



Financial Statements

December 31, 2024 and 2023

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Independent Auditor's Report

To the Board of Directors
Valley Youth House Committee, Inc.
Bethlehem, Pennsylvania

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Valley Youth House Committee, Inc. (a Pennsylvania nonprofit corporation) (the Organization), which comprise the statement of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2024 and 2023 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 29, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RKL LLP

April 29, 2025
Allentown, Pennsylvania

Valley Youth House Committee, Inc.**Statement of Financial Position**

	December 31,	
	2024	2023
Assets		
Cash and cash equivalents	\$ 236,535	\$ 1,334,706
Investments	10,222,609	8,360,987
Contracts and grants receivable, net	7,233,120	7,643,524
Promises to give	3,387,535	1,652,500
Other receivables	266,921	175,682
Prepaid expenses and other assets	1,007,882	906,168
Property and equipment, net	11,046,829	9,746,477
Right-of-use assets, operating leases	3,405,022	1,638,219
Total Assets	\$ 36,806,453	\$ 31,458,263
Liabilities and Net Assets		
Accounts payable	\$ 288,219	\$ 296,636
Accrued expenses	1,945,470	1,753,864
Mortgage payable - Highpoint	2,976,916	3,106,017
Mortgage payable - Whittier	180,999	184,804
Obligations under operating leases and deferred compensation plan	3,583,328	1,823,664
Deferred revenues	273,057	708,177
Total Liabilities	9,247,989	7,873,162
Net Assets		
Without donor restrictions	16,482,158	15,812,977
With donor restrictions	11,076,306	7,772,124
Total Net Assets	27,558,464	23,585,101
Total Liabilities and Net Assets	\$ 36,806,453	\$ 31,458,263

Valley Youth House Committee, Inc.

Statement of Activities

	Year Ended December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Changes			
Contributions	\$ 1,442,251	\$ 4,771,958	\$ 6,214,209
In-kind contributions	1,701,846	-	1,701,846
United Way allocations	144,567	-	144,567
Purchase of service fees	34,138,059	-	34,138,059
State and federal grants	6,716,928	-	6,716,928
Magellan/Medical Assistance	1,006,058	-	1,006,058
Program service fees	77,284	-	77,284
Special events	1,366,027	-	1,366,027
Net assets released from restrictions	1,898,844	(1,898,844)	-
Total Revenues and Other Changes	48,491,864	2,873,114	51,364,978
Expenses			
Program services	39,679,948	-	39,679,948
Management and general	6,608,888	-	6,608,888
Fundraising	1,967,525	-	1,967,525
Total Expenses	48,256,361	-	48,256,361
Excess of Revenues and Other Changes over Expenses	235,503	2,873,114	3,108,617
Nonoperating Activities			
Return on investments, net	434,681	431,068	865,749
Loss on disposal of property and equipment	(1,003)	-	(1,003)
Property insurance proceeds	-	-	-
Total Nonoperating Activities	433,678	431,068	864,746
Change in Net Assets	669,181	3,304,182	3,973,363
Net Assets at Beginning of Year	15,812,977	7,772,124	23,585,101
Net Assets at End of Year	\$ 16,482,158	\$ 11,076,306	\$ 27,558,464

Valley Youth House Committee, Inc.

Statement of Activities (continued)

