

Under 21 Covenant House New York

Financial Statements

June 30, 2015 and 2014

Independent Auditors' Report

Board of Directors Under 21 Covenant House New York

We have audited the accompanying financial statements of Under 21 Covenant House New York (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Under 21 Covenant House New York as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Organization as of June 30, 2014 were audited by other auditors whose report dated March 30, 2015, expressed an unmodified opinion on those statements.

PKF O'Connor Davies, LLP

February 11, 2016

Under 21 Covenant House New York

Statement of Financial Position

	June 30	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 187,201	\$ 253,821
Investments	103,930	103,308
Government grants receivable	1,109,916	1,666,744
Contributions receivable	890,000	110,877
Other receivables	79,329	13,985
Due from Parent	1,512,040	276,511
Prepaid expenses and other assets	131,112	83,282
Property and equipment, net	<u>451,565</u>	<u>862,412</u>
	<u>\$ 4,465,093</u>	<u>\$ 3,370,940</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities		
Accounts payable and accrued expenses	\$ 2,648,696	\$ 2,130,135
Capital lease obligations	132,089	47,918
Loans payable to Parent	<u>1,160,527</u>	<u>1,328,336</u>
Total Liabilities	<u>3,941,312</u>	<u>3,506,389</u>
Net Assets (Deficit)		
Unrestricted	(740,437)	(248,172)
Temporarily restricted	1,158,392	6,897
Permanently restricted	<u>105,826</u>	<u>105,826</u>
Total Net Assets (Deficit)	<u>523,781</u>	<u>(135,449)</u>
	<u>\$ 4,465,093</u>	<u>\$ 3,370,940</u>

See notes to financial statements

Under 21 Covenant House New York

Statement of Activities

	Year Ended June 30, 2015				Year Ended June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Contributions	\$ 971,407	\$ 1,512,500	\$ -	\$ 2,483,907	\$ 915,192	\$ 5,039	\$ -	\$ 920,231
Government and private grants (including \$88,558 and \$22,239 of goods contributed)	9,498,967	-	-	9,498,967	8,712,117	-	-	8,712,117
Branding dollars from parent	8,904,678	-	-	8,904,678	8,830,373	-	-	8,830,373
Contributed goods and services	119,051	-	-	119,051	413,026	-	-	413,026
Special events revenue	746,101	-	-	746,101	543,273	-	-	543,273
Total Support and Revenue	<u>20,240,204</u>	<u>1,512,500</u>	<u>-</u>	<u>21,752,704</u>	<u>19,413,981</u>	<u>5,039</u>	<u>-</u>	<u>19,419,020</u>
INVESTMENT AND OTHER INCOME								
Dividends and interest	149	2,507	-	2,656	60	506	-	566
Net unrealized and realized gain (loss) on investments	51	(1,937)	-	(1,886)	1	2,795	-	2,796
Other income	152,987	-	-	152,987	164,398	-	-	164,398
Total Investment and Other Income	<u>153,187</u>	<u>570</u>	<u>-</u>	<u>153,757</u>	<u>164,459</u>	<u>3,301</u>	<u>-</u>	<u>167,760</u>
Net assets released from restrictions	361,575	(361,575)	-	-	1,443	(1,443)	-	-
Total Support, Revenue, Investment and Other Income	<u>20,754,966</u>	<u>1,151,495</u>	<u>-</u>	<u>21,906,461</u>	<u>19,579,883</u>	<u>6,897</u>	<u>-</u>	<u>19,586,780</u>
EXPENSES								
Program services	19,750,263	-	-	19,750,263	17,950,966	-	-	17,950,966
Supporting Services								
Management and general	1,469,353	-	-	1,469,353	1,503,616	-	-	1,503,616
Fundraising	27,615	-	-	27,615	45,376	-	-	45,376
Total Expenses	<u>21,247,231</u>	<u>-</u>	<u>-</u>	<u>21,247,231</u>	<u>19,499,958</u>	<u>-</u>	<u>-</u>	<u>19,499,958</u>
Changes in Net Assets (Deficit)	(492,265)	1,151,495	-	659,230	79,925	6,897	-	86,822
NET ASSETS (DEFICIT)								
Beginning of year	(248,172)	6,897	105,826	(135,449)	(328,097)	-	105,826	(222,271)
End of year	<u>\$ (740,437)</u>	<u>\$ 1,158,392</u>	<u>\$ 105,826</u>	<u>\$ 523,781</u>	<u>\$ (248,172)</u>	<u>\$ 6,897</u>	<u>\$ 105,826</u>	<u>\$ (135,449)</u>

