

**Under 21 Covenant House New York**

Financial Statements

June 30, 2022

## **Independent Auditors' Report**

**Board of Directors**  
**Under 21 Covenant House New York**

### **Report on the Financial Statements**

#### ***Opinion***

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022 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.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Board of Directors**  
**Under 21 Covenant House New York**  
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**Report on Summarized Comparative Information**

We have previously audited the Organization's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 3, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

December 1, 2022

## Under 21 Covenant House New York

### Statement of Financial Position June 30, 2022 (with comparative amounts at June 30, 2021)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,047,708	\$ 3,508,142
Investments	107,837	124,580
Government grants receivable	4,984,131	3,331,688
Contributions receivable	874,000	275,565
Other receivables, net	180,640	143,235
Due from Parent	115,027	-
Prepaid expenses and other assets	673,280	526,580
Property and equipment, net	560,482	870,970
Beneficial interest in perpetual trust	1,776,619	2,148,347
	\$ 14,319,724	\$ 10,929,107
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 2,576,804	\$ 2,625,823
Capital lease obligations	23,873	51,784
Due to 460 West 41st Street LLC	2,000,000	-
Due to Parent	-	65,938
Deferred revenue	3,608	-
Total Liabilities	4,604,285	2,743,545
 Net Assets		
Without donor restrictions	5,221,849	3,551,026
With donor restrictions	4,493,590	4,634,536
Total Net Assets	9,715,439	8,185,562
	\$ 14,319,724	\$ 10,929,107

See notes to financial statements

## Under 21 Covenant House New York

### Statement of Activities Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>SUPPORT AND REVENUE</b>				
Government grants and contracts	\$ 21,419,197	\$ -	\$ 21,419,197	\$ 19,759,380
Contributions	892,203	2,461,690	3,353,893	2,167,623
Pass-through grants from Parent	-	200,000	200,000	550,000
Restricted Site Investment Fund from Parent	-	70,000	70,000	-
Branding dollars from Parent	9,265,436	767,000	10,032,436	9,007,790
Contributions of nonfinancial assets	326,462	-	326,462	839,462
Other income (loss)	278,494	(16,743)	261,751	458,436
	32,181,792	3,481,947	35,663,739	32,782,691
Net assets released from restrictions	3,251,165	(3,251,165)	-	-
Total Support and Revenue	35,432,957	230,782	35,663,739	32,782,691
<b>EXPENSES</b>				
Program services	30,802,662	-	30,802,662	28,150,889
Supporting Services				
Management and general	2,223,827	-	2,223,827	2,338,266
Fundraising	532,524	-	532,524	661,158
Total Expenses	33,559,013	-	33,559,013	31,150,313
Change in Net Assets Before Nonoperating Changes	1,873,944	230,782	2,104,726	1,632,378
<b>NONOPERATING CHANGES</b>				
Impairment loss on property and equipment	(203,121)	-	(203,121)	-
Change in value of beneficial interest in perpetual trust	-	(371,728)	(371,728)	105,627
Change in Net Assets	1,670,823	(140,946)	1,529,877	1,738,005
<b>NET ASSETS</b>				
Beginning of year	3,551,026	4,634,536	8,185,562	6,447,557
End of year	\$ 5,221,849	\$ 4,493,590	\$ 9,715,439	\$ 8,185,562

