Under 21 Covenant House New York

Financial Statements

June 30, 2019

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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, 2019, 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.

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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, 2019 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, the Organization adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 19, 2019

Under 21 Covenant House New York

Statement of Financial Position
June 30, 2019
(with comparative amounts at June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,754,529	$ 71,174
Investments	106,760	108,453
Government grants receivable	3,642,054	2,050,524
Contributions receivable	950,000	663,140
Other receivables	45,089	46,919
Due from Parent	-	270,314
Prepaid expenses and other assets	200,607	223,976
Property and equipment, net	533,381	658,594
Beneficial interest in perpetual trust	2,082,131	2,063,025
	$ 9,314,551	$ 6,156,119
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,884,093	$ 2,007,657
Capital lease obligations	40,833	88,623
Due to Parent	17,073	-
Loan payable to Parent	2,400,000	-
Total Liabilities	4,341,999	2,096,280
Net Assets		
Without donor restrictions	1,044,069	1,030,672
With donor restrictions	3,928,483	3,029,167
Total Net Assets	4,972,552	4,059,839
	$ 9,314,551	$ 6,156,119

See notes to financial statements

Under 21 Covenant House New York

Statement of Activities
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
SUPPORT AND REVENUE				
Contributions	$ 318,519	$ 1,930,697	$ 2,249,216	$ 1,644,324
Government grants (including $37,885 and $45,215 of goods contributed)	13,381,006	-	13,381,006	11,412,358
Branding dollars from Parent	8,165,000	-	8,165,000	9,435,500
Contributed goods and services	134,758	-	134,758	90,862
Other income	168,299	(1,694)	166,605	204,350
	22,167,582	1,929,003	24,096,585	22,787,394
Net assets released from restrictions	1,048,793	(1,048,793)	-	-
Total Support and Revenue	23,216,375	880,210	24,096,585	22,787,394
EXPENSES				
Program services	20,812,753	-	20,812,753	20,381,023
Supporting Services				
Management and general	1,926,834	-	1,926,834	1,328,579
Fundraising	463,391	-	463,391	163,812
Total Expenses	23,202,978	-	23,202,978	21,873,414
Change in Net Assets Before Nonoperating Changes	13,397	880,210	893,607	913,980
NONOPERATING CHANGES				
Forgiveness of loan payable to Parent	-	-	-	736,527
Loss on disposal of property	-	-	-	(63,955)
Change in value of beneficial interest in perpetual trust	-	19,106	19,106	(73,785)
Change in Net Assets	13,397	899,316	912,713	1,512,767
NET ASSETS				
Beginning of year	1,030,672	3,029,167	4,059,839	2,547,072
End of year	$ 1,044,069	$ 3,928,483	$ 4,972,552	$ 4,059,839

See notes to financial statements

Under 21 Covenant House New York

Statement of Functional Expenses
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	Program Services				Supporting Services				
	Shelter and Crisis Care	Rights of Passage	Medical	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries and wages	$ 5,936,720	$ 3,374,690	$ 1,979,580	$ 11,290,990	$ 782,472	$ 346,233	$ 1,128,705	$ 12,419,695	$ 12,123,208
Payroll taxes	648,192	366,039	215,764	1,229,995	79,439	35,886	115,325	1,345,320	1,312,305
Employee benefits	1,313,562	740,045	436,224	2,489,831	162,265	72,552	234,817	2,724,648	2,858,445
Total Salaries and Related Expenses	7,898,474	4,480,774	2,631,568	15,010,816	1,024,176	454,671	1,478,847	16,489,663	16,293,958
Faith community	50	-	-	50	-	-	-	50	169,422
Accounting fees	-	-	10,500	10,500	59,000	-	59,000	69,500	74,000
Legal fees	27,885	25,007	7,605	60,497	8,483	2,028	10,511	71,008	32,160
Consulting fees	64,451	77,193	88,428	230,072	208,430	945	209,375	439,447	164,982
Supplies	133,576	104,172	100,931	338,679	18,288	-	18,288	356,967	259,143
Telephone	96,517	60,186	14,067	170,770	8,507	-	8,507	179,277	138,453
Postage and printing	2,805	1,296	1,649	5,750	6,745	3,269	10,014	15,764	8,011
Occupancy									
Fuel and utilities	172,060	107,341	15,334	294,735	17,485	-	17,485	312,220	509,953
Repairs and maintanence	212,113	135,478	15,294	362,885	46,836	238	47,074	409,959	418,811
Rent to Parent and other	529,580	240,624	61,342	831,546	122,685	-	122,685	954,231	965,510
Equipment	164,888	465,036	21,154	651,078	28,591	-	28,591	679,669	55,996
Transportation and entertainment	35,015	15,713	1,027	51,755	2,137	216	2,353	54,108	36,178
Specific Assistance to Individuals									
Food	192,981	70,525	3,876	267,382	56,232	1,267	57,499	324,881	355,746
Clothing, allowance and other	477,210	519,836	3,544	1,000,590	6,486	151	6,637	1,007,227	737,697
Contributed clothing and merchandise	41,092	21,946	109,605	172,643	-	-	-	172,643	45,215
Temporary help	23,970	16,462	112,170	152,602	108,716	118	108,834	261,436	148,515
Other purchased services	194,343	166,942	92,038	453,323	80,403	138	80,541	533,864	699,470
Dues, licenses, and permits	13,845	8,742	5,467	28,054	10,140	-	10,140	38,194	68,271
Subscriptions and publications	3,881	-	716	4,597	6,695	-	6,695	11,292	402
Staff recruitment	95	-	350	445	14,174	-	14,174	14,619	11,068
Insurance	178,269	109,562	15,394	303,225	18,475	-	18,475	321,700	346,709
Miscellaneous	15,724	244	96,136	112,104	10,998	-	10,998	123,102	4,258
Conference, convention and meetings	19,626	81,342	15,386	116,354	16,525	350	16,875	133,229	60,238
Bank charges and fees	181	151	61	393	1,703	-	1,703	2,096	15,931
Bad debt expense	27,459	-	19,536	46,995	-	-	-	46,995	-
Interest	357	768	54	1,179	32,445	-	32,445	33,624	17,049
Total Expenses Before Depreciation and Amortization	10,526,447	6,709,340	3,443,232	20,679,019	1,914,355	463,391	2,377,746	23,056,765	21,637,146
Depreciation and amortization	77,425	49,270	7,039	133,734	12,479	-	12,479	146,213	236,268
Total Expenses	$ 10,603,872	$ 6,758,610	$ 3,450,271	$ 20,812,753	$ 1,926,834	$ 463,391	$ 2,390,225	$ 23,202,978	$ 21,873,414

