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

Financial Statements,
Independent Auditor's Report
and Supplementary Information

June 30, 2023

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

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

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Lehigh Valley Children's Centers, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2023, and the related statements of revenue without donor restrictions, expenses and other changes in net assets without donor restrictions from operations, activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lehigh Valley Children's Centers, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited the Lehigh Valley Children's Centers, Inc.'s 2022 financial statements, and our report dated September 19, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2023 on our consideration of Lehigh Valley Children's Centers, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Lehigh Valley Children's Centers, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lehigh Valley Children's Centers, Inc.'s internal control over financial reporting and compliance.

Campbell, Rappold & Yurasits LLP

September 19, 2023

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
June 30, 2023 with Summarized Totals for 2022

Assets	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2023	Total June 30, 2022
Cash and Cash Equivalents	$ 6,130,682	$ 265,870	$ 6,396,552	$ 8,476,651
Investments (Notes 2 and 3)	1,699,058	962,281	2,661,339	2,418,164
Other Investments (Note 2)	79,478	-	79,478	79,462
Grants and Accounts Receivable				
Governments and Others	699,829	-	699,829	564,871
Parent Fees, Less Allowance for Uncollectibles				
of ($13,000 and $9,700)	15,080	-	15,080	5,760
Other Current Assets (Note 5)	181,715	-	181,715	183,723
Right-of-Use Assets (Note 7)	4,325,813	-	4,325,813	-
Land, Building and Equipment (Net of				
Accumulated Depreciation) (Note 4)	5,573,595	-	5,573,595	2,907,253
Total Assets	$ 18,705,250	$ 1,228,151	$ 19,933,401	$ 14,635,884
Liabilities and Net Assets				
Liabilities				
Accounts Payable	$ 403,851	$ -	$ 403,851	$ 277,706
Accrued Payroll	400,269	-	400,269	504,403
Other Liabilities (Note 6)	323,281	-	323,281	269,787
Operating Lease Liabilities (Note 7)	4,437,659	-	4,437,659	-
Notes Payable	-	-	-	-
Total Liabilities	5,565,060	-	5,565,060	1,051,896
Net Assets				
Net Assets Without Donor Restrictions				
Undesignated	2,809,927	-	2,809,927	1,333,815
Designated by the Governing Board for:				
Scholarship and Program Enrichment	298,921	-	298,921	348,820
Endowment Earnings Designated by the Governing Board for:				
Teacher Salaries, Professional Development, Scholarship and Child Care Environment (Note 8)	883,470	-	883,470	817,291
Other Board Designations (Note 8)	3,574,277	-	3,574,277	6,998,424
Fixed Assets	5,573,595	-	5,573,595	2,907,253
Net Assets With Donor Restrictions (Notes 8 and 9)				
Restricted for a Purpose	-	275,551	275,551	299,419
Restricted in Perpetuity	-	952,600	952,600	878,966
Total Net Assets	13,140,190	1,228,151	14,368,341	13,583,988
Total Liabilities and Net Assets	$ 18,705,250	$ 1,228,151	$ 19,933,401	$ 14,635,884

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF REVENUE WITHOUT DONOR RESTRICTIONS, EXPENSES AND OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS FROM OPERATIONS
Years Ended June 30, 2023 and 2022

