Financial Statements Together with
Report of Independent Certified Public Accountants

UNDER 21 COVENANT HOUSE NEW YORK

June 30, 2014 and 2013

UNDER 21 COVENANT HOUSE NEW YORK

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
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 statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
March 30, 2015

UNDER 21 COVENANT HOUSE NEW YORK
Statements of Financial Position
As of June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	$ 253,821	$ 286,480
Investments, at fair value	103,309	109,155
Grants receivable	1,666,744	1,318,024
Contributions receivable	110,877	226,723
Other receivables	13,986	43,996
Due from Parent	276,511	68,070
Prepaid expenses and other assets	83,281	94,651
Property and equipment, net	862,411	1,577,929
Total assets	$ 3,370,940	$ 3,725,028
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 2,130,135	$ 2,348,374
Capital lease obligations	47,918	70,589
Loan payable to Parent	1,328,336	1,528,336
Total liabilities	3,506,389	3,947,299
Commitments and contingencies		
NET ASSETS (DEFICIT)		
Unrestricted	(248,172)	(328,097)
Temporarily restricted	6,897	-
Permanently restricted	105,826	105,826
Total net (deficit) assets	(135,449)	(222,271)
Total liabilities and net assets	$ 3,370,940	$ 3,725,028

The accompanying notes are an integral part of these financial statements.

UNDER 21 COVENANT HOUSE NEW YORK
Statement of Activities
For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions received directly from individuals, foundations and corporations	$ 915,192	$ 5,039	$ -	$ 920,231
Contributions received from Parent:				
Branding dollars	8,830,373	-	-	8,830,373
Contributed goods and services	413,026	-	-	413,026
Government grants, contracts and fee for service arrangements	8,712,117	-	-	8,712,117
Special event revenue	543,273	-	-	543,273
Total contributions	19,413,981	5,039	-	19,419,020
OTHER REVENUE				
Interest and dividends	60	506	-	566
Net appreciation in fair value of investments	1	2,795	-	2,796
Other	164,398	-	-	164,398
Total other revenue	164,459	3,301	-	167,760
Net assets released from restrictions	1,443	(1,443)	-	-
Total contributions, revenue and other support	19,579,883	6,897	-	19,586,780
EXPENSES				
Program services	17,950,966	-	-	17,950,966
Supporting services:				
Management and general	1,503,616	-	-	1,503,616
Fundraising	45,376	-	-	45,376
Total supporting services	1,548,992	-	-	1,548,992
Total expenses	19,499,958	-	-	19,499,958
Changes in net assets	79,925	6,897	-	86,822
Net assets (deficit), beginning of year	(328,097)	-	105,826	(222,271)
Net assets (deficit), end of year	$ (248,172)	$ 6,897	$ 105,826	$ (135,449)

The accompanying notes are an integral part of this financial statement.

UNDER 21 COVENANT HOUSE NEW YORK
Statement of Activities
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions received directly from individuals, foundations and corporations	$ 949,789	$ -	$ -	$ 949,789
Contributions received from Parent:				
Branding dollars	9,086,725	-	-	9,086,725
Contributed goods and services	303,303	-	-	303,303
Government grants, contracts and fee for service arrangements	7,748,438	-	-	7,748,438
Special event revenue	303,567	-	-	303,567
Less direct costs of benefits to donors of special events	(28,438)	-	-	(28,438)
Total contributions	18,363,384	-	-	18,363,384
OTHER REVENUE				
Interest and dividends	178	9	-	187
Net depreciation in fair value of investments	(8)	(9)	-	(17)
Other	172,352	-	-	172,352
Total other revenue	172,522	-	-	172,522
Net assets released from restrictions and reclassifications	500,000	(500,000)	-	-
Total contributions, revenue and other support	19,035,906	(500,000)	-	18,535,906
EXPENSES				
Program services	17,434,497	-	-	17,434,497
Supporting services:				
Management and general	1,467,106	-	-	1,467,106
Fundraising	47,859	-	-	47,859
Total supporting services	1,514,965	-	-	1,514,965
Total expenses	18,949,462	-	-	18,949,462
Changes in net assets	86,444	(500,000)	-	(413,556)
Net assets (deficit), beginning of year	(414,541)	500,000	105,826	191,285
Net assets (deficit), end of year	$ (328,097)	$ -	$ 105,826	$ (222,271)

The accompanying notes are an integral part of this financial statement.

