# Covenant House New Orleans

Consolidated Financial Statements and
Uniform Guidance Financial Report
Together With Independent Auditors' Reports

June 30, 2021

**Covenant House New Orleans**

Consolidated Financial Statements and
Uniform Guidance Financial Report
Together With Independent Auditors' Reports

June 30, 2021

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

## Independent Auditors' Report

**Board of Directors**
**Covenant House New Orleans**

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Covenant House New Orleans (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House New Orleans as of June 30, 2021, and the consolidated 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.

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***Other Matters***

***Report on Summarized Comparative Information***

We have previously audited Covenant House New Orleans' June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 3, 2021. 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 consolidated financial statements from which it has been derived.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedules of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, on pages 24 and 25 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on page 26 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in, all material respects in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

March 25, 2022

**Covenant House New Orleans**

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

| | 2021 | 2020 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 3,073,213 | $ 2,760,566 |
| Grants receivable | 889,283 | 1,045,190 |
| Contributions receivable, net | 197,148 | 116,572 |
| Other receivables, net | 121,727 | 79,146 |
| Due from Parent | 4,387 | - |
| Other assets | 116,025 | 87,620 |
| Investments | 3,800,255 | 2,863,307 |
| Property and equipment, net | 3,301,163 | 3,149,497 |
| Beneficial interest in assets held by others | 455,841 | 373,531 |
| | $ 11,959,042 | $ 10,475,429 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable, accrued expenses, and refundable advances | $ 1,003,527 | $ 791,372 |
| Long term debt - PPP Loan | - | 817,200 |
| Due to Parent | - | 39,707 |
| Total Liabilities | 1,003,527 | 1,648,279 |
| Net Assets | | |
| Without donor restrictions | 9,616,876 | 7,085,116 |
| With donor restrictions | 1,338,639 | 1,742,034 |
| Total Net Assets | 10,955,515 | 8,827,150 |
| | $ 11,959,042 | $ 10,475,429 |

See notes to consolidated financial statements

## Covenant House New Orleans

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

| | 2021 Without Donor Restrictions | 2021 With Donor Restrictions | 2021 Total | Total 2020 |
|---|---|---|---|---|
| **CONTRIBUTIONS, REVENUE AND OTHER SUPPORT** | | | | |
| Contributions from individuals, foundations and corporations, including legacies and bequests | $ 2,249,699 | $ 282,715 | $ 2,532,414 | $ 3,474,173 |
| Contributed services and merchandise | 259,761 | - | 259,761 | 323,137 |
| Government grants and contracts | 2,576,269 | - | 2,576,269 | 2,184,556 |
| Support from Parent | 1,208,153 | - | 1,208,153 | 1,433,494 |
| Support from Parent related to National Sleep Out Event | 276,347 | - | 276,347 | 413,332 |
| Special events revenue, net of direct benefits to donors of $60,089 and $38,649 | 905,723 | - | 905,723 | 236,598 |
| Total Contributions, Revenue and Other Support | 7,475,952 | 282,715 | 7,758,667 | 8,065,290 |
| **INVESTMENT AND OTHER INCOME** | | | | |
| Investment Income | | | | |
| Interest and dividends | 75,002 | - | 75,002 | 77,362 |
| Net unrealized gain (loss) on investments | 892,017 | - | 892,017 | (60,895) |
| Net realized gains on investments | 33,463 | - | 33,463 | 8,074 |
| Job-training program revenue, net of costs of $24,173 and $83,487 | 22,880 | - | 22,880 | 60,541 |
| Other income | 20,357 | - | 20,357 | 36,958 |
| Total Investment and Other Income | 1,043,719 | - | 1,043,719 | 122,040 |
| Total Contributions, Revenue and Other Support and Investment and Other Income | 8,519,671 | 282,715 | 8,802,386 | 8,187,330 |
| Net assets released from restrictions | 686,110 | (686,110) | - | - |
| Total Contributions, Revenue and Other Support and Investment and Other Income and Net Assets Released from Restrictions | 9,205,781 | (403,395) | 8,802,386 | 8,187,330 |
| **EXPENSES** | | | | |
| Program services | 6,151,099 | - | 6,151,099 | 5,766,758 |
| Supporting Services | | | | |
| Management and general | 990,891 | - | 990,891 | 945,515 |
| Fundraising | 349,231 | - | 349,231 | 289,848 |
| Total Supporting Services | 1,340,122 | - | 1,340,122 | 1,235,363 |
| Total Expenses | 7,491,221 | - | 7,491,221 | 7,002,121 |
| Change in Net Assets Before Non-Operating Activity | 1,714,560 | (403,395) | 1,311,165 | 1,185,209 |
| **NON-OPERATING ACTIVITY** | | | | |
| Forgiveness of long term debt - PPP loan | 817,200 | - | 817,200 | - |
| Change in Net Assets | 2,531,760 | (403,395) | 2,128,365 | 1,185,209 |
| **NET ASSETS** | | | | |
| Beginning of year | 7,085,116 | 1,742,034 | 8,827,150 | 7,641,941 |
| End of year | $ 9,616,876 | $ 1,338,639 | $ 10,955,515 | $ 8,827,150 |