See notes to financial statements

## Under 21 Covenant House New York

### Statement of Functional Expenses Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Program Services					Supporting Services				
	Immediate Housing	Transitional Living - Rights of Passage	Permanent Supportive Housing	Health and Well-Being (Medical)	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022 Total	2021 Total
Salaries and wages	\$ 6,651,193	\$ 3,901,563	\$ 1,511,516	\$ 2,627,860	\$ 14,692,132	\$ 753,040	\$ 365,166	\$ 1,118,206	\$ 15,810,338	\$ 15,482,827
Payroll taxes	571,951	338,396	131,099	232,208	1,273,654	67,185	31,672	98,857	1,372,511	1,483,979
Employee benefits	<u>1,524,996</u>	<u>894,556</u>	<u>346,563</u>	<u>602,520</u>	<u>3,368,635</u>	<u>183,240</u>	<u>83,726</u>	<u>266,966</u>	<u>3,635,601</u>	<u>3,472,643</u>
Total Salaries and Related Expenses	8,748,140	5,134,515	1,989,178	3,462,588	19,334,421	1,003,465	480,564	1,484,029	20,818,450	20,439,449
Accounting fees	-	-	-	36,900	36,900	73,000	-	73,000	109,900	251,524
Legal fees (includes contributed services of \$0 and \$14,687 in 2022 and 2021)	5,491	9,702	6,002	-	21,195	48,635	-	48,635	69,830	104,624
Consulting fees (includes contributed services of \$160,581 and \$106,757 in 2022 and 2021)	88,046	74,302	96,231	247,639	506,218	241,694	4,987	246,681	752,899	532,078
Supplies (includes contributed vaccines of \$9,805 and \$8,740 in 2022 and 2021, and contributed merchandise of \$0 and \$40,762 in 2022 and 2021)	261,631	117,540	17,242	108,589	505,002	46,184	2,938	49,122	554,124	498,471
Telephone	148,137	123,089	24,991	26,566	322,783	43,318	4,519	47,837	370,620	334,072
Postage and printing	21,963	11,574	6,257	3,410	43,204	6,987	185	7,172	50,376	47,056
Occupancy										
Fuel and utilities	219,264	184,064	31,491	19,931	454,750	54,927	4,137	59,064	513,814	353,377
Repairs and maintenance	91,308	73,467	8,965	10,059	183,799	33,482	2,413	35,895	219,694	463,642
Rent to Parent and other	1,146,475	1,360,927	147,479	74,377	2,729,258	172,843	5,277	178,120	2,907,378	2,531,870
Furniture, equipment and software	112,288	81,984	22,464	193,430	410,166	75,568	7,775	83,343	493,509	534,875
Transportation	8,753	15,516	12,886	3,509	40,664	1,470	-	1,470	42,134	21,698
Specific Assistance to Individuals										
Food (includes contributed food of \$5,409 and \$23,651 in 2022 and 2021)	239,040	171,018	430	82	410,570	-	-	-	410,570	395,528
Rent, scholarships, supplies and other (includes contributed merchandise of \$150,667 and \$163,231 in 2022 and 2021)	304,180	176,167	1,771,083	37,494	2,288,924	-	-	-	2,288,924	2,114,340
Temporary help	105,703	49,648	7,910	84,470	247,731	16,021	795	16,816	264,547	825,853
Other purchased services	118,548	60,550	17,703	92,453	289,254	60,299	5,682	65,981	355,235	333,605
Dues, licenses, and permits	6,068	2,638	4,214	18,407	31,327	8,983	10	8,993	40,320	24,525
Subscriptions and publications	3,369	1,529	1,278	849	7,025	4,274	706	4,980	12,005	8,917
Staff recruitment	-	-	-	51,040	51,040	105,936	-	105,936	156,976	107,121
Insurance	149,137	124,513	39,945	44,885	358,480	94,103	8,015	102,118	460,598	380,452
Miscellaneous	7,772	17,961	3,525	2,076	31,334	66,612	384	66,996	98,330	182,169
Parent administrative fees on grants	100,000	-	50,000	82,500	232,500	1,916	-	1,916	234,416	334,466
Conference, convention and meetings	41,879	23,780	10,033	14,040	89,732	23,746	1,999	25,745	115,477	143,423
Grant expense to 460 West 41st Street LLC	-	-	-	2,000,000	2,000,000	-	-	-	2,000,000	-
Bad debt expense	-	-	-	-	-	10,642	-	10,642	10,642	13,958
Total Expenses Before										
Depreciation and Amortization	11,927,192	7,814,484	4,269,307	6,615,294	30,626,277	2,194,105	530,386	2,724,491	33,350,768	30,977,093
Depreciation and amortization	<u>121,174</u>	<u>22,270</u>	<u>10,109</u>	<u>22,832</u>	<u>176,385</u>	<u>29,722</u>	<u>2,138</u>	<u>31,860</u>	<u>208,245</u>	<u>173,220</u>
Total Expenses	<u>\$ 12,048,366</u>	<u>\$ 7,836,754</u>	<u>\$ 4,279,416</u>	<u>\$ 6,638,126</u>	<u>\$ 30,802,662</u>	<u>\$ 2,223,827</u>	<u>\$ 532,524</u>	<u>\$ 2,756,351</u>	<u>\$ 33,559,013</u>	<u>\$ 31,150,313</u>