See notes to financial statements

Under 21 Covenant House New York

Statement of Functional Expenses Year Ended June 30, 2015

	Program Services					Supporting Services				Total Expenses
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Rights of Passage	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 4,113,538	\$ 227,945	\$ 1,119,654	\$ 1,609,615	\$ 3,046,695	\$ 10,117,447	\$ 733,225	\$ 11,276	\$ 744,501	\$ 10,861,948
Payroll taxes	391,788	21,643	106,624	153,409	290,226	963,690	69,882	1,075	70,957	1,034,647
Employee benefits	<u>912,773</u>	<u>50,580</u>	<u>248,445</u>	<u>386,920</u>	<u>676,047</u>	<u>2,274,765</u>	<u>162,700</u>	<u>2,502</u>	<u>165,202</u>	<u>2,439,967</u>
Total Salaries and Related Expenses	5,418,099	300,168	1,474,723	2,149,944	4,012,968	13,355,902	965,807	14,853	980,660	14,336,562
Faith community	60,983	2,218	25,502	5,544	16,632	110,879	-	-	-	110,879
Accounting fees	-	-	-	9,752	-	9,752	87,624	-	87,624	97,376
Legal fees	60,402	15,311	18,301	11,946	33,464	139,424	39,453	1,185	40,638	180,062
Medical fees	-	-	-	19,575	-	19,575	-	-	-	19,575
Consulting fees	71,294	12,962	14,972	3,914	40,985	144,127	7,033	282	7,315	151,442
Supplies	104,641	2,275	27,282	198,742	71,528	404,468	13,034	165	13,199	417,667
Telephone	105,766	3,684	11,219	38,177	71,424	230,270	11,050	32	11,082	241,352
Postage and printing	5,575	130	366	2,834	3,558	12,463	1,645	2,214	3,859	16,322
Occupancy										
Fuel and utilities	281,836	-	67,369	25,621	179,350	554,176	25,621	-	25,621	579,797
Repairs and maintenance	248,872	203	105,508	22,967	150,339	527,889	23,139	-	23,139	551,028
Rent to parent	491,310	-	26,484	111,240	278,100	907,134	41,715	4,635	46,350	953,484
Rent and other	10,990	-	-	6,614	3,553	21,157	2,111	-	2,111	23,268
Equipment	63,454	1,886	11,447	30,983	24,104	131,874	27,667	59	27,726	159,600
Transportation and entertainment	24,335	3,217	3,617	4,849	15,877	51,895	1,250	176	1,426	53,321
Specific Assistance to Individuals										
Food	537,800	2,837	189,781	4,906	312,606	1,047,930	15,783	1,176	16,959	1,064,889
Contributed services-other	-	-	11,352	54,218	-	65,570	-	-	-	65,570
Clothing, allowance and other	207,608	16,335	60,316	2,201	265,455	551,915	216	-	216	552,131
Contributed clothing and merchandise	31,665	2,436	43,975	43,910	14,690	136,676	3,222	2,141	5,363	142,039
Temporary help	42,428	51	373	37,606	26,786	107,244	12,343	4	12,347	119,591
Other purchased services	166,560	217	2,715	35,523	92,908	297,923	70,833	229	71,062	368,985
Dues, licenses, and permits	17,084	534	2,003	7,241	10,410	37,272	2,115	-	2,115	39,387
Staff recruitment	1,397	3	416	430	700	2,946	10,835	3	10,838	13,784
Insurance	141,186	-	28,242	42,357	88,250	300,035	12,357	-	12,357	312,392
Miscellaneous	2,393	54	550	7	3,135	6,139	10,679	34	10,713	16,852
Conference, convention and meetings	14,647	960	3,156	13,576	8,820	41,159	10,277	427	10,704	51,863
Bank charges and fees	-	-	-	-	-	-	46,825	-	46,825	46,825
Interest	999	-	47	138	636	1,820	9,431	-	9,431	11,251
Total Functional Expenses, Before Depreciation and Amortization	8,111,324	365,481	2,129,716	2,884,815	5,726,278	19,217,614	1,452,065	27,615	1,479,680	20,697,294
Depreciation and amortization	<u>176,964</u>	<u>532</u>	<u>224,582</u>	<u>19,290</u>	<u>111,281</u>	<u>532,649</u>	<u>17,288</u>	<u>-</u>	<u>17,288</u>	<u>549,937</u>
Total Functional Expenses	<u>\$ 8,288,288</u>	<u>\$ 366,013</u>	<u>\$ 2,354,298</u>	<u>\$ 2,904,105</u>	<u>\$ 5,837,559</u>	<u>\$ 19,750,263</u>	<u>\$ 1,469,353</u>	<u>\$ 27,615</u>	<u>\$ 1,496,968</u>	<u>\$ 21,247,231</u>