See notes to consolidated financial statements

# Covenant House New Orleans

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

| | Program Services | | | | | | | | | Supporting Services | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Short-term Housing and Crisis Care | Young Families Program | Outreach | Medical | Transitional Living - Rights of Passage | Drop - in Services | Public Education and Prevention | Permanent Supportive Housing | Total Program Services | Management and General | Fundraising | Total Supporting Services | Cost of Direct Benefits to Donors and Job-Training Costs | 2021 | 2020 |
| Salaries and wages | $ 1,183,715 | $ 263,659 | $ 97,070 | $ 192,386 | $ 620,279 | $ 77,756 | $ 20,414 | $ 205,796 | $ 2,661,075 | $ 545,129 | $ 215,833 | $ 760,962 | $ - | $ 3,422,037 | $ 3,113,316 |
| Payroll taxes | 91,328 | 20,353 | 7,343 | 15,082 | 48,985 | 6,047 | 1,578 | 16,305 | 207,021 | 40,982 | 16,486 | 57,468 | - | 264,489 | 244,063 |
| Employee benefits | 370,125 | 82,426 | 25,782 | 42,251 | 137,542 | 19,040 | 3,008 | 61,522 | 741,696 | 163,359 | 45,304 | 208,663 | - | 950,359 | 927,095 |
| Total Salaries and Related Expenses | 1,645,168 | 366,438 | 130,195 | 249,719 | 806,806 | 102,843 | 25,000 | 283,623 | 3,609,792 | 749,470 | 277,623 | 1,027,093 | - | 4,636,885 | 4,284,474 |
| Accounting fees | - | - | - | - | - | - | - | - | - | 57,750 | - | 57,750 | - | 57,750 | 44,950 |
| Legal fees | 6,204 | - | - | 1,034 | 4,136 | 1,034 | 2,068 | - | 14,476 | 3,102 | 3,102 | 6,204 | - | 20,680 | 2,446 |
| Medical fees | 477 | - | - | 40 | 239 | 40 | - | - | 796 | - | - | - | - | 796 | 13,307 |
| Consulting fees | 31,141 | - | - | 3,191 | 16,746 | 128,404 | 2,385 | - | 181,867 | 3,914 | 3,644 | 7,558 | - | 189,425 | 195,706 |
| Supplies | 51,498 | 282 | 1,341 | 6,071 | 16,111 | 3,763 | 177 | 2,130 | 81,373 | 4,633 | 1,514 | 6,147 | - | 87,520 | 106,719 |
| Telephone | 18,515 | 35 | 1,757 | 2,089 | 11,076 | 1,641 | 166 | 6,149 | 41,428 | 11,352 | 2,463 | 13,815 | - | 55,243 | 44,889 |
| Postage and printing | 4,683 | - | - | 165 | 833 | 230 | 29 | - | 5,940 | 3,793 | 13,717 | 17,510 | - | 23,450 | 31,900 |
| Occupancy | | | | | | | | | | | | | | | |
| Fuel and utilities | 83,729 | - | - | 2,596 | 35,333 | 1,831 | - | - | 123,489 | 11,587 | 2,241 | 13,828 | - | 137,317 | 111,752 |
| Repairs and maintenance | 46,698 | 2,740 | - | 139 | 24,036 | 4,756 | - | - | 78,369 | 11,782 | 1,791 | 13,573 | - | 91,942 | 118,828 |
| Rent and other | 1,312 | 51 | - | 65 | 525 | 178 | - | 2,988 | 5,119 | 1,766 | 343 | 2,109 | - | 7,228 | 7,219 |
| Equipment | 42,576 | 102 | 615 | 2,731 | 14,711 | 3,861 | 1,351 | 4,435 | 70,382 | 35,435 | 12,440 | 47,875 | - | 118,257 | 107,728 |
| Transportation | 7,595 | 44 | 5,969 | 259 | 3,544 | 717 | 52 | 4,593 | 22,773 | 245 | 168 | 413 | - | 23,186 | 41,461 |
| Conferences, conventions and meetings | 15,623 | - | 344 | 1,422 | 10,690 | 4,870 | 451 | - | 33,400 | 2,925 | 2,069 | 4,994 | - | 38,394 | 16,311 |
| Specific Assistance to Individuals | | | | | | | | | | | | | | | |
| Food | 171,246 | 37,590 | 863 | 19 | 29,251 | 20 | - | 2,082 | 241,071 | - | - | - | - | 241,071 | 249,758 |
| Contributed medical | - | - | - | 5,080 | 2,540 | 847 | - | - | 8,467 | - | - | - | - | 8,467 | 26,072 |
| Clothing, allowance and other | 152,221 | 33,684 | 21,947 | 10,419 | 76,660 | 10,139 | - | 737,360 | 1,042,430 | - | - | - | - | 1,042,430 | 862,669 |
| Contributed clothing and merchandise | 3,480 | - | - | - | - | - | - | - | 3,480 | 145 | - | 145 | - | 3,625 | 3,138 |
| Temporary help | - | - | - | - | - | - | - | - | - | 919 | - | 919 | - | 919 | 27,767 |
| Other purchased services | 41,611 | 1,170 | 1,140 | 410 | 15,313 | 3,343 | 329 | - | 63,316 | 17,175 | 4,768 | 21,943 | - | 85,259 | 191,704 |
| Dues, licenses and permits | 2,291 | 34 | 7 | 106 | 955 | 213 | - | - | 3,606 | 705 | 1,698 | 2,403 | - | 6,009 | 6,149 |
| Subscriptions and publications | 2,815 | - | 29 | 229 | 1,160 | 262 | 488 | - | 4,983 | 4,100 | 1,929 | 6,029 | - | 11,012 | 3,365 |
| Staff recruitment | 1,099 | - | 305 | 213 | 619 | 270 | 21 | - | 2,527 | 145 | 307 | 452 | - | 2,979 | 3,816 |
| Insurance | 47,666 | 161 | 4,375 | 3,065 | 20,853 | 5,001 | 117 | 7,437 | 88,675 | 10,191 | 2,118 | 12,309 | - | 100,984 | 84,767 |
| Contributed services | - | - | - | 148,601 | 74,301 | 24,767 | - | - | 247,669 | - | - | - | - | 247,669 | 294,042 |
| Miscellaneous | 5,989 | - | 393 | 165 | 1,786 | 1,288 | 66 | - | 9,687 | 2,740 | 934 | 3,674 | 84,265 | 97,626 | 13,497 |
| Bank charges and fees | 1,621 | - | - | 648 | 973 | - | - | - | 3,242 | 10,025 | 12,609 | 22,634 | - | 25,876 | 61,546 |
| Total Functional Expenses Before Depreciation and Amortization | 2,385,258 | 442,331 | 169,280 | 438,476 | 1,169,197 | 300,318 | 32,700 | 1,050,797 | 5,988,357 | 943,899 | 345,478 | 1,289,377 | 84,265 | 7,361,999 | 6,955,980 |
| Depreciation and amortization | 106,827 | 1,507 | 371 | 2,321 | 41,146 | 6,494 | 106 | 3,970 | 162,742 | 46,992 | 3,753 | 50,745 | - | 213,487 | 168,278 |
| Total Functional Expenses | 2,492,085 | 443,838 | 169,651 | 440,797 | 1,210,343 | 306,812 | 32,806 | 1,054,767 | 6,151,099 | 990,891 | 349,231 | 1,340,122 | 84,265 | 7,575,486 | 7,124,258 |
| Less cost of direct benefits to donors and job-training program costs | - | - | - | - | - | - | - | - | - | - | - | - | (84,265) | (84,265) | (122,136) |
| Total Expenses Reported by Function on the Statement of Activities | $ 2,492,085 | $ 443,838 | $ 169,651 | $ 440,797 | $ 1,210,343 | $ 306,812 | $ 32,806 | $ 1,054,767 | $ 6,151,099 | $ 990,891 | $ 349,231 | $ 1,340,122 | $ - | $ 7,491,221 | $ 7,002,121 |