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

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification

	Year Ended December 31, 2024												
	Program Services										Management and General	Fundraising	Total
	Shelter Operations	Adolescents/ Families Together	Prevention Education	Children's Mental Health	Family Intervention	Independent Living	AAI / AIC	Housing Programs	Camp Fowler	Total Program Services			
Salaries	\$ 2,549,602	\$ 413,615	\$ 2,112,926	\$ 808,932	\$ 670,533	\$ 5,417,826	\$ 6,245,048	\$ 1,542,562	\$ 401,669	\$ 20,162,713	\$ 4,071,835	\$ 800,212	\$ 25,034,760
Employee benefits	531,671	109,905	473,365	180,028	148,157	993,469	1,296,791	272,293	88,516	4,094,195	573,580	121,904	4,789,679
Payroll taxes	200,954	31,753	165,722	64,809	50,848	422,774	485,519	119,863	29,697	1,571,939	342,110	54,323	1,968,372
Total Salaries and Related Benefits	3,282,227	555,273	2,752,013	1,053,769	869,538	6,834,069	8,027,358	1,934,718	519,882	25,828,847	4,987,525	976,439	31,792,811
Programmatic													
Contracted client services	10,956	157	59,410	9,278	2,684	102,770	347,665	96,742	4,833	634,495	64,380	33,285	732,160
Direct client service costs	224,355	178	12,261	6,359	789	3,084,237	1,344,650	2,571,177	19,120	7,263,126	4,963	120,703	7,388,792
Program occupancy	-	-	-	-	-	335,430	9,695	153,065	-	498,190	-	-	498,190
Program supplies	151,128	-	41,342	2,009	1,200	290,934	145,891	112,592	85,167	830,263	3,849	18,939	853,051
Occupancy	242,866	15,851	26,460	35,600	18,506	424,629	667,855	129,188	195,441	1,756,396	160,518	17,399	1,934,313
Communications	24,522	9,545	14,451	24,100	9,840	84,607	137,035	33,474	6,694	344,268	104,905	9,082	458,255
Postage and shipping	267	112	212	250	131	1,773	3,603	1,523	53	7,924	7,336	1,886	17,146
Printing and photocopying	5,974	94	1,209	196	59	4,378	2,835	1,168	3,899	19,812	10,736	30,040	60,588
Materials and supplies	18,138	1,740	3,810	4,749	2,150	50,126	68,414	15,695	49,749	214,571	35,383	9,915	259,869
Transportation	91,202	20,081	10,245	46,176	29,999	139,964	293,322	63,496	16,442	710,927	100,406	15,445	826,778
Travel and conference	7,797	18	4,650	992	5,613	44,814	13,103	3,827	19,494	100,308	35,682	6,824	142,814
Building, equipment, and furnishings	58,848	68	96	150	77	27,229	400	2,642	1,753	91,263	16,020	73	107,356
Office equipment and furnishings	22,255	4,347	3,731	10,671	3,619	87,061	74,787	23,002	11,683	241,156	(3,140)	6,580	244,596
Insurance	727	1,454	2,298	3,210	1,676	17,122	10,464	17,968	23,703	78,622	249,840	1,567	330,029
Advertising and public relations	300	-	87,645	-	-	5,873	36	-	1,150	95,004	5,480	37,558	138,042
Dues and subscriptions	3,946	125	1,479	49	-	1,664	2,895	-	2,729	12,887	31,604	9,669	54,160
Professional fees	30,731	5,653	25,438	10,666	8,718	102,482	96,376	40,985	9,009	330,058	458,678	28,917	817,653
Fundraising	11	-	-	-	-	68	-	-	-	79	(4,423)	945	(3,399)
Event	45	-	-	-	-	719	737	-	9,878	11,379	1,697	618,144	631,220
Miscellaneous	399	-	-	-	-	127	127	-	555	1,208	49,317	-	50,525
Other staff	10,516	446	7,626	15,412	36,072	31,213	49,744	10,776	14,410	176,215	180,587	1,268	358,070
Bank charges and interest	477	-	-	-	-	25	-	1	12,268	12,771	27,804	10,994	51,569
Endowment	-	-	-	-	-	-	-	-	-	-	-	399	399
	4,187,687	615,142	3,054,376	1,223,636	990,671	11,671,314	11,296,992	5,212,039	1,007,912	39,259,769	6,529,147	1,956,071	47,744,987
Depreciation	55,233	7,102	14,610	18,356	9,602	79,115	28,733	17,620	189,808	420,179	79,741	11,454	511,374
Total Functional Expenses	\$ 4,242,920	\$ 622,244	\$ 3,068,986	\$ 1,241,992	\$ 1,000,273	\$ 11,750,429	\$ 11,325,725	\$ 5,229,659	\$ 1,197,720	\$ 39,679,948	\$ 6,608,888	\$ 1,967,525	\$ 48,256,361

See accompanying notes.

