Under 21 Covenant House New York

Financial Statements

June 30, 2016

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, 2016, 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, 2016 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Adjustments to Prior Period Financial Statements

As discussed in Note 16, the Organization has restated its fiscal 2015 financial statements to correct an error in accounting for a beneficial interest in a perpetual trust in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

January 30, 2017

Under 21 Covenant House New York

Statement of Financial Position
June 30, 2016
(with comparative amounts at June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 103,339	$ 187,201
Investments	96,663	103,930
Government grants receivable	1,899,401	1,109,916
Contributions receivable	465,000	890,000
Other receivables	55,382	79,329
Due from Parent	150,745	1,512,040
Prepaid expenses and other assets	124,964	131,112
Property and equipment, net	632,396	451,565
Beneficial interest in perpetual trust	2,147,101	2,274,977
	$ 5,674,991	$ 6,740,070
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,066,479	$ 2,648,696
Capital lease obligations	175,139	132,089
Loans payable to Parent	1,160,527	1,160,527
Total Liabilities	3,402,145	3,941,312
Net Assets		
Unrestricted (deficit)	(693,397)	(740,437)
Temporarily restricted	713,316	1,158,392
Permanently restricted	2,252,927	2,380,803
Total Net Assets	2,272,846	2,798,758
	$ 5,674,991	$ 6,740,070

See notes to financial statements

Under 21 Covenant House New York

Statement of Activities
Year Ended June 30, 2016
(with summarized totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
SUPPORT AND REVENUE					
Contributions	$ 752,829	$ 235,000	$ -	$ 987,829	$ 2,483,907
Government and private grants (including $35,195 and $88,558 of goods contributed)	10,151,899	-	-	10,151,899	9,498,967
Branding dollars from Parent	9,402,129	-	-	9,402,129	8,904,678
Contributed goods and services	150,770	-	-	150,770	119,051
Special events revenue	-	-	-	-	746,101
Total Support and Revenue	20,457,627	235,000	-	20,692,627	21,752,704
INVESTMENT AND OTHER INCOME					
Dividends and interest	60	2,308	-	2,368	2,656
Net unrealized and realized (loss) on investments	(3,396)	(6,179)	-	(9,575)	(1,886)
Other income	205,019	-	-	205,019	152,987
Total Investment and Other Income	201,683	(3,871)	-	197,812	153,757
Net assets released from restrictions	676,205	(676,205)	-	-	-
Total Support and Revenue and Investment and Other Income	21,335,515	(445,076)	-	20,890,439	21,906,461
EXPENSES					
Program services	19,819,059	-	-	19,819,059	19,750,263
Supporting Services					
Management and general	1,442,316	-	-	1,442,316	1,469,353
Fundraising	27,100	-	-	27,100	27,615
Total Expenses	21,288,475	-	-	21,288,475	21,247,231
Changes in Net Assets (Deficit) Before Nonoperating Changes	47,040	(445,076)	-	(398,036)	659,230
NONOPERATING CHANGES					
Change in value of beneficial interest in perpetual trust	-	-	(127,876)	(127,876)	(220,256)
Changes in Net Assets (Deficit)	47,040	(445,076)	(127,876)	(525,912)	438,974
NET ASSETS (DEFICIT)					
Beginning of year, as restated	(740,437)	1,158,392	2,380,803	2,798,758	2,359,784
End of year	$ (693,397)	$ 713,316	$ 2,252,927	$ 2,272,846	$ 2,798,758

See notes to financial statements

Under 21 Covenant House New York

Statement of Functional Expenses
Year Ended June 30, 2016
(with summarized totals for the year ended June 30, 2015)