See notes to consolidated financial statements

**Covenant House New Orleans**

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

| | 2021 | 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 2,128,365 | $ 1,185,209 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation and amortization | 213,487 | 168,278 |
| Discount on contributions | 1,739 | 2,758 |
| Forgiveness of long term debt - PPP Loan | (817,200) | - |
| Net unrealized and realized (gain) loss on investments | (925,480) | 52,821 |
| Net change in operating assets and liabilities | | |
| Grants receivable | 155,907 | (593,274) |
| Other receivables | (42,581) | (35,466) |
| Contributions receivable | (82,315) | 268,471 |
| Other assets | (28,405) | 971 |
| Due from Parent | (4,387) | - |
| Accounts payable, accrued expenses and refundable advances | 212,155 | 82,580 |
| Due to Parent | (39,707) | 30,877 |
| Net Cash from Operating Activities | 771,578 | 1,163,225 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Proceeds from sale of investments | 28,240 | 72,813 |
| Purchases of investments | (128,799) | (125,407) |
| Proceeds from sale of beneficial interest | 10,006 | 9,822 |
| Purchases of beneficial interest | (3,225) | (4,747) |
| Purchase of property and equipment | (368,663) | (405,451) |
| Proceeds from sale of property and equipment | 3,510 | - |
| Net Cash from Investing Activities | (458,931) | (452,970) |
| **CASH FLOWS FROM FINANCING ACTIVITY** | | |
| Proceeds from long term debt - PPP Loan | - | 817,200 |
| Change in Cash and Cash Equivalents | 312,647 | 1,527,455 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 2,760,566 | 1,233,111 |
| End of year | $ 3,073,213 | $ 2,760,566 |

See notes to consolidated financial statements

## 1. Organization and Nature of Activities

Covenant House New Orleans (the "Organization") is a not-for-profit organization which was incorporated on January 20, 1984. Covenant House (Parent) and affiliates (collectively, "Covenant House"), provided shelter, food, clothing, medical attention, 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 throughout the year, and 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 affiliates provided a total of nearly 690,000 nights of housing and safety for, on average, 1,883 youth each night.

