THE LITERACY CENTER
(A Not-for-Profit Corporation)

Financial Statements and Independent Auditor's Report

June 30, 2020

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

THE LITERACY CENTER
(A Not-for-Profit Corporation)
TABLE OF CONTENTS

C•R&Y CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

TARA L. BENDER, CPA, CSEP
JAMES F. BOVA, CPA
MARC A. BRINKER, CPA
MELISSA A. GRUBE, CPA, CSEP
DENNIS S. HELLER, CPA
WARREN R. HENDERSON, CPA
JASON L. SERFASS, CPA
JOHN R. ZAYAITZ, CPA

DAWN C. ANDERSON, CPA
MICHELLE R. BITNER, CPA
ROXANNA M. BRANDLE, CPA
KYLE ELSENBAUMER, CPA
PAUL G. MACK, CPA, CFE
GREG MOSER, JR., CPA
NICHOLAS A. OTTOLINI, CPA
TARA M. SHELLHAMER, CPA
HEIDI D. WOJCIECHOWSKI, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Literacy Center
Allentown, PA

We have audited the accompanying financial statements of The Literacy Center (A Not-for-Profit Corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of 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. 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.

610-435-7489 • www.crycpas.com • 1033 South Cedar Crest Boulevard, Allentown, PA 18103-5443
MEMBERS: American Institute of Certified Public Accountants • Pennsylvania Institute of Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Literacy Center as of June 30, 2020, 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 Literacy Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Campbell, Peppold & Yurasits LLP

May 28, 2021

THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION

	June 30, 2020	June 30, 2019
Assets		
Cash and Cash Equivalents	$ 372,008	$ 273,504
Investments (Notes 3 and 4)	189,043	190,972
Grants and Other Receivables (Note 5)	109,617	211,779
Prepaid Expenses	5,670	7,933
Equipment and Leasehold Improvements, Net (Note 6)	35,843	50,728
Total Assets	$ 712,181	$ 734,916
Liabilities and Net Assets		
Liabilities		
Accounts Payable and Accrued Expenses	$ 43,327	$ 72,094
Deferred Grant - PPP (Note 1)	64,542	-
Lease Payable	5,474	7,567
Commitments (Note 11)		
Total Liabilities	113,343	79,661
Net Assets		
Without Donor Restrictions:		
Undesignated	529,838	562,255
Board Designated for Scholarships	3,000	3,000
With Donor Restrictions:		
Time Restrictions (Note 8)	66,000	90,000
Total Net Assets	598,838	655,255
Total Liabilities and Net Assets	$ 712,181	$ 734,916

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

THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues, Gains, and Other Support						
Grants and Community Contributions	$ 180,564	$ 108,500	$ 289,064	$ 398,956	$ 105,000	$ 503,956
Contributed Services and Other In-Kinds (Note 1)	47,208	-	47,208	25,758	-	25,758
Governmental Grants and Service Revenue	455,273	-	455,273	366,887	-	366,887
Gross Special Events Revenue	20,440	-	20,440	16,478	-	16,478
Less: Direct Costs of Special Events	(5,133)	-	(5,133)	(5,331)	-	(5,331)
Satisfaction of Restrictions	132,500	(132,500)	-	17,659	(17,659)	-
Total Operating Revenues, Gains, and Other Support	830,852	(24,000)	806,852	820,407	87,341	907,748
Operating Expenses						
Program	735,164	-	735,164	628,960	-	628,960
Management and General	78,466	-	78,466	66,515	-	66,515
Fundraising	49,326	-	49,326	54,375	-	54,375
Total Expenses	862,956	-	862,956	749,850	-	749,850
Change in Net Assets from Operations	(32,104)	(24,000)	(56,104)	70,557	87,341	157,898
Other Changes in Net Assets						
Investment Income	4,262	-	4,262	6,275	-	6,275
Realized/Unrealized Gains (Losses) on Investments	(4,575)	-	(4,575)	6,651	-	6,651
Total Other Changes	(313)	-	(313)	12,926	-	12,926
Increase (Decrease) in Net Assets	(32,417)	(24,000)	(56,417)	83,483	87,341	170,824
Net Assets at Beginning of Year	565,255	90,000	655,255	481,772	2,659	484,431
Net Assets at End of Year	$ 532,838	$ 66,000	$ 598,838	$ 565,255	$ 90,000	$ 655,255