	Year Ended June 30,	
	2023	2022
Revenues		
Revenue for Child Care Services -		
Subsidized Child Care	$ 2,999,963	$ 2,882,593
Tuition	2,042,451	1,885,603
Other Revenue and Support -		
Child Care Food Program - LVCC	636,421	605,919
Child Care Food Program - Noncash Donations	48,708	31,425
Child Care Food Program - Other Providers	1,887,997	1,658,967
Workforce Grant Revenue	560,379	-
American Rescue Plan Act Revenue	-	1,509,467
PPP Loan Forgiveness	-	1,252,125
Interest Income	57,914	129,598
Contributions	6,502,868	5,117,159
Fund-Raising	-	177
Other Income	19,935	25,829
Total Revenues	14,756,636	15,098,862
Expenses		
Child Care	11,441,520	10,166,435
Management and General	2,145,310	1,796,517
Fund Raising	77,891	61,161
Total Expenses	13,664,721	12,024,113
Increase in Net Assets Without Donor Restrictions from Operations	1,091,915	3,074,749
Other Changes		
Realized and Unrealized Gain/(Loss) on Investments	122,392	(276,235)
Loss on Asset Disposal	(33,689)	-
Depreciation	(336,857)	(252,927)
Cumulative Effect of Adopting ASU 2016-02	(109,174)	-
Increase in Net Assets Without Donor Restrictions	$ 734,587	$ 2,545,587
Amounts Released from Restrictions Included in Revenues	$ 346,056	$ 335,922

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2023
with Summarized Totals for 2022

	Year Ended June 30, 2023		Total	
	Without Donor Restrictions	With Donor Restrictions	Year Ended June 30, 2023	2022
Change in Net Assets				
Revenues				
Revenue for Child Care Services -				
Subsidized Child Care	$ 2,999,963	$ -	$ 2,999,963	$ 2,882,593
Tuition	2,042,451	-	2,042,451	1,885,603
Other Revenue and Support -				
Child Care Food Program - LVCC	636,421	-	636,421	605,919
Child Care Food Program - Noncash Donations	48,708	-	48,708	31,425
Child Care Food Program - Other Providers	1,887,997	-	1,887,997	1,658,967
Workforce Grant Revenue	560,379	-	560,379	-
American Rescue Plan Act Revenue	-	-	-	1,509,467
PPP Loan Forgiveness	-	-	-	1,252,125
Investment Income	57,914	1,822	59,736	130,688
Realized and Unrealized Gain (Loss) on Investments	122,392	73,634	196,026	(590,534)
Contributions	6,156,812	320,366	6,477,178	5,032,449
Fund-Raising	-	-	-	177
Other Income	19,935	-	19,935	25,829
Loss on Asset Disposal	(33,689)	-	(33,689)	-
Net Assets Released from Restrictions	346,056	(346,056)	-	-
Total Revenues	14,845,339	49,766	14,895,105	14,424,708
Expenses				
Child Care	11,755,468	-	11,755,468	10,402,170
Management and General	2,168,219	-	2,168,219	1,813,709
Fund Raising	77,891	-	77,891	61,161
Total Expenses	14,001,578	-	14,001,578	12,277,040
Increase in Net Assets	843,761	49,766	893,527	2,147,668
Cumulative Effect of Adopting ASU 2016-02	(109,174)	-	(109,174)	-
Net Assets at Beginning of Year	12,405,603	1,178,385	13,583,988	11,436,320
Net Assets at End of Year	$ 13,140,190	$ 1,228,151	$ 14,368,341	$ 13,583,988

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

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2023	Year Ended June 30, 2022
Cash Flows from Operating Activities		
Change in Net Assets	$ 893,527	$ 2,147,668
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	336,857	252,927
Lease Amortization	2,672	-
Loss on Disposal of Asset	33,689	-
Realized and Unrealized (Gain) Loss on Long-Term Investments	(196,026)	590,534
Paycheck Protection Loan Program Forgiveness	-	(1,252,125)
(Increase) Decrease in Assets:		
Grants and Accounts Receivable	(144,278)	(19,582)
Other Current Assets	2,008	(77,674)
Increase (Decrease) in Liabilities:		
Accounts Payable	126,145	31,114
Accrued Payroll	(104,134)	(411,861)
Other Liabilities	53,494	8,747
Net Cash Provided by Operating Activities	1,003,954	1,269,748
Cash Flows from Investing Activities		
Purchase of Building and Equipment	(3,036,888)	(954,525)
Purchase of Investments	(47,165)	(119,467)
Net Cash Used by Investing Activities	(3,084,053)	(1,073,992)
Cash Flows from Financing Activities		
Contributions Restricted for Long-Term Investment	-	-
Net Cash Used by Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,080,099)	195,756
Cash and Cash Equivalents at Beginning of Year	8,476,651	8,280,895
Cash and Cash Equivalents at End of Year	$ 6,396,552	$ 8,476,651
Additional Disclosure of Cash Flows		
Interest Paid	$ -	$ -

