469	-	-	-	14,469	55,122
Total Before Depreciation	10,034,381	1,773,001	103,056	1,876,057	11,910,438	12,170,756
Depreciation Expense	226,738	11,874	-	11,874	238,612	276,173
Total Expenses	\$10,261,119	\$ 1,784,875	\$ 103,056	\$ 1,887,931	\$ 12,149,050	\$ 12,446,929

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. Summary of Significant Accounting Policies

Nature of Activities

Lehigh Valley Children's Centers, Inc. is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing childcare services in the Lehigh Valley. A significant portion of the childcare services provided are reimbursed under Federal and State programs for eligible recipients.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting with the principles of not-for-profit accounting.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 action of the Board of Directors.

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.

The Organization's unspent contributions are reported in net assets with donor restrictions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

The Organization's donor-restricted endowment funds, including the unspent appreciation of the endowment fund and the portion of the Organization's donor-restriction endowment funds that the Organization is committed to maintaining in perpetuity are classified in net assets with donor restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and cash in checking and money market accounts. The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents unless the investments are held for endowment.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Parent Fees

Parent fees receivable consist of short-term tuition and fees receivable from parents. Management evaluates the need to write off a receivable based on its review of the aging of balances and historical collection experience. At fiscal year end, the Organization establishes an allowance based on a percentage of outstanding balances of withdrawn and currently enrolled students.

Inventory

Inventory included in Other Assets, stated at lower of cost (first-in, first-out) or market, consists of food, health/baby supplies and education supplies.

Land, Building and Equipment

Land, building and equipment is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. The Organization has a policy to capitalize all purchases greater than \$5,000 with a useful life of one year or more.

	<u>Years</u>
Buildings	20-25
Leasehold Improvements	3-10
Furniture and Fixtures	3-10
Vehicles	3-5

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. Donated services of a specialized skill that would be purchased in the absence of this donation are recorded at estimated market rate for the corresponding hours spent.

No amounts have been reflected in the statements for general donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

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.

Concentration of Credit Risk

The Organization maintains cash accounts with three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. At June 30, 2021 the Organization's uninsured cash balance totaled \$7,872,117. Historically the Organization has not experienced any credit related losses.

Advertising Costs

Advertising costs are expensed as incurred and were \$100,868 and \$94,574 for 2021 and 2020, respectively.

Operating Measure

Lehigh Valley Children's Centers, Inc.'s operating revenue and expenses on the Statement of Revenues Without Donor Restrictions, Expenses, and Other Changes in Net Assets Without Donor Restrictions From Operations is based on the Organization's operating budget and includes all changes in net assets without donor restrictions except:

Realized and Unrealized Gain (Loss) on Investments
Depreciation

Income Taxes

The Organization is a non-profit organization exempt from income taxes under section 501(c)(3), of the internal revenue code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claims 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.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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 or liabilities recorded for the fiscal years 2021 and 2020.

The Organization files its 990 with the United States Internal Revenue Service and with the Bureau of Charitable Organizations in Pennsylvania. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before 2018.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been estimated and allocated among the programs and supporting services benefited. Any expenses not directly chargeable to a program are allocated between program, management and general and fundraising based on management's estimates of time, space, usage, and benefits received.

Reclassification

Certain amounts for the year ended June 30, 2020, have been reclassified to conform to the June 30, 2021 presentation. This reclassification has no effect on the previously reported change in net assets.

Accounting for Paycheck Protection Program (PPP)

The Organization may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, *Debt*, or under other models, if certain conditions are met. If the Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. As of June 30, 2021, management has not evaluated whether the Organization will meet the eligibility criteria for full forgiveness of the Loan. For this reason, the Organization has elected the debt method. Under this method, the Organization recorded a debt liability on the Statement of Financial Position and will subsequently recognize revenue from the extinguishment of debt once forgiveness has been determined by the Small Business Administration. On April 21, 2020, the Organization received \$1,252,125 under the Paycheck Protection Program.

Subsequent to June 30, 2021, the Organization applied for forgiveness of the PPP loan. On August 2, 2021 the Organization was notified that the \$1,252,125 loan was forgiven.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Comparative Financial Information

The accompanying financial statements include certain prior year summarized information in total but not by function or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Revenue Recognition

The Organization derives its revenue primarily from providing daycare services to enrolled students. The revenue is a combination of private pay and government subsidies. Private pay revenue is recognized weekly for enrolled students regardless of attendance as the Organization has met its obligation to have a spot available for the student. Government subsidized childcare revenue is recognized when daycare services are provided and is based on daily attendance. Other miscellaneous daycare fee revenue is recognized as incurred.