UNDER 21 COVENANT HOUSE NEW YORK
Statement of Functional Expenses
For the year ended June 30, 2014

	Program Services						Supporting Services				
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Rights of Passage	Total	Management and General	Fundraising	Total	Direct Costs of Benefits to Donors	Total
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 costs	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 and other	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
Subscriptions and publications	-	-	-	560	-	560	203	-	203	-	763
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	4,146	7,652	20,933	94,073	197	94,270	-	115,203
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	7,503,825	236,010	2,352,448	2,599,096	5,259,586	17,950,966	1,503,616	45,376	1,548,992	-	19,499,958
Less direct costs of benefits to donors of special events	-	-	-	-	-	-	-	-	-	-	-
Total expenses reported by function	$ 7,503,825	$ 236,010	$ 2,352,448	$ 2,599,096	$ 5,259,586	$ 17,950,966	$ 1,503,616	$ 45,376	$ 1,548,992	$ -	$ 19,499,958

The accompanying notes are an integral part of this financial statement.

UNDER 21 COVENANT HOUSE NEW YORK
Statement of Functional Expenses
For the year ended June 30, 2013

	Program Services						Supporting Services				
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Rights of Passage	Total	Management and General	Fundraising	Total	Direct Costs of Benefits to Donors	Total
Salaries and wages	$ 3,846,865	$ 164,976	$ 1,156,447	$ 1,581,148	$ 2,521,422	$ 9,270,858	$ 809,996	$ 24,723	$ 834,719	$ -	$ 10,105,577
Payroll taxes	374,935	16,090	109,138	158,109	240,953	899,225	98,901	2,121	101,022	-	1,000,247
Employee benefits	767,314	36,756	216,180	322,736	504,821	1,847,807	173,450	1,826	175,276	-	2,023,083
Total salaries and related expenses	4,989,114	217,822	1,481,765	2,061,993	3,267,196	12,017,890	1,082,347	28,670	1,111,017	-	13,128,907
Faith Community costs	143,165	-	-	-	-	143,165	-	-	-	-	143,165
Accounting fees	-	-	-	6,572	-	6,572	83,977	-	83,977	-	90,549
Legal fees	254	77	83	-	138	552	485	-	485	-	1,037
Medical fees	-	-	-	129,105	-	129,105	-	-	-	-	129,105
Consulting fees	11,102	2,905	3,299	13,137	5,235	35,678	2,598	22	2,620	-	38,298
Supplies	152,308	1,586	14,547	22,849	32,032	223,322	10,505	904	11,409	-	234,731
Telephone	95,769	1,809	23,788	38,541	10,072	169,979	6,572	808	7,380	-	177,359
Postage and printing	4,369	1,420	666	1,432	664	8,551	1,116	-	1,116	-	9,667
Occupancy:											
Fuel and utilities	230,323	-	72,231	46,064	138,193	486,811	43,761	2,303	46,064	-	532,875
Repairs and maintenance	134,560	-	66,801	12,609	106,518	320,488	13,071	1,261	14,332	-	334,820
Rent and other	454,230	-	26,484	111,240	278,100	870,054	78,795	4,635	83,430	-	953,484
Equipment	67,187	1,534	25,991	18,933	9,323	122,968	6,537	245	6,782	-	129,750
Transportation and entertainment	30,564	3,764	6,458	3,249	10,134	54,169	462	153	615	28,438	83,222
Specific assistance to individuals:											
Food	166,814	2,338	109,340	4,027	95,329	377,848	3,697	245	3,942	-	381,790
Medical fees	157	-	64	138,280	23	138,524	-	-	-	-	138,524
Contributed medical and other services	30,075	-	3,700	105,835	9,990	149,600	-	-	-	-	149,600
Clothing, allowance and other	199,668	6,337	64,859	2,808	109,404	383,076	307	15	322	-	383,398
Contributed clothing and merchandise	86,014	254	32,078	34,019	32,270	184,635	1,761	50	1,811	-	186,446
Temporary help	-	-	-	92,971	-	92,971	7,074	-	7,074	-	100,045
Other purchased services	193,773	655	111,788	32,585	117,641	456,442	72,168	105	72,273	-	528,715
Dues, licenses and permits	14,550	787	2,602	725	598	19,262	728	72	800	-	20,062
Subscriptions and publications	12	-	-	1	-	13	312	1	313	-	326
Insurance	141,467	-	17,978	43,001	28,759	231,205	10,264	822	11,086	-	242,291
Miscellaneous	9,821	930	1,861	13,392	5,691	31,695	31,043	7,529	38,572	-	70,267
Conference, convention and meetings	15,564	60	3,475	3,965	5,304	28,368	1,749	19	1,768	-	30,136
Total functional expenses, before depreciation and amortization	7,170,860	242,278	2,069,858	2,937,333	4,262,614	16,682,943	1,459,329	47,859	1,507,188	28,438	18,218,569
Depreciation and amortization	225,564	-	430,407	15,790	79,793	751,554	7,777	-	7,777	-	759,331
Total functional expenses	7,396,424	242,278	2,500,265	2,953,123	4,342,407	17,434,497	1,467,106	47,859	1,514,965	28,438	18,977,900
Less direct costs of benefits to donors of special events	-	-	-	-	-	-	-	-	-	(28,438)	(28,438)
Total expenses reported by function	$ 7,396,424	$ 242,278	$ 2,500,265	$ 2,953,123	$ 4,342,407	$ 17,434,497	$ 1,467,106	$ 47,859	$ 1,514,965	$ -	$ 18,949,462