See notes to financial statements

Under 21 Covenant House New York

Statement of Cash Flows
Year Ended June 30, 2019
(with comparative amounts for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 912,713	$ 1,512,767
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss on investments	4,693	440
Depreciation and amortization	146,213	236,268
Loss on disposal of property	-	63,955
Forgiveness of loan payable to Parent	-	(901,527)
Change in beneficial interest in perpetual trust	(19,106)	73,785
Changes in operating assets and liabilities		
Government grants receivable	(1,591,530)	(331,745)
Contributions receivable	(286,860)	(623,140)
Other receivables	1,830	(16,450)
Due from Parent	270,314	199,744
Due to Parent	17,073	-
Prepaid expenses and other assets	23,369	(56,360)
Accounts payable and accrued expenses	(123,564)	79,091
Net Cash from Operating Activities	(644,855)	236,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,000)	(139,097)
Purchase of investments	(3,000)	(2,649)
Net Cash from Investing Activities	(24,000)	(141,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(47,790)	(48,546)
Proceeds from loan payable to Parent	2,400,000	-
Net Cash from Financing Activities	2,352,210	(48,546)
Net Change in Cash and Cash Equivalents	1,683,355	46,536
CASH AND CASH EQUIVALENTS		
Beginning of year	71,174	24,638
End of year	$ 1,754,529	$ 71,174
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 33,342	$ 16,651

See notes to financial statements

1. Organization and Tax Status

Under 21 Covenant House New York (the "Organization") is a not-for-profit organization founded in 1981 and incorporated in 1992. Covenant House (the "Parent") and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical attention, crisis intervention, public education, prevention, and other services that reached approximately 74,000 and 89,000 young people during fiscal 2019 and 2018.

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 Illinois
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.
Covenant House Western Avenue
Covenant House Testamentum
Covenant House Holdings, LLC
Covenant International Foundation
CH Housing Development Fund Corporation
Rights of Passage, Inc.
Under 21 Boston, Inc.
268 West 44th Corporation
460 West 41st Street, LLC

The Parent is also the sole member of Covenant International Foundation ("CIF"), a not-for-profit corporation. Covenant House (Parent), together with CIF, represent the controlling interest of the following international not-for-profit affiliates:

Asociacion La Alianza (Guatemala)
Casa Alianza de Honduras
Casa Alianza Internacional
Casa Alianza Nicaragua
Covenant House Toronto
Covenant House Vancouver
Fundacion Casa Alianza Mexico, I.A.P.

The Parent is the founder of Fundacion Casa Alianza Mexico, I.A.P.

The Organization has been determined to be a non-profit organization exempt from federal 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.

1. Organization and Tax Status *(continued)*

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 under the age of 21, including victims of human trafficking and homeless mothers and their children. The Organization also provides comprehensive services to youth who have left the crisis centers and to other youth in the community who need support to maintain themselves in stable living situations.

Rights of Passage
The Rights of Passage ("ROP") program provides up to 24 months of transitional home services to homeless youth, including mothers and their children. Youth receive individual counseling and assistance in order to complete their education and to find jobs and housing. Every resident entering the ROP program makes a commitment to work full time and enhance their education. Young people are prepared for independent living by learning the skills, habits and attitudes needed to live and maintain self-sufficiency.

Medical
The Organization maintains a Federally Qualified Health Center under Section 330 of the Public Health Services Act and provides medical attention to youth in the programs of the Organization as well as to the local community.

Supporting Services

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require 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)*

New Accounting Pronouncement

On July 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires the Organization to collapse the three-category classification of net assets (unrestricted, temporarily restricted, and permanently restricted) into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to the liquidity of financial assets (see Note 16), and the presentation of expenses by both natural and functional classification in one location in the financial statements (see statement of functional expenses). As a result of implementing this standard, prior year amounts for temporarily restricted and permanently restricted net assets were combined as net assets with donor restrictions.

Net Asset Presentation

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

Without donor restrictions – consist of resources available for the general support of the Organization's operations and that may be used at the discretion of the Organization's management and Board of Directors.

With donor restrictions – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions.

Revenue Recognition

The Organization records earned revenues on an accrual basis. Unconditional contributions are recorded at fair value when they are received. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met.

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 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.