In February 2004, Covenant Landscaping, LLC was formed to limit liability under the Organization's White Dove Landscaping program. Covenant House New Orleans is the sole member of Covenant Landscaping, LLC, which is considered a disregarded entity for tax purposes. Covenant Landscaping, LLC, otherwise known as White Dove Landscaping, provides the Organization with a landscaping and lawn maintenance business that serves as a job training program for at-risk youth.

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

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

## 1. Organization and Nature of Activities *(continued)*

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 not-for-profit affiliates:

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

Covenant House (Parent) is the founder of Fundación Casa Alianza México, I.A.P.

The Organization has been determined to be a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

### *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 experiencing homelessness or human trafficking through the Organization's program in New Orleans, Louisiana.

*Outreach*
The Organization's street outreach teams actively seek out young people experiencing homelessness who may need help. The team assists with critical safety needs by providing transportation to safe shelter. Young people living on the streets can receive food, water, hygiene kits, clothing, blankets, counseling, and referrals to services such as medical care, employment, and education services.

*Public Education and Prevention*
The Organization uses a variety of platforms to inform and educate the public, government officials, and young people about youth homelessness and human trafficking. The Organization employs websites, social media, public service announcements, billboards, newsletters, school-based programs, talks, lectures, and peer-to-peer events across our federation to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

## 1. Organization and Nature of Activities *(continued)*

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

### *Program Services (continued)*

*Young Families Program (formerly Mother/Child)*
The young families program provides emergency services, short and long-term housing, food, and medical and mental health care to pregnant and parenting youth and their children. The Organization program also offers young families access to free child care services, parenting support, and a full range of educational, vocational, and job placement services.

*Medical*
Includes medical facilities operated and maintained by certain Covenant House affiliates to provide immediate and ongoing medical attention to individuals receiving services at the site.

*Drop-in Services (formerly Community Service Center)*
Drop-in services are another form of outreach at the Organization. Youth in this program are not receiving residential services, but are provided access to nutritious meals, hot showers, hygiene products, laundry services, and new clothing and shoes. They can request and receive medical and mental health services, case management services, transitional and permanent housing assistance, and they may take part in education and employment program.

*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 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.

## 1. Organization and Nature of Activities *(continued)*

***Components of Program and Supporting Services (continued)***

***Supporting Services***

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

<u>*Fundraising*</u>
Development services relate to the activities of the development program in raising general and specific contributions.

<u>*Direct Benefit-to-Donor Costs and Job-Training Costs*</u>
Direct benefit-to-donor costs are costs incurred in conjunction with items such as meals and entertainment benefiting attendees of special events. Job-training costs are costs incurred for the White Dove Landscaping program.

## 2. Summary of Significant Accounting Policies

***Basis of Presentation and Use of Estimates***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

***Basis of Consolidation***

The consolidated financial statement include the accounts of the Organization and White Dove Landscaping. All intercompany balances and transactions have been eliminated in consolidation.

***Operating Measure***

The consolidated statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to program and supporting activities.

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

### *Net Asset Presentation*

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. This class also includes restricted gifts whose donor-imposed restrictions were met within the same year as the donated assets were received.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions are those resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations.

### *Revenue Recognition*

The Organization records earned revenues on an accrual basis. In addition, the Organization records as revenue the following types of contributions, when they are received unconditionally at their fair value: cash promises to give (contributions receivable), grants receivable (which includes governmental grants receivable). Multi-year pledges are recorded at present value based on the expected collection date using a risk-adjusted discount rate. Certain contributed services and gifts of other assets. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met. Grant revenue is recognized as services are performed or expenditures are incurred under the Organization's contracts with its clients and funders. Revenue from cost reimbursable grants is recorded to the extent expenses incurred applicable to the grant.

Contributions to the Organization are recorded as revenue upon the receipts of an unconditional pledge or of cash or other assets. Contributions are considered without donor restriction unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. The Organization records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization also raises funds through special events, such as sleep outs. Event revenues, net of related costs with a direct-benefit to donors, are recorded as without donor restricted contributions unless there are donor-imposed restrictions. Costs to generate donations and grants are expensed as incurred.

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

### *Functional Allocation of Expenses*

The costs of providing the various program and supporting services have been summarized on a functional basis. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocated direct costs to programs services. Supporting services include management and general and fundraising. Allocated expenses among program services, management and general and fundraising include salaries and related expenses, staff travel, consulting fees, occupancy, and other expenses which are allocated based on time and costs where efforts are made.

