Under 21 Covenant House New York

Financial Statements

June 30, 2020

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, 2020, 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.

PKF O'CONNOR DAVIES, LLP
665 Fifth Avenue, New York, NY 10022 I Tel: 212.867.8000 or 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

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, 2020 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 30, 2020

Under 21 Covenant House New York

Statement of Financial Position
June 30, 2020
(with comparative amounts at June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 2,388,542	$ 1,754,529
Investments	99,419	106,760
Government grants receivable	4,733,481	3,642,054
Contributions receivable	75,000	950,000
Other receivables	239,641	45,089
Prepaid expenses and other assets	497,699	200,607
Property and equipment, net	511,759	533,381
Beneficial interest in perpetual trust	2,042,720	2,082,131
	$ 10,588,261	$ 9,314,551
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 2,268,601	$ 1,884,093
Capital lease obligations	6,616	40,833
Due to Parent	301,529	17,073
PPP refundable advance	1,548,456	-
Deferred revenue	15,502	-
Loan payable to Parent	-	2,400,000
Total Liabilities	4,140,704	4,341,999
Net Assets		
Without donor restrictions	2,723,357	1,044,069
With donor restrictions	3,724,200	3,928,483
Total Net Assets	6,447,557	4,972,552
	$ 10,588,261	$ 9,314,551

See notes to financial statements

Under 21 Covenant House New York

Statement of Activities
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
SUPPORT AND REVENUE				
Contributions	$ 559,996	$ 1,502,152	$ 2,062,148	$ 2,249,216
Government grants and contracts (including $30,580 and $37,885 of goods contributed)	18,805,031	-	18,805,031	13,381,006
Branding dollars from Parent	7,938,500	-	7,938,500	8,165,000
Contributed goods and services	106,933	-	106,933	134,758
Other income	300,598	(7,341)	293,257	166,605
	27,711,058	1,494,811	29,205,869	24,096,585
Net assets released from restrictions	1,659,683	(1,659,683)	-	-
Total Support and Revenue	29,370,741	(164,872)	29,205,869	24,096,585
EXPENSES				
Program services	24,876,485	-	24,876,485	20,812,753
Supporting Services				
Management and general	2,287,930	-	2,287,930	1,926,834
Fundraising	527,038	-	527,038	463,391
Total Expenses	27,691,453	-	27,691,453	23,202,978
Change in Net Assets Before Nonoperating Changes	1,679,288	(164,872)	1,514,416	893,607
NONOPERATING CHANGES				
Change in value of beneficial interest in perpetual trust	-	(39,411)	(39,411)	19,106
Change in Net Assets	1,679,288	(204,283)	1,475,005	912,713
NET ASSETS				
Beginning of year	1,044,069	3,928,483	4,972,552	4,059,839
End of year	$ 2,723,357	$ 3,724,200	$ 6,447,557	$ 4,972,552