	Program Services						Supporting Services				
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Rights of Passage	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2016	Total 2015
Salaries and wages	$ 4,949,688	$ 127,829	$ 1,188,094	$ 1,731,911	$ 2,890,179	$ 10,887,701	$ 844,316	$ 13,931	$ 858,247	$ 11,745,948	$ 10,861,948
Payroll taxes	464,131	11,986	111,407	162,401	271,011	1,020,936	79,171	1,307	80,478	1,101,414	1,034,647
Employee benefits	933,737	24,107	224,146	331,753	545,196	2,058,939	159,228	2,627	161,855	2,220,794	2,439,967
Total Salaries and Related Expenses	6,347,556	163,922	1,523,647	2,226,065	3,706,386	13,967,576	1,082,715	17,865	1,100,580	15,068,156	14,336,562
Faith community	47,976	1,745	20,062	4,361	13,084	87,228	-	-	-	87,228	110,879
Accounting fees	3,175	-	-	16,350	3,175	22,700	50,800	-	50,800	73,500	97,376
Legal fees	11,211	2,649	2,849	253	6,441	23,403	718	-	718	24,121	180,062
Medical fees	-	-	-	15,313	-	15,313	-	-	-	15,313	19,575
Consulting fees	82,770	10,642	15,949	9,774	46,726	165,861	3,565	1,390	4,955	170,816	151,442
Supplies	107,535	3,332	15,909	256,086	64,172	447,034	10,327	402	10,729	457,763	417,667
Telephone	86,437	1,446	14,632	28,057	58,401	188,973	9,418	38	9,456	198,429	241,352
Postage and printing	4,467	474	472	1,406	3,356	10,175	1,939	8	1,947	12,122	16,322
Occupancy											
Fuel and utilities	220,985	-	56,482	20,089	156,019	453,575	20,089	-	20,089	473,664	579,797
Repairs and maintanence	247,969	1,085	87,277	26,236	161,151	523,718	19,007	904	19,911	543,629	551,028
Rent to parent	491,310	-	13,242	111,240	291,342	907,134	41,715	4,635	46,350	953,484	953,484
Rent and other	-	-	-	-	1,025	1,025	-	-	-	1,025	23,268
Equipment	39,414	747	2,595	38,526	6,130	87,412	23,000	17	23,017	110,429	159,600
Transportation and entertainment	23,489	5,438	7,106	3,814	17,446	57,293	2,153	235	2,388	59,681	53,321
Specific Assistance to Individuals											
Food	465,251	1,520	108,413	6,254	205,433	786,871	11,048	395	11,443	798,314	1,064,889
Contributed services-other	-	-	-	123,252	-	123,252	-	-	-	123,252	65,570
Clothing, allowance and other	210,101	8,854	55,914	2,929	396,135	673,933	164	517	681	674,614	552,131
Contributed clothing and merchandise	26,050	200	400	25,455	9,231	61,336	1,376	-	1,376	62,712	142,039
Temporary help	55,971	229	622	58,781	35,307	150,910	12,414	223	12,637	163,547	119,591
Other purchased services	332,641	889	6,495	42,472	69,581	452,078	93,059	27	93,086	545,164	368,985
Dues, licenses, and permits	10,642	726	2,405	6,333	6,339	26,445	1,290	22	1,312	27,757	39,387
Subscriptions and publications	100	-	-	514	-	614	-	-	-	614	-
Staff recruitment	384	19	93	185	203	884	1,718	19	1,737	2,621	13,784
Insurance	140,074	-	21,879	42,430	94,888	299,271	13,032	-	13,032	312,303	312,392
Miscellaneous	3,951	148	941	789	5,989	11,818	2,361	95	2,456	14,274	16,852
Conference, convention and meetings	9,176	571	1,312	6,602	3,584	21,245	12,516	308	12,824	34,069	51,863
Bank charges and fees	471	-	-	941	471	1,883	7,531	-	7,531	9,414	46,825
Interest	4,085	-	90	1,230	2,790	8,195	6,632	-	6,632	14,827	11,251
Total Functional Expenses, Before Depreciation and Amortization	8,973,191	204,636	1,958,786	3,075,737	5,364,805	19,577,155	1,428,587	27,100	1,455,687	21,032,842	20,697,294
Depreciation and amortization	126,605	263	14,589	15,751	84,696	241,904	13,729	-	13,729	255,633	549,937
Total Functional Expenses	$ 9,099,796	$ 204,899	$ 1,973,375	$ 3,091,488	$ 5,449,501	$ 19,819,059	$ 1,442,316	$ 27,100	$ 1,469,416	$ 21,288,475	$ 21,247,231