### *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 of Financial Instruments*

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 have the highest reliability and 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 inputs and are used to the extent that observable inputs do not exist.

### *Investment Valuation and Income Recognition*

Investments are carried at fair value in the consolidated statement of financial position. Interest, dividends, realized and unrealized gains and losses on the sale of investments are included in the consolidated statement of activities. 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.

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

### *Beneficial Interest in Assets Held by Others*

During fiscal year 2005, the Organization transferred $250,000 of its cash reserves to four foundations to establish endowment funds. The agreement with each foundation designated the Organization as beneficiary and states that the transfer is irrevocable and that transferred assets will not be returned. The Organization values these investments based on quarterly statements received from the respective foundations. In addition, the foundations will make annual distributions of the income earned on the endowment funds, subject to their respective spending policies. The agreements also grant variance power, that is, permit each foundation to substitute another beneficiary, if the Organization ceases to exist, or the foundation's governing board votes that supporting the Organization is no longer necessary or is inconsistent with the needs of the community. The Organization recognized the transfer as reciprocal, and therefore not a contribution, but as a beneficial interest in assets held by others and a component of its board designated endowment.

### *Property and Equipment*

The Organization follows the practice of capitalizing all expenditures for property, building and equipment with a cost in excess of $500. Property and equipment are reported at cost at the date of acquisition or at fair value at the date of donation. Building improvements are capitalized, whereas minor costs of repairs and maintenance are expensed as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 33 years. Leasehold improvements are amortized on the straight-line basis over the lesser of the term of the lease or their estimated useful lives.

### *Contributions and Pledges Receivable*

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for general use, unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

The Organization has been named the beneficiary and owner of a $75,000 life insurance policy which has a cash surrender value. The policy is recognized at net present value and is included in contributions receivable in the accompanying consolidated statement of financial position. The cash surrender value of approximately $31,000 and $29,000 at June 30, 2021 and 2020 is included in other assets.

## 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 customers or donors to make required payments. Such allowances are based upon several factors including, but not limited to, historical experience and the financial condition of the customer or donor. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management's expected collectability.

### *Donated Goods and Services*

Donated goods consist of items received by the Organization and awarded as prizes during the auctions held in relation to special events. These amounts are recorded as both revenue and expense at their estimated fair values at the date of receipt. The Organization recognizes the fair value of donated 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 consolidated financial statements.

### *Impairment of Long-Lived Assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no such impairment for the years ended June 30, 2021 and 2020.

### *Prior Year Summarized Comparative Information*

Information as of and for the year ended June 30, 2020 is presented for comparative purposes only. Certain activity by net asset classification is not included in these consolidated financial statements. Accordingly, 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 consolidated financial statements as of and for the year ended June 30, 2020, from which the summarized comparative information was derived.

### *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.

## 3. Receivables

### *Grants Receivable*

All grants receivable as of June 30, 2021 are expected to be collected within one year.

### *Contributions Receivable*

Contributions receivable primarily consist of promises to give related to the Organization's Transitional Living - Rights of Passage Program and a life insurance policy. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 6% as of June 30, 2021 and 2020. Contributions receivable as of June 30, are due as follows:

| | 2021 | 2020 |
|---|---|---|
| Within one year | $ 134,374 | $ 55,537 |
| More than five years | 115,000 | 115,000 |
| | 249,374 | 170,537 |
| Discount to present value | (52,226) | (53,965) |
| | $ 197,148 | $ 116,572 |

### *Other Receivables*

Other receivables primarily include the White Dove Landscaping training program sales and/or services, net of allowances for doubtful accounts as of June 30, as follows:

| | 2021 | 2020 |
|---|---|---|
| White Dove Landscaping | $ - | $ 70,886 |
| Other | 121,727 | 9,060 |
| | 121,727 | 79,946 |
| Allowance for doubtful accounts | - | (800) |
| | $ 121,727 | $ 79,146 |

As of June 30, 2021 and 2020, 100% and 96% of other receivables are from one customer.

## 4. Fair Value of Investments

The following are major categories of investments and beneficial interest in assets held by others measured at fair value as of June 30, categorized by the fair value hierarchy:

| | 2021 | | |
|---|---|---|---|
| | Level 2 | Level 3 | Total |
| Affiliated pooled investments | $ 3,740,027 | $ - | $ 3,740,027 |
| Investment cash, at cost | | | 60,228 |
| Total Investments | | | 3,800,255 |
| Beneficial Interest in Assets Held by Others | | | |
| Greater New Orleans Foundation | - | 289,753 | 289,753 |
| Jewish New Orleans Foundation | - | 60,115 | 60,115 |
| The Catholic Foundation | - | 61,784 | 61,784 |
| Baton Rouge Area Foundation | - | 44,189 | 44,189 |
| Total Beneficial Interest in Assets Held by Others | - | 455,841 | 455,841 |
| Total Investments and Beneficial Interest in Assets Held by Others | $ 3,740,027 | $ 455,841 | $ 4,256,096 |