See notes to financial statements

Under 21 Covenant House New York

Statement of Functional Expenses Year Ended June 30, 2014

	Program Services					Supporting Services				Total Expenses
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Rights of Passage	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and wages	\$ 3,627,905	\$ 150,509	\$ 1,036,820	\$ 1,388,350	\$ 2,777,979	\$ 8,981,563	\$ 742,047	\$ 21,003	\$ 763,050	\$ 9,744,613
Payroll taxes	350,227	15,053	100,789	133,540	270,014	869,623	73,391	2,051	75,442	945,065
Employee benefits	857,488	37,074	248,899	317,678	666,444	2,127,583	195,347	5,248	200,595	2,328,178
Total Salaries and Related Expenses	4,835,620	202,636	1,386,507	1,839,567	3,714,438	11,978,769	1,010,785	28,302	1,039,087	13,017,856
Faith community	133,868	-	-	-	-	133,868	-	-	-	133,868
Accounting fees	-	-	-	8,798	-	8,798	85,746	-	85,746	94,544
Legal fees	-	-	2,419	-	-	2,419	2,209	-	2,209	4,628
Medical fees	-	-	-	73,741	-	73,741	-	-	-	73,741
Consulting fees	77,411	12,019	13,641	3,648	44,400	151,119	12,063	87	12,150	163,269
Supplies	139,276	1,114	16,356	20,361	88,942	266,049	13,077	890	13,967	280,016
Telephone	70,422	1,304	21,015	34,701	53,403	180,845	6,472	661	7,133	187,978
Postage and printing	1,865	1,472	523	1,045	1,776	6,681	1,147	23	1,170	7,851
Occupancy										
Fuel and utilities	243,189	-	63,430	56,522	174,832	537,973	22,478	2,498	24,976	562,949
Repairs and maintenance	189,907	83	71,002	16,652	111,982	389,626	15,450	1,555	17,005	406,631
Rent to parent	491,310	-	26,484	111,240	278,100	907,134	41,715	4,635	46,350	953,484
Equipment	41,585	1,335	5,221	16,992	20,988	86,121	7,551	141	7,692	93,813
Transportation and entertainment	16,549	3,604	8,141	2,801	11,853	42,948	1,983	168	2,151	45,099
Specific Assistance to Individuals										
Food	202,367	2,369	77,147	3,166	125,150	410,199	4,166	266	4,432	414,631
Medical fees	53	-	40	126,394	78	126,565	-	-	-	126,565
Contributed medical and other services	22,384	-	4,100	55,959	8,766	91,209	8	1	9	91,218
Clothing, allowance and other	215,067	6,930	55,711	2,288	102,367	382,363	29	-	29	382,392
Contributed clothing and merchandise	152,504	2,039	45,789	43,596	93,562	337,490	4,421	2,136	6,557	344,047
Temporary help	17,183	-	-	66,037	10,935	94,155	21,095	156	21,251	115,406
Other purchased services	323,909	333	92,319	48,551	224,510	689,622	107,027	1,135	108,162	797,784
Dues, licenses and permits	6,015	46	3,568	639	2,953	13,221	453	44	497	13,718
Insurance	112,907	-	21,722	40,264	71,850	246,743	9,238	1,026	10,264	257,007
Miscellaneous	7,329	617	1,189	4,706	7,652	21,493	94,276	197	94,473	115,966
Conference, convention and meetings	30,291	109	1,716	4,004	4,479	40,599	31,992	80	32,072	72,671
Total Functional Expenses, Before Depreciation and Amortization	7,331,011	236,010	1,918,040	2,581,672	5,153,016	17,219,750	1,493,381	44,001	1,537,382	18,757,132
Depreciation and amortization	172,814	-	434,408	17,424	106,570	731,216	10,235	1,375	11,610	742,826
Total Functional Expenses	<u>\$ 7,503,825</u>	<u>\$ 236,010</u>	<u>\$ 2,352,448</u>	<u>\$ 2,599,096</u>	<u>\$ 5,259,586</u>	<u>\$ 17,950,966</u>	<u>\$ 1,503,616</u>	<u>\$ 45,376</u>	<u>\$ 1,548,992</u>	<u>\$ 19,499,958</u>