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

THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS

	Year Ended June 30, 2020	Year Ended June 30, 2019
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	$ (56,417)	$ 170,824
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	16,529	16,437
Realized/Unrealized (Gains) Losses on Investments	4,575	(6,651)
(Increase) Decrease in Assets:		
Accounts Receivable	102,162	(192,538)
Prepaid Expenses	2,263	7,825
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(28,767)	43,563
Deferred Grant - PPP	64,542	-
Lease Payable	(2,093)	260
Net Cash Provided by Operating Activities	102,794	39,720
Cash Flows from Investing Activities		
Purchase of Investments	(2,646)	(6,180)
Purchase of Equipment and Leasehold Improvements	(1,644)	(580)
Net Cash Used by Investing Activities	(4,290)	(6,760)
Net Increase in Cash and Cash Equivalents	98,504	32,960
Cash and Cash Equivalents - Beginning of Year	273,504	240,544
Cash and Cash Equivalents - End of Year	$ 372,008	$ 273,504

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

THE LITERACY CENTER
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
With Comparative Totals for 2019

	Program Services	Management and General	Fund Raising	Year Ended June 30, 2020	Year Ended June 30, 2019
Salaries	$ 437,885	$ 13,441	$ 7,182	$ 458,508	$ 440,868
Employee Health Benefits	29,262	2,138	4,988	36,388	20,319
Payroll Taxes	34,301	4,606	10,184	49,091	40,015
Total Salaries and Related Expenses	501,448	20,185	22,354	543,987	501,202
Professional Fees	55,358	40,113	13,695	109,166	40,978
Office Supplies	214	2,160	974	3,348	4,545
Instructional Material	2,811	-	-	2,811	5,098
Telephone and Internet	3,141	924	550	4,615	3,949
Postage	-	23	23	46	233
Printing and Advertising	1,615	807	1,615	4,037	6,716
Travel	37	1,080	571	1,688	533
Conference and Meetings	6,918	-	-	6,918	7,583
Equipment Maintenance	4,600	-	-	4,600	16,866
Occupancy	83,062	6,615	4,614	94,291	97,609
Insurance	8,756	1,485	636	10,877	11,616
Dues	-	-	2,747	2,747	1,370
Program Expenses	6,772	-	-	6,772	7,348
Board Functions	-	250	632	882	298
Bank Fees	-	2,043	89	2,132	1,521
Miscellaneous Expenses	-	302	-	302	190
Direct Costs of Special Events	-	-	5,133	5,133	5,331
Use of Contributed Services and Facilities (Note 1)	47,208	-	-	47,208	25,758
Total Expenses Before Depreciation	721,940	75,987	53,633	851,560	738,744
Depreciation	13,224	2,479	826	16,529	16,437
Total Expenses by Function	$ 735,164	$ 78,466	$ 54,459	$ 868,089	$ 755,181
Less Expenses Included With Revenues on the Statement of Activities:					
Direct Costs of Special Events	-	-	(5,133)	(5,133)	(5,331)
	$ 735,164	$ 78,466	$ 49,326	$ 862,956	$ 749,850

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

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Literacy Center (TLC), guided by the mission: Education for Work, Family and Life, is a leader in community-based adult literacy education which is built on accessible, innovative, cost-effective instructional services. Pre-GED, Graduate Equivalency Diploma (GED), English as a Second Language (ESL), Career, and Family Literacy are core services, supplemented by instruction in computer basics, health wellness, nutrition, and financial literacy. All instruction is offered at TLC's main offices in center city Allentown. A group tutoring model and one on one tutoring model is provided to support student outcomes and academic achievement. Services are provided to students regardless of their ability to pay.

Established in 1977 The Literacy Center (TLC) continues to serve a growing adult student population in the Lehigh Valley who are seeking English language proficiency and/or the high school equivalency diploma.

