

**Under 21 Covenant House New York**

Financial Statements

June 30, 2021

## 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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Under 21 Covenant House New York as of June 30, 2021 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, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

February 3, 2022

## Under 21 Covenant House New York

Statement of Financial Position  
June 30, 2021  
(with comparative amounts at June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,508,142	\$ 2,388,542
Investments	124,580	99,419
Government grants receivable	3,331,688	4,733,481
Contributions receivable	275,565	75,000
Other receivables, net	143,235	239,641
Prepaid expenses and other assets	526,580	497,699
Property and equipment, net	870,970	511,759
Beneficial interest in perpetual trust	<u>2,148,347</u>	<u>2,042,720</u>
	<u>\$ 10,929,107</u>	<u>\$ 10,588,261</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,625,823	\$ 2,268,601
Capital lease obligations	51,784	6,616
Due to Parent	65,938	301,529
Paycheck Protection Program refundable advance	-	1,548,456
Deferred revenue	-	15,502
Total Liabilities	<u>2,743,545</u>	<u>4,140,704</u>
Net Assets		
Without donor restrictions	3,551,026	2,723,357
With donor restrictions	<u>4,634,536</u>	<u>3,724,200</u>
Total Net Assets	<u>8,185,562</u>	<u>6,447,557</u>
	<u>\$ 10,929,107</u>	<u>\$ 10,588,261</u>

See notes to financial statements

## Under 21 Covenant House New York

### Statement of Activities Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
<b>SUPPORT AND REVENUE</b>				
Government grants and contracts (including \$8,740 and \$30,580 of contributed goods)	\$ 19,759,380	\$ -	\$ 19,759,380	\$ 18,805,031
Contributions	578,956	1,588,667	2,167,623	1,512,148
Pass-through grants from Parent	-	550,000	550,000	550,000
Branding dollars from Parent	8,707,790	300,000	9,007,790	8,321,000
Contributed property, goods and services	376,828	462,634	839,462	106,933
Other income	433,275	25,161	458,436	293,257
	29,856,229	2,926,462	32,782,691	29,588,369
 Net assets released from restrictions	 2,121,753	 (2,121,753)	 -	 -
 Total Support and Revenue	 31,977,982	 804,709	 32,782,691	 29,588,369
 <b>EXPENSES</b>				
Program services	28,150,889	-	28,150,889	25,258,985
Supporting Services				
Management and general	2,338,266	-	2,338,266	2,287,930
Fundraising	661,158	-	661,158	527,038
Total Expenses	31,150,313	-	31,150,313	28,073,953
Change in Net Assets Before Nonoperating Changes	827,669	804,709	1,632,378	1,514,416
 <b>NONOPERATING CHANGES</b>				
Change in value of beneficial interest in perpetual trust	-	105,627	105,627	(39,411)
Change in Net Assets	827,669	910,336	1,738,005	1,475,005
 <b>NET ASSETS</b>				
Beginning of year	2,723,357	3,724,200	6,447,557	4,972,552
End of year	\$ 3,551,026	\$ 4,634,536	\$ 8,185,562	\$ 6,447,557