A portion of the Organization's revenue is also derived from cost-reimbursable federal and state grants which are conditional upon the incurrence of allowable qualifying expenses. Revenue is recognized when the Organization incurs expenditures in compliance with the grant provisions.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Organization recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

Contributions of cash, securities or other assets, unconditional promises to give, or a notification of a beneficial interest are recognized as revenue when received. 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 are met.

Adoption of New Accounting Standards

On July 1, 2020, the Organization adopted Accounting Standards Update 2014-09 *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards (Continued)

On July 1, 2020, the Organization adopted ASU No. 2018-13, *Fair Value Measurements (Topic 820)* ("ASU 2018-13"), which provides for changes to the disclosure requirements for recurring and nonrecurring fair value measurements under Topic 820, including changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty.

The Organization has determined that the implementation of the accounting standards updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

2. Investments and Other Investments

Investments are composed of the following:

	<u>2021</u>	<u>2020</u>
Money Market	\$ 40,160	\$ 24,585
Certificates of Deposit	79,516	79,389
Mutual Funds	1,886,785	1,471,351
Exchange Traded Funds	293,211	241,034
Fixed Income	303,863	255,764
Lehigh Valley Community Foundation	365,158	279,209
	<u>\$ 2,968,693</u>	<u>\$ 2,351,332</u>

A summary of earnings on investments for the years ended June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Investment Income	\$ 107,666	\$ 128,308
Realized and Unrealized Gains (Losses)	578,523	(93,543)
Fees	(49,525)	(30,484)
	<u>\$ 636,664</u>	<u>\$ 4,281</u>

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

3. Fair Value Measurements

Financial Accounting Standards Board ("FASB") ASC 820-10, defines fair value, establishes a fair value hierarchy and specifies that a valuation technique used to measure fair value shall maximize the use of observable inputs and minimize the use of unobservable inputs. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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. Assets utilizing Level 1 inputs are equities and mutual funds.

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.

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 Organization currently does not have any Level 3 inputs.

The asset's or liability'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 methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Money Market: Measured at cost which approximates fair value.

Certificates of Deposit: Valued at cost plus accrued interest which approximates fair-value due to the short – term nature of these investments.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

3. Fair Value Measurements (Continued)

Corporate bonds and U.S. government securities (fixed income): Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual and Exchange Traded funds: Valued at the net asset value ("NAV") of shares held by the Organization at year end.

Foundation Investment Pools (Lehigh Valley Community Foundation): Measured by quoted market prices in active and private markets of the underlying securities. Fair values of securities for which market prices are not readily available are determined based upon quoted closing market prices for similar issues, dealer quotes, or pricing models utilizing market observable inputs for comparable securities. This total fair value is divided by the total assets in the Foundation to determine the allocated value that is assigned to the Investment.

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 could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021 and 2020:

Assets at Fair Value as of June 30, 2021				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 40,160	\$ -	\$ -	\$ 40,160
Certificates of Deposit	79,516	-	-	79,516
Mutual Funds	1,886,785	-	-	1,886,785
Exchange Traded Funds	293,211	-	-	293,211
Lehigh Valley Community Foundation	-	365,158	-	365,158
Fixed Income	-	303,863	-	303,863
	<u>\$ 2,299,672</u>	<u>\$ 669,021</u>	<u>\$ -</u>	<u>\$ 2,968,693</u>

Assets at Fair Value as of June 30, 2020				
	Level 1	Level 2	Level 3	Total
Money Market	\$ 24,585	\$ -	\$ -	\$ 24,585
Certificates of Deposit	79,389	-	-	79,389
Mutual Funds	1,471,351	-	-	1,471,351
Exchange Traded Funds	241,034	-	-	241,034
Lehigh Valley Community Foundation	-	279,209	-	279,209
Fixed Income	-	255,764	-	255,764
	<u>\$ 1,816,359</u>	<u>\$ 534,973</u>	<u>\$ -</u>	<u>\$ 2,351,332</u>

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

4. Land, Building and Equipment

Land, building and equipment is composed of:

	2021	2020
Land, Buildings, and Building Improvements	\$ 4,323,135	\$ 4,257,055
Leasehold Improvements	970,647	781,142
Vehicles	518,378	554,385
Classroom and Office Furniture and Equipment	702,984	666,166
	\$ 6,515,145	\$ 6,258,749
Less: Accumulated Depreciation	(4,309,490)	(4,106,885)
	\$ 2,205,655	\$ 2,151,864

Depreciation and amortization charged to expense was \$238,612 and \$276,173 for 2021 and 2020, respectively.