| | 2020 | | |
|---|---|---|---|
| | Level 2 | Level 3 | Total |
| Affiliated pooled investments | $ 2,831,149 | $ - | $ 2,831,149 |
| Investment cash, at cost | | | 32,158 |
| Total Investments | | | 2,863,307 |
| Beneficial Interest in Assets Held by Others | | | |
| Greater New Orleans Foundation | - | 239,957 | 239,957 |
| Jewish New Orleans Foundation | - | 47,430 | 47,430 |
| The Catholic Foundation | - | 49,420 | 49,420 |
| Baton Rouge Area Foundation | - | 36,724 | 36,724 |
| Total Beneficial Interest in Assets Held by Others | - | 373,531 | 373,531 |
| Total Investments and Beneficial Interest in Assets Held by Others | $ 2,831,149 | $ 373,531 | $ 3,236,838 |

## 4. Fair Value of Investments *(continued)*

The following table summarizes the changes in financial assets measured on a recurring basis at fair value using Level 3 inputs for the years ended June 30:

| | 2021 | 2020 |
|---|---|---|
| Balance, beginning of year | $ 373,531 | $ 378,606 |
| Purchases | 3,225 | 4,747 |
| Sales | (10,006) | (9,822) |
| Realized gain | 13,209 | 3,349 |
| Unrealized gain (loss) | 75,882 | (3,349) |
| Balance, end of year | $ 455,841 | $ 373,531 |

## 5. Property and Equipment

Property and equipment consists of the following as of June 30:

| | 2021 | 2020 |
|---|---|---|
| Land | $ 1,527,418 | $ 1,527,418 |
| Buildings | 992,262 | 992,262 |
| Building improvements | 1,369,705 | 1,152,519 |
| Equipment | 2,177,672 | 2,029,705 |
| | 6,067,057 | 5,701,904 |
| Accumulated depreciation and amortization | (2,765,894) | (2,552,407) |
| | $ 3,301,163 | $ 3,149,497 |

## 6. PPP Forgivable Loan

On April 23, 2020, the Organization received loan proceeds in the amount of $817,200 under the Paycheck Protection Program (the “PPP”). The PPP loan, 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. On June 10, 2021, the PPP loan was forgiven in full by the United States Small Business Administration (“SBA”) and is included in non-operating activities in the accompanying 2021 consolidated statement of activities as forgiveness of long term debt - PPP loan.

## 7. Commitments and Contingencies

***Leases***

The Organization has entered into various noncancelable operating leases used in the daily operations of the business. These leases expire at various dates through October 2028. Rental expenses under all operating leases amounted to $20,211 and $19,181 for the years ended June 30, 2021 and 2020.

Future minimum annual lease payments at June 30, 2021 for the years ending June 30 are payable as follows:

| | |
|---|---|
| 2022 | $ 16,009 |
| 2023 | 11,396 |
| 2024 | 1,011 |
| 2025 | 1,011 |
| 2026 | 1,011 |
| Thereafter | 12,461 |
| | $ 42,899 |

***Government Grants***

In accordance with the terms of certain government grants, the records of the Organization are subject to audit for varying periods after the date of final payment of the grants. The Organization is liable for any disallowed costs; however, management believes all costs to be allowable. Government grants and contracts totaled $2,576,269 and $2,184,556 for the years ended June 30, 2021 and 2020.

## 8. Related Party Transactions

Covenant House (Parent) provides financial support as well as management and organizational support for its affiliated organizations. Covenant House (Parent) conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give totaled approximately $84 million and $88 million for Covenant House (Parent) in the years ended June 30, 2021 and 2020. Contributions received from Covenant House (Parent) are generally not specifically restricted by donors to specific affiliates.

Covenant House (Parent) combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as “Branding Dollars” or “Contributions Received from Parent” to each Covenant House affiliate. Total funds allocated to affiliates, based on Covenant House (Parent’s) policy, approximated $36 million and $38 million for the years ended June 30, 2021 and 2020. For the years ended June 30, 2021 and 2020, the Organization received $1,208,153 and $1,433,494 and in contributions from Covenant House (Parent). For the years ended June 30, 2021 and 2020, Covenant House (Parent) granted funds related to Sleep Out events to the Organization totaling $276,347 and $413,332.

## 9. Contributed Services and Merchandise

The Organization recognizes contribution revenue for certain services and merchandise received at fair value. Contributed clinical services by internists, pediatricians, nurse practitioners, registered nurses and intake staff for the years ended June 30 are as follows:

| | 2021 | 2020 |
|---|---|---|
| Medical | $ 153,681 | $ 190,303 |
| Drop-In Services | 25,614 | 32,891 |
| Transitional Living - Rights of Passage | 76,841 | 95,708 |
| Management and General | 145 | - |
| Merchandise and Services | 3,480 | 4,235 |
| | $ 259,761 | $ 323,137 |

## 10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of purpose restricted contributions as follows:

| | 2021 | 2020 |
|---|---|---|
| Program core support | $ 1,310,455 | $ 1,717,055 |
| Other programs | 28,184 | 24,979 |
| | $ 1,338,639 | $ 1,742,034 |

Net assets released from restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, are as follows:

| | 2021 | 2020 |
|---|---|---|
| Program core support | $ 686,110 | $ 308,910 |

## 11. Board Designated Endowment Funds

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence or donor-imposed restrictions. The Organization's endowment funds have not been donor-restricted for specific programs and are expendable for any purpose following board appropriation subject to a standard of prudence.