See notes to financial statements

## Under 21 Covenant House New York

### Statement of Functional Expenses Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Program Services				Supporting Services				2021 Total	2020 Total
	Short-Term Housing and Crisis Care (Shelter and Crisis Care)	Transitional Living - Rights of Passage	Permanent Supportive Housing	Medical	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 6,988,030	\$ 3,468,629	\$ 1,525,525	\$ 2,306,107	\$ 14,288,291	\$ 734,346	\$ 460,190	\$ 1,194,536	\$ 15,482,827	\$ 14,069,682
Payroll taxes	671,078	333,101	146,500	221,461	1,372,140	67,646	44,193	111,839	1,483,979	1,306,336
Employee benefits	<u>1,512,552</u>	<u>749,081</u>	<u>323,550</u>	<u>504,591</u>	<u>3,089,774</u>	<u>286,416</u>	<u>96,453</u>	<u>382,869</u>	<u>3,472,643</u>	<u>3,237,220</u>
Total Salaries and Related Expenses	9,171,660	4,550,811	1,995,575	3,032,159	18,750,205	1,088,408	600,836	1,689,244	20,439,449	18,613,238
Accounting fees	-	-	-	74,566	74,566	176,958	-	176,958	251,524	86,700
Legal fees	607	6,558	6,720	-	13,885	90,739	-	90,739	104,624	54,097
Consulting fees	101,346	43,760	78,763	227,324	451,193	79,083	1,802	80,885	532,078	658,492
Supplies	187,029	127,973	42,037	109,295	466,334	30,495	1,642	32,137	498,471	490,220
Telephone	164,592	104,350	22,338	21,859	313,139	17,825	3,108	20,933	334,072	323,211
Postage and printing	20,049	13,534	6,433	5,634	45,650	1,388	18	1,406	47,056	65,449
Occupancy										
Fuel and utilities	136,448	158,670	18,779	11,048	324,945	25,087	3,345	28,432	353,377	436,548
Repairs and maintenance	157,904	210,364	7,744	8,676	384,688	76,202	2,752	78,954	463,642	392,146
Rent to Parent and other	724,480	1,393,270	152,873	98,435	2,369,058	144,851	17,961	162,812	2,531,870	2,264,945
Equipment	248,066	88,408	20,261	67,645	424,380	103,550	6,945	110,495	534,875	428,972
Transportation and entertainment	2,814	4,898	12,020	1,587	21,319	379	-	379	21,698	29,748
Specific Assistance to Individuals										
Food	236,111	158,647	770	-	395,528	-	-	-	395,528	555,609
Clothing, allowance and other	293,452	147,251	1,663,451	10,186	2,114,340	-	-	-	2,114,340	1,509,547
Temporary help	192,970	6,384	7,978	557,448	764,780	58,669	2,404	61,073	825,853	627,185
Other purchased services	140,317	50,525	25,086	65,708	281,636	46,870	5,099	51,969	333,605	266,134
Dues, licenses, and permits	6,276	14	-	10,831	17,121	7,404	-	7,404	24,525	104,300
Subscriptions and publications	3,690	154	-	225	4,069	4,488	360	4,848	8,917	6,572
Staff recruitment	-	-	-	40,600	40,600	66,521	-	66,521	107,121	129,761
Insurance	135,780	73,481	41,533	38,387	289,181	84,873	6,398	91,271	380,452	322,064
Miscellaneous	3,684	13,109	2,367	993	20,153	141,818	1,133	142,951	163,104	56,265
Parent administrative fees on grants	169,681	32,447	47,872	82,500	332,500	-	1,966	1,966	334,466	382,500
Conference, convention and meetings	50,656	26,195	19,498	17,450	113,799	27,131	2,493	29,624	143,423	123,564
Bank charges and fees	-	-	-	197	197	18,868	-	18,868	19,065	80,357
Bad debt expense	-	-	-	-	-	13,958	-	13,958	13,958	-
Total Expenses Before Depreciation and Amortization	12,147,612	7,210,803	4,172,098	4,482,753	28,013,266	2,305,565	658,262	2,963,827	30,977,093	28,007,624
Depreciation and amortization	<u>59,727</u>	<u>34,028</u>	<u>22,269</u>	<u>21,599</u>	<u>137,623</u>	<u>32,701</u>	<u>2,896</u>	<u>35,597</u>	<u>173,220</u>	<u>66,329</u>
Total Expenses Reported by Function on Statement of Activities	<u>\$ 12,207,339</u>	<u>\$ 7,244,831</u>	<u>\$ 4,194,367</u>	<u>\$ 4,504,352</u>	<u>\$ 28,150,889</u>	<u>\$ 2,338,266</u>	<u>\$ 661,158</u>	<u>\$ 2,999,424</u>	<u>\$ 31,150,313</u>	<u>\$ 28,073,953</u>