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

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LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023
with Summarized Totals for 2022

	Year Ended June 30, 2023				Total	
	Program Services	Supporting Services		Total	Year Ended June 30,	
	Child Care	Management and General	Fund Raising	Supporting Services	2023	2022
Salaries	$ 5,430,794	$ 1,096,431	$ 59,246	$ 1,155,677	$ 6,586,471	$ 5,936,023
Employee Benefits	855,382	178,001	9,848	187,849	1,043,231	883,516
Payroll Taxes	415,456	83,877	4,532	88,409	503,865	454,106
Total Salaries and Related Expenses	6,701,632	1,358,309	73,626	1,431,935	8,133,567	7,273,645
Professional Fees	96,218	38,584	-	38,584	134,802	157,024
Postage and Supplies	718,293	30,635	3,028	33,663	751,956	548,044
Food and Food Service Supplies	636,565	1,293	-	1,293	637,858	564,067
CACFP Food Payments	1,887,997	-	-	-	1,887,997	1,660,314
Telephone	84,476	18,847	352	19,199	103,675	113,642
Occupancy	596,436	181,525	-	181,525	777,961	683,245
Insurance	37,269	24,659	-	24,659	61,928	56,529
Vehicle Operating Expenses	49,494	8,320	-	8,320	57,814	39,707
Travel	-	2,497	-	2,497	2,497	193
Interest	-	-	-	-	-	-
Staff Development	120,762	14,865	-	14,865	135,627	115,840
Furniture and Equipment Repairs and Minor Purchases	159,575	-	-	-	159,575	178,628
Publicity	121,177	1,051	-	1,051	122,228	103,540
Miscellaneous	136,336	464,725	885	465,610	601,946	493,177
Scholarship	95,290	-	-	-	95,290	36,518
Total Before Depreciation	11,441,520	2,145,310	77,891	2,223,201	13,664,721	12,024,113
Depreciation Expense	313,948	22,909	-	22,909	336,857	252,927
Total Expenses	$ 11,755,468	$ 2,168,219	$ 77,891	$ 2,246,110	$ 14,001,578	$ 12,277,040

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

1. Summary of Significant Accounting Policies

Nature of Activities

Lehigh Valley Children's Centers, Inc. is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania for the purpose of providing childcare services in the Lehigh Valley. A significant portion of the childcare services provided are reimbursed under Federal and State programs for eligible recipients.

Basis of Presentation

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

Net Assets

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

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor or certain grantor restrictions. Net assets without donor restrictions may be designated for specific purposes by the action of the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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

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

Cash and Cash Equivalents

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

1. Summary of Significant Accounting Policies (Continued)

Investments

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

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2023, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Parent Fees

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

Inventory

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

Land, Building and Equipment

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

	Years
Buildings	20-25
Leasehold Improvements	3-10
Furniture and Fixtures	3-10
Vehicles	3-5

Donated Materials and Services

A substantial number of volunteers have donated a significant amount of time to the Organization's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills will be recognized as support. Donated materials and services and the free use of facilities are reflected in the accompanying Statement of Activities based on their estimated fair market value at date of receipt. In-kind contributions are described in Note 13.

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

The Organization maintains cash accounts with three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 at each institution. At June 30, 2023 the Organization's uninsured cash balance totaled $6,375,621. Historically the Organization has not experienced any credit related losses.

Advertising Costs

Advertising costs are expensed as incurred and were $122,228 and $103,540 for 2023 and 2022, respectively.