Valley Youth House Committee, Inc.

Statement of Functional Expenses - by Natural Classification (continued)

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

See accompanying notes.

Valley Youth House Committee, Inc.**Statement of Cash Flows**

	Years Ended December 31,	
	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ 3,973,363	\$ 2,397,123
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	511,374	466,150
Amortization of right-of-use assets, operating leases	449,141	439,493
Provision for uncollectible amounts of contracts and grants receivable	47,197	131,221
(Gain) loss on sale of property and equipment	1,003	(8,834)
Realized and unrealized gains on investments	(677,773)	(781,172)
Restricted contributions, endowment	(1,355,257)	(1,630,263)
Restricted contributions, property and equipment	(250,000)	-
(Increase) decrease in assets		
Contracts and grants receivable, net	363,207	452,211
Promises to give, net	(1,120,000)	(260,000)
Other receivables	(91,239)	1,566
Prepaid expenses and other assets	(101,714)	(80,625)
Increase (decrease) in liabilities		
Accounts payable	(8,417)	64,631
Accrued expenses	191,606	193,982
Obligations under operating leases and deferred compensation plan	(456,280)	(424,927)
Deferred revenues	(435,120)	(960,248)
Net Cash Provided by Operating Activities	1,041,091	308
Cash Flows from Investing Activities		
Purchases of investments	(1,386,425)	(635,942)
Proceeds from sales of investments	202,576	162,639
Purchases of property and equipment	(1,812,729)	(499,545)
Proceeds from sale of property and equipment	-	16,823
Net Cash Used in Investing Activities	(2,996,578)	(956,025)

Valley Youth House Committee, Inc.

Statement of Cash Flows (continued)

	Years Ended December 31,	
	2024	2023
Cash Flows from Financing Activities		
Principal payments made on long-term debt	\$ (132,906)	\$ (129,432)
Restricted contributions, endowment	990,222	372,763
Net Cash Provided by Financing Activities	857,316	243,331
Decrease in Cash and Cash Equivalents	(1,098,171)	(712,386)
Cash and Cash Equivalents at Beginning of Year	1,334,706	2,047,092
Cash and Cash Equivalents at End of Year	\$ 236,535	\$ 1,334,706
Supplemental Disclosure of Cash Flows Information		
Interest paid	\$ 152,961	\$ 124,733
Supplemental Schedule of Noncash Investing and Financing Activities		
Right-of-use assets and lease liability recorded	\$ 2,215,944	\$ 524,811

Note 1 - Nature of Activities

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

Shelter Operations

Two of the Organization's programs, located in Lehigh and Bucks Counties, provide 24 hours a day, 365 days a year, walk-in crisis intervention, short-term residency, counseling, and life skills education to youth between the ages of 6 and 17 years of age. A federally funded Street Outreach Program also operates out of the Lehigh Valley Shelter in Bethlehem, Pennsylvania, the Bucks Shelter in Warminster, Pennsylvania, and out of Philadelphia and Harrisburg, Pennsylvania.

Adolescents/Families Together

This program provides children and families with out-client home, community, and school-based counseling services focused on truancy intervention, mentoring, respite services, and intervention for victims of abuse.

Prevention Education

This program provides a variety of small group and classroom programs in the schools and the community to prevent destructive behaviors of youths, and provide youth with life skills and developmental assets to create and enhance positive experiences. The program also operates a Public Information Organization on drug prevention. A student assistance component provides short-term school-based counseling for students exhibiting behavioral difficulty.

Children's Mental Health

This program has three components:

- A. The Family Based Mental Health Program provides in-home counseling and education services to those families that have an emotionally troubled child, to prevent out-of-home placement.
- B. Behavioral Health Rehabilitative Service provides behavior specialists, mobile therapists, and/or therapeutic staff support to work with children and families in the home, school, or community to improve an emotionally troubled child's behavior.
- C. Functional Family Therapy provides an outcome-driven prevention/intervention approach to working with a wide range of problem youth and their families. To engage and motivate youth and families, and especially deal with the intense negative affect (anger, hopelessness) that prevents change.