See notes to financial statements

Under 21 Covenant House New York

Statement of Cash Flows
Year Ended June 30, 2016
(with comparative amounts for the year ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (525,912)	$ 438,974
Adjustments to reconcile change in net assets		
to net cash from operating activities		
Net unrealized and realized loss on investments	9,575	1,886
Depreciation and amortization	255,633	549,937
Forgiveness of loans payable to Parent	-	(167,809)
Change in beneficial interest in perpetual trust	127,876	220,256
Changes in operating assets and liabilities		
Government grants receivable	(789,485)	556,828
Contributions receivable	425,000	(779,123)
Other receivables	23,947	(65,344)
Due from Parent	1,361,295	(1,235,529)
Prepaid expenses and other assets	6,148	(47,830)
Accounts payable and accrued expenses	(582,217)	518,561
Net Cash from Operating Activities	311,860	(9,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(334,935)	(29,834)
Purchase of investments	(2,308)	(25,940)
Proceeds from sale of investments	-	23,432
Net Cash from Investing Activities	(337,243)	(32,342)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(58,479)	(25,085)
Net Change in Cash and Cash Equivalents	(83,862)	(66,620)
CASH AND CASH EQUIVALENTS		
Beginning of year	187,201	253,821
End of year	$ 103,339	$ 187,201
SUPPLEMENTAL CASH FLOW INFORMATION		
Assets acquired under capital lease obligations	$ 101,529	$ 109,256
Cash paid for interest under capital leases	9,796	8,807
Cash paid for interest on loan payable to parent	7,912	9,340

See notes to financial statements

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, and rights of passage 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 47,000 and 51,000 runaway and homeless youths during the fiscal years ended June 30, 2016 and 2015.

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 Washington, D.C
- Under 21 Boston, Inc.
- Covenant House Western Avenue
- Covenant House Testamentum
- Covenant International Foundation
- Covenant House Holdings, LLC
- Covenant House Toronto
- Covenant House Vancouver
- Asociacion La Alianza (Guatemala)
- Casa Alianza de Honduras
- Casa Alianza Nicaragua
- Casa Alianza Internacional
- Rights of Passage, Inc.
- 268 West 44th Corporation
- Fundacion Casa Alianza Mexico, I.A.P.

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.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

<u>*Outreach*</u>
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 provide 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.

<u>*Mother/Child Program*</u>
The Organization provides emergency shelter, food, and counseling to homeless mothers under the age of 21 and their children.

<u>*Medical*</u>
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").

<u>*Rights of Passage*</u>
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

<u>*Management and General*</u>
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.

<u>*Fundraising*</u>
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.

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

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for future periods. Permanently restricted net assets result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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.

The Organization recognizes grant and contract revenues in the statement of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period. Funds received in advance of their restricted use are reported as contract advances in the statement of financial position. Revenue for performance based grants and contracts are recognized on a fixed fee unit basis based on actual services rendered, not to exceed the maximum allowable per the grant or contract.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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.

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

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.

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 and Equipment

Property 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 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 undiscounted 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, 2016 and 2015.

Beneficial Interest in Perpetual Trust

The Organization is a beneficiary of a perpetual trust that is held by a third party trustee. Under the terms of this trust, the Organization has an irrevocable right to receive all of the income earned on the trust assets for the life of the trust. The Organization does not control the assets held by the outside trust. The Organization measures its beneficial interest in the trust held by the third party trustee based upon its beneficial interest in the fair value of the underlying investments held by the trust. The fair value of the Organization's beneficial interest is adjusted annually for changes in fair value of the underlying investments or the changes to the Organization's beneficial interest. Such adjustments are reported as change in value of beneficial interest in trust on the statement of activities.

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

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. As of June 30, 2016 and 2015, no allowance for doubtful accounts was determined to be necessary. 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, 2013.

Contributed Goods and Services

The Organization recognizes the fair value of contributed 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 2016 and 2015, the Organization recognized contributed goods of approximately $63,000 and $142,000. The Organization also received contributed services, primarily for medical services for its health clinic, of approximately $123,000 and $65,000 for fiscal 2016 and 2015.

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 $87,000 and $111,000 for the years ended June 30, 2016 and 2015, and are reported in the accompanying statements of activities and functional expenses as part of branding dollars from Parent and faith community expenses.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived.

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

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 January 30, 2017.

3. Investments

Investments of $96,663 and $103,930 at June 30, 2016 and 2015 consist of affiliated pooled investments held with the Parent which are measured at fair value on a recurring basis and classified with Level 2 inputs using the fair value hierarchy.

4. Government Grants Receivable

Government grants receivable of $1,899,401 and $1,109,916 at June 30, 2016 and 2015 are expected to be collected within one year. As of June 30, 2016 and 2015, no allowance for doubtful discounts was determined to be necessary.