Operating Measure

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

Realized and Unrealized Gain (Loss) on Investments
Loss on Asset Disposal
Depreciation

Income Taxes

The Organization is a not-for-profit corporation exempt from income taxes under section 501(c)(3) of the internal revenue code.

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits claims or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits or liabilities recorded for the fiscal years 2023 and 2022.

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

Functional Expenses

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

Reclassification

Certain amounts for the year ended June 30, 2022, have been reclassified to conform to the June 30, 2023 presentation. This reclassification has no effect on the previously reported change in net assets.

Accounting for Paycheck Protection Program (PPP)

The Organization was the recipient of the federally issued Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") Paycheck Protection Program (PPP) as a result of the COVID-19 pandemic.

Proceeds of $1,252,125 from the PPP loan program were received on April 21, 2020. The Organization elected to treat the loan proceeds as a financial liability as of June 30, 2021. If the Small Business Administration (SBA) did not confirm forgiveness of the loan, or only partly confirmed forgiveness of the loan, the Organization would have been obligated to repay the principal and interest. On August 2, 2021 the Organization received notification that they had received full forgiveness in the amount of $1,252,125. Forgiveness on loan extinguishment for the year ended June 30, 2022 of $1,252,125 was recorded on the Statement of Activities.

1. Summary of Significant Accounting Policies (Continued)

Comparative Financial Information

The accompanying financial statements include certain prior year summarized information in total but not by function or net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Revenue Recognition

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

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

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

Contributions of cash, securities or other assets, unconditional promises to give, or a notification of a beneficial interest are recognized as revenue when received. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend are met.

Adoption of New Accounting Standard

Effective July 1, 2022, the Organization adopted ASU 2016-02, *Leases*. Topic 842 was issued to increase transparency and comparability among entities by recognizing lease assets and lease liabilities on the Statement of Financial Position and disclosing key information about leasing arrangements. Under the provisions of Topic 842, a lessee is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the remaining lease payments, on the Statement of Financial Position. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the leasing activities.

1. Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Standard (Continued)

The Organization elected the option to apply the transition requirements at the effective date of July 1, 2022, which allows the effects of initially applying Topic 842 to be recognized as a cumulative effect adjustment to retained earnings in the prior period adoption. Consequently, the financial statements and disclosures required under Topic 842 have not been updated as of and for the year ended June 30, 2022. The Organization also elected the package of practical expedients, which permits the Organization to not reassess prior conclusions about lease identification, classification, and initial direct costs and to account for the lease and nonlease components of such as maintenance as a single lease component.

The most significant effects of the adoption of Topic 842 on the Organization's financial statements relate to the recognition of the right-to-use assets and operating lease obligations recorded on the Statement of Financial Position and providing new disclosures about leasing activities. Upon adoption, the Organization recognized operating lease obligations based on the present value of the remaining minimum rental payments as determined in accordance with Topic 842 for leases that had historically been accounted for as operating leases under Topic 840. The Organization recognized the corresponding right-of-use assets based on the operating lease obligations. The adjustment to beginning net assets as of July 1, 2022 was $109,174.

2. Investments and Other Investments

Investments are composed of the following:

	2023	2022
Money Market	$ 41,581	$ 47,629
Certificates of Deposit	79,478	79,462
Mutual Funds	1,441,620	1,256,265
Exchange Traded Funds	286,242	268,534
Fixed Income	566,913	536,038
Lehigh Valley Community Foundation	324,983	309,698
	$ 2,740,817	$ 2,497,626

2. Investments and Other Investments (Continued)

A summary of earnings on investments for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Investment Income	$ 70,753	$ 143,061
Realized and Unrealized Gains (Losses)	196,026	(590,534)
Fees	(11,017)	(12,373)
	$ 255,762	$ (459,846)

3. Fair Value Measurements

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

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Assets utilizing Level 1 inputs are equities and mutual funds.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

3. Fair Value Measurements (Continued)

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

The Organization currently does not have any Level 3 inputs.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Money Market: Measured at cost which approximates fair value.