See notes to financial statements

Under 21 Covenant House New York

Statement of Cash Flows

	Year Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 659,230	\$ 86,822
Adjustments to reconcile change in net assets to net cash from operating activities		
Net unrealized and realized loss (gain) on investments	1,886	(2,796)
Depreciation and amortization	549,937	742,826
Forgiveness of loans payable to parent	(167,809)	(100,000)
Bad debt expense	-	39,869
Changes in operating assets and liabilities		
Government grants receivable	556,828	(346,543)
Contributions receivable	(779,123)	73,800
Other receivables	(65,344)	30,010
Due from parent	(1,235,529)	(208,441)
Prepaid expenses and other assets	(47,830)	11,370
Accounts payable and accrued expenses	518,561	(218,239)
Net Cash from Operating Activities	(9,193)	108,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(29,834)	(27,308)
Purchase of investments	(25,940)	(100,000)
Proceeds from sale of investments	23,432	108,642
Net Cash from Investing Activities	(32,342)	(18,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(25,085)	(22,671)
Repayments of loans payable to parent	-	(100,000)
Net Cash from Financing Activities	(25,085)	(122,671)
Net Change in Cash and Cash Equivalents	(66,620)	(32,659)
CASH AND CASH EQUIVALENTS		
Beginning of year	253,821	286,480
End of year	\$ 187,201	\$ 253,821
SUPPLEMENTAL CASH FLOW INFORMATION		
Assets acquired under capital lease obligation	\$ 109,256	\$ -
Cash paid for interest under capital leases	8,807	2,560
Cash paid for interest on loan payable to parent	9,340	10,339

See notes to financial statements

Under 21 Covenant House New York

Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Tax Status

Under 21 Covenant House New York (the "Organization") a not-for-profit organization which was incorporated in June 1981, is the principal operating affiliate of Covenant House (the "Parent"), providing shelter and crisis care, outreach, mother/child, medical, rights of passage, multi-service aftercare, public education and job-training program services to youths in the New York metropolitan area. The Parent is the sole member of the Organization and is itself a private not-for-profit organization which, through its affiliates, provided shelter, food, clothing, counseling, medical attention, crisis intervention, public education, and other services to more than 51,000 and 57,000 runaway and homeless youths during the fiscal years ended June 30, 2015 and 2014.

The Organization is affiliated with the following not-for-profit organizations through common control:

- Covenant House Alaska
- Covenant House California
- Covenant House Chicago
- Covenant House Connecticut
- Covenant House Florida
- Covenant House Georgia
- Covenant House Michigan
- Covenant House Missouri
- Covenant House New Jersey
- Covenant House New Orleans
- Covenant House Pennsylvania/Under 21
- Covenant House Texas
- Covenant House Toronto
- Covenant House Testamentum
- Covenant House Washington, D.C
- Covenant International Foundation
- Covenant House Holdings, LLC
- Covenant House Western Avenue
- Covenant House Vancouver
- Asociacion La Alianza (Guatemala)
- Alianza de Honduras
- Casa Alianza Nicaragua
- Casa Alianza Internacional
- Fundacion Casa Alianza Mexico, I.A.P.
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44th Corporation

The Organization has been determined to be a non-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Organization is also exempt from New York income and sales taxes.

Components of Program and Supporting Services

Program Services

Shelter and Crisis Care

The Shelter and Crisis Care program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths. The Organization also provides comprehensive services to youth who have left the crisis centers and other youth in the community who need support to maintain themselves in stable living situations.