See notes to financial statements

Under 21 Covenant House New York

Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Program Services					Supporting Services				
	Shelter and Crisis Care	Rights of Passage	Permanent Supportive Housing	Medical	Total Program Services	Management and General	Fundraising	Total Supporting Services	2020 Total	2019 Total
Salaries and wages	$ 6,655,696	$ 3,606,841	$ 918,185	$ 1,979,630	$ 13,160,352	$ 559,785	$ 349,545	$ 909,330	$ 14,069,682	$ 12,419,695
Payroll taxes	572,552	350,246	89,036	182,706	1,194,540	78,972	32,824	111,796	1,306,336	1,345,318
Employee benefits	1,405,195	856,062	234,521	466,240	2,962,018	192,648	82,554	275,202	3,237,220	2,724,649
Total Salaries and Related Expenses	8,633,443	4,813,149	1,241,742	2,628,576	17,316,910	831,405	464,923	1,296,328	18,613,238	16,489,662
Faith community	-	-	-	-	-	-	-	-	-	50
Accounting fees	-	-	-	16,200	16,200	70,500	-	70,500	86,700	69,500
Legal fees	-	-	10,116	-	10,116	43,981	-	43,981	54,097	71,007
Consulting fees	17,984	44,499	119,154	182,303	363,940	294,552	-	294,552	658,492	511,167
Supplies	177,573	93,909	20,642	156,448	448,572	39,352	2,296	41,648	490,220	356,968
Telephone	121,995	114,916	26,116	19,845	282,872	36,731	3,608	40,339	323,211	179,278
Postage and printing	32,020	19,943	5,096	4,197	61,256	3,691	502	4,193	65,449	15,764
Occupancy										
Fuel and utilities	190,304	77,097	18,071	11,682	297,154	131,187	8,207	139,394	436,548	312,220
Repairs and maintanence	169,615	90,844	7,157	7,635	275,251	109,523	7,372	116,895	392,146	409,959
Rent to Parent and other	524,002	1,198,514	123,554	42,034	1,888,104	359,413	17,428	376,841	2,264,945	991,980
Furniture, equipment and software	134,544	112,831	59,290	110,136	416,801	11,286	885	12,171	428,972	679,669
Transportation	5,117	7,016	8,787	844	21,764	6,646	1,338	7,984	29,748	54,109
Specific Assistance to Individuals										
Food	370,774	165,606	18,616	613	555,609	-	-	-	555,609	324,881
Rent, scholarships, supplies and other	216,008	273,408	1,005,179	930	1,495,525	14,022	-	14,022	1,509,547	1,070,400
Temporary help	192,727	78,487	38,643	258,908	568,765	54,256	4,164	58,420	627,185	368,921
Other purchased services	92,634	72,778	20,060	37,667	223,139	35,639	7,356	42,995	266,134	389,388
Dues, licenses, and permits	7,322	7,153	3,339	62,947	80,761	23,515	24	23,539	104,300	38,195
Subscriptions and publications	1,418	15	-	2,644	4,077	869	1,626	2,495	6,572	11,291
Staff recruitment	53,040	26,912	10,307	12,325	102,584	25,200	1,977	27,177	129,761	14,620
Insurance	130,375	66,152	25,335	29,557	251,419	65,787	4,858	70,645	322,064	321,699
Miscellaneous	4,324	3,513	2,325	424	10,586	45,586	93	45,679	56,265	160,093
Convention, training and meetings	41,511	29,626	30,722	17,552	119,411	3,772	381	4,153	123,564	133,229
Bank charges and fees	134	77	15	7	233	80,124	-	80,124	80,357	35,720
Bad debt expense	-	-	-	-	-	-	-	-	-	46,995
Total Expenses Before Depreciation and Amortization	11,116,864	7,296,445	2,794,266	3,603,474	24,811,049	2,287,037	527,038	2,814,075	27,625,124	23,056,765
Depreciation and amortization	41,420	14,206	5,441	4,369	65,436	893	-	893	66,329	146,213
Total Expenses Reported by Function on Statement of Activities	$ 11,158,284	$ 7,310,651	$ 2,799,707	$ 3,607,843	$ 24,876,485	$ 2,287,930	$ 527,038	$ 2,814,968	$ 27,691,453	$ 23,202,978

See notes to financial statements

Under 21 Covenant House New York

Statement of Cash Flows
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,475,005	$ 912,713
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss on investments	10,079	4,693
Depreciation and amortization	66,329	146,213
Change in beneficial interest in perpetual trust	39,411	(19,106)
Changes in operating assets and liabilities		
Government grants receivable	(1,091,427)	(1,591,530)
Contributions receivable	875,000	(286,860)
Other receivables	(194,552)	1,830
Due from Parent	-	270,314
PPP refundable advance	1,548,456	-
Deferred revenue	15,502	-
Due to Parent	284,456	17,073
Prepaid expenses and other assets	(297,092)	23,369
Accounts payable and accrued expenses	384,508	(123,564)
Net Cash from Operating Activities	3,115,675	(644,855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(44,707)	(21,000)
Purchase of investments	(2,738)	(3,000)
Net Cash from Investing Activities	(47,445)	(24,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligations	(34,217)	(47,790)
Payment of loan payable to Parent	(2,400,000)	-
Proceeds from loan payable to Parent	-	2,400,000
Net Cash from Financing Activities	(2,434,217)	2,352,210
Net Change in Cash and Cash Equivalents	634,013	1,683,355
CASH AND CASH EQUIVALENTS		
Beginning of year	1,754,529	71,174
End of year	$ 2,388,542	$ 1,754,529
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 71,753	$ 33,342

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 50,000 and 74,000 young people during fiscal 2020 and 2019.