Note 1 - Nature of Activities (continued)

Family Intervention Program

This program provides services for families with children at risk of maltreatment due to substance abuse and mental health problems within the family. Services include intensive clinical intervention and case management.

Independent Living

This program provides assistance with education, employment, residential planning, and attainment of life and interpersonal skills for youth between the ages of 16 to 21. This program operates supervised apartments to help develop independent living skills.

Camp Fowler

This program provides year-round therapeutic, challenge-based recreation, and adventure in a 43-acre camp setting.

Achieving Independence

Achieving Independence Center (AIC)

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

Adolescents Achieving Independence (AAI)

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

Housing Programs

This program has nine components:

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

Note 1 - Nature of Activities (continued)

Housing Programs (continued)

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

Note 1 - Nature of Activities (continued)

Housing Programs (continued)

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

The Organization qualifies as a tax-exempt organization under the provision of Internal Revenue Code Section 501(c)(3); therefore, the Organization's exempt-purpose income is not subject to federal or state income taxes.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization's financial statement presentation follows the reporting provisions applicable to not-for-profit entities. Under these provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates include the allowance for credit losses and the useful lives of property and equipment. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly-liquid debt investments purchased with a maturity of three months or less, to be cash and cash equivalents.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions, unless the income or loss is restricted by donor or by law.

Contracts and Grants Receivable

All accounts receivable are shown net of an allowance for uncollectibles, as applicable. Accounts receivable in excess of 90 days are evaluated for collectability and an allowance is established, as deemed necessary, based on the best information available and in an amount that management believes is adequate. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a client's ability to pay, current economic conditions, and other relevant factors. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. This evaluation is inherently subjective as it requires estimates that may be susceptible to changes. As of December 31, 2024 and 2023, management has established an allowance for expected credit losses amounts of \$150,000.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected over periods in excess of one year are recorded at the present value of the estimated cash flows beyond one year. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization uses the allowance method to determine uncollectible promises to give. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. Unpaid balances remaining after the stated payment terms are considered past due. Management has concluded that no allowance for uncollectible promises to give was required at December 31, 2024 and 2023.

Note 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

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

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

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

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

Right-of-Use Assets and Liabilities

The Organization records leases in accordance with Topic 842, *Leases* which recognizes most leases on the statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows, and discount rates reflecting varying degrees of perceived risk. Management has concluded that no impairment adjustments were required during the years ended December 31, 2024 and 2023.

Deferred Compensation

The Organization records its liability for deferred compensation as it is earned. The liability has been determined according to the terms of the deferred compensation plan.

Revenue Recognition

Contributions

Contributions are recorded as revenue when an unconditional promise to give is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a restriction is satisfied in the same year the contribution is received, the support is reported as revenue without donor restrictions.

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

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

Purchase of Service Fees, Magellan/Medical Assistance, and Program Service Fees

The Organization accounts for purchase of service fees, Magellan/Medical Assistance, and program service fees, as exchange transactions in the statement of activities to the extent that services have been provided during the period. In applying this concept, the legal requirements of each individual program are used as guidance. Additionally, any funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

State and Federal Grants

The Organization receives grant revenue, which is deemed to be in respect of exchange transactions and is classified as revenue without donor restrictions or deferred revenue, as appropriate, when received or receivable. The Organization records grants when all conditions stipulated by the grant have been substantially met. Direct service program expenses are recorded as incurred.

Grant revenue deemed to be a contribution is classified as with donor restrictions when received or receivable. Such grant revenue is not deemed to be in respect of exchange transactions since the proceeds thereof are nonreciprocal, unconditional, and voluntary.

Special Events

Special events include some events with both an exchange element in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received, and a contribution element for the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. Special event fees collected by the Organization in advance are initially recorded as liabilities (deferred revenues) and recognized as special events after delivery of the event.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2024 and 2023, advertising expense amounted to \$138,042 and \$53,764, respectively.