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

Functional Expense Allocation

Expenses are summarized and categorized based upon their functional classifications as either program services, management and general, or fundraising. Expenses readily identifiable to a single program or activity are charged directly to that function. Categories of expenses attributable to more than one program or supporting function are allocated on a reasonable basis. Occupancy and facilities costs are allocated based on square footage, the food services department is allocated based on youth headcount, the executive office, human resources, security, communications and information technology departments are allocated based on estimates of time and effort.

Cash and Cash Equivalents

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

Fair Value Measurements

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

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 the half year convention over the estimated useful lives of the assets, which range from 3 to 33 years. The Organization capitalizes and depreciates all expenditures for property, equipment and leasehold improvements having a cost of $5,000 or more and a useful life in excess of one year.

Certain property and equipment purchased through government contracts that remain the property of the funding source or where it is probable that the item will revert back to the funder are treated as expenses in the year of purchase

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

Property and Equipment (continued)

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 independent third-party appraisals, as considered necessary. There is no such impairment for the years ended June 30, 2019 and 2018.

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 trust. The Organization measures its beneficial interest in the trust 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.

Contributions Receivable

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge, cash or other assets. Contributions are considered available without donor restrictions, unless the donors restrict their use. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization. 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, if necessary, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fundraising activity.

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, 2016.

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

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 2019 and 2018, the Organization recognized contributed goods of approximately $38,000 and $45,000. The Organization also received contributed services, primarily for medical services for its health clinic, of approximately $135,000 and $91,000 for fiscal 2019 and 2018.

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, 2018, from which the summarized information was derived.

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 December 19, 2019. In July and August 2019, the Organization executed three-year leases for two facilities in Bronx, New York. The leases, which require monthly payments are expected to have payments over the life of the leases of approximately $3,597,000.

3. Investments

Investments of $106,760 and $108,453 at June 30, 2019 and 2018 consist of affiliated pooled investments held with the Parent which are measured at fair value on a recurring basis based on Level 2 inputs using the fair value hierarchy.

4. Government Grants Receivable

Government grants receivable of $3,642,054 and $2,050,524 at June 30, 2019 and 2018 are expected to be collected within one year. As of June 30, 2019 and 2018, no allowance for doubtful accounts was determined to be necessary.

5. Contributions Receivable

Contributions receivable of $950,000 and $663,140 at June 30, 2019 and 2018 are expected to be collected within one year. As of June 30, 2019 and 2018, no allowance for doubtful accounts was determined to be necessary.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Equipment	$ 2,724,124	$ 2,736,843
Leasehold improvements	6,158,531	6,140,416
	8,882,655	8,877,259
Accumulated depreciation and amortization	(8,349,274)	(8,218,665)
Property and equipment, net	$ 533,381	$ 658,594

7. Beneficial Interest in Perpetual Trust

The Organization maintains a beneficial interest in a trust administered by a third party. 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 perpetual trust for the years ended June 30:

	2019	2018
Beginning of year	$ 2,063,025	$ 2,136,810
Change in fair value	19,106	(73,785)
End of year	$ 2,082,131	$ 2,063,025

8. Capital Lease Obligations

Aggregate future minimum lease payments due under the Organization's capital lease obligations are as follows as of June 30, 2019:

2020	$ 34,663
2021	3,549
2022	3,549
Total Minimum Lease Payments	41,761
Less: amount representing interest	(928)
Present Value of Minimum Lease Payments	$ 40,833

Total cost of equipment acquired under capital leases totaled $228,488 at June 30, 2019 and 2018. Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $199,364 and $151,574 at June 30, 2019 and 2018.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2019	2018
Anti-human trafficking and other programmatic activities	$ 1,739,592	$ 851,920
Donor restricted interest in perpetual trust	2,082,131	2,063,025
Unappropriated endowment earnings	934	8,396
Held in perpetuity	105,826	105,826
	$ 3,928,483	$ 3,029,167

Net assets were released from donor restrictions satisfying the following restrictions for the years ended June 30:

	2019	2018
Anti-human trafficking and other programmatic activities	$ 1,048,793	$ 640,668

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 endowment funds, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to its endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted net assets held in perpetuity is classified as donor 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 $2,082,131 and $2,063,025, as of June 30:

	With Donor Restriction		
	Cumulative Earnings	Original Gift Amount	Total
Balance, June 30, 2017	$ 6,187	$ 105,826	$ 112,013
Interest and dividends	2,649	-	2,649
Net depreciation in fair value of investments	(440)	-	(440)
Balance, June 30, 2018	8,396	105,826	$ 114,222
Interest and dividends	2,999	-	2,999
Net depreciation in fair value of investments	(4,693)	-	(4,693)
Other changes	(5,768)	-	(5,768)
Balance, June 30, 2019	$ 934	$ 105,826	$ 106,760

11. Government Grants

Government grants revenue consists of the following for the years ended June 30:

	2019	2018
CITY OF NEW YORK		
Department of Youth and Community Development	$ 10,631,579	$ 6,125,168
Public Health Solutions, Inc.	43,077	45,000
City Council	36,625	-
	10,711,281	6,170,168
STATE OF NEW YORK		
Medicaid	248,774	464,865
Safety Net Payment/Public Goods Pool	166,351	142,938
NYC Office of Mental Health-On Site Rehabilitation	152,444	153,367
Supportive Housing Program	60,419	69,182
	627,988	830,352
FEDERAL GOVERNMENT		
U.S. Department of Health and Human Services:		
Direct awards	990,123	1,164,075
Passed through the State of NY Dept. of Health and Mental Hygiene	37,885	22,005
U.S. Department of Housing and Urban Development:		
Direct awards	784,500	2,670,952
Passed through NYC Dept. of Homeless Services	-	212,371
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	44,426	109,471
Passed through the State of NY Dept. of Health	331	19,539
Passed through the Food Bank for New York City	-	23,210
U.S. Department of Justice:		
Direct awards	184,472	190,215
	2,041,737	4,411,838
Total	$ 13,381,006	$ 11,412,358

11. Government Grants *(continued)*

In accordance with the terms of certain government 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.