See notes to financial statements

## Under 21 Covenant House New York

### Statement of Cash Flows Year Ended June 30, 2022 (with comparative amounts for the year ended June 30, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,529,877	\$ 1,738,005
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized loss (gain) on investments	22,947	(22,103)
Depreciation and amortization	208,245	173,220
Impairment loss on property and equipment	203,121	-
Donated property and equipment	-	(481,634)
Bad debt expense	10,642	13,958
Change in beneficial interest in perpetual trust	371,728	(105,627)
Changes in operating assets and liabilities		
Government grants receivable	(1,652,443)	1,401,793
Contributions receivable	(598,435)	(200,565)
Other receivables	(48,047)	82,448
Paycheck Protection Program refundable advance	-	(1,548,456)
Deferred revenue	3,608	(15,502)
Due to 460 West 41st Street LLC	2,000,000	-
Due from Parent	(115,027)	-
Due to Parent	(65,938)	(235,591)
Prepaid expenses and other assets	(146,700)	(28,881)
Accounts payable and accrued expenses	(49,019)	357,222
Net Cash from Operating Activities	1,674,559	1,128,287
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(128,789)	(5,629)
Purchase of investments	(6,204)	(3,058)
Net Cash from Investing Activities	(134,993)	(8,687)
Net Change in Cash and Cash Equivalents	1,539,566	1,119,600
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,508,142	2,388,542
End of year	\$ 5,047,708	\$ 3,508,142
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ 320
<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, 2022

### 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 43,000 young people during fiscal 2022. During fiscal 2022, the worldwide COVID-19 pandemic continued to impact the number of youth Covenant House reached, as affiliates prolonged measures to ensure social distancing, set aside isolation rooms for symptomatic youth, and modified street outreach. Nevertheless, in fiscal 2022, Covenant House provided a total of nearly 730,000 nights of housing and safety for, on average, 1,991 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, 2022

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

#### ***Program Services and Supporting Services***

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

###### *Immediate Housing (formerly Shelter and Crisis Care)*

The Immediate and Short-term Housing program focuses on Crisis Care and provides emergency services; temporary, immediate housing; nutritious food; clothing; medical care; mental health services; and legal aid to young people ages 16-22 who are experiencing homelessness or human trafficking. The Organization's high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. The Organization is expertly equipped to respond to the unique needs of young survivors of human trafficking, those who identify as LGBTQ+, and those who are pregnant or parenting.

###### *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 their boldest steps toward independence. Youth live in ROP for up to 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 permanent housing to youth and young families through scattered-site apartments, where they receive ongoing case management and behavioral health services. Covenant House 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 our continuum of care.

###### *Health and Well-Being (formerly 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. Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. The Organization's trauma-informed Health and Well-Being services range from medical care at on-site health centers, to yoga classes, art and music therapy, counseling, religious and spiritual services, and physical fitness. In these activities, young people heal from the harm done to them while living unhoused and take control of their lives, build on their strengths, and nourish their self-confidence.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2022

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

#### ***Program Services and Supporting Services (continued)***

##### ***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.

#### ***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.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2022

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

#### ***Revenue Recognition (continued)***

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.

#### ***Operating Measure***

The Organization has elected to present an operating measure in their statement of activities. Accordingly, items affecting operations are segmented from those not affecting operations. The Organization includes in its measure of operations all revenue and expenses that are an integral part of its program and supporting activities.

#### ***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.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2022

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

#### ***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, 2022 and 2021, an allowance of \$30,811 and \$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 items 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. For the year ended June 30, 2022, the Organization recognized \$203,121 of impairment losses. In 2021, there were no such losses.

#### ***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.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2022

### 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, 2019.

#### **In-Kind Contributions**

In-kind contributions for fiscal 2022 and 2021 consisted of the following:

			Utilization in		Valuation Techniques and Inputs
	2022	2021	Programs/Activities	Donor Restrictions	
Property	\$ -	\$ 481,634	Program and Administration	No associated donor restrictions	(a)
Merchandise	150,667	203,993	Program and Administration	No associated donor restrictions	(b)
Vaccines	9,805	8,740	Program	No associated donor restrictions	(c)
Food	5,409	23,651	Program	No associated donor restrictions	(d)
Services	160,581	121,444	Program and Administration	No associated donor restrictions	(e)
	<u>\$ 326,462</u>	<u>\$ 839,462</u>			

- (a) The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
- (b) The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
- (c) In valuing contributed vaccines otherwise legally permissible for sale in the United States, the Organization used the Federal Upper Limit based on the weighted average of the most recently reported monthly Average Manufacturer Price (AMP) that approximate wholesale prices in the United States (that is, the principal market). In valuing pharmaceuticals not legally permissible for sale in the United States (and primarily consumed in developing markets). The Organization used third-party sources representing wholesale exit prices in the developing markets in which the products are approved for sale.
- (d) The Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
- (e) Contributed services are valued at the estimated fair value based on current rates for similar services.