The Literacy Center's mission is to deliver high-quality instruction, training and support for Lehigh Valley adults experiencing language, education, and employment barriers. The Literacy Center (TLC) has been providing educational programs that help Lehigh Valley residents improve their literacy skills since 1977. Through English as a Second Language (ESL), High School Equivalency (GED®), Workforce Development, and support services, TLC is solving the complex challenges of low literacy in our community – one student and one family at a time. During the past forty-four years, over 30,000 adults have benefited from TLC's programs.

TLC has been recognized by the Pennsylvania Department of Education (PDE) for Educational Functional Level (EFL) documented student gains that consistently exceed the Commonwealth's and National Results System (NRS) benchmark standards. TLC exceeded all PDE standards of student outcome measurement.

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 (GAAP).

Basis of Presentation

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

> *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.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued):

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.

Estimates and Assumptions

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.

Operating Measure

TLC includes all changes in Net Assets Without Donor Restrictions in its "operating income" on the Statement of Activities except:

Contributions Restricted for Fixed Asset Purchases
Investment Income
Net Realized/Unrealized Gain (Loss) on Investments

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, TLC considers cash held in savings accounts and separately held money market funds to be cash equivalents.

Accounts Receivable

Accounts receivable consists of grants due from counties, states, and private foundations or corporations. Management evaluates accounts receivable based on aging and specific identification in the determination of uncollectible accounts. Management has determined that all accounts receivables are collectible, and an allowance is not necessary for the years ended June 30, 2020 and 2019.

1. Nature of Activities and 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. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash and money market accounts with financial institutions believed to be credit worthy. At times, amounts may exceed federally insured limits or include cash in an uninsured account. Insured balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. To date, TLC has not experienced losses in any of these accounts. On June 30, 2020 TLC had $133,870 in excess of FDIC limits and $7,012 in an uninsured account.

Credit risk associated with accounts receivable is considered to be limited due to high historical collection rates and because amounts are due from governmental agencies and foundations or corporations supportive of TLC's mission.

Investments are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values of investment will occur in the near term. TLC believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. Donated fixed assets are stated at fair value and depreciated by use of the straight-line method based on estimated useful lives. Assets with costs under $500 are not capitalized.

	Years
Equipment	3 - 10
Furniture and Fixtures	5 - 10
Leasehold Improvements	10

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions

TLC reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

TLC reports gifts of land, buildings, and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, TLC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions, legacies and bequests are considered to be available for use unless specifically restricted by the donor.

Revenue from Contracts with Customers

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. Expirations of restrictions on net assets which are temporary in nature by fulfillment of the donor-stipulated purpose or by passage of the stipulated time period are reported as reclassifications between the applicable classes of net assets. TLC's revenue from contracts with customers in the scope of ASC 606 is recognized within Service Revenue and Special Events Revenue. TLC's revenue streams are accounted for in the following segments:

- **Service Revenue:** TLC earns income from providing English as a Second Language (ESL) services to its consumers. TLC's policy is to recognize revenue at the time services are provided to each individual.

- **Special Events:** TLC holds its annual special event to help raise funds for programming. Special event revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the remainder. TLC recognizes special event revenue equal to the direct benefits to the donor when the 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.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Donated Materials and Services

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt. Donated services for volunteer tutor hours have been valued at $27.02 per hour. No amounts have been reflected in the statements for other services donated because 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 TLC's program services and in its fund-raising campaigns.

Accounting for Paycheck Protection Program (PPP)

TLC 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 TLC 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, TLC may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. Management believes that, based on evaluation of the facts and circumstances specific to TLC, eligibility criteria will be met, and that TLC will qualify for full forgiveness. Therefore, TLC elected the conditional contribution method. Under this method, once there is a reasonable assurance that the conditions for forgiveness will be met, the earnings impact of the government grants are recorded on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. On May 1, 2020, TLC received $99,542 under the Paycheck Protection Program. $35,000 was recognized as PPP grant revenue during the year ended June 30, 2020. The remaining $64,542 is recorded as deferred grant revenue as of June 30, 2020.