12. Employee Benefit Plan

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, 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. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. In the years ended June 30, 2019 and 2018, the Organization contributed $456,286 and $342,682 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statement of functional expenses.

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 to 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 expenses related to the 403(b) plan were approximately $245,000 and $439,000 for 2019 and 2018.

13. Related Party Transactions

The Parent provides organizational management and financial support to its affiliated organizations conducting fundraising activities and contracting for certain services on an enterprise-wide basis.

<u>Contributions</u>: Fundraising proceeds received by the Parent are distributed among the Covenant House affiliates. In 2011, under a Memorandum of Understanding (MOU) between the Organization and the Parent, the Parent assumed responsibility for substantially all fundraising activity of the Organization, other than government grants, contracts, and fee-for-service arrangements. In 2016, the MOU was modified to specify that all funds raised from the Organization's board members, related individuals, special events, peer-to-peer events, corporations and planned gifts would also go to the Parent for inclusion in contributions distributed by the Parent to the Organization.

13. Related Party Transactions *(continued)*

The Parent received contributions and promises to give totaling approximating $66 million and $64 million in fiscal years 2019 and 2018. Of these funds, the Parent allocated to affiliates approximately $34 million and $35 million for fiscal years 2019 and 2018. In fiscal 2019 and 2018, the Organization received $8,165,000 and $9,435,500 in support from the Parent (reflected as “Branding dollars” in the statement of activities).

Rent: The Organization leased space from the Parent for its primary address of operation in New York City, where the Crisis Care and ROP shelters are located. Rent expenses paid to the Parent approximated $927,000 and $953,000 for the years ended June 30, 2019 and 2018. Certain improvements, which were funded by the Organization, were made to the facility and have been capitalized.

Loan: To cover the timing differences between requests and receipt of approximately $3,600,000 in government grant reimbursements, the Organization has drawn against the Parent’s line of credit with a financial institution (see government grant receivables on the statement of financial position). Loans payable to the Parent totaled $2,400,000 and $0 at June 30, 2019 and 2018. Interest expense on the loan payable to the Parent approximated $32,000 and $14,000 for the years ended June 30, 2019 and 2018.

Due to/from: Amounts due to/from the Parent, result from costs netted against the planned monthly contributions from the Parent and timing differences between contributions collected by the Parent on the Organization’s behalf and advances of support from the Parent. These amounts do not bear interest and have no specified repayment date. Amounts due to the Parent at June 30, 2019 totaled $17,073 and amounts due from the Parent at June 30, 2018 totaled $270,314.

14. Concentrations Credit Risk

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash, 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 for space associated with its youth apartments and its Bronx ROP site which opened in June 2019. As of June 30, 2019, youth apartment rents due in the next year along with the aggregate future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

2020	$ 265,789
2021	160,500
2022	160,815
2023	164,280
2024	164,280
Thereafter	150,590
	$ 1,066,254

16. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of that date because of donor-imposed or contractual restrictions.

Financial Assets:	
Cash and cash equivalents	$ 1,754,529
Investments	106,760
Government grants receivable	3,642,054
Contributions receivable	950,000
Other receivables	45,089
	6,498,432
Less amounts unavailable for general expenditure:	
Amounts restricted for purpose by donors	(1,740,526)
Investments held in perpetuity	(105,826)
	(1,846,352)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	$ 4,652,080

Operations of the Organization are funded primarily by government grants and contributions from the Parent and private foundations. Proactive budgeting and cash management is utilized to ensure availability of funds. The Organization also has availability under a line-of-credit arrangement with the Parent as well as advances on certain grants to fund timing differences between disbursements and reimbursements on its grant awards. Management has concluded sufficient resources are available to meet obligations for the next 12 months.

* * * * *

Under 21 Covenant House New York

Financial Statements and
Uniform Guidance Schedules
Together with Independent Auditors' Report

June 30, 2019

Under 21 Covenant House New York

Financial Statements and
Uniform Guidance Schedules
Together with Independent Auditors' Reports

June 30, 2019

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Independent Auditors' Report

Board of Directors
Under 21 Covenant House New York

Report on the Financial Statements

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, 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019, the Organization adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 17, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented on page 19 for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

December 19, 2019

Under 21 Covenant House New York

Statement of Financial Position
June 30, 2019
(with comparative amounts at June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,754,529	$ 71,174
Investments	106,760	108,453
Government grants receivable	3,642,054	2,050,524
Contributions receivable	950,000	663,140
Other receivables	45,089	46,919
Due from Parent	-	270,314
Prepaid expenses and other assets	200,607	223,976
Property and equipment, net	533,381	658,594
Beneficial interest in perpetual trust	2,082,131	2,063,025
	$ 9,314,551	$ 6,156,119
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,884,093	$ 2,007,657
Capital lease obligations	40,833	88,623
Due to Parent	17,073	-
Loan payable to Parent	2,400,000	-
Total Liabilities	4,341,999	2,096,280
Net Assets		
Without donor restrictions	1,044,069	1,030,672
With donor restrictions	3,928,483	3,029,167
Total Net Assets	4,972,552	4,059,839
	$ 9,314,551	$ 6,156,119