5. Other Current Assets

Other current assets consist of:

	2021	2020
Inventory	\$ 15,939	\$ 22,188
Prepaid Expenses	55,009	48,346
Collateral for Unemployment	16,740	16,740
Security Deposits	18,361	18,361
	\$ 106,049	\$ 105,635

6. Other Liabilities

Other liabilities consist of:

	2021	2020
Accrued Vacation	\$ 150,841	\$ 142,923
Reserve for Unemployment Claims	60,094	71,356
Deferred Revenue	27,314	13,070
Accrued Expenses and Other	22,791	26,590
	\$ 261,040	\$ 253,939

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. Notes Payable

Notes payable consist of:

	2021	2020
1.00% Paycheck Protection Program Loan, Payable to TD Bank, Due in Monthly Installments of \$70,114, including interest until March 2022.	1,252,125	1,252,125
4.95% Note Payable to the Bank, Collateralized by Property located at 1325 Fairmont Street, Whitehall, Due in Monthly installments of \$4,249, including interest until July 2023.	-	145,365
	\$ 1,252,125	\$ 1,397,490

Interest expense was \$5,597 and \$8,525 for the years ended June 30, 2021 and 2020, respectively. On August 2, 2021, the Organization was notified that the Paycheck Protection Program Loan was forgiven.

8. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods.

	2021	2020
Purpose Restrictions		
Program Enrichment	\$ 139,456	\$ 89,781
Fowler Education Awards	61,519	46,974
Scholarship	182,064	137,419
Accumulated Earnings on Endowment	178,472	-
Restricted in Perpetuity		
Endowment Funds that Investment Income is Without Donor Restrictions	974,462	974,462
Judith Chase Scholarship Fund that Investment Income is Restricted for Scholarships	40,331	35,331
Underwater Endowment	-	(153,595)
	\$ 1,576,304	\$ 1,130,372

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. Net Assets (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Program Enrichment	\$ 214,987	\$ 119,957
Fowler Education Awards	8,954	17,196
Scholarship	<u>14,469</u>	<u>61,522</u>
	<u>\$ 238,410</u>	<u>\$ 198,675</u>

Net assets without donor restrictions designated by the Governing Board for teacher salaries, professional development, scholarship, and childcare environment were as follows:

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions		
Designated, July 1,	\$ 735,516	\$ 676,645
Endowment Income	39,741	59,932
Realized and Unrealized Gain	27,290	345
Investment Fees	<u>(1,640)</u>	<u>(1,406)</u>
Net Assets Without Donor Restrictions		
Designated June 30,	<u>\$ 800,907</u>	<u>\$ 735,516</u>

Other Board Designations were as follows:

	<u>2021</u>	<u>2020</u>
Operating Expense Reserve	\$ 1,412,987	\$ 1,341,522
Center Playgrounds, Center Renovations, Vans, and Equipment Upgrades	771,564	69,200
Capital Improvement Reserve	565,000	538,000
New Ventures/Expansion in Centers	<u>1,350,000</u>	<u>640,000</u>
	<u>\$ 4,099,551</u>	<u>\$ 2,588,722</u>

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
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NOTES TO FINANCIAL STATEMENTS
June 30, 2021

8. Net Assets (Continued)

In 2004, the Organization established the Lehigh Valley Children's Center Endowment Fund as a permanent agency endowment fund of the Lehigh Valley Community Foundation. The purpose is to serve as an endowment that will provide a permanent income stream for the Organization as long as it exists and continues to operate as a tax-exempt charitable organization.

The Foundation has been granted variance power in that in the event that it becomes unnecessary, undesirable, impractical or impossible to utilize the fund for such purposes or if the Organization ceases to exist or be recognized as a tax-exempt charitable organization, the Foundation shall have the right to utilize the Fund for such charitable purposes as it deems appropriate in accordance with the Foundation's governing instruments.

The Foundation shall make distributions from the Fund to the Organization annually in accordance with the Spending Policy and Distribution Schedule adopted by the Foundation's Board of Governors.

\$1,014,793 has been reported in the Statement of Financial position as an investment restricted in perpetuity, of which \$365,158 is held by Lehigh Valley Community Foundation.