The accompanying notes are an integral part of this financial statement.

UNDER 21 COVENANT HOUSE NEW YORK
Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 86,822	$ (413,556)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net (appreciation) depreciation in fair value of investments	(2,796)	17
Depreciation and amortization	742,826	759,331
Forgiveness of loan payable to Parent	(100,000)	-
Bad debt expense	39,869	2,864
Changes in operating assets and liabilities:		
Grants and contributions receivable	(272,743)	(167,653)
Other receivables	30,010	12,408
Prepaid expenses and other assets	11,370	17,960
Accounts payable and accrued expenses	(218,239)	(144,485)
Due from Parent	(208,441)	70,954
Net cash provided by operating activities	108,678	137,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(100,000)	(9)
Proceeds from sales of investments	108,642	-
Purchases of property and equipment	(27,308)	(126,764)
Net cash used in investing activities	(18,666)	(126,773)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(22,671)	(21,754)
Repayments of loan payable to Parent	(100,000)	(100,000)
Net cash used in financing activities	(122,671)	(121,754)
Decrease in cash and cash equivalents	(32,659)	(110,687)
Cash and cash equivalents, beginning of year	286,480	397,167
Cash and cash equivalents, end of year	$ 253,821	$ 286,480
Supplementary Information:		
Assets acquired under capital lease obligation	$ -	$ 37,284
Cash paid for interest under capital leases	$ 2,560	$ 4,604
Cash paid for interest on loan payable to Parent	$ 10,339	$ 12,165

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Organization Structure

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, multi-service aftercare, medical, Rights of Passage, 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 agency which, through its affiliates, provided shelter, food, clothing, counseling, medical attention, crisis intervention and other services to over 57,000 and 56,000 runaway and homeless youths during fiscal 2014 and 2013, respectively.