See notes to financial statements

Under 21 Covenant House New York

Statement of Activities
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
SUPPORT AND REVENUE				
Contributions	$ 318,519	$ 1,930,697	$ 2,249,216	$ 1,644,324
Government grants (including $37,885 and $45,215 of goods contributed)	13,381,006	-	13,381,006	11,412,358
Branding dollars from Parent	8,165,000	-	8,165,000	9,435,500
Contributed goods and services	134,758	-	134,758	90,862
Other income	168,299	(1,694)	166,605	204,350
	22,167,582	1,929,003	24,096,585	22,787,394
Net assets released from restrictions	1,048,793	(1,048,793)	-	-
Total Support and Revenue	23,216,375	880,210	24,096,585	22,787,394
EXPENSES				
Program services	20,812,753	-	20,812,753	20,381,023
Supporting Services				
Management and general	1,926,834	-	1,926,834	1,328,579
Fundraising	463,391	-	463,391	163,812
Total Expenses	23,202,978	-	23,202,978	21,873,414
Change in Net Assets Before Nonoperating Changes	13,397	880,210	893,607	913,980
NONOPERATING CHANGES				
Forgiveness of loan payable to Parent	-	-	-	736,527
Loss on disposal of property	-	-	-	(63,955)
Change in value of beneficial interest in perpetual trust	-	19,106	19,106	(73,785)
Change in Net Assets	13,397	899,316	912,713	1,512,767
NET ASSETS				
Beginning of year	1,030,672	3,029,167	4,059,839	2,547,072
End of year	$ 1,044,069	$ 3,928,483	$ 4,972,552	$ 4,059,839

See notes to financial statements

Under 21 Covenant House New York

Statement of Functional Expenses
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	Program Services				Supporting Services				
	Shelter and Crisis Care	Rights of Passage	Medical	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2019	Total 2018
Salaries and wages	$ 5,936,720	$ 3,374,690	$ 1,979,580	$ 11,290,990	$ 782,472	$ 346,233	$ 1,128,705	$ 12,419,695	$ 12,123,208
Payroll taxes	648,192	366,039	215,764	1,229,995	79,439	35,886	115,325	1,345,320	1,312,305
Employee benefits	1,313,562	740,045	436,224	2,489,831	162,265	72,552	234,817	2,724,648	2,858,445
Total Salaries and Related Expenses	7,898,474	4,480,774	2,631,568	15,010,816	1,024,176	454,671	1,478,847	16,489,663	16,293,958
Faith community	50	-	-	50	-	-	-	50	169,422
Accounting fees	-	-	10,500	10,500	59,000	-	59,000	69,500	74,000
Legal fees	27,885	25,007	7,605	60,497	8,483	2,028	10,511	71,008	32,160
Consulting fees	64,451	77,193	88,428	230,072	208,430	945	209,375	439,447	164,982
Supplies	133,576	104,172	100,931	338,679	18,288	-	18,288	356,967	259,143
Telephone	96,517	60,186	14,067	170,770	8,507	-	8,507	179,277	138,453
Postage and printing	2,805	1,296	1,649	5,750	6,745	3,269	10,014	15,764	8,011
Occupancy									
Fuel and utilities	172,060	107,341	15,334	294,735	17,485	-	17,485	312,220	509,953
Repairs and maintanence	212,113	135,478	15,294	362,885	46,836	238	47,074	409,959	418,811
Rent to Parent and other	529,580	240,624	61,342	831,546	122,685	-	122,685	954,231	965,510
Equipment	164,888	465,036	21,154	651,078	28,591	-	28,591	679,669	55,996
Transportation and entertainment	35,015	15,713	1,027	51,755	2,137	216	2,353	54,108	36,178
Specific Assistance to Individuals									
Food	192,981	70,525	3,876	267,382	56,232	1,267	57,499	324,881	355,746
Clothing, allowance and other	477,210	519,836	3,544	1,000,590	6,486	151	6,637	1,007,227	737,697
Contributed clothing and merchandise	41,092	21,946	109,605	172,643	-	-	-	172,643	45,215
Temporary help	23,970	16,462	112,170	152,602	108,716	118	108,834	261,436	148,515
Other purchased services	194,343	166,942	92,038	453,323	80,403	138	80,541	533,864	699,470
Dues, licenses, and permits	13,845	8,742	5,467	28,054	10,140	-	10,140	38,194	68,271
Subscriptions and publications	3,881	-	716	4,597	6,695	-	6,695	11,292	402
Staff recruitment	95	-	350	445	14,174	-	14,174	14,619	11,068
Insurance	178,269	109,562	15,394	303,225	18,475	-	18,475	321,700	346,709
Miscellaneous	15,724	244	96,136	112,104	10,998	-	10,998	123,102	4,258
Conference, convention and meetings	19,626	81,342	15,386	116,354	16,525	350	16,875	133,229	60,238
Bank charges and fees	181	151	61	393	1,703	-	1,703	2,096	15,931
Bad debt expense	27,459	-	19,536	46,995	-	-	-	46,995	-
Interest	357	768	54	1,179	32,445	-	32,445	33,624	17,049
Total Expenses Before Depreciation and Amortization	10,526,447	6,709,340	3,443,232	20,679,019	1,914,355	463,391	2,377,746	23,056,765	21,637,146
Depreciation and amortization	77,425	49,270	7,039	133,734	12,479	-	12,479	146,213	236,268
Total Expenses	$ 10,603,872	$ 6,758,610	$ 3,450,271	$ 20,812,753	$ 1,926,834	$ 463,391	$ 2,390,225	$ 23,202,978	$ 21,873,414