## Under 21 Covenant House New York

Notes to Financial Statements  
June 30, 2022

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

#### ***Reclassification***

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

#### ***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, 2021, 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 1, 2022.

### 3. Investments

Investments of \$107,837 and \$124,580 at June 30, 2022 and 2021 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 \$4,984,131 and \$3,331,688 at June 30, 2022 and 2021 are expected to be collected within one year. As of June 30, 2022 and 2021, no allowance for doubtful accounts was determined to be necessary.

### 5. Contributions Receivable

Contributions receivable of \$874,000 and \$275,565 at June 30, 2022 and 2021 are expected to be collected within one year. As of June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Equipment	\$ 3,110,730	\$ 2,981,940
Software	106,758	106,758
Leasehold improvements	<u>27,140</u>	<u>6,187,755</u>
	3,244,628	9,276,453
Accumulated depreciation and amortization	<u>(2,684,146)</u>	<u>(8,405,483)</u>
Property and Equipment, net	<u>\$ 560,482</u>	<u>\$ 870,970</u>

## Under 21 Covenant House New York

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### 6. Property and Equipment (*continued*)

During 2022, the Organization disposed of \$6,160,616 of leasehold improvements. The disposal resulted in an impairment loss totaling \$203,121 and is reflected as a non-operating activity in the 2022 statement of activities. Depreciation and amortization expense amounted to \$208,245 and \$173,220 for the years ended June 30, 2022 and 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>2022</u>	<u>2021</u>
Beginning of year	\$ 2,148,347	\$ 2,042,720
Change in fair value	<u>(371,728)</u>	<u>105,627</u>
End of year	<u>\$ 1,776,619</u>	<u>\$ 2,148,347</u>

### 8. Paycheck Protection Program Refundable Advance

The Organization elected to report the Paycheck Protection Program (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, the Organization recognized \$1,548,456 of income, included in government grants and contracts on the accompanying 2021 statement of activities as conditions were substantially met. The PPP loan was subsequently forgiven in full by the United States Small Business Administration on August 10, 2021.

### 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:

2023	\$ 13,179
2024	11,067
2025	<u>437</u>
	24,683
Less amounts representing interest	<u>(810)</u>
	<u>\$ 23,873</u>

The cost of equipment acquired under capital leases totaled \$93,765 at June 30, 2022 and 2021. Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to \$69,893 and \$41,696 at June 30, 2022 and 2021.



## Under 21 Covenant House New York

Notes to Financial Statements  
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### 10. Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Anti-human trafficking and other programmatic activities	\$ 2,609,134	\$ 2,361,609
Donor restricted interest in perpetual trust	1,776,619	2,148,347
Unappropriated endowment earnings	2,011	18,754
Held in perpetuity (endowment)	<u>105,826</u>	<u>105,826</u>
	<u>\$ 4,493,590</u>	<u>\$ 4,634,536</u>

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

	<u>2022</u>	<u>2021</u>
Anti-human trafficking and other programmatic activities	<u>\$ 3,251,165</u>	<u>\$ 2,121,753</u>

### 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.

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### 11. Endowment *(continued)*

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 \$1,776,619 and \$2,148,347, as of June 30:

	With Donor Restriction		Total
	Cumulative Earnings (Loss)	Original Gift Amount	
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
Interest and dividends	6,204	-	6,204
Net depreciation in fair value of investments	(22,947)	-	(22,947)
Balance, June 30, 2022	\$ 2,011	\$ 105,826	\$ 107,837

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.

## Under 21 Covenant House New York

Notes to Financial Statements  
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### 12. Government Grants and Contracts

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

	2022	2021
<b>CITY OF NEW YORK</b>		
Department of Youth and Community Development	\$ 12,011,246	\$ 11,405,258
Department of Health and Mental Hygiene	159,462	166,651
NYC Supportive Housing Initiative	1,453,015	1,473,624
Public Health Solutions	211,534	31,667
City Council	50,000	50,000
	13,885,257	13,127,200
<b>STATE OF NEW YORK</b>		
Department of Health	2,004,000	-
Medicaid	60,173	51,272
Safety Net Payment/Public Goods Pool	63,734	88,795
NYC Office of Mental Health-On Site Rehabilitation	-	32,808
Supportive Housing Program	70,660	72,193
	2,198,567	245,068
<b>FEDERAL GOVERNMENT</b>		
U.S. Department of Health and Human Services:		
Direct awards	1,716,460	1,835,559
Passed through the Centers for Disease Control and Prevention	100,000	-
U.S. Small Business Administration	-	1,548,456
U.S. Department of Housing and Urban Development:		
Direct awards	2,736,971	2,398,567
U.S. Department of Agriculture:		
Passed through the State of NY Dept. of Education	62,858	54,423
U.S. Department of Homeleand Security:		
Direct awards	45,099	-
U.S. Department of Justice:		
Direct awards	673,985	550,107
	5,335,373	6,387,112
Total	\$ 21,419,197	\$ 19,759,380

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.