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

Covenant House Alaska	Covenant House Testamentum
Covenant House California	Covenant House Holdings, LLC
Covenant House Florida	Covenant House Western Avenue
Covenant House Georgia	Covenant International Foundation
Covenant House Michigan	Asociación La Alianza (Guatemala)
Covenant House Missouri	Covenant House Toronto
Covenant House New Jersey	Covenant House Vancouver
Covenant House New Orleans	Casa Alianza Internacional
Covenant House Pennsylvania/Under 21	Casa Alianza de Honduras
Covenant House Texas	Casa Alianza Nicaragua
Covenant House Washington, D.C.	Fundación Casa Alianza México, I.A.P.

The Organization is dependent upon the Parent for financial support and its ability to recover the carrying value of its assets, in part, depends upon future profitable operations. The Parent has committed to provide necessary support to the Organization for the foreseeable future and at least through July 1, 2015.

Faith Community

Contributed services were 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, $20 per week stipend, health insurance and reimbursement for other personal expenses are provided to Community members. The expenses associated with Community members totaled approximately $134,000 and $143,000 for the years ended June 30, 2014 and 2013, respectively, and are reported in the accompanying financial statements. The Organization received additional services provided by Community members during fiscal 2014 and 2013. However, the value of such services have not been included in the accompanying statements of activities as they do not meet the criteria for recognition as contributions under accounting principles generally accepted in the United States of America ("US GAAP").

Components of Program and Supporting Services

The *Shelter and Crisis Care* program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths. Covenant House 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.

The *Outreach* program is an effort to reach youths who would otherwise not find their way to the shelters. Outreach vans cruise the city streets every night, searching for these youths, and providing them with food, a trained counselor and a safe ride to a shelter.

The *Mother/Child* program provides emergency shelter, food and counseling to homeless mothers under the age of 21 and their children.

Medical services include the health clinic maintained by the Organization to provide 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 Service Act ("PHS").

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.

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

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

Direct Costs of Benefits to Donors of Special Events are those costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements using the accrual basis of accounting in conformity with US GAAP.

Net Asset Classification

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consist of resources available for the general support of the Organization's operations. Unrestricted net assets may be used at the discretion of the Organization's management and Board of Directors.

Temporarily restricted - represent amounts restricted by donors for specific activities of the Organization or to be used at some future date. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions are met in the same accounting period, such amounts are reported in unrestricted net assets.

Permanently restricted - consist of funds that are subject to restrictions of gift instruments requiring the principal be invested in perpetuity and the income be used for general purposes. Income and gains earned on endowment fund assets are classified as temporarily restricted net assets until such amounts are appropriated for expenditure by the Organization in accordance with the standard of prudence prescribed by the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"). As of June 30, 2014 and 2013, the Organization had $105,826 of permanently restricted net assets restricted for certain program initiatives.

Following the receipt of additional clarifying correspondence from a donor during fiscal 2013, pertaining to a previously recognized $500,000 temporarily restricted gift, the Organization reclassified such temporarily restricted net assets to be part of unrestricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and highly liquid investments with original maturities of three months or less from the date of purchase.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of market-based information within the measurement of fair value over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument as of the measurement date.

The three levels of the fair value hierarchy used by the Organization are described below:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the statement of financial position date or in the near term, which the Organization has determined to be within 90 days. As of June 30, 2014 and 2013, the Organization had no financial instruments classified as Level 2.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lock-up periods or other investment restrictions.