See notes to financial statements

## Under 21 Covenant House New York

### Statement of Cash Flows Year Ended June 30, 2021 (with comparative amounts for the year ended June 30, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,738,005	\$ 1,475,005
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized (gain) loss on investments	(22,103)	10,079
Depreciation and amortization	173,220	66,329
Donated property and equipment	(481,634)	-
Bad debt expense	13,958	-
Change in beneficial interest in perpetual trust	(105,627)	39,411
Changes in operating assets and liabilities		
Government grants receivable	1,401,793	(1,091,427)
Contributions receivable	(200,565)	875,000
Other receivables	82,448	(194,552)
Paycheck Protection Program refundable advance	(1,548,456)	1,548,456
Deferred revenue	(15,502)	15,502
Due to Parent	(235,591)	284,456
Prepaid expenses and other assets	(28,881)	(297,092)
Accounts payable and accrued expenses	357,222	384,508
Net Cash from Operating Activities	1,128,287	3,115,675
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(5,629)	(44,707)
Purchase of investments	(3,058)	(2,738)
Net Cash from Investing Activities	(8,687)	(47,445)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments under capital lease obligations	-	(34,217)
Payment of loan payable to Parent	-	(2,400,000)
Net Cash from Financing Activities	-	(2,434,217)
Net Change in Cash and Cash Equivalents	1,119,600	634,013
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	2,388,542	1,754,529
End of year	\$ 3,508,142	\$ 2,388,542
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 320	\$ 71,753
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Property and equipment acquired under capital leases	45,168	-

See notes to financial statements

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

### 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 and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 18,000 young people during fiscal 2021. During fiscal 2021, the worldwide COVID-19 pandemic impacted the number of youth Covenant House reached, as affiliates took measures to ensure social distancing, set aside isolation rooms for symptomatic youth, paused in-person public education and prevention programs, and, throughout the year, suspended or modified street outreach. The pandemic impacted all of Covenant House’s operations, including food production (meal provision was nearly 75% higher than pre-pandemic levels); the creation of online opportunities for mental health care, education, and job readiness training; development of appropriate intake protocols; implementation of new cleaning and sanitizing protocols, and other measures, all of which drove up operating costs. Nevertheless, in fiscal 2021, Covenant House provided a total of nearly 690,000 nights of housing and safety for, on average, 1,883 youth each night.

Covenant House (Parent) is the sole member of the following not-for-profit affiliates:

Covenant House Alaska	Covenant House Texas
Covenant House California	Covenant House Washington, D.C.
Covenant House Chicago	Covenant House Western Avenue
Covenant House Connecticut	Covenant House Testamentum
Covenant House Florida	Covenant House Holdings, LLC
Covenant House Georgia	Covenant International Foundation
Covenant House Illinois	CH Housing Development Fund Corporation
Covenant House Michigan	Rights of Passage, Inc.
Covenant House Missouri	Under 21 Boston, Inc.
Covenant House New Jersey	Under 21 Covenant House New York
Covenant House New Orleans	268 West 44th Corporation
Covenant House Pennsylvania/Under 21	460 West 41st Street, LLC

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

Covenant House (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.



## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

### 1. Organization and Tax Status (*continued*)

#### ***Components of Program and Supporting Services***

##### ***Program Services***

###### *Short-term Housing and Crisis Care (formerly Shelter and Crisis Care)*

The short-term housing and crisis care program provides emergency services, temporary housing, food, clothing, medical care, mental health services, and legal aid to young people under the age of 21 experiencing homelessness or human trafficking.

###### *Transitional Living - Rights of Passage*

The Organization's transitional living programs, often referred to as "Rights of Passage" or "ROP", are where young people take steps toward independence. Youth live in ROP for 18-24 months, where they tap their potential and plan for the future. Here they build basic life skills and financial literacy, participate in educational and vocational programs, seek employment with long-term advancement and career prospects, and work toward moving into their own safe and stable housing. The Organization's staff support each young person on their journey toward sustainable independence and a hope-filled future.

###### *Permanent Supportive Housing*

The Permanent Supportive Housing program provides housing to youth and young families through scattered-site apartments, where they receive ongoing case management and behavioral health services. The Organization helps youth by covering a portion of their rent, a portion that dwindles as their capacity for independence increases. Community apartments and rapid rehousing programs are emerging as an increasingly important part of the continuum of care.