9. Endowment Funds

The Organization's endowment consists of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. 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, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. As a result of this interpretation, the Organization classifies as perpetual net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts donated to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

9. Endowment Funds (Continued)

Endowment Return Objectives, Risk Parameters and Strategies

The Organization has adopted an endowment fund and investment policy, approved by the Board of Directors, for endowments and donor-restricted funds that are not intended to be used for the daily operation of the Organization. The productivity of the endowment must strike a balance between the preservation of principal for perpetuity and supporting a spending policy that sustains the mission of the Organization. The fund should be managed in a prudent manner consistent with the purpose of the donors. A spending policy has not yet been adopted.

The purpose of establishing an investment policy asset mix is to construct a target or "normal" set of investments, well diversified among suitable asset classes that will generate, on average, the level of expected return necessary to meet endowment objectives at the lowest volatility consistent with achieving that return.

The broad investment policy mix, including target levels and ranges, approved by the Finance Committee is as follows:

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Equities	55%	60%	70%
Fixed Income	25%	30%	40%
Alternative Investments	0%	10%	10%
Cash	0%	0%	2%

Spending Policy

The Organization is permitted to spend the earnings of the fund annually. This is defined as the interest and dividends earned in the fiscal period.

Underwater Endowment

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). As of June 30, 2021, and 2020 the original gift value of the fund was \$1,014,793. The fair value of the fund as of June 30, 2021 and 2020 was \$1,193,265 and \$856,198 resulting in deficiencies of \$-0- and \$153,595, respectively.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

9. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	As of June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board - Designated Endowment Funds	\$ 800,907	\$ -	\$ 800,907
Donor-Restricted Endowment Funds	-	1,193,265	1,193,265
Total Funds	\$ 800,907	\$ 1,193,265	\$ 1,994,172

	As of June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board - Designated Endowment Funds	\$ 735,516	\$ -	\$ 735,516
Donor-Restricted Endowment Funds	-	856,198	856,198
Total Funds	\$ 735,516	\$ 856,198	\$ 1,591,714

Changes in endowment net assets for the fiscal year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of Year	\$ 735,516	\$ 856,198	\$ 1,591,714
Investment Return			
Investment Income	2,950	36,309	39,259
Investment Fees	(1,640)	(8,435)	(10,075)
Realized and Unrealized Gain	27,290	342,141	369,431
Contributions/Pledge Payments	-	5,000	5,000
Amounts Appropriated for Expenditure	36,791	(37,948)	(1,157)
Endowment Net Assets, End of Year	\$ 800,907	\$ 1,193,265	\$ 1,994,172

10. Leases

The Organization has year to year leases at three program sites. In addition, the Organization has the following multiyear lease agreements:

In April, 2020 the Organization amended an existing lease agreement for space for the central office. The lease term is for seven years beginning on July 1, 2020.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

10. Leases (Continued)

On October 1, 2007, the Organization entered into a lease agreement for space for the Union Boulevard site. Effective July 24, 2017, the lease term was extended and shall end on November 30, 2022.

On August 1, 2016, the Organization entered into a lease agreement for space on Bridal Path Rd. The lease was renewed for three years beginning August 1, 2020 and ending July 31, 2024.

On March 24, 2017, the Organization entered into a lease agreement for space on W. Berwick St. The lease term is for three years beginning March 24, 2017 and has been extended for an additional two years, expiring June 30, 2022.

Annual rental expense under these lease agreements is approximately \$443,328.

Future lease obligations are as follows:

Year ending June 30,	
2022	\$ 313,634
2023	200,624
2024	176,213
2025	121,128
2026	123,504
Thereafter	125,880

11. Pension Plan

The Organization has a voluntary contributory pension plan covering personnel who elect to participate. Effective April 1, 2018, the Organization went to a tiered matching contribution. Employees receive a match up to 3% for 2 to 5 years of service, a match up to 5% for 5 to 10 years of service, and a match up to 7% for employees with 10 years or more of service. Total pension expense for the years ended June 30, 2021 and 2020 was \$52,363 and \$46,966, respectively.

12. Commitments and Contingencies

The Organization has elected not to be covered by Pennsylvania Unemployment Compensation and maintains cash funds to pay unemployment benefits. All claims for unemployment benefits must be paid by the Organization as they occur.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

13. Liquidity and Availability

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

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 7,923,565	\$ 6,265,306
Accounts Receivable	551,049	829,393
Operating Investments	1,749,719	1,391,607
Less: Board Designations	<u>(5,249,186)</u>	<u>(3,671,910)</u>
	<u>\$ 4,975,147</u>	<u>\$ 4,814,396</u>

The Organization's endowment funds consist of donor restricted endowments and funds designated by the board as endowments. Income from donor restricted endowment is restricted for specific purposes, except for the amounts available for general use. Donor restricted endowment funds are not available for general expenditure.