Investments

As of June 30, 2014, the Organization's investments are invested entirely in the Parent's investment pool. Investments in publicly traded debt and equity securities are recorded at fair value determined on the basis of quoted market prices as of the measurement date. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded on the statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

Property and Equipment

Property and equipment acquired at a cost greater than $5,000 with useful lives more than three years are recorded at cost if purchased or, if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 3 to 33 years. Leasehold improvements are amortized on the straight-line basis over the lesser of the term of the lease or their estimated useful lives.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give in greater than one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. The Organization provides an allowance for doubtful accounts based on the known financial condition of the respective donor, the nature of the fundraising activity, and historical collection experience. These allowances are maintained at a level management considers adequate to provide for potentially uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a donor changes significantly, management will evaluate the recoverability of any accounts receivable from that donor and write-off any amounts that are no longer considered to be recoverable. As of June 30, 2014 and 2013, no allowance for doubtful accounts was required.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as part of temporarily restricted net assets. The Organization reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

Contributed Goods and Services

The Organization recognizes contributions of goods at their estimated fair value at the date of donation. During fiscal 2014 and 2013, the Organization recognized contributed goods of approximately $322,000 and $154,000, respectively. The Organization recognizes contributions of services received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and typically would need to be purchased if not otherwise provided by donation. The Organization received contributed services of approximately $91,000 and $149,000 for fiscal 2014 and 2013, respectively, primarily for medical services for its health clinic.

Government Contracts and Grants

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered. Amounts received in advance under government grants and contracts are reflected as deferred revenue.

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of direct costs of benefits to donors of such events.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting service classifications on the basis of salaries and other bases as determined by the Organization’s management to be appropriate.

Fair Value of Financial Instruments

The following methods and assumptions are used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents, grants and other receivables, prepaid expenses, other assets, and accounts payable and accrued expenses: The carrying amounts reported on the accompanying statements of financial position approximate fair value because of the short maturity of these instruments.

Contributions receivable: The carrying value reported on the accompanying statements of financial position is believed to approximate the amounts which will ultimately be realized and is calculated at the net present value of anticipated future cash flows.

Loan payable to Parent: The carrying amount reported on the accompanying statements of financial position for debt obligation approximates fair value.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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

Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation limit. Management does not believe that a significant risk of loss exists due to the failure of a financial institution.

Tax-Exempt Status

The Organization is qualified as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is not subject to federal income taxes under Section 501(a) of the Code. The Organization, as a not-for-profit organization, is exempt from state and local income taxes and has been classified as a publicly-supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

Income Taxes

The Organization follows guidance that established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Organization is exempt from income tax under Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded under the Code. The tax years ended June 30, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes. As of June 30, 2014, the Organization does not believe its financial statements include any uncertain tax positions.

Subsequent Events

The Organization evaluated its June 30, 2014 financial statements for subsequent events through March 30, 2015, the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements.

3. 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 its affiliates. Contributions, promises to give and government grants and contracts totaled approximately $57.8 million and $55.1 million for the Parent for the fiscal years ended 2014 and 2013, respectively. Contributions received by 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 “Branding Dollars” or “Contributions Received from Parent” to each Covenant House affiliate.

“Branding Dollars” or “Contributions Received from Parent” and allocated to all affiliates based on the Parent’s policy, approximated $31.1 million and $33.8 million in fiscal 2014 and 2013, respectively. In fiscal 2014 and 2013, the Organization received approximately $8.8 million and $9.1 million, respectively, in such contributions from the Parent.

In fiscal 2011, the Organization entered into a Memorandum of Understanding with the Parent. Under the terms of the three-year 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, respectively, through August 1, 2017. Total expenses incurred each year under these lease agreements totaled approximately $953,000 in fiscal years 2014 and 2013. Certain improvements, which were funded by the Organization, were made to the facility and have been capitalized.

At June 30, 2014 and 2013, a portion of the total amount comprising the loan payable to the Parent, totaling approximately $638,000 and $738,000, respectively, represents amounts advanced to the Organization in fiscal years 2007 and 2008 to provide for moving expenses and the purchase of furniture and equipment. The amounts loaned are interest-free. During fiscal 2014, the Parent forgave $100,000 of this loan and reported this within contributions received from the Parent in the accompanying 2014 statement of activities. The remaining balance of loan payable to the Parent of $690,000 and $790,000 at June 30, 2014 and 2013, respectively, represents amounts drawn down on the Parent's line of credit with JPMorgan Chase Bank N.A. For the years ended June 30, 2014 and 2013, the Organization paid interest on this loan to the Parent of approximately $10,000 and $12,000, respectively. Repayment terms on both portions of the loan payable to the Parent have not been determined.