## Under 21 Covenant House New York

Notes to Financial Statements  
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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, 2022 and 2021, the Organization contributed \$452,270 and \$534,513 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 \$466,000 and \$475,000 for 2022 and 2021.

### 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 \$89 million and \$84 million in fiscal years 2022 and 2021. Of these funds, the Parent allocated to affiliates, based on the Parent's policy, approximated \$38 million and \$36 million for fiscal years 2022 and 2021. In fiscal 2022 and 2021, the Organization received \$10,032,436 and \$9,007,790 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 \$200,000 for the year ended June 30, 2022 and \$550,000 for the year ended June 30, 2021.

## Under 21 Covenant House New York

Notes to Financial Statements  
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### 14. Related Party Transactions *(continued)*

The Parent provided a Site Investment Fund (“SIF”) to Covenant House affiliates during fiscal 2022. The SIF is to encourage innovative programming at Covenant House by implementing a new program or pilot program, build program capacity, make a material change in site-related program work, or introduce an innovative approach to current programs, support the range of site Workforce Development and Vocational Training activities, support young families in the adoption and implementation of the parenting curriculum/parenting programs and parenting skills assessment tool. The Parent provided to the Organization a total of \$70,000 for the year ended June 30, 2022, towards the SIF.

Parent administrative fees on grants: The Organization pays administrative fees assessed by the Parent on grant awards passed through to the Organization. Administrative fees incurred for grants received from the Parent totaled \$234,416 and \$334,466 for the years ended June 30, 2022 and 2021.

Rent: During fiscal 2021 and up through the move to the new primary address, the Organization leased space from the Parent for its Tenth Avenue address of operation in New York City. When the new property was placed into service at 460 West 41<sup>st</sup> Street on November 15, 2021, a new lease agreement was executed between the Organization and 460 West 41<sup>st</sup> Street, LLC (the “Landlord”) through June 30, 2027. Rent expense remained at \$927,000 for each of the years ended June 30, 2022 and 2021. Future minimum rental payments due under the lease agreement are as follows for the years ending June 30:

2023	\$	927,000
2024		927,000
2025		927,000
2026		927,000
2027		927,000
		<u>\$ 4,635,000</u>

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 from the Parent at June 30, 2022 totaled \$115,027 and amounts due to the Parent at June 30, 2021 totaled \$65,938.

Due to 460 West 41<sup>st</sup> Street, LLC: Amounts due to 460 West 41<sup>st</sup> Street, LLC (the “LLC”), result from a reimbursement award to the Organization for up to \$2,000,000 for the construction of the new Health Center. Upon the completion of construction in fiscal 2022, the Organization recognized \$2,000,000 in government grants and contracts and a corresponding pass-through grant expense to the LLC, since the LLC is the Landlord of the Health Center. Amounts due to the LLC at June 30, 2022 totaled \$2,000,000.

## Under 21 Covenant House New York

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### 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, 2022, youth apartment rents due under operating leases that have remaining terms in excess of one year are as follows:

2023	\$	349,762
2024		349,762
2025		164,280
2026		164,280
2027		164,280
Thereafter		<u>164,280</u>
	\$	<u>1,356,644</u>

## Under 21 Covenant House New York

Notes to Financial Statements  
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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>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 5,047,708	\$ 3,508,142
Investments	107,837	124,580
Government grants receivable	4,984,131	3,331,688
Contributions receivable	874,000	275,565
Due from Parent	115,027	-
Other receivables, net	<u>180,640</u>	<u>143,235</u>
	<u>11,309,343</u>	<u>7,383,210</u>
Less amounts unavailable for general expenditure:		
Amounts restricted for purpose by donors	(2,611,145)	(2,380,363)
Investments held in perpetuity	<u>(105,826)</u>	<u>(105,826)</u>
	<u>(2,716,971)</u>	<u>(2,486,189)</u>
Financial Assets Over the Next Twelve Months		
Available to Meet Cash Needs for		
General Expenditures	<u>\$ 8,592,372</u>	<u>\$ 4,897,021</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. Management has concluded sufficient resources are available to meet obligations for the next 12 months.

### 18. Risks and Uncertainties

Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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