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

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

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

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

3. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023 and 2022:

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Money Market	$ 41,581	$ -	$ -	$ 41,581
Certificates of Deposit	-	79,478	-	79,478
Mutual Funds	1,441,620	-	-	1,441,620
Exchange Traded Funds	286,242	-	-	286,242
Fixed Income Mutual Funds	566,913	-	-	566,913
Lehigh Valley Community Foundation	-	324,983	-	324,983
	$ 2,336,356	$ 404,461	$ -	$ 2,740,817

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Money Market	$ 47,629	$ -	$ -	$ 47,629
Certificates of Deposit	-	79,462	-	79,462
Mutual Funds	1,256,265	-	-	1,256,265
Exchange Traded Funds	268,534	-	-	268,534
Fixed Income Mutual Funds	536,038	-	-	536,038
Lehigh Valley Community Foundation	-	309,698	-	309,698
	$ 2,108,466	$ 389,160	$ -	$ 2,497,626

4. Land, Building and Equipment

Land, building and equipment is composed of:

	2023	2022
Land, Buildings, and Building Improvements	$ 5,032,490	$ 4,706,170
Leasehold Improvements	3,570,124	1,477,246
Vehicles	569,549	557,851
Classroom and Office Furniture and Equipment	357,928	537,401
	$ 9,530,091	$ 7,278,668
Less: Accumulated Depreciation	(3,956,496)	(4,371,415)
	$ 5,573,595	$ 2,907,253

Depreciation and amortization charged to expense was $336,857 and $252,927 for 2023 and 2022, respectively.

5. Other Current Assets

Other current assets consist of:

	2023	2022
Inventory	$ 25,553	$ 24,272
Prepaid Expenses	119,811	123,100
Collateral for Unemployment	16,740	16,740
Security Deposits	19,611	19,611
	$ 181,715	$ 183,723

6. Other Liabilities

Other liabilities consist of:

	2023	2022
Accrued Vacation	$ 125,887	$ 100,374
Reserve for Unemployment Claims	127,838	60,367
Deferred Revenue	35,059	73,536
Accrued Expenses and Other	34,497	35,510
	$ 323,281	$ 269,787

7. Right-of-Use Assets and Liabilities

The Organization leases various properties under various noncancellable operating leases expiring at various dates through 2043 which provide various renewal options. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. Some of the operating leases provide for increases in future minimum annual rental payments.

The Organization makes certain assumptions and judgements in determining the discount rate, as several leases do not provide an implicit rate. The Organization uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments when the implicit rate is not provided.

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

Right-of-use assets and operating lease liabilities are recorded on the Statement of Financial Position at June 30, 2023 as follows:

	2023
Right-of-Use Assets	$ 4,325,813
Operating Lease Liabilities	$ 4,437,659

Future minimum lease payments under the operating leases are as follows:

Year Ending June 30,		
	2024	$ 527,749
	2025	530,708
	2026	527,634
	2027	524,088
	2028	317,600
	Thereafter	3,455,504
Total Minimum Lease Payments		5,883,283
Less: Amount Representing Interest		(1,445,624)
Present Value of Minimum Lease Payments		$ 4,437,659

7. Right-of-Use Assets and Liabilities (Continued)

Other information related to the Organization's operating leases as of June 30, 2023 are as follows:

Weighted-Average Remaining Lease Term	
Operating Leases	167 months
Weighted-Average Discount Rate	
Operating Leases	3.60%

Disclosures Related to the Period Prior to the Adoption of the New Lease Standard

Total rental expense under the non-cancelable operating leases for the year ended June 30, 2022 was approximately $421,770.