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 2013 and 2014, the Parent did not exceed these targets, therefore additional proceeds were not allocated to pay down the loan.

At June 30, 2014 and 2013, the Organization had amounts due from Parent of approximately $277,000 and $68,000, respectively. These amounts consist of routine transactions between the Parent and the Organization resulting in either a due to or from at year-end.

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2014 and 2013 are expected to be collected as follows:

	2014	2013
Amounts expected to be collected:		
Within one year	$ 110,877	$ 226,723

5. INVESTMENTS, AT FAIR VALUE

As of June 30, 2014 and 2013, investments, at fair value, leveled within the fair value hierarchy, consist of the following:

	2014			
	Level 1	Level 2	Level 3	Total
Participation in Parent's investment pool	$ -	$ -	$ 103,309	$ 103,309

	2013			
	Level 1	Level 2	Level 3	Total
Money market fund	$ 108,767	$ -	$ -	$ 108,767
Equities	388	-	-	388
	$ 109,155	$ -	$ -	$ 109,155

At June 30, 2014, the Organization's investments are invested entirely in the Parent's investment pool. The Parent's investment pool consists of investments carried at fair value generally determined on the basis of quoted market prices on active exchanges as of the reporting date. These investments are held in equity and fixed income mutual funds which are measured at fair value based on Level 1 inputs. The Organization's participation in the Parent's investment pool is determined based on its pro-rata share of the entire pool.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2014.

	2014
Balance, beginning of the year	$ -
Purchases	100,000
Net realized and unrealized gain	3,309
Balance, end of year	$ 103,309

The Organization's policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair values of investment securities could occur in the near term and such changes could materially affect the amounts reported on the accompanying financial statements.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at June 30, 2014 and 2013 consist of the following:

	2014	2013
Equipment	$ 3,129,104	$ 3,246,963
Leasehold improvements	10,615,777	10,745,508
	13,744,881	13,992,471
Less: accumulated depreciation and amortization	(12,882,470)	(12,414,542)
	$ 862,411	$ 1,577,929

Depreciation and amortization expense amounted to approximately $743,000 and $759,000 for the years ended June 30, 2014 and 2013, respectively. During fiscal 2014, the Organization disposed of approximately $275,000 of fully depreciated equipment and leasehold improvements.

Included in equipment as of June 30, 2014 and 2013, are assets acquired under capital leases at a cost of $112,649 for both fiscal years 2014 and 2013, with accumulated depreciation of $50,449 and $26,865, respectively (see also Note 11).

7. GOVERNMENT GRANTS, CONTRACTS AND FEE FOR SERVICE ARRANGEMENTS

During fiscal 2014 and 2013, the Organization received funding under grants, contracts and fee for service arrangements from government agencies as follows:

	2014	2013
CITY OF NEW YORK		
Department of Youth and Community Development	$ 3,345,465	$ 2,087,520
Public Health Solutions, Inc.	45,000	45,000
NYC Center for Economic Opportunity - Work Progess Program	11,692	33,657
	3,402,157	2,166,177
STATE OF NEW YORK		
Department of Labor	-	2,000
Dormitory Authority of the State of NY	-	46,455
NYC Office of Mental Health-On Site Rehabilitation	146,768	146,554
Medicaid	247,710	240,403
Public Goods Pool	1,428,635	1,776,111
	1,823,113	2,211,523
FEDERAL GOVERNMENT		
U.S. Department of Housing and Urban Development:		
Direct awards	2,447,922	2,578,354
Passed through New York City Department of Homeless Services	215,034	-
U.S. Department of Health and Human Services:		
Direct awards	583,157	532,718
Passed through New York City Department of Health & Mental Hygiene	22,240	32,745
U.S. Department of Agriculture:		
Passed through the State of New York Department of Education	159,645	161,434
Passed through the State of New York Department of Health	25,430	37,386
Passed through the State of New York Office of General Services	8,061	9,208
U.S. Department of Labor:		
OSY-OCFS, passed through Department of Youth and Community Development:		
11/1/10 - 10/30/13	-	11,019
FEMA-Emergency Food & Shelter Program, passed through United Way	-	6,954
NYS - Division of Homeland Security	-	920
U.S. Corporation for National & Community Service:		
Passed through NYC Civic Corps	25,358	-
	3,486,847	3,370,738
Total	$ 8,712,117	$ 7,748,438