5. Contributions Receivable

Contributions receivable of $465,000 and $890,000 at June 30, 2016 and 2015 are expected to be collected within one year. As of June 30, 2016 and 2015, no allowance for doubtful accounts was determined to be necessary.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2016	2015
Equipment	$ 3,280,603	$ 3,238,360
Leasehold improvements	10,956,558	10,645,612
	14,237,161	13,883,972
Accumulated depreciation and amortization	(13,604,765)	(13,432,407)
Property, plant and equipment, net	$ 632,396	$ 451,565

7. Beneficial Interest in Perpetual Trust

The Organization maintains a beneficial interest in a trust administered by a third party. This trust is a perpetual in nature and was valued at $2,147,101 and $2,274,977 at June 30, 2016 and 2015. The beneficial interest in perpetual trust is measured at fair value and classified with Level 3 inputs using the fair value hierarchy.

The following table summarizes the changes in fair value associated with the Organization's beneficial interest in trust for the years ended June 30:

7. Beneficial Interest in Perpetual Trust *(continued)*

	2016		
	Beginning Balance at July 1, 2015	Change in Fair Value	Ending Balance at June 30, 2016
Beneficial interest in perpetual trust	$ 2,274,977	$ (127,876)	$ 2,147,101

	2015		
	Beginning Balance at July 1, 2014	Change in Fair Value	Ending Balance at June 30, 2015
Beneficial interest in perpetual trust	$ 2,495,233	$ (220,256)	$ 2,274,977

8. Capital Lease Obligations

Aggregate future minimum lease payments due under the Organization's capital lease obligations as of June 30, 2016 are as follows:

2017	$ 59,698
2018	48,015
2019	46,006
2020	31,216
Total minimum lease payments	184,935
Less: amount representing interest	(9,796)
Present value of minimum lease payments	$ 175,139

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $80,601 and $94,616 at June 30, 2016 and 2015.

9. Temporarily and Permanently Restricted Net Assets

As of June 30 temporarily restricted net assets are available for the following:

	2016	2015
Purpose Restrictions		
Various donor-imposed purpose restrictions (principally anti-human trafficking and scholarships)	$ 713,316	$ 1,154,521
Unappropriated endowment earnings	-	3,871
	$ 713,316	$ 1,158,392

Net assets were released from temporary restrictions by incurring expenses and other costs satisfying the donor restrictions for the years ended June 30 as follows:

9. Temporarily and Permanently Restricted Net Assets *(continued)*

	2016	2015
Purpose Restrictions		
Various donor-imposed purpose restrictions (principally anti-human trafficking and scholarships)	$ 676,205	$ 361,575

Permanently restricted nets assets consist of the following amounts and purposes at June 30, 2016 and 2015:

	2016	2015
Donor restricted interest in trust	$ 2,147,101	$ 2,274,977
General endowment	105,826	105,826
	$ 2,252,927	$ 2,380,803

10. 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.

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.

10. Endowment *(continued)*

The following details endowment net asset composition, excluding a third party perpetual trust in the amount of $2,147,101 and $2,274,977, as of June 30, 2016 and 2015:

	June 30, 2016			
	Unrestricted	Temporarily Resticted	Permanently Restricted	Total
Composition of endowment net assets by type of fund:				
Donor-restricted endowment funds	$ (3,396)	$ -	$ 105,826	$ 102,430
Changes in endowment net assets:				
Endowment net assets, beginning of year	$ -	$ 3,871	$ 105,826	$ 109,697
Interest and dividends	-	2,308	-	2,308
Net depreciation in fair value of investments	(3,396)	(6,179)	-	(9,575)
Endowment net assets, end of year	$ (3,396)	$ -	$ 105,826	$ 102,430

	June 30, 2015			
	Unrestricted	Temporarily Resticted	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 appreciation in fair value of investments	-	(1,937)	-	(1,937)
Endowment net assets, end of year	$ -	$ 3,871	$ 105,826	$ 109,697

Certain of the Organization's donor restricted endowments have experienced losses due to market fluctuations. U.S. GAAP requires that such excess losses be absorbed by the unrestricted net assets of the Organization and the future gains be allocated to unrestricted net assets until such losses have been restored. Aggregate cumulative losses absorbed by the unrestricted net assets at June 30, 2016 amounted to $3,396.