Income Taxes and Tax-Exempt Status

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

The Organization recognizes penalties and interest accrued related to income tax liabilities in the provision (benefit) for income taxes in its statement of activities. At December 31, 2024 and 2023, there was no accrual for the payment of penalties and interest.

The Organization follows the standards for accounting for uncertainty in income taxes according to the principles of Financial Accounting Standards Board Accounting Standards Codification 740, *Income Taxes*, which prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Organization had taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. Federal, state, or local authorities for years ending before 2021.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 2 - Summary of Significant Accounting Policies (continued)**Change in Net Assets from Operations**

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

Functional Allocation of Expenses

The cost of providing the various programs and other activities are summarized on a functional basis in the statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Supporting services consist of management and general and fundraising expenses.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore, certain expenses require allocation on a reasonable basis that is consistently applied. Expenses are generally allocated on the basis of estimates of time and effort or on the basis of square footage.

Note 3 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2024</u>	<u>2023</u>
Financial Assets		
Cash and cash equivalents	\$ 236,535	\$ 1,334,706
Investments	10,222,609	8,360,987
Contracts and grants receivable, net	7,233,120	7,643,524
Promises to give, net	1,103,585	771,500
Other receivables	266,921	175,682
Cash value of life insurance	21,367	17,821
Total Financial Assets	19,084,137	18,304,220
Amounts that are internally designated or externally restricted		
Promises to give restricted for endowment	(518,585)	(451,500)
Financial assets subject to donor restrictions for specified purpose	(1,623,777)	(1,465,603)
Financial assets subject to time restrictions	(3,543,868)	(1,760,546)
Financial assets held for specified purpose designated by Board	(2,190,000)	(2,190,000)
Investments held for quasi-endowment	(4,101,413)	(3,432,674)
Investments held in perpetual endowment	(4,286,126)	(3,288,474)
Investments held for Rabbi Trust Fund	(151,627)	(159,241)
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$ 2,668,741	\$ 5,556,182

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 3 - Liquidity and Availability (continued)

The Organization's endowment consists of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditures. Donor-restricted endowments are subject to an annual spending rate. The Board of Directors approves annual disbursements for the board-designated endowment.

Financial assets included in board-designated net assets are not available for general expenditures, but could be made available if necessary through Board action. The Organization manages its liquidity following three spending principles: operating within a range of financial soundness and stability, maintaining adequate liquid assets to meet near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To help manage unanticipated liquidity needs, the Organization has an unsecured line of credit available which can provide borrowings up to \$4,900,000 at December 31, 2024.

Note 4 - Investments

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

	2024	2023
Cash equivalents	\$ 186,628	\$ 597,717
Mutual funds	10,015,616	7,745,410
Investments held by the Lehigh Valley Community Foundation	20,365	17,860
	10,035,981	7,763,270
	\$ 10,222,609	\$ 8,360,987

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

	2024	2023
Interest and dividends	\$ 241,494	\$ 239,151
Realized gains	495,890	149,533
Unrealized gains	181,883	631,639
Investment fees	(53,518)	(46,083)
	\$ 865,749	\$ 974,240

Note 5 - Fair Value of Financial Instruments

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

Mutual funds - Fair value of mutual funds were based on quoted market prices for the identical mutual fund or direct investment and interest in underlying assets.

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

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

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 - Fair Value of Financial Instruments (continued)

The carrying amounts of cash and cash equivalents, contracts and grants receivable, promises to give, other receivables, accounts payable, accrued expenses, deferred compensation plan, and deferred revenues included in the statement of financial position approximate fair value given the short-term nature of these financial instruments. The carrying amount of the long-term debt in the statement of financial position approximates fair value as the interest rates are commensurate with rates currently offered for such arrangements. The following is a summary of the Organization's investments measured at fair value on a recurring basis by level within the hierarchy as of December 31:

Fair Value Measurements at December 31, 2024				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual Funds, Fixed Income	\$ 1,255,836	\$ -	\$ -	\$ 1,255,836
Mutual Funds, Equities				
Domestic	8,569,984	-	-	8,569,984
International	189,796	-	-	189,796
Investments Held by the Lehigh Valley Community Foundation	-	-	20,365	20,365
	<u>\$ 10,015,616</u>	<u>\$ -</u>	<u>\$ 20,365</u>	<u>\$ 10,035,981</u>
Fair Value Measurements at December 31, 2023				
Mutual Funds, Fixed Income	\$ 1,178,156	\$ -	\$ -	\$ 1,178,156
Mutual Funds, Equities				
Domestic	6,068,405	-	-	6,068,405
International	498,849	-	-	498,849
Investments Held by the Lehigh Valley Community Foundation	-	-	17,860	17,860
	<u>\$ 7,745,410</u>	<u>\$ -</u>	<u>\$ 17,860</u>	<u>\$ 7,763,270</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 - Fair Value of Financial Instruments (continued)

We evaluated the significance of transfers between levels based upon the nature of the financial instrument and the size of the transfer relative to total assets. For the years ended December 31, 2024 and 2023, there were no transfers into or out of Level 3.

Note 6 - In-Kind Contributions

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

	2024	2023
Carter Family Center	\$ 1,156,360	\$ 35,150
Program supplies	335,842	197,227
Services and ticket	58,833	59,435
Furniture and appliances	5,656	18,255
Events/auction items	145,155	148,401
	<u>\$ 1,701,846</u>	<u>\$ 458,468</u>

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

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

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

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

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

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

Valley Youth House Committee, Inc.**Notes to Financial Statements**

December 31, 2024 and 2023

Note 7 - Property and Equipment

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

	<u>2024</u>	<u>2023</u>
Land*	\$ 1,214,268	\$ 1,214,268
Buildings and improvements	11,710,376	11,577,314
Equipment and software	1,110,608	973,863
Vehicles	859,668	807,178
Construction in progress*	1,627,034	246,689
	<u>16,521,954</u>	<u>14,819,312</u>
Accumulated depreciation	<u>(5,475,125)</u>	<u>(5,072,835)</u>
	<u>\$ 11,046,829</u>	<u>\$ 9,746,477</u>

* Not depreciated

Depreciation expense for the years ended December 31, 2024 and 2023 amounted to \$511,374 and \$466,150, respectively.

Note 8 - Promises to Give

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

	<u>2024</u>	<u>2023</u>
Unconditional promises to give	<u>\$ 3,387,535</u>	<u>\$ 1,652,500</u>

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

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 1,103,585	\$ 771,500
Two to five years	1,883,950	881,000
Six to nine years	400,000	-
	<u>\$ 3,387,535</u>	<u>\$ 1,652,500</u>

Note 9 - Line of Credit

The Organization has an unsecured line of credit of \$4,900,000 at December 31, 2024 and 2023. The line is with a financial institution at the bank's prime interest rate (7.50% and 8.50% at December 31, 2024 and 2023, respectively). There was no amount outstanding at December 31, 2024 and 2023. This line of credit has an expiration date of December 31, 2079.

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 10 - Long-Term Debt

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

	<u>2024</u>	<u>2023</u>
Series of 2017 tax-exempt mortgage revenue note with monthly payments of interest and principal, commencing April 2017 through April 2042, including interest of 3.67% through April 2027, and secured by the building. The note is based on a 25-year amortization and has a 10-year term with the tax-exempt fixed rate for that period at which time the loan would become due or the terms and rate would be amended.	\$ 2,976,916	\$ 3,106,017
Community Lenders Community Development Corporation term loan with monthly payments of interest and principal, commencing January 2022 through December 2051, including interest of 3.75%, and secured by the building. The note is based on a 30-year amortization.	<u>180,999</u>	<u>184,804</u>
	3,157,915	3,290,821
Current portion	<u>(137,383)</u>	<u>(132,905)</u>
	<u>\$ 3,020,532</u>	<u>\$ 3,157,916</u>

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

2025	\$ 137,383
2026	141,868
2027	2,709,973
2028	4,420
2029	4,588
Thereafter	<u>159,683</u>
	<u>\$ 3,157,915</u>

Total interest expense incurred under the lines of credit and long-term debt for the years ended December 31, 2024 and 2023 was \$152,961 and \$124,733, respectively.