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:

Asociación La Alianza (Guatemala)
Casa Alianza de Honduras
Casa Alianza Internacional
Casa Alianza Nicaragua
Covenant House Toronto
Covenant House Vancouver
Fundación Casa Alianza México, I.A.P.

The Parent is the founder of Fundación Casa Alianza México, 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.

Permanent Supportive Housing
The Permanent Supportive Housing program provides housing to 120+ young single and parenting adults through scattered site apartments, where they receive ongoing case management and behavioral health services. These young adults participate in paying a portion of the monthly rent and work toward financial independence and assuming the lease.

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.

New Accounting Pronouncements

Revenue from Contracts with Customers

Effective July 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers,* as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services from customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance required new or expanded disclosures related to judgements made by entities when following this framework.

Analysis of various provisions of this standard resulted in no changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The new guidance requires the Organization to not recognize revenue until it is probable of collection and, based on the Organization's strong collection experience, management has concluded that all revenue recognized is probable of collection.

Recognition of Contributions

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes grants and contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of ASU 2018-08 had no impact on the Organization's financial statements.

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

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 revenue 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 is recognized on a fixed fee unit basis based on actual services rendered, not to exceed the maximum allowable per the grant or contract.

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.

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

Fair Value Measurements

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

Investment Valuation and Income Recognition

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

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on a straight-line basis, using the half year convention over the estimated useful lives of the assets, which range from 3 to 10 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.

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, 2020 and 2019.

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.

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

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, 2017.

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 2020 and 2019, the Organization recognized contributed goods of approximately $31,000 and $38,000. The Organization also received contributed services, primarily for medical services for its health clinic, of approximately $107,000 and $135,000 for fiscal 2020 and 2019.

Prior Year Summarized Comparative Information

The statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset class or functional 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, 2019 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 30, 2020.

3. Investments

Investments of $99,419 and $106,760 at June 30, 2020 and 2019 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 $4,733,481 and $3,642,054 at June 30, 2020 and 2019 are expected to be collected within one year. As of June 30, 2020 and 2019, no allowance for doubtful accounts was determined to be necessary.

5. Contributions Receivable

Contributions receivable of $75,000 and $950,000 at June 30, 2020 and 2019 are expected to be collected within one year. As of June 30, 2020 and 2019, no allowance for doubtful accounts was determined to be necessary.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Equipment	$ 2,531,002	$ 2,724,124
Leasehold improvements	6,185,575	6,158,531
	8,716,577	8,882,655
Accumulated depreciation and amortization	(8,204,818)	(8,349,274)
Property and Equipment, net	$ 511,759	$ 533,381

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:

	2020	2019
Beginning of year	$ 2,082,131	$ 2,063,025
Change in fair value	(39,411)	19,106
End of year	$ 2,042,720	$ 2,082,131

8. PPP Refundable Advance

On April 13, 2020, the Organization received loan proceeds in the amount of $2,506,887 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.

The Organization intends to use all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended in fiscal 2020, will be forgiven. Management is recognizing the PPP loan as a conditional grant under ASC 958-605, Revenue Recognition-Contributions and will recognize income as allowable costs are incurred and other related conditions are met. In fiscal 2020, the Organization recognized $958,431 of income, included in government grants and contracts in the statement of activities. The remaining PPP loan funds are reported as PPP refundable advance in the statement of financial position at June 30, 2020.

9. Capital Lease Obligations

Future minimum lease payments due under the Organization’s capital lease obligations are as follows for the years ending June 30:

2021	$ 3,549
2022	3,549
	7,098
Less amounts representing interest	(482)
	$ 6,616

Total cost of equipment acquired under capital leases totaled $17,703 and $228,488 at June 30, 2020 and 2019. Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $11,087 and $199,364 at June 30, 2020 and 2019.

10. Net Assets with Donor Restrictions

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

	2020	2019
Anti-human trafficking and other programmatic activities	$ 1,582,061	$ 1,739,592
Donor restricted interest in perpetual trust	2,042,720	2,082,131
Unappropriated endowment (loss) earnings	(6,407)	934
Held in perpetuity	105,826	105,826
	$ 3,724,200	$ 3,928,483

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

	2020	2019
Anti-human trafficking and other programmatic activities	$ 1,659,683	$ 1,048,793

11. 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.