Under 21 Covenant House New York

Notes to Financial Statements
June 30, 2015 and 2014

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

Outreach

The Outreach program is an effort to reach youths who are on the streets for various reasons. Outreach vans cruise the city streets at night searching for these youths and providing them with food, a trained counselor, and referrals to shelters and health and other services, if needed. Youths are also referred to the Organization's Community Service Center (CSC); there they receive ongoing counseling and other services.

Mother/Child Program

The Organization provides emergency shelter, food, and counseling to homeless mothers under the age of 21 and their children.

Medical

The Organization maintains a health clinic which provides youths in the program with needed medical attention. The health clinic is a Federally Qualified Health Center ("FQHC") under Section 330 of the Public Health Services Act ("PHS").

Rights of Passage

Rights of Passage provides transitional home services for up to 24 months to youths, including individual counseling and help with completing their education and finding jobs and housing. The goal is to prepare young people for independent living by teaching them the skills, habits and attitudes a person needs to live and maintain self-sufficiency. Every resident that enters the Rights of Passage program makes a commitment to work full time, enhance their education and build a savings program for when they transition from the program.

Supporting Services

Management and General

Management and general services include administration, finance and general support activities. Certain administrative costs that relate to specific programs have been allocated to those programs.

Fundraising

Fundraising relates to activities of the development department in raising general and specific contributions.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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. Accordingly actual results could differ from those estimates.

Under 21 Covenant House New York

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as assets released from restrictions.

Revenue Recognition

The Organization records earned revenues on an accrual basis. In addition, The Organization records as revenue the following types of contributions, when they are received unconditionally at their fair value: cash, promises to give (contributions receivable), grants receivable, certain contributed services and gifts of other assets. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met. The Organization also raises funds through special events, such as galas. Event revenues are recorded as unrestricted contributions since such funds can be used for general operations unless there are donor-imposed restrictions. Related costs with a direct-benefit to donors are paid by the Parent. Costs to generate restricted and unrestricted donations and grants are expensed as incurred.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Under 21 Covenant House New York

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (*continued*)

Investment Valuation and Income Recognition

Investments are valued at fair value in the statement of financial position. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method, using half year convention, over the estimated useful lives of the assets, which range from 3 to 33 years. The Organization follows the practice of capitalizing and depreciating all expenditures for property, equipment and leasehold improvements costing \$5,000 or more and a useful life in excess of one year.

Long lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary. There is no such impairment for the years ended June 30, 2015 and 2014.

Contributions Receivable

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for unrestricted use, unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible contributions receivable is provided, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2012.

Under 21 Covenant House New York

Notes to Financial Statements
June 30, 2015 and 2014

2. Summary of Significant Accounting Policies (*continued*)

Contributed Goods and Services

The Organization recognizes the market value of donated goods and services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements. During fiscal 2015 and 2014, the Organization recognized contributed goods of approximately \$142,000 and \$344,000. The Organization also received contributed services, primarily for medical services for its health clinic, of approximately \$65,000 and \$91,000 for fiscal 2015 and 2014.

Contributed services are provided by Covenant House Faith Community (the "Community") members. Community members are full-time volunteers who commit themselves to a year of service to runaway and homeless youths. Room and board, a \$20 per week stipend, health insurance and reimbursement for other personal expenses are provided to Community members by the Organization. The expenses associated with Community members totaled approximately \$111,000 and \$134,000 for the years ended June 30, 2015 and 2014, and are reported in the accompanying statements of functional expenses among program services.

Reclassifications

Certain accounts in the 2014 financial statements have been reclassified to conform to the current year financial statement presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 11, 2016.

3. Investments

Investments of \$103,930 and \$103,308 at June 30, 2015 and 2014 consist of affiliated pooled investments held with the Parent which are measured at fair value on a recurring basis and classified with Level 1 inputs using the fair value hierarchy.

4. Government Grants Receivable

Government grants receivable of \$1,109,916 and \$1,666,744 at June 30, 2015 and 2014 are expected to be collected within one year. As of June 30, 2015 and 2014, no allowance for doubtful discounts was determined to be necessary.