The Organization maintains a board designated endowment of \$800,907, as described in Note 9. Although the Organization does not intend to spend from the board designated net assets, these amounts could be made available, if necessary.

14. Subsequent Events

The Organization's management has evaluated events subsequent to June 30, 2021 that affect the Organization through September 23, 2021, the date the financial statements were available to be issued, and has determined that with the exception of the items noted below, no material subsequent events exist that require disclosure.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 may impact various parts of its Fiscal Year 2022 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The Organization received Paycheck Protection Program Loan forgiveness as described in Note 1 subsequent to year end.

SUPPLEMENTARY INFORMATION

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
SUPPORTING SCHEDULES OF SUPPORT AND REVENUE

	Year Ended June 30,	
	2021	2020
REVENUE FOR CHILD CARE SERVICES		
GOVERNMENT SUBSIDIZED CHILD CARE		
CCW Net Revenue	\$ 1,655,171	\$ 2,146,994
Parent Portion of CCW Fees	399,106	377,465
Carbon/Monroe County CCW Net Revenue	3,499	8,553
Infant Toddler Contracted Slots	930,000	630,000
County Children and Youth Program:		
Lehigh	3,479	6,615
Northampton	16,919	18,194
	\$ 3,008,174	\$ 3,187,821
Total		

	Year Ended June 30,	
	2021	2020
REVENUE FOR CHILD CARE SERVICES		
PARENTS AND OTHER FEES		
Tuition	\$ 1,399,787	\$ 2,019,552
	\$ 1,399,787	\$ 2,019,552
Total		

See independent auditor's report on supplementary information.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Expenditures	Expenditures to Sub-Recipients
U.S. Department of Agriculture Passed Through the Pennsylvania Department of Education				
Child and Adult Care Food Program - Cash	10.558	300-39-428-0	\$ 2,277,724	\$ -
Child and Adult Care Food Program - Cash (Unaffiliated)	10.558	313-39-170-5	<u>204,361</u>	<u>-</u>
			<u>2,482,085</u>	<u>-</u>
U.S. Department of Agriculture Passed Through the Pennsylvania Department of Agriculture				
Child and Adult Care Food Program - Commodities	10.558	300-39-428-0	<u>44,511</u>	<u>-</u>
Total CFDA # 10.558			<u>2,526,596</u>	<u>-</u>
U.S. Department of the Treasury Passed Through the Pennsylvania Department of Education				
Coronavirus Relief Fund	21.019		<u>110,968</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,637,564</u>	<u>\$ -</u>

See independent auditor's report on supplementary information.

See Notes to Schedule of Expenditures of Federal Awards

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lehigh Valley Children's Centers, Inc. under programs of the federal government for the year ended June 30, 2021. 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 presents only a selected portion of the operations of Lehigh Valley Children's Centers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lehigh Valley Children's Centers, Inc.

2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized using the principles contained in the Uniform Guidance where in certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Lehigh Valley Children's Centers, Inc. has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

3. Noncash Awards

The amount of commodities reported on the Schedule is the value of food distributed by the Pennsylvania Department of Agriculture during the current year and priced as prescribed by the Pennsylvania Department of Agriculture.

See independent accountants 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
Lehigh Valley Children's Centers, Inc.
Allentown, PA

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 Lehigh Valley Children's Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lehigh Valley Children's Centers, 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 Lehigh Valley Children's Centers, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lehigh Valley Children's Centers, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lehigh Valley Children's Centers, 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 *Governmental 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.

Campbell, Rappold & Yurasita LLP

September 23, 2021

**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
Lehigh Valley Children's Centers, Inc.
Allentown, PA

Report on Compliance for Each Major Federal Program

We have audited Lehigh Valley Children's Centers, 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 Lehigh Valley Children's Centers, Inc.'s major federal programs for the year ended June 30, 2021. Lehigh Valley Children's Centers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lehigh Valley Children's Centers, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lehigh Valley Children's Centers, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lehigh Valley Children's Centers, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lehigh Valley Children's Centers, 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, 2021.

Report on Internal Control Over Compliance

Management of Lehigh Valley Children's Centers, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lehigh Valley Children's Centers, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lehigh Valley Children's Centers, Inc.'s 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, Rappold & Yasaita LLP

September 23, 2021

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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 no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes 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 2 CFR section 200.516(a)?

yes no

Identification of major programs:

AL Number(s)

Name of Federal Program or Cluster

10.558

Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Cost

No matters were reported.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2021

Year Ended June 30, 2020

None