See notes to financial statements

Under 21 Covenant House New York

Statement of Cash Flows
Year Ended June 30, 2019
(with comparative amounts for the year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 912,713	$ 1,512,767
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss on investments	4,693	440
Depreciation and amortization	146,213	236,268
Loss on disposal of property	-	63,955
Forgiveness of loan payable to Parent	-	(901,527)
Change in beneficial interest in perpetual trust	(19,106)	73,785
Changes in operating assets and liabilities		
Government grants receivable	(1,591,530)	(331,745)
Contributions receivable	(286,860)	(623,140)
Other receivables	1,830	(16,450)
Due from Parent	270,314	199,744
Due to Parent	17,073	-
Prepaid expenses and other assets	23,369	(56,360)
Accounts payable and accrued expenses	(123,564)	79,091
Net Cash from Operating Activities	(644,855)	236,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,000)	(139,097)
Purchase of investments	(3,000)	(2,649)
Net Cash from Investing Activities	(24,000)	(141,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(47,790)	(48,546)
Proceeds from loan payable to Parent	2,400,000	-
Net Cash from Financing Activities	2,352,210	(48,546)
Net Change in Cash and Cash Equivalents	1,683,355	46,536
CASH AND CASH EQUIVALENTS		
Beginning of year	71,174	24,638
End of year	$ 1,754,529	$ 71,174
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 33,342	$ 16,651

See notes to financial statements

1. Organization and Tax Status

Under 21 Covenant House New York (the "Organization") is a not-for-profit organization founded in 1981 and incorporated in 1992. Covenant House (the "Parent") and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical attention, crisis intervention, public education, prevention, and other services that reached approximately 74,000 and 89,000 young people during fiscal 2019 and 2018.

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 Illinois
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.
Covenant House Western Avenue
Covenant House Testamentum
Covenant House Holdings, LLC
Covenant International Foundation
CH Housing Development Fund Corporation
Rights of Passage, Inc.
Under 21 Boston, Inc.
268 West 44th Corporation
460 West 41st Street, LLC

The Parent is also the sole member of Covenant International Foundation ("CIF"), a not-for-profit corporation. Covenant House (Parent), together with CIF, represent the controlling interest of the following international not-for-profit affiliates:

Asociacion La Alianza (Guatemala)
Casa Alianza de Honduras
Casa Alianza Internacional
Casa Alianza Nicaragua
Covenant House Toronto
Covenant House Vancouver
Fundacion Casa Alianza Mexico, I.A.P.

The Parent is the founder of Fundacion Casa Alianza Mexico, I.A.P.

The Organization has been determined to be a non-profit organization exempt from federal 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.

1. Organization and Tax Status *(continued)*

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 under the age of 21, including victims of human trafficking and homeless mothers and their children. The Organization also provides comprehensive services to youth who have left the crisis centers and to other youth in the community who need support to maintain themselves in stable living situations.

Rights of Passage
The Rights of Passage ("ROP") program provides up to 24 months of transitional home services to homeless youth, including mothers and their children. Youth receive individual counseling and assistance in order to complete their education and to find jobs and housing. Every resident entering the ROP program makes a commitment to work full time and enhance their education. Young people are prepared for independent living by learning the skills, habits and attitudes needed to live and maintain self-sufficiency.

Medical
The Organization maintains a Federally Qualified Health Center under Section 330 of the Public Health Services Act and provides medical attention to youth in the programs of the Organization as well as to the local community.

Supporting Services

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require 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)*

New Accounting Pronouncement

On July 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities (ASU 2016-14). This guidance requires the Organization to collapse the three-category classification of net assets (unrestricted, temporarily restricted, and permanently restricted) into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to the liquidity of financial assets (see Note 16), and the presentation of expenses by both natural and functional classification in one location in the financial statements (see statement of functional expenses). As a result of implementing this standard, prior year amounts for temporarily restricted and permanently restricted net assets were combined as net assets with donor restrictions.

Net Asset Presentation

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

Without donor restrictions – consist of resources available for the general support of the Organization's operations and that may be used at the discretion of the Organization's management and Board of Directors.

With donor restrictions – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions.

Revenue Recognition

The Organization records earned revenues on an accrual basis. Unconditional contributions are recorded at fair value when they are received. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met.

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 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.

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

Functional Expense Allocation

Expenses are summarized and categorized based upon their functional classifications as either program services, management and general, or fundraising. Expenses readily identifiable to a single program or activity are charged directly to that function. Categories of expenses attributable to more than one program or supporting function are allocated on a reasonable basis. Occupancy and facilities costs are allocated based on square footage, the food services department is allocated based on youth headcount, the executive office, human resources, security, communications and information technology departments are allocated based on estimates of time and effort.

Cash and Cash Equivalents

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

Fair Value Measurements

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

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 the half year convention over the estimated useful lives of the assets, which range from 3 to 33 years. The Organization capitalizes and depreciates all expenditures for property, equipment and leasehold improvements having a cost of $5,000 or more and a useful life in excess of one year.

Certain property and equipment purchased through government contracts that remain the property of the funding source or where it is probable that the item will revert back to the funder are treated as expenses in the year of purchase
.

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

Property and Equipment (continued)

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 independent third-party appraisals, as considered necessary. There is no such impairment for the years ended June 30, 2019 and 2018.

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 trust. The Organization measures its beneficial interest in the trust 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.