8. Net Assets

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

	2023	2022
Purpose Restrictions		
Program Enrichment	$ 43,945	$ 96,727
Fowler Education Awards	55,269	7,913
Scholarship	176,337	194,779
Accumulated Earnings on Endowment	-	-
Restricted in Perpetuity		
Endowment Funds that Investment Income is Without Donor Restrictions	974,462	974,462
Judith Chase Scholarship Fund that Investment Income is Restricted for Scholarships	40,331	40,331
Underwater Endowment	(62,193)	(135,827)
	$ 1,228,151	$ 1,178,385

8. Net Assets (Continued)

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

	2023	2022
Program Enrichment	$ 238,600	$ 245,798
Fowler Education Awards	12,166	53,606
Scholarship	95,290	36,518
	$ 346,056	$ 335,922

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

	2023	2022
Net Assets Without Donor Restrictions Designated, July 1,	$ 817,291	$ 800,907
Investment Income	50,669	46,251
Realized and Unrealized Gain (Loss)	17,096	(28,188)
Investment Fees	(1,586)	(1,679)
Net Assets Without Donor Restrictions Designated June 30,	$ 883,470	$ 817,291

Other Board Designations were as follows:

	2023	2022
Operating Expense Reserve	$ 1,002,727	$ 1,493,264
Center Playgrounds, Center Renovations, Vans, and Equipment Upgrades	521,550	505,160
Fowler Education Fund	-	50,000
Capital Improvement Reserve	800,000	800,000
New Ventures/Expansion in Centers	1,250,000	4,150,000
	$ 3,574,277	$ 6,998,424

8. Net Assets (Continued)

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

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

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

$952,600 has been reported in the Statement of Financial position as an investment restricted in perpetuity, of which $324,983 is held by Lehigh Valley Community Foundation.

9. Endowment Funds

The Organization's endowment consists of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

9. Endowment Funds (Continued)

Endowment Return Objectives, Risk Parameters and Strategies

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

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

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

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

Spending Policy

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

Underwater Endowment

From time to time, certain donor-restricted endowment funds may have fair values that are less than the amount required to be maintained by donors or by law (underwater endowments). As of June 30, 2023, and 2022 the original gift value of the fund was $1,014,793. The fair value of the fund as of June 30, 2023 and 2022 was $952,600 and $878,966 resulting in deficiencies of $62,193 and $135,827, respectively.

9. Endowment Funds (Continued)

Endowment net asset composition by type of fund as of June 30, 2023 and 2022 is as follows:

	As of June 30, 2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board - Designated Endowment Funds	$ 883,470	$ -	$ 883,470
Donor-Restricted Endowment Funds	-	952,600	952,600
Total Funds	$ 883,470	$ 952,600	$ 1,836,070

	As of June 30, 2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board - Designated Endowment Funds	$ 817,291	$ -	$ 817,291
Donor-Restricted Endowment Funds	-	878,966	878,966
Total Funds	$ 817,291	$ 878,966	$ 1,696,257

Changes in endowment net assets for the fiscal year ended June 30, 2023 are as follows:

	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Beginning of Year	$ 817,291	$ 878,966	$ 1,696,257
Investment Return			
Investment Income	-	50,669	50,669
Investment Fees	(1,586)	(9,431)	(11,017)
Realized and Unrealized Gain	17,096	83,065	100,161
Amounts Appropriated for Expenditure	50,669	(50,669)	-
Endowment Net Assets, End of Year	$ 883,470	$ 952,600	$ 1,836,070

10. Pension Plan

The Organization has a voluntary contributory pension plan covering personnel who elect to participate. Effective April 1, 2018, the Organization changed to a tiered matching contribution. Employees receive a match up to 3% for 2 to 5 years of service, a match up to 5% for 5 to 10 years of service, and a match up to 7% for employees with 10 years or more of service. Total pension expense for the years ended June 30, 2023 and 2022 was $49,831 and $48,779, respectively.