11. Government and Private Grants

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

	2016	2015
CITY OF NEW YORK		
Department of Youth and Community Development	$ 5,092,950	$ 4,494,060
Public Health Solutions, Inc.	45,000	45,000
	5,137,950	4,539,060
STATE OF NEW YORK		
NYC Office of Mental Health-On Site Rehabilitation	$ 151,161	$ 146,768
Medicaid	255,327	113,859
Public Goods Pool	232,616	859,033
Supportive Housing Program	20,325	-
	659,429	1,119,660
FEDERAL GOVERNMENT		
U.S. Department of Housing and Urban Development:		
Direct awards	2,852,608	2,618,451
Passed through NYC Dept. of Homeless Services	217,371	209,454
U.S. Department of Health and Human Services:		
Direct awards	1,016,125	711,437
Passed through NYC Dept. of Health & Mental Hygiene	23,080	30,140
Passed through Housing Conservation Coordinators	-	35,132
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	175,899	179,887
Passed through the State of NY Dept. of Health	32,752	30,724
Passed through the State of NY Office of General Services	-	8,230
Passed through the State of NY Division of Food Distribution	11,755	-
Passed through the Food Bank for New York City	360	-
U.S. Department of Justice:		
Direct awards	24,570	-
U.S. Corporation for National & Community Service:		
Passed through NYC Civic Corps	-	1,736
U.S. Department of Energy		
Passed through Housing Conservation Coordinators	-	15,056
	4,354,520	3,840,247
Total	$ 10,151,899	$ 9,498,967

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.

As of June 30, 2016, 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.

11. Government and Private Grants *(continued)*

In January 2017, the New York State Department of Health ("NYSDOH") informed the Organization that it amended the methodology and distribution of the NYSDOH Public Goods Pool award. What was historically a calendar year award now coincides with the New York State fiscal year (April-March 31). Because a plan amendment was not enacted by New York State until July 28, 2016 for these changes, no portion of the new award, now known as the "Safety Net Payment" was accrued at June 30, 2016, leaving the Organization without funding for the second half of its 2016 fiscal year. Since the notice of the amendment was not provided until January 2017, the Organization was unable in fiscal 2016 to implement a contingency plan to address the revenue shortfall.

12. 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, 2016 and 2015. Effective December 31, 2006, the Parent froze service credits in the plan. Compensation increases continued to apply within the plan structure for those participants who have at least 45 points (age plus years of service). 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.

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 and have one year of service 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 $392,000 and $415,000 for 2016 and 2015.

13. 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 $64.3 million and $60.8 million in fiscal years ended 2016 and 2015. 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 each for both fiscal 2016 and 2015. In fiscal 2016 and 2015, the Organization received $9,402,129 and $8,904,678, in branding dollars from the Parent.

13. 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 2016 and 2015. Certain improvements, which were funded by the Organization, were made to the facility and have been capitalized.

At June 30, 2016 and 2015, a portion of the total amount comprising the loans payable to Parent totaled approximately $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, the Parent forgave $167,809 of this portion of the loan and the Organization reported this within branding dollars received from the Parent in the 2015 statement of activities. The remaining balance of loans payable to Parent of $522,191 at June 30, 2016 and 2015, represents amounts drawn down on the Parent's line of credit with JPMorgan Chase Bank N.A. For the years ended June 30, 2016 and 2015, the interest expense on this loan to the Parent amounted to approximately $8,000 and $9,000.

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 2016 and 2015, the Parent did not exceed these targets, therefore additional proceeds were not allocated to pay down the loan.

In May 2016, the Organization amended the Memorandum of Understanding with the Parent. One of the stipulations in the amended agreement states that all funds raised from the Organization's board members, related individuals, special events, peer-to-peer events, corporations and planned gifts will go the Parent. In turn, funds raised by the Organization's board members will be added to branding dollars in the subsequent year of event occurrence.

Amounts due from the Parent at June 30, 2016 and 2015, 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 and have no specified repayment date. Amounts due from the Parent at June 30, 2016 and 2015 totaled $150,745 and $1,512,040.

14. Concentrations Credit Risk

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, contributions and government grants receivable and investments. The Organization places its cash and cash equivalents with high credit quality financial institutions which, at times, may exceed federally insured limits. Concentrations of credit risk with respect to receivables are generally diversified due to the number of entities and individuals composing the entity's program and donor base. The Organization performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

The investment portfolio is managed by professional investment advisors and managers. The Organization performs ongoing evaluations of its portfolio and believes that credit risk to this portfolio is minimal.

15. 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, 2016 are as follows:

2017	$ 1,073,868
2018	84,119
	$ 1,157,987

16. Restatement

In 2016, the Organization corrected the reporting on its financial statements for a beneficial interest in a perpetual trust (the "Trust"), which was previously not reported. As a result, previously reported permanently restricted net assets at July 1, 2014 increased by $2,495,233. At June 30, 2015 the value of the trust decreased to $2,274,977. The statement of activities for the year ended June 30, 2015 was corrected to report a decrease in permanently restricted net assets of $220,256.

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