The Organization is required to meet certain financial covenants on a semi-annual basis in accordance with the long-term debt agreements issued by a bank. The covenants include a fixed charge coverage ratio minimum and a minimum days' cash on hand. At December 31, 2024, the Organization had violated the minimum days' cash on hand covenant, but did follow the required actions set out in the agreement including obtaining a written waiver from the bank.

Note 11 - Deferred Compensation Plan

The Organization has a nonqualified deferred compensation plan for the benefit of certain management employees of the Organization. The Board of Directors determines the annual contribution to the plan. The Organization established a Rabbi Trust Fund for the purpose of funding the obligation of the plan. The Organization has purchased investments which have a value of \$151,627 and \$159,241 at December 31, 2024 and 2023, respectively, which are recognized as part of investments on the statement of financial position. The assets of the Rabbi Trust Fund are subject to the claims of the Organization's creditors.

Note 12 - Leases

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

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

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

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 425,441	\$ 496,322
Short-term and other lease costs	<u>1,028,533</u>	<u>1,287,699</u>
Total Lease Expense	<u>\$ 1,453,974</u>	<u>\$ 1,784,021</u>
Weighted-Average Remaining Lease Term		
Operating leases	9.11 Years	5.24 Years
Weighted-Average Discount Rate		
Operating leases	4.00%	4.00%

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 12 - Leases (continued)

Supplemental statement of financial position information related to leases is as follows as of December 31, 2024:

Maturity Analysis

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2024:

	Total Lease Payments
2025	\$ 541,860
2026	578,821
2027	439,927
2028	392,354
2029	356,781
Thereafter	<u>1,828,958</u>
Total Lease Payment	4,138,701
Imputed interest	<u>(707,000)</u>
Total Present Value of Lease Liabilities	<u>\$ 3,431,701</u>

Note 13 - Net Assets with Donor Restrictions

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

	2024	2023
Subject to expenditure for specified purpose		
50 th Anniversary	\$ 113,644	\$ 55,379
Acquisition, renovation, and operation of the camp	1,485,023	1,392,405
Bucks Program	25,110	17,819
Promises to give - capital	250,000	-
Subject to the passage of time		
Promises to give	1,515,000	250,000
Future periods	1,778,867	1,510,547
Perpetual in nature		
Promises to give	1,622,535	1,257,500
Endowment investments	<u>4,286,127</u>	<u>3,288,474</u>
	<u>\$ 11,076,306</u>	<u>\$ 7,772,124</u>

Note 14 - Net Assets in Endowment Fund

The Organization's endowments consist of several funds established for a variety of purposes. Its endowments include various donor-restricted endowment funds, as well as a fund designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization interprets relevant Pennsylvania law governing the net asset classification of donor-restricted endowment funds as requiring the preservation of the fair value of the original gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of the gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument, at the time the accumulation is added to the fund.

The Organization has adopted investment policies for its endowment assets. The Organization invests endowment assets with the objectives of preservation of principal, availability of funds, and appreciation to include income and principal growth. Under this policy, as approved by the Board of Directors, the endowment assets are invested at target allocations of 65% in equities and 35% in fixed income and cash. The investment manager has discretion within ranges around the target allocations.

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

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

Valley Youth House Committee, Inc.