During fiscal year 2014, the Organization agreed to pool a significant portion of its board designated reserves with that of Covenant House (Parent) and its investment advisor to garner greater returns through economies of scale.

During 2010 the State of Louisiana adopted its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs endowment spending of charitable institutions. The Organization classifies donor-restricted endowment funds as with donor restricted net assets, unless otherwise stipulated by the donor. Board designated or net assets held in perpetuity represent (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the 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. According to UPMIFA, the ordinary income of an endowed fund may be distributed annually. While UPMIFA does not place limitations on what can be distributed when market conditions are favorable, it does limit what can be distributed if the current value is near or below the Historical Dollar Value – defined as the aggregate of original, subsequent and accumulation contributions. In utilizing the appreciation in value of the endowments for distributions, the Organization follows the provisions of the Louisiana Uniform Prudent Management of Institutional Funds Act ("LUPMIFA") of 2010.

In accordance with LUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted or board designated endowment funds – the purpose, duration, and preservation of the endowment fund; expected total return on investments; general economic conditions; the possible effects of inflation and deflation; other resources, and the investment policy of the Organization.

The Organization has adopted investment management and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to its activities while seeking to maintain the purchasing power of the endowment assets. The Organization's primary investment objectives are to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

## 11. Board Designated Endowment Funds *(continued)*

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy that achieves a return through a combination of current income and capital appreciation, without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The Organization believes that the decision to pool its investments with Covenant House (Parent) meets its long-term investment objectives.

Changes in net assets for the Organization's board designated endowment funds for the years ended June 30, are as follows:

| | 2021 | 2020 |
|---|---|---|
| Balance, beginning of year | $ 3,204,673 | $ 3,192,648 |
| Investment income | 74,964 | 77,284 |
| Net realized and unrealized appreciation (depreciation) | 928,854 | (52,964) |
| Appropriation for expenditures | (10,006) | (9,868) |
| Fees | (2,617) | (2,427) |
| Balance, end of year | $ 4,195,868 | $ 3,204,673 |

## 12. Pension Plans

Effective January 1, 2007, Covenant House (Parent) adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation and are determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was $133,496 and $122,387 for the years ended June 30, 2021 and 2020.

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by Covenant House (Parent) covering substantially all of the employees of Covenant House (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 Covenant House (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), Covenant House (Parent) is responsible for maintaining an annual minimum funding requirement that is reported and paid by Covenant House (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. For the years ended June 30, 2021 and 2020, the Organization contributed $149,253 and $223,684 for its allocable share of Covenant House (Parent's) minimum funding requirement, which is included in employee benefits on the consolidated statement of functional expenses.

## 13. Concentration of Credit Risks

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables from contracts. Investments and cash are managed within guidelines established by the Board of Directors. As of June 30, 2021, all investments were maintained by large financial institutions. The Organization maintains its cash with established commercial banks. At times, the cash balances exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. Concentrations of credit risk with respect to receivables are limited due to the fact that receivables are due from a number of donors and grant agencies.

## 14. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

| | 2021 | 2020 |
|---|---|---|
| Cash and cash equivalents | $ 3,073,213 | $ 2,760,566 |
| Grants receivable | 889,283 | 1,045,190 |
| Contributions receivable, net | 197,148 | 116,572 |
| Other receivables, net | 121,727 | 79,146 |
| Investments | 3,800,255 | 2,863,307 |
| Beneficial interest in assets held by others | 455,841 | 373,531 |
| Total Financial Assets | 8,537,467 | 7,238,312 |
| Less: Contractual or donor imposed restricted amounts | | |
| Amounts restricted for purpose and time by donors | (1,338,639) | (1,742,034) |
| Board designated funds | (4,195,868) | (3,204,678) |
| | (5,534,507) | (4,946,712) |
| Financial Assets Available to Meet General Expenditures over the Next Twelve Months | $ 3,002,960 | $ 2,291,600 |

As part of the Organization's liquidity management strategy, management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions and grant income.

## 15. Risks and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining a PPP loan under the CARES Act as detailed in Note 6, 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.

## 16. Subsequent Events

The Organization has evaluated events through March 25, 2022, the date these consolidated financial statements were available to be issued and has determined that, other than what is disclosed here-in, there are no subsequent events or transactions requiring recognition or disclosure in the consolidated financial statements.