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Notes to Financial Statements
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5. Contributions Receivable

Contributions receivable of \$890,000 and \$110,877 at June 30, 2015 and 2014 are expected to be collected within one year. As of June 30, 2015 and 2014, no allowance for doubtful accounts was determined to be necessary.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 3,238,360	\$ 3,129,105
Leasehold improvements	<u>10,645,612</u>	<u>10,615,777</u>
	13,883,972	13,744,882
Accumulated depreciation and amortization	<u>(13,432,407)</u>	<u>(12,882,470)</u>
Property, plant and equipment, net	<u>\$ 451,565</u>	<u>\$ 862,412</u>

7. Capital Lease Obligations

Aggregate future minimum lease payments due under the Organization's capital lease obligations as of June 30, 2015 are as follows:

Year ending June 30	
2016	\$ 40,890
2017	29,507
2018	25,491
2019	23,483
2020	<u>21,526</u>
Total minimum lease payments	140,897
Less: amount representing interest	<u>(8,808)</u>
Present value of minimum lease payments	<u>\$ 132,089</u>

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to \$94,616 and \$50,449 at June 30, 2015 and 2014.

8. Endowment

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. The Organization classifies as donor-restricted permanent endowment funds unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

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Notes to Financial Statements
June 30, 2015 and 2014

8. Endowment (continued)

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the Organization in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of the Organization; and, the investment policy of the Organization.

The Organization has adopted investment and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support the Organization's activities while seeking to maintain the purchasing power of endowment assets. The Organization's primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

As of June 30, 2015 and 2014, the Organization's endowment net assets and changes therein consist of the following:

	June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
COMPOSITION OF ENDOWMENT NET ASSETS BY TYPE OF FUND				
Donor-restricted endowment funds	\$ -	\$ 3,871	\$ 105,826	\$ 109,697
CHANGES IN ENDOWMENT NET ASSETS				
Endowment net assets, beginning of year	\$ -	\$ 3,301	\$ 105,826	\$ 109,127
Interest and dividends	-	2,507	-	2,507
Net depreciation in fair value of investments	-	(1,937)	-	(1,937)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,871</u>	<u>\$ 105,826</u>	<u>\$ 109,697</u>
	June 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
COMPOSITION OF ENDOWMENT NET ASSETS BY TYPE OF FUND				
Donor-restricted endowment funds	\$ -	\$ 3,301	\$ 105,826	\$ 109,127
CHANGES IN ENDOWMENT NET ASSETS				
Endowment net assets, beginning of year	\$ (8)	\$ -	\$ 105,826	\$ 105,818
Interest and dividends	-	506	-	506
Net appreciation in fair value of investments	8	2,795	-	2,803
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 3,301</u>	<u>\$ 105,826</u>	<u>\$ 109,127</u>

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Notes to Financial Statements
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9. Government and Private Grants

Government and private grants revenue consist of the following for the years ended June 30:

	2015	2014
CITY OF NEW YORK		
Department of Youth and Community Development	\$ 4,494,060	\$ 3,345,465
Public Health Solutions, Inc.	45,000	45,000
NYC Center for Economic Opportunity-Work Progress Program	-	11,692
	4,539,060	3,402,157
STATE OF NEW YORK		
NYC Office of Mental Health-On Site Rehabilitation	146,768	146,768
Medicaid	113,859	247,710
Public Goods Pool	859,033	1,428,635
	1,119,660	1,823,113
FEDERAL GOVERNMENT		
U.S. Department of Housing and Urban Development:		
Direct awards	2,618,451	2,447,922
Passed through NYC Dept. of Homeless Services	209,454	215,034
U.S. Department of Health and Human Services:		
Direct awards	711,437	583,157
Passed through NYC Dept. of Health & Mental Hygiene	30,140	22,240
Passed through Housing Conservation Coordinators	35,132	
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	179,887	159,645
Passed through the State of NY Dept. of Health	30,724	25,430
Passed through the State of NY Office of General Services	8,230	8,061
U.S. Corporation for National & Community Service:		
Passed through NYC Civic Corps	1,736	25,358
U.S. Department of Energy		
Passed through Housing Conservation Coordinators	15,056	-
	3,840,247	3,486,847
Total	\$ 9,498,967	\$ 8,712,117

In accordance with the terms of certain government and private grants, the records of the Organization are subject to audit after the date of final payment of the contracts. The Organization is liable for any disallowed costs; however, management of the Organization believes that the amount of costs disallowed, if any, would not be significant.