8. PENSION PLANS

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 was not required to contribute to the defined benefit pension plan for fiscal 2014 and 2013. Effective December 31, 2006, the Parent froze service credits in its defined benefit pension plan. Compensation increases continued to apply within the plan structure for those participants who exceeded certain thresholds including age and years of service to protect the benefit of older and longer tenured employees. The Parent 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. The assets of the plan, which are held by the Prudential Retirement Insurance and Annuity Company, consist primarily of mutual funds that are invested in equities and debt obligation instruments.

The Organization also provides its employees with the option to enroll in a Section 403(b) savings plan, exclusively on a payroll deduction basis. Employee-contributed balances in this plan are fully vested at all times. The Organization will match 100% of employee contributions to the Plan, to a maximum of 3% of compensation. The employer match contribution to the 403(b) plan was suspended for fiscal 2014 and 2013. The Parent's Board of Directors has given authorization to the individual affiliates the option to resume the employer match. The Organization has not made any determination as to when the employer match will resume. Along with the matching provision, there is an additional annual employer contribution to the retirement account for all employees who work 1,000 hours in a year. The Organization's contributions will range from 1% to 9% of each eligible employee's salary based on points, provided that the respective employee works 1,000 hours annually. Points are defined as the sum of age and years of service. The annual employer contribution to the 403(b) plan was not suspended and remains intact. Total expense related to employer contributions to the 403(b) plan for fiscal 2014 and 2013 totaled approximately $361,000 and $417,000, respectively.

9. 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) its 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.

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, 2014 and 2013, the Organization's endowment net assets and changes therein consist of the following:

	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
Contributions	-	-	-	-
Interest and dividends	-	506	-	506
Net appreciation in fair value of investments	8	2,795	-	2,803
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ -	$ 3,301	$ 105,826	$ 109,127

	2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
COMPOSITION OF ENDOWMENT NET ASSETS BY TYPE OF FUND				
Donor-restricted endowment funds	$ (8)	$ -	$ 105,826	$ 105,818
CHANGES IN ENDOWMENT NET ASSETS				
Endowment net assets, beginning of year	$ -	$ -	$ 105,826	$ 105,826
Contributions	-	-	-	-
Interest and dividends	-	9	-	9
Net depreciation in fair value of investments	(8)	(9)	-	(17)
Amounts appropriated for expenditure	-	-	-	-
Endowment net assets, end of year	$ (8)	$ -	$ 105,826	$ 105,818

10. COMMITMENTS AND CONTINGENCIES

The Organization has entered into various noncancellable operating leases primarily for space associated with its Crisis Care, Rights of Passage and Mother and Child shelters and office equipment. Aggregate future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2014 are as follows:

Year ending June 30th	
2015	$ 960,564
2016	960,564
2017	960,564
2018	81,817
Total	$ 2,963,509

In accordance with the terms of certain government grants and contracts, 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, the Organization believes that the amount of costs disallowed, if any, would not be material to the accompanying financial statements.

11. CAPITAL LEASE OBLIGATIONS

Aggregate future minimum lease payments due under the Organization's capital lease obligations as of June 30, 2014 are as follows:

Year ending June 30th	
2015	$ 26,995
2016	15,451
2017	6,024
2018	2,008
Total minimum lease payments	50,478
Less: amount representing interest	(2,560)
Present value of minimum lease payments	$ 47,918