* * * * *

# Covenant House New Orleans

Supplementary Information

Year Ended June 30, 2021

**Covenant House New Orleans**

Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2021

**Agency Head Name:** James Kelly

| Purpose | Amount |
|---|---|
| Salary | $51,686 |
| Benefits-insurance | 14,152 |
| Benefits-retirement | 4,436 |
| Benefits-others | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| | $70,274 |

See independent auditors' report

**Covenant House New Orleans**

Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2021

**Agency Head Name:** Rheneisha Robertson

| Purpose | Amount |
|---|---|
| Salary | $65,145 |
| Benefits-insurance | 4,223 |
| Benefits-retirement | 2,164 |
| Benefits-others | - |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | - |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| | $71,532 |

See independent auditors' report

# Covenant House New Orleans

Uniform Guidance Schedules and Reports

Year Ended June 30, 2021

**Covenant House New Orleans**

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| U.S. Department of Housing and Urban Development | | | | |
| Pass-Through City of New Orleans | | | | |
| Emergency Solutions Grant Program | 14.231 | ESG-034D | $ - | $ 87,148 |
| Emergency Solutions Grant Program | 14.231 | ESG-033D | - | 54,240 |
| Pass-Through UNITY for the Homeless, Inc. | | | | |
| Continuum of Care Program | 14.267 | LA0273L6H031903 | - | 33,428 |
| Continuum of Care Program | 14.267 | LA0278L6H031903 | - | 149,964 |
| Continuum of Care Program | 14.267 | LA0230L6H031802 | - | 49,262 |
| Continuum of Care Program | 14.267 | LA0319D6H031901 | - | 199,008 |
| Continuum of Care Program | 14.267 | LA0319D6H031800 | - | 79,216 |
| Continuum of Care Program | 14.267 | LA0077L6H031912 | - | 71,097 |
| Continuum of Care Program | 14.267 | LA0077L6H031811 | - | 23,553 |
| Continuum of Care Program | 14.267 | LA0086L6H031912 | - | 85,302 |
| Total U.S. Department of Housing and Urban Development | | | - | 832,218 |
| U.S. Department of Agriculture | | | | |
| Direct Program | | | | |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | | - | 442,559 |
| Pass-Through Louisiana Department of Education | | | | |
| School Breakfast Program | 10.553 | 7547 | - | 34,669 |
| Total U.S. Department of Agriculture | | | - | 477,228 |
| U.S. Department of Homeland Security | | | | |
| Pass-Through United Way | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | 38-3658-024 | - | 10,000 |
| Total U.S. Department of Homeleand Security | | | - | 10,000 |
| U.S. Department of Justice | | | | |
| Direct Program | | | | |
| Services for Trafficking Victims | 16.320 | | - | 250,419 |
| Pass-Through Louisiana Commission on Law Enforcement and Administration of Criminal Justice | | | | |
| Crime Victim Assistance | 16.575 | 2018-VA-01/02/03/04-5445 | - | 245,866 |
| Crime Victim Assistance | 16.575 | 2018-VA-01/02/03/04-4874 | - | 44,488 |
| Pass-Through Jefferson Parish Sheriff Office | | | | |
| Services for Trafficking Victims | 16.320 | 2018-VT-BX-K087 | - | 27,148 |
| Total U.S. Department of Justice | | | - | 567,921 |
| U.S. Department of Health and Human Services | | | | |
| Direct Programs | | | | |
| Transitional Living for Homeless Youth | 93.550 | | - | 513,313 |
| Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth | 93.557 | | - | 122,557 |
| Total U.S. Department of Health and Human Services | | | - | 635,870 |
| Total Expenditures of Federal Awards | | | $ - | $ 2,523,237 |

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

## 1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Covenant House New Orleans (the “Organization”) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

## 2. Summary of Significant Accounting Policies

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

## 3. Non-Cash Awards

For the year ended June 30, 2021, the Organization did not have or receive any non-cash awards, mortgages, or loan funds that should be included in the federal expenditures presented in this Schedule.

## 4. Indirect Cost Rate

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

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

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

### Independent Auditors' Report

**Board of Directors**
**Covenant House New Orleans**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Covenant House New Orleans (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 25, 2022.

### Internal Control Over Financial Reporting

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

PKF O'Connor Davies, LLP

March 25, 2022

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

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

**Independent Auditors' Report**

**Board of Directors**
**Covenant House New Orleans**

## Report on Compliance for Each Major Federal Program

We have audited Covenant House New Orleans' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

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

### *Auditors' Responsibility*

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

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

### *Opinion on Each Major Federal Program*

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

**Report on Internal Control Over Compliance**

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

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

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

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

PKF O'Connor Davies, LLP

March 25, 2022

**Covenant House New Orleans**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

## Section I - Summary of Auditors' Results

### *Financial Statements*

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

### *Federal Awards*

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

Identification of major federal programs:

| Federal Assistance Listing Number | Name of Federal Program or Cluster |
|---|---|
| 14.267 | Continuum of Care Program |

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

## Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2021.

## Section III - Federal Award Findings and Questioned Costs

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

## Section IV – Prior Year Audit Findings

There were no findings in the prior year.