11. Endowment *(continued)*

The following details endowment net asset composition, excluding a third party perpetual trust in the amount of $2,042,720 and $2,082,131, as of June 30:

	With Donor Restriction		
	Cumulative Earnings (Loss)	Original Gift Amount	Total
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
Interest and dividends	2,738	-	2,738
Net depreciation in fair value of investments	(10,079)	-	(10,079)
Balance, June 30, 2020	$ (6,407)	$ 105,826	$ 99,419

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted NYPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Should the value of the endowment fall below the corpus of the gift, the shortfall will be offset with available funds until such time that the value exceeds the corpus. At June 30, 2020, the original gift value of $105,826, and deficiencies of $6,407 were reported in net assets with donor restrictions.

12. Government Grants and Contracts

Government grant and contract revenues consist of the following for the years ended June 30:

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.

	2020	2019
CITY OF NEW YORK		
Department of Youth and Community Development	$ 12,073,433	$ 10,631,579
Department of Health and Mental Hygiene	157,911	-
NYC Supportive Housing Initiative	1,175,454	-
Public Health Solutions	52,356	43,077
City Council	71,360	36,625
	13,530,514	10,711,281
STATE OF NEW YORK		
Medicaid	149,381	248,774
Safety Net Payment/Public Goods Pool	86,219	166,351
NYC Office of Mental Health-On Site Rehabilitation	17,192	152,444
Supportive Housing Program	65,008	60,419
	317,800	627,988
FEDERAL GOVERNMENT		
U.S. Department of Health and Human Services:		
Direct awards	1,513,309	990,123
Passed through the State of NY Dept. of Health and Mental Hygiene	30,580	37,885
U.S. Small Business Administration	958,431	-
U.S. Department of Housing and Urban Development:		
Direct awards	2,060,201	784,500
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	79,247	44,426
Passed through the State of NY Dept. of Health	-	331
U.S. Department of Justice:		
Direct awards	314,949	184,472
	4,956,717	2,041,737
Total	$ 18,805,031	$ 13,381,006

13. 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, 2020 and 2019, the Organization contributed $778,580 and $456,286 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) plan (the "403(b) Plan"). Employees are immediately eligible to participate in the 403(b) 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 403(b) 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 403 (b) Plan are 100% vested after employees have completed three years of service. Total expenses related to the 403(b) Plan were approximately $378,000 and $245,000 for 2020 and 2019.

14. 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.

The Parent received contributions and promises to give totaling approximating $88 million and $66 million in fiscal years 2020 and 2019. Of these funds, the Parent allocated to affiliates, based on the Parent's policy, approximated $38 million and $34 million for fiscal years 2020 and 2019. In fiscal 2020 and 2019, the Organization received $7,938,500 and $8,165,500 in support from the Parent (reflected as "Branding dollars" in the statement of activities).

<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.

14. Related Party Transactions *(continued)*

Rent: The Organization leases 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 for the years ended June 30, 2020 and 2019. 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 $4,700,000 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). The loan was fully paid during May 2020. Loans payable to the Parent totaled $0 and $2,400,000 at June 30, 2020 and 2019. Interest expense on the loan payable to the Parent approximated $71,000 and $32,000 for the years ended June 30, 2020 and 2019.

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, 2020 and 2019 totaled $301,529 and $17,073.

15. 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.

16. 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, 2020, 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:

2021	$ 160,500
2022	160,500
2023	164,280
2024	164,280
2025	164,280
	$ 813,840

17. Liquidity and Availability of Financial Assets

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

	2020	2019
Financial Assets:		
Cash and cash equivalents	$ 2,388,542	$ 1,754,529
Investments	99,419	106,760
Government grants receivable	4,733,481	3,642,054
Contributions receivable	75,000	950,000
Other receivables	239,641	45,089
	7,536,083	6,498,432
Less amounts unavailable for general expenditure:		
Amounts restricted for purpose by donors	(1,575,654)	(1,740,526)
Investments held in perpetuity	(105,826)	(105,826)
	(1,681,480)	(1,846,352)
Financial Assets Over the Next Twelve Months Available to Meet Cash Needs for General Expenditures	$ 5,854,603	$ 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.

18. Risks and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations While management has implemented measures to mitigate the impact of the pandemic, including obtaining a PPP loan under the CARES Act as detailed in Note 8, the extent to which the Organization's results are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to the Organization's future results of operations, cash flows or financial condition.

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