###### *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.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

### 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.

#### ***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.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

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

#### ***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.

#### ***Allowance for Doubtful Accounts***

The Organization maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make required payments. Such allowances are estimated based upon several factors including, but not limited to, historical experience and the financial condition of the donor. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management's expected collectability. As of June 30, 2021, an allowance of \$28,144 was provided for other receivables.

#### ***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, 2021 and 2020.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

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

#### ***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, 2018.

#### ***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 2021 and 2020, the Organization recognized contributed property and goods of approximately \$718,000 and \$31,000. The Organization also received contributed services, primarily for medical services for its health clinic, of approximately \$121,000 and \$107,000 for fiscal 2021 and 2020.

#### ***Reclassification***

Certain information in the prior year's financial statements has been reclassified to conform to the current year's presentation.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

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

#### ***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, 2020 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 February 3, 2022.

### 3. Investments

Investments of \$124,580 and \$99,419 at June 30, 2021 and 2020 consist of affiliated pooled investments held with Covenant House (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 \$3,331,688 and \$4,733,481 at June 30, 2021 and 2020 are expected to be collected within one year. As of June 30, 2021 and 2020, no allowance for doubtful accounts was determined to be necessary.

### 5. Contributions Receivable

Contributions receivable of \$275,565 and \$75,000 at June 30, 2021 and 2020 are expected to be collected within one year. As of June 30, 2021 and 2020, no allowance for doubtful accounts was determined to be necessary.

### 6. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Equipment	\$ 2,981,940	\$ 2,531,002
Software	106,758	-
Leasehold improvements	<u>6,187,755</u>	<u>6,185,575</u>
	9,276,453	8,716,577
Accumulated depreciation and amortization	<u>(8,405,483)</u>	<u>(8,204,818)</u>
Property and Equipment, net	<u>\$ 870,970</u>	<u>\$ 511,759</u>

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2021

### 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:

	<u>2021</u>	<u>2020</u>
Beginning of year	\$ 2,042,720	\$ 2,082,131
Change in fair value	<u>105,627</u>	<u>(39,411)</u>
End of year	<u>\$ 2,148,347</u>	<u>\$ 2,042,720</u>

### 8. Paycheck Protection Program 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 is 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 and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA").

The Organization has elected to report the PPP loan proceeds as a conditional grant under requirements contained in Accounting Standards Update 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made." In fiscal 2021 and 2020, the Organization recognized \$1,548,456 and \$958,431 of income, included in government grants and contracts on the accompanying statement of activities as conditions were substantially met. The PPP loan was subsequently forgiven in full by the SBA on August 10, 2021.

## Under 21 Covenant House New York

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### 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:

2022	\$ 35,336
2023	12,790
2024	10,630
2025	<u>428</u>
	59,184
Less amounts representing interest	<u>(7,400)</u>
	<u>\$ 51,784</u>

Total cost of equipment acquired under capital leases totaled \$93,765 and \$17,703 at June 30, 2021 and 2020. Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to \$41,696 and \$11,087 at June 30, 2021 and 2020.

### 10. Net Assets with Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Anti-human trafficking and other programmatic activities	\$ 2,361,609	\$ 1,582,061
Donor restricted interest in perpetual trust	2,148,347	2,042,720
Unappropriated endowment earnings (loss)	18,754	(6,407)
Held in perpetuity (endowment)	<u>105,826</u>	<u>105,826</u>
	<u>\$ 4,634,536</u>	<u>\$ 3,724,200</u>

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

	<u>2021</u>	<u>2020</u>
Anti-human trafficking and other programmatic activities	<u>\$ 2,121,753</u>	<u>\$ 1,659,683</u>

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### 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.