11. Commitments and Contingencies

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

12. 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:

	2023	2022
Cash and Cash Equivalents	$ 6,130,682	$ 8,203,893
Accounts Receivable	714,909	570,631
Investments Without Donor Restrictions	1,778,536	1,591,999
Less: Board Designations	(4,756,668)	(8,164,535)
	$ 3,867,459	$ 2,201,988

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

The Organization maintains a board designated endowment of $883,470, as described in Note 9. Although the Organization does not intend to spend from the board designated net assets, these amounts could be made available, if necessary.

13. Contributed Nonfinancial Assets

For the years ended June 30, contributed nonfinancial assets recognized on the Statement of Activities included:

	2023	2022
Food	$ 48,708	$ 31,425
	$ 48,708	$ 31,425

The contributed food did not have donor-restrictions and was utilized for the Organization's childcare programs. The fair value of the contributed food was determined using the estimated values provided by the PA Department of Agriculture Bureau of Food Assistance for selling similar products in the United States.

14. Subsequent Events

Management has considered events subsequent to June 30, 2023 that affect the Organization through ___________, 2023, the date the financial statements were available to be issued, and has determined that no material subsequent events exist that require disclosure.

SUPPLEMENTARY INFORMATION

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

	Year Ended June 30,	
	2023	2022
REVENUE FOR CHILD CARE SERVICES		
GOVERNMENT SUBSIDIZED CHILD CARE		
CCW Net Revenue	$ 1,505,834	$ 1,478,789
Parent Portion of CCW Fees	295,934	348,518
Carbon/Monroe County CCW Net Revenue	52,096	23,547
Infant Toddler Contracted Slots	1,142,400	1,020,000
County Children and Youth Program:		
Lehigh	-	-
Northampton	3,699	11,739
Total	$ 2,999,963	$ 2,882,593

	Year Ended June 30,	
	2023	2022
REVENUE FOR CHILD CARE SERVICES		
PARENTS AND OTHER FEES		
Tuition	$ 2,042,451	$ 1,885,603
Total	$ 2,042,451	$ 1,885,603

See independent auditor's report on supplementary information.

LEHIGH VALLEY CHILDREN'S CENTERS, INC.
(A Not-for-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Expenditures	Expenditures to Sub-Recipients
U.S. Department of Agriculture:				
Passed Through the Pennsylvania Department of Education				
Child and Adult Care Food Program - Cash	10.558	300-39-428-0	$ 2,185,162	$ -
Child and Adult Care Food Program - Cash	10.558	364-39-507-8	337,663	-
			2,522,825	-
Child and Adult Care Food Program - Commodities	10.558	364-39-507-8	48,708	-
Total AL # 10.558			2,571,533	-
Total Expenditures of Federal Awards			$ 2,571,533	$ -

See independent auditor's report on supplementary information.

See Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lehigh Valley Children's Centers, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lehigh Valley Children's Centers, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lehigh Valley Children's Centers, Inc.

2. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized using the principles contained in the Uniform Guidance where in certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Lehigh Valley Children's Centers, Inc. has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

3. Noncash Awards

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

4. Sub-Recipients

There were no federal awards passed through to subrecipients during the year.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lehigh Valley Children's Centers, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of revenue without donor restrictions, expenses, and changes in net assets without donor restrictions from operations, activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Campbell, Rappold & Yurasits LLP

September 19, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lehigh Valley Children's Centers, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Lehigh Valley Children's Centers, Inc.'s major federal programs for the year ended June 30, 2023. Lehigh Valley Children's Centers, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lehigh Valley Children's Centers, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Lehigh Valley Children's Centers, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lehigh Valley Children's Centers, Inc.'s compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lehigh Valley Children's Centers, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lehigh Valley Children's Centers, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Lehigh Valley Children's Centers, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Campbell, Poppold & Ywasita LLP

September 19, 2023

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ yes __X__ no

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____ yes __X__ no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Cost

No matters were reported.

Year Ended June 30, 2022

-None-