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Notes to Financial Statements
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9. Government and Private Grants *(continued)*

As of June 30, 2015 and 2014, the Organization has been approved for a number of government cost reimbursement grants in which conditions stipulated in the grant agreements have not yet been met. Accordingly, revenue pertaining to these grants has not been recognized in the accompanying financial statements.

10. Employee Benefit Plan

The Organization participates in a defined benefit pension plan sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. The Organization did not contribute to the defined benefit pension plan during the years ended June 30, 2015 and 2014. Effective December 31, 2006, the Parent froze service credits in the Plan. Compensation increases will continue to apply within the Plan structure for those participants who have at least 45 points (age plus years of service). The Organization has further amended the Plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits will accrue under the Plan after that date.

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the Plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the Plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the Plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) Plan was approximately \$415,000 and \$361,000 for 2015 and 2014.

11. Related Party Transactions

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give from the Parent to its affiliated organizations totaled approximately \$62.8 million and \$57.8 million in fiscal years ended 2015 and 2014. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations plus a parent subsidy and appropriates funds classified as "branding dollars" or "contributions received from Parent" to each Covenant House affiliate. Total funds allocated to affiliated organizations, based on the Parent's policy, approximated \$33.6 million and \$31.2 million for the years ended 2015 and 2014. In fiscal 2015 and 2014, the Organization received \$8,904,678 and \$8,830,373, in branding dollars from the Parent.

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Notes to Financial Statements
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11. Related Party Transactions *(continued)*

In fiscal 2011, the Organization entered into a Memorandum of Understanding with the Parent. Under the terms of the agreement, the Parent is assuming responsibility for all the fundraising activities of the Organization other than government grants, contracts and fee for service arrangements and thus, will receive all revenue earned from unrestricted contributions from individuals, foundations, corporations and bequests, except for those specified amounts required to be retained by the Organization. In return, the Organization will receive an increase in branding dollars received from the Parent.

The Organization leases space in two buildings from the Parent for its primary address of operation where the Crisis Care and Rights of Passage shelters are located and additional space for its Mother and Child shelter, both of which are located in Manhattan, New York City. The leases call for payments of \$77,250 and \$2,207 per month, through August 1, 2017. Total expenses incurred each year under these lease agreements totaled approximately \$953,000 in fiscal years 2015 and 2014. Certain improvements, which were funded by the Organization, were made to the facility and have been capitalized.

At June 30, 2015 and 2014, a portion of the total amount comprising the loans payable to Parent totaled approximately \$470,000 and \$638,000 and represent amounts advanced to the Organization in fiscal years 2007 and 2008 to cover moving expenses and the purchase of furniture and equipment. The amounts loaned are interest-free with repayment terms to be determined. During fiscal 2015 and 2014, the Parent forgave \$167,809 and \$100,000 of this portion of the loan and the Organization reported this within branding dollars received from Parent in the accompanying 2015 and 2014 statement of activities. The remaining balance of loans payable to parent of \$690,000 at June 30, 2015 and 2014, represents amounts drawn down on the Parent's line of credit with JPMorgan Chase Bank N.A. For the years ended June 30, 2015 and 2014, the Organization paid interest on this loan to the Parent of approximately \$9,000 and \$10,000.

In June 2012, the Organization amended the Memorandum of Understanding with the Parent. One of the stipulations in the amended agreement provides that in the event the Parent exceeds certain fundraising targets, the additional proceeds raised will be used by the Parent to pay down the loan receivable due from the Organization that was drawn upon the Parent's line of credit with JPMorgan Chase Bank N.A. In fiscal 2015 and 2014, the Parent did not exceed these targets, therefore additional proceeds were not allocated to pay down the loan.

Amounts due from the Parent at June 30, 2015 and 2014, result from timing differences between contributions collected by the Parent on the Organization's behalf and advances of support from the Parent, which do not bear interest. Amounts due from the Parent at June 30, 2015 and 2014 totaled \$1,512,040 and \$276,511.

12. Concentrated Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash in bank deposit accounts which generally exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Under 21 Covenant House New York

Notes to Financial Statements
June 30, 2015 and 2014

13. Commitments

The Organization has entered into various noncancellable operating leases primarily for space associated with its two addresses of operation, youth apartments and office equipment. Aggregate future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2015 are as follows:

Year ending June 30	
2016	\$ 1,101,958
2017	955,067
2018	<u>79,457</u>
	<u>\$ 2,136,482</u>

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