Notes to Financial Statements

December 31, 2024 and 2023

Note 14 - Net Assets in Endowment Fund (continued)**Interpretation of Relevant Law (continued)**

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

	<u>2024</u>	<u>2023</u>
Endowment funds without donor restrictions	\$ 4,101,413	\$ 3,432,674
Endowment funds with donor restrictions	<u>5,908,662</u>	<u>4,545,974</u>
	<u>\$ 10,010,075</u>	<u>\$ 7,978,648</u>

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

	<u>2024</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets at Beginning of Year	\$ 3,432,674	\$ 4,545,974	\$ 7,978,648
Contributions	235,000	1,355,257	1,590,257
Investment return			
Investment income	87,184	-	87,184
Net appreciation (realized and unrealized)	365,811	7,431	373,242
Investment fees	<u>(19,256)</u>	<u>-</u>	<u>(19,256)</u>
Endowment Net Assets at End of Year	<u>\$ 4,101,413</u>	<u>\$ 5,908,662</u>	<u>\$ 10,010,075</u>
	<u>2023</u>		
Endowment Net Assets at Beginning of Year	\$ 2,898,740	\$ 2,923,142	\$ 5,821,882
Contributions	125,000	1,630,263	1,755,263
Investment return			
Investment income	74,910	-	74,910
Net appreciation (depreciation) (realized and unrealized)	351,879	(7,431)	344,448
Investment fees	<u>(17,855)</u>	<u>-</u>	<u>(17,855)</u>
Endowment Net Assets at End of Year	<u>\$ 3,432,674</u>	<u>\$ 4,545,974</u>	<u>\$ 7,978,648</u>

Note 14 - Net Assets in Endowment Fund (continued)

Underwater Endowment Funds

The fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or the relevant state law requires the Organization to retain as a fund of perpetual duration. In accordance with the Organization's investment policy, endowment funds with donor restrictions are reported at the original value of initial and subsequent gifts (see Interpretation of Relevant Law). As a result, there were no deficiencies reported as of December 31, 2024 and 2023.

Note 15 - Retirement Savings Plan

The Organization has a retirement savings 401(k) plan covering all employees meeting eligibility as defined in the plan. The Organization makes matching contributions up to 6% of employees' salaries. The total contribution to the plan for the years ended December 31, 2024 and 2023 was \$873,654 and \$908,071, respectively.

Note 16 - Commitments and Contingencies

Commitments

Self-Insurance Accruals

The Organization retains a portion of the risk under health insurance programs. The Organization retains the risk of loss up to \$100,000 for the years ended December 31, 2024 and 2023 of claims per year on a per employee basis. The Organization has stop loss insurance that insures against losses in excess of \$100,000 for the years ended December 31, 2024 and 2023 on a per employee basis and against aggregate losses in excess of \$1,000,000 during the plan year. The Organization has recorded an accrual based on estimates of claims that have been incurred, but not reported at December 31, 2024 and 2023. While management believes that the amounts are adequate, there can be no assurance that changes to the accrual may not occur due to limitations inherent in the estimation process. Changes in the estimates of these accruals are charged or credited to earnings in the period determined. Amounts estimated to be paid totaled \$120,000 at December 31, 2024 and 2023, and have been included in accrued expenses.

Contingencies

Unemployment Compensation

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

Note 16 - Commitments and Contingencies (continued)

Contingencies (continued)

Audit

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

Concentrations of Credit Risk

Cash and Cash Equivalents

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

Investments

The Organization's investments of \$10,222,609 and \$8,360,987 at December 31, 2024 and 2023, respectively, are subject to credit risk. The degree of concentration of risk varies by type of investment; however, the Organization does not anticipate any accounting loss. The major classes of investments are summarized in Note 4.

Government Contracts

During the years ended December 31, 2024 and 2023, the Organization received approximately 80% and 78%, respectively, of its revenue from government contracts. A significant reduction in the level of this support would have a material effect on the Organization's programs and activities.

Note 17 - Related Party Transactions

The Organization has had, and may be expected to have in the future, transactions in the ordinary course of business with directors and organizations with which they are associated on substantially the same terms as those prevailing at the time for comparable transactions with others. The aggregate amounts of these transactions are not significant to the financial statements.

Note 18 - Subsequent Events

The Organization has evaluated subsequent events through April 29, 2025. This date is the date the financial statements were available to be issued. No material events subsequent to December 31, 2024 were noted.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors
Valley Youth House Committee, Inc.
Bethlehem, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Valley Youth House Committee, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses - by natural classification, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RKL LLP

April 29, 2025
Allentown, Pennsylvania