Income Taxes

TLC 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, TLC 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 TLC 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 2020 and 2019.

TLC files its 990 with the United States Internal Revenue Service and Form BCO-10 with the Bureau of Charitable Organizations in Pennsylvania. TLC is generally no longer subject to examination by the Internal Revenue Service for years before 2016.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred.

Allocation of Expenses by Function

As reported in the Statement of Functional Expenses, expenses of TLC have been allocated to the following functional reporting classifications:

Program Services
Management and General
Fundraising

TLC'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, spaced occupied by function, consumption, and other objective bases.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized information in total but not by functional allocation. Such information does not include sufficient detail to constitute a preparation 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, 2019 from which the summarized information was derived.

Reclassifications

Certain 2019 amounts have been reclassified in order to conform to the 2020 financial statement presentation. These reclassifications have no effect on the changes in net assets as previously reported.

Adoption of New Accounting Standards

The Financial Accounting Standards Board (FASB) issued two Accounting Standard Updates that affect TLC's revenue recognition, as noted below. The Updates became effective for fiscal years beginning after December 15, 2018. However, with the ongoing COVID-19 global pandemic, FASB deferred the effective date to be for fiscal years beginning after December 15, 2019. TLC has elected to implement the Updates a year early during the fiscal year ended June 30, 2020 and both Updates were retrospectively applied to the fiscal year ended June 30, 2019.

TLC has adopted Accounting Standards Update 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standards (Continued)

TLC has also adopted the provisions of ASU No. 2014-09 Not-for-Profit Entities (Topic 606): Revenue from Contracts with Customers 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 goods or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

TLC's revenues from government contracts, contributions, and investment income are outside the scope of ASC 606. TLC has determined that the implementation of the Updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments. Refer to *Revenue from Contracts with Customers* within the *Summary of Significant Accounting Policies* (Note 1), for further discussion of TLC's accounting policies for revenue sources within the scope of ASC 606.

2. 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:

	June 30, 2020	June 30, 2019
Cash and Cash Equivalents	$ 372,008	$ 273,504
Investments	189,043	190,972
Grants and Other Receivables	109,617	211,779
Less: Donor Restricted for Passage of Time	(66,000)	(90,000)
	$ 604,668	$ 586,255

TLC is supported mainly by community contributions and government contracts. TLC believes that the continuing support, along with assets held as of June 30, 2020, is sufficient to enable TLC to continue to operate for the coming year.

3. Investments

Investments are composed of the following:

	June 30, 2020	June 30, 2019
Money Market Funds	$ 83,168	$ 17,027
Common Stock and Exchange Traded Funds	44,201	12,735
Mutual Funds	-	161,210
Corporate Bonds	42,212	-
Preferred and Fixed Rate Securities	19,462	-
Total Investments	$ 189,043	$ 190,972

The marketable securities at June 30, 2020 and 2019 are carried at fair value.

4. Fair Value Measurements

Financial Accounting Standards Board Statement 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 the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy 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 TLC 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.

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, are significant to the fair value measurement and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

4. Fair Value Measurements (Continued)

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. Investments classified within Level 3 whose fair value measurements consider several inputs may include Level 1 and/or Level 2 inputs as components of the overall 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, 2020 and 2019.

Common Stock and Exchange Traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value ("NAV") of shares held by TLC at year end.

Corporate Bonds and Preferred or Fixed Rate Securities: Valued using pricing methodologies utilizing observable inputs for similar investments sold in active markets.

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 TLC 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, TLC's assets at fair value as of June 30, 2020 and 2019:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 83,168	$ -	$ -	$ 83,168
Common Stock and Exchange Traded Funds	44,201	-	-	44,201
Corporate Bonds	-	42,212	-	42,212
Preferred and Fixed Rate Securities	-	19,462	-	19,462
Total Assets at Fair Value	$ 127,369	$ 61,674	$ -	$ 189,043

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 17,027	$ -	$ -	$ 17,027
Common Stock	12,735	-	-	12,735
Mutual Funds	161,210	-	-	161,210
Total Assets at Fair Value	$ 190,972	$ -	$ -	$ 190,972

There were no transfers between Level 1, Level 2, and Level 3 investments in 2020 and 2019. Transfers are recognized at the end of the reporting period.