The following details endowment net asset composition, excluding a third party perpetual trust in the amount of \$2,148,347 and \$2,042,720, as of June 30:

	With Donor Restriction		
	Cumulative Earnings (Loss)	Original Gift Amount	Total
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
Interest and dividends	3,058	-	3,058
Net appreciation in fair value of investments	22,103	-	22,103
Balance, June 30, 2021	\$ 18,754	\$ 105,826	\$ 124,580



## Under 21 Covenant House New York

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### 12. Government Grants and Contracts

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

	2021	2020
<b>CITY OF NEW YORK</b>		
Department of Youth and Community Development	\$ 11,405,258	\$ 12,073,433
Department of Health and Mental Hygiene	157,911	157,911
NYC Supportive Housing Initiative	1,473,624	1,175,454
Public Health Solutions	31,667	52,356
City Council	50,000	71,360
	13,118,460	13,530,514
<b>STATE OF NEW YORK</b>		
Medicaid	51,272	149,381
Safety Net Payment/Public Goods Pool	88,795	86,219
NYC Office of Mental Health-On Site Rehabilitation	32,808	17,192
Supportive Housing Program	72,193	65,008
	245,068	317,800
<b>FEDERAL GOVERNMENT</b>		
U.S. Department of Health and Human Services:		
Direct awards	1,835,559	1,513,309
Passed through the State of NY Dept. of Health and Mental Hygiene	8,740	30,580
U.S. Small Business Administration	1,548,456	958,431
U.S. Department of Housing and Urban Development:		
Direct awards	2,398,567	2,060,201
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	54,423	79,247
U.S. Department of Justice:		
Direct awards	550,107	314,949
	6,395,852	4,956,717
Total	\$ 19,759,380	\$ 18,805,031

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.

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### 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. During the years ended June 30, 2021 and 2020, the Organization contributed \$534,513 and \$778,580 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 \$475,000 and \$378,000 for 2021 and 2020.

### 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 \$84 million and \$88 million in fiscal years 2021 and 2020. Of these funds, the Parent allocated to affiliates, based on the Parent's policy, approximated \$36 million and \$38 million for fiscal years 2021 and 2020. In fiscal 2021 and 2020, the Organization received \$9,007,790 and \$8,321,000 in support from the Parent (reflected as "Branding dollars" in the statement of activities).

Contributions: 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.

Grants awarded to the Parent and restricted by the donor for work performed by the Organization are passed through to the Organization. Grants passed through to the Organization from the Parent totaled \$550,000 for each of the years ended June 30, 2021 and 2020.

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### 14. Related Party Transactions *(continued)*

Parent administrative fees on grants: The Organization pays administrative fees assessed by the Parent on grant awards passed through to the Organization. Administrative fees previously netted against Branding dollars from Parent for the year ended June 30, 2020 have been reclassified and administrative fees and Branding dollars from Parent are now presented at gross amounts. Administrative fees on grants paid to the Parent totaled \$334,467 and \$382,500 for the years ended June 30, 2021 and 2020.

Rent: The Organization leases space from the Parent for its primary address of operation in New York City, where the Crisis Shelter is located. Rent expenses paid to the Parent approximated \$927,000 for each of the years ended June 30, 2021 and 2020. Certain improvements, which were funded by the Organization, were made to the facility and have been capitalized.

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, 2021 and 2020 totaled \$65,938 and \$301,529.

### 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, shelters and transitional housing. As of June 30, 2021, youth apartment rents due in the next year and aggregate future minimum lease payments under operating leases that have remaining terms in excess of one year are as follows:

2022	\$	654,733
2023		392,894
2024		350,648
2025		353,444
2026		127,364
		<u>\$ 1,879,083</u>

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### 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.

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 3,508,142	\$ 2,388,542
Investments	124,580	99,419
Government grants receivable	3,331,688	4,733,481
Contributions receivable	275,565	75,000
Other receivables, net	143,235	239,641
	<u>7,383,210</u>	<u>7,536,083</u>
Less amounts unavailable for general expenditure:		
Amounts restricted for purpose by donors	(2,380,363)	(1,575,654)
Investments held in perpetuity	<u>(105,826)</u>	<u>(105,826)</u>
	<u>(2,486,189)</u>	<u>(1,681,480)</u>
Financial Assets Over the Next Twelve Months		
Available to Meet Cash Needs for		
General Expenditures	<u>\$ 4,897,021</u>	<u>\$ 5,854,603</u>

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 Organization's 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 operations 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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