Contributions Receivable

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge, cash or other assets. Contributions are considered available without donor restrictions, unless the donors restrict their use. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization. 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, if necessary, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fundraising activity.

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, 2016.

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

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 2019 and 2018, the Organization recognized contributed goods of approximately $38,000 and $45,000. The Organization also received contributed services, primarily for medical services for its health clinic, of approximately $135,000 and $91,000 for fiscal 2019 and 2018.

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, 2018, from which the summarized information was derived.

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 December 19, 2019. In July and August 2019, the Organization executed three-year leases for two facilities in Bronx, New York. The leases, which require monthly payments are expected to have payments over the life of the leases of approximately $3,597,000.

3. Investments

Investments of $106,760 and $108,453 at June 30, 2019 and 2018 consist of affiliated pooled investments held with the Parent which are measured at fair value on a recurring basis based on Level 2 inputs using the fair value hierarchy.

4. Government Grants Receivable

Government grants receivable of $3,642,054 and $2,050,524 at June 30, 2019 and 2018 are expected to be collected within one year. As of June 30, 2019 and 2018, no allowance for doubtful accounts was determined to be necessary.

5. Contributions Receivable

Contributions receivable of $950,000 and $663,140 at June 30, 2019 and 2018 are expected to be collected within one year. As of June 30, 2019 and 2018, no allowance for doubtful accounts was determined to be necessary.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2019	2018
Equipment	$ 2,724,124	$ 2,736,843
Leasehold improvements	6,158,531	6,140,416
	8,882,655	8,877,259
Accumulated depreciation and amortization	(8,349,274)	(8,218,665)
Property and equipment, net	$ 533,381	$ 658,594

7. Beneficial Interest in Perpetual Trust

The Organization maintains a beneficial interest in a trust administered by a third party. 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 perpetual trust for the years ended June 30:

	2019	2018
Beginning of year	$ 2,063,025	$ 2,136,810
Change in fair value	19,106	(73,785)
End of year	$ 2,082,131	$ 2,063,025

8. Capital Lease Obligations

Aggregate future minimum lease payments due under the Organization's capital lease obligations are as follows as of June 30, 2019:

2020	$ 34,663
2021	3,549
2022	3,549
Total Minimum Lease Payments	41,761
Less: amount representing interest	(928)
Present Value of Minimum Lease Payments	$ 40,833

Total cost of equipment acquired under capital leases totaled $228,488 at June 30, 2019 and 2018. Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $199,364 and $151,574 at June 30, 2019 and 2018.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2019	2018
Anti-human trafficking and other programmatic activities	$ 1,739,592	$ 851,920
Donor restricted interest in perpetual trust	2,082,131	2,063,025
Unappropriated endowment earnings	934	8,396
Held in perpetuity	105,826	105,826
	$ 3,928,483	$ 3,029,167

Net assets were released from donor restrictions satisfying the following restrictions for the years ended June 30:

	2019	2018
Anti-human trafficking and other programmatic activities	$ 1,048,793	$ 640,668

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 endowment funds, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to its endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted net assets held in perpetuity is classified as donor 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 $2,082,131 and $2,063,025, as of June 30:

	With Donor Restriction		
	Cumulative Earnings	Original Gift Amount	Total
Balance, June 30, 2017	$ 6,187	$ 105,826	$ 112,013
Interest and dividends	2,649	-	2,649
Net depreciation in fair value of investments	(440)	-	(440)
Balance, June 30, 2018	8,396	105,826	$ 114,222
Interest and dividends	2,999	-	2,999
Net depreciation in fair value of investments	(4,693)	-	(4,693)
Other changes	(5,768)	-	(5,768)
Balance, June 30, 2019	$ 934	$ 105,826	$ 106,760

11. Government Grants

Government grants revenue consists of the following for the years ended June 30:

	2019	2018
CITY OF NEW YORK		
Department of Youth and Community Development	$ 10,631,579	$ 6,125,168
Public Health Solutions, Inc.	43,077	45,000
City Council	36,625	-
	10,711,281	6,170,168
STATE OF NEW YORK		
Medicaid	248,774	464,865
Safety Net Payment/Public Goods Pool	166,351	142,938
NYC Office of Mental Health-On Site Rehabilitation	152,444	153,367
Supportive Housing Program	60,419	69,182
	627,988	830,352
FEDERAL GOVERNMENT		
U.S. Department of Health and Human Services:		
Direct awards	990,123	1,164,075
Passed through the State of NY Dept. of Health and Mental Hygiene	37,885	22,005
U.S. Department of Housing and Urban Development:		
Direct awards	784,500	2,670,952
Passed through NYC Dept. of Homeless Services	-	212,371
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	44,426	109,471
Passed through the State of NY Dept. of Health	331	19,539
Passed through the Food Bank for New York City	-	23,210
U.S. Department of Justice:		
Direct awards	184,472	190,215
	2,041,737	4,411,838
Total	$ 13,381,006	$ 11,412,358

11. Government Grants *(continued)*

In accordance with the terms of certain government 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.

12. Employee Benefit Plan

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, 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. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. In the years ended June 30, 2019 and 2018, the Organization contributed $456,286 and $342,682 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statement of functional expenses.

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 to 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 expenses related to the 403(b) plan were approximately $245,000 and $439,000 for 2019 and 2018.

13. Related Party Transactions

The Parent provides organizational management and financial support to its affiliated organizations conducting fundraising activities and contracting for certain services on an enterprise-wide basis.