5. Grants and Other Receivables

Grants and other receivables consist of:

	June 30, 2020	June 30, 2019
Community Development Block Grants	$ 17,398	$ 11,441
Pennsylvania Department of Education	61,219	200,338
Foundations and Corporate Grants	31,000	-
	$ 109,617	$ 211,779

6. Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

	June 30, 2020	June 30, 2019
Office and Program Equipment	$ 103,362	$ 103,362
Leasehold Improvements	48,069	46,425
Less: Accumulated Depreciation and Amortization	(115,588)	(99,059)
	$ 35,843	$ 50,728

Depreciation and amortization charged to expense was $16,529 and $16,437, for the years ended June 30 2020 and 2019, respectively.

7. Concentration of Contributions and Support

TLC received approximately 49% and 37% of its operating revenue and support from Pennsylvania Department of Education program grants for the years ended June 30, 2020 and 2019, respectively. It is always considered reasonable that grantors may be lost in the near term.

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	June 30, 2020	June 30, 2019
Subject to the Passage of Time:		
Fiscal Year 2020 Programs and Operations	$ -	$ 90,000
Fiscal Year 2021 Programs and Operations	66,000	-
Total	$ 66,000	$ 90,000

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose:

	June 30, 2020	June 30, 2019
Released for Programs	$ 42,500	$ 2,659
Released for Passage of Time	90,000	-
Executive Director Salary	-	15,000
	$ 132,500	$ 17,659

9. Paycheck Protection Program Loan

TLC borrowed $99,542 on May 1, 2020 through the Paycheck Protection Program backed by the United States Small Business Administration (SBA) as a result of the Coronavirus Aid, Relief, and Economic Stimulus Act of 2020 (the "CARES Act"). The note is forgivable under certain circumstances. While TLC believes this note will ultimately be forgiven in-part or in-full under the provisions of the CARES Act, that determination has not been made by the SBA as of the date of the financial statements. Repayment terms of the loan, if not forgiven, would be eighteen (18) monthly payments of $5,602, including interest at 1.00%, from December 2020 through May 2022. As described in Note 1, TLC is accounting for the loan as a deferred grant liability for the amount not spent as of June 30, 2020, with the qualified expenses recognized as grant revenue for the fiscal year.

10. Retirement Savings Plan

TLC provides its employees with the option of participation in a 403(b)-salary reduction plan. The cost to TLC for this plan was $-0- for the years ending June 30, 2020 and 2019.

11. Leases

TLC leases its office space in Allentown under a multi-year lease expiring in August 2022. Yearly rental expense, including parking, for the years ended June 30, 2020 and 2019 was $76,338 and $76,425, respectively. Future obligations of TLC's long-term leases as of June 30, 2020 are:

Year ending June 30,		
	2021	$ 80,790
	2022	83,214
	2023	14,074

12. Subsequent Events

Management is required to consider and investigate the existence of transactions or events that would qualify as subsequent events in relationship to their internal and external financial statements. In 2019, a novel strain of coronavirus surfaced in China and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of TLC could be materially adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain or treat its impact, among others.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CA Act") was signed. Included in the CA Act is a second round of Paycheck Program loans for businesses facing significant revenue declines in any 2020 quarter compared to the same quarter in 2019. Eligible second-time borrowers were required to have 300 or fewer employees, a 25% gross revenue decline during any quarter in 2020 as compared to the same quarter in 2019, and have used or will use the full amount of the first Paycheck Program loan. The second round of Paycheck Program loans are capped at the lesser of 2.5x a borrower's LTM average monthly payroll consisting of no more than $100,000 per employee plus health and retirement benefits, or $2,000,000 per borrower. TLC has the option to choose the length of the covered period of expenses of not fewer than eight weeks, but not longer than twenty-four weeks. TLC received $109,162 related to this program.

Subsequent events have been evaluated through May 28, 2021, the date on which the financial statements were available to be issued.