<u>Contributions</u>: Fundraising proceeds received by the Parent are distributed among the Covenant House affiliates. In 2011, under a Memorandum of Understanding (MOU) between the Organization and the Parent, the Parent assumed responsibility for substantially all fundraising activity of the Organization, other than government grants, contracts, and fee-for-service arrangements. In 2016, the MOU was modified to specify that all funds raised from the Organization's board members, related individuals, special events, peer-to-peer events, corporations and planned gifts would also go to the Parent for inclusion in contributions distributed by the Parent to the Organization.

13. Related Party Transactions *(continued)*

The Parent received contributions and promises to give totaling approximating $66 million and $64 million in fiscal years 2019 and 2018. Of these funds, the Parent allocated to affiliates approximately $34 million and $35 million for fiscal years 2019 and 2018. In fiscal 2019 and 2018, the Organization received $8,165,000 and $9,435,500 in support from the Parent (reflected as “Branding dollars” in the statement of activities).

Rent: The Organization leased space from the Parent for its primary address of operation in New York City, where the Crisis Care and ROP shelters are located. Rent expenses paid to the Parent approximated $927,000 and $953,000 for the years ended June 30, 2019 and 2018. Certain improvements, which were funded by the Organization, were made to the facility and have been capitalized.

Loan: To cover the timing differences between requests and receipt of approximately $3,600,000 in government grant reimbursements, the Organization has drawn against the Parent’s line of credit with a financial institution (see government grant receivables on the statement of financial position). Loans payable to the Parent totaled $2,400,000 and $0 at June 30, 2019 and 2018. Interest expense on the loan payable to the Parent approximated $32,000 and $14,000 for the years ended June 30, 2019 and 2018.

Due to/from: Amounts due to/from the Parent, result from costs netted against the planned monthly contributions from the Parent and timing differences between contributions collected by the Parent on the Organization’s behalf and advances of support from the Parent. These amounts do not bear interest and have no specified repayment date. Amounts due to the Parent at June 30, 2019 totaled $17,073 and amounts due from the Parent at June 30, 2018 totaled $270,314.

14. Concentrations Credit Risk

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash, 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 for space associated with its youth apartments and its Bronx ROP site which opened in June 2019. As of June 30, 2019, youth apartment rents due in the next year along with the aggregate future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

2020	$ 265,789
2021	160,500
2022	160,815
2023	164,280
2024	164,280
Thereafter	150,590
	$ 1,066,254

16. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2019, reduced by amounts not available for general use within one year of that date because of donor-imposed or contractual restrictions.

Financial Assets:	
Cash and cash equivalents	$ 1,754,529
Investments	106,760
Government grants receivable	3,642,054
Contributions receivable	950,000
Other receivables	45,089
	6,498,432
Less amounts unavailable for general expenditure:	
Amounts restricted for purpose by donors	(1,740,526)
Investments held in perpetuity	(105,826)
	(1,846,352)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	$ 4,652,080

Operations of the Organization are funded primarily by government grants and contributions from the Parent and private foundations. Proactive budgeting and cash management is utilized to ensure availability of funds. The Organization also has availability under a line-of-credit arrangement with the Parent as well as advances on certain grants to fund timing differences between disbursements and reimbursements on its grant awards. Management has concluded sufficient resources are available to meet obligations for the next 12 months.

* * * * *

Under 21 Covenant House New York

Uniform Guidance Schedules and Reports

June 30, 2019

Under 21 Covenant House New York

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development:				
Continuum of Care Program		14.267	$ -	$ 784,500
U.S. Department of Health and Human Services:				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care) (Health Center Program Cluster)		93.224	-	935,911
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth		93.557	-	54,212
Pass-through from the New York State Department of Health and Mental Hygiene:				
Immunization Cooperative Agreements	Not Available	93.268	-	37,885
Total U.S. Department of Health and Human Services			-	1,028,008
U.S. Department of Agriculture:				
Child Nutrition Cluster:				
Pass-through from the New York State Department of Education:				
School Breakfast Program	310200630021	10.553	-	23,687
Pass-through from the New York State Department of Education:				
National School Lunch Program	310200630027	10.555	-	20,739
Total Child Nutrition Cluster			-	44,426
Pass-through from the New York State Department of Health:				
Child and Adult Care Food Program	5910-0001	10.558	-	331
Total U.S. Department of Agriculture			-	44,757
U.S. Department of Justice:				
Services for Trafficking Victims		16.320	-	184,472
Total Expenditures of Federal Awards			$ -	$ 2,041,737

See independent auditors’ report and notes to schedule of expenditures of federal awards

Under 21 Covenant House New York

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Under 21 Covenant House New York (the "Organization") under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. The Organization received the following nonmonetary assistance:

U.S. Department of Health and Human Services:	
Vaccines	$ 37,885

4. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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

Independent Auditors' Report

Board of Directors
Under 21 Covenant House New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Under 21 Covenant House New York (the "Organization"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

PKF O'Connor Davies, LLP

December 19, 2019

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Under 21 Covenant House New York

Report on Compliance for Each Major Federal Program

We have audited Under 21 Covenant House New York's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Under 21 Covenant House New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

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

PKF O'Connor Davies, LLP

December 19, 2019

Under 21 Covenant House New York

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I – Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ yes __X__ no
Significant deficiency(ies) identified?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	____ yes __X__ no
Significant deficiency(ies) identified?	____ yes __X__ none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes __X__ no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program

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

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2019.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal and state financially assisted programs are questioned or recommended to be disallowed.

Section IV – Prior Year Audit Findings

There were no findings in the prior year.