

Covenant House New Orleans

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

June 30, 2020

Covenant House New Orleans

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

June 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-23
SUPPLEMENTARY INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer	24
UNIFORM GUIDANCE SCHEDULES AND REPORTS	
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	
Schedule of Findings and Questioned Costs	31

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, 2020, 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Covenant House New Orleans' June 30, 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 5, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent in all material respects, with the audited 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 Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Director, on page 24 is 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 25 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 3, 2021 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 3, 2021

Covenant House New Orleans

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

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,760,566	\$ 1,233,111
Grants receivable	1,045,190	451,916
Contributions receivable, net	116,572	387,801
Other receivables, net	79,146	43,680
Other assets	87,620	88,591
Investments	2,863,307	2,863,534
Property and equipment, net	3,149,497	2,912,324
Beneficial interest in assets held by others	373,531	378,606
	\$ 10,475,429	\$ 8,359,563
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	\$ 791,372	\$ 708,792
Long term debt - PPP Loan	817,200	-
Due to Parent	39,707	8,830
Total Liabilities	1,648,279	717,622
Net Assets		
Without donor restrictions	7,085,116	6,644,156
With donor restrictions	1,742,034	997,785
Total Net Assets	8,827,150	7,641,941
	\$ 10,475,429	\$ 8,359,563

See notes to consolidated financial statements

Covenant House New Orleans

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

	2020			Total 2019
	Without Donor Restrictions	With Donor Restrictions	Total	
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions from individuals, foundations and corporations, including legacies and bequests	\$ 2,371,288	\$ 1,102,885	\$ 3,474,173	2,749,486
Contributed services and merchandise	323,137	-	323,137	229,612
Government grants and contracts	2,184,556	-	2,184,556	1,625,358
Support from Parent	1,433,494	-	1,433,494	1,510,000
Support from Parent related to National Sleep Out Event	413,332	-	413,332	355,008
Special events revenue, net of direct benefits to donors of \$38,649 and \$37,677	236,598	-	236,598	193,182
Total Contributions, Revenue and Other Support	6,962,405	1,102,885	8,065,290	6,662,646
INVESTMENT AND OTHER INCOME				
Investment Income				
Interest and dividends	77,362	-	77,362	75,993
Net unrealized (loss) gain on investments	(60,895)	-	(60,895)	54,692
Net realized gains on investments	8,074	-	8,074	12,639
Job-training program revenue, net of costs of \$83,487 and \$104,916	60,541	-	60,541	72,249
Other income	36,958	-	36,958	53,746
Total Investment and Other Income	122,040	-	122,040	269,319
Total Contributions, Revenue and Other Support and Investment and Other Income	7,084,445	1,102,885	8,187,330	6,931,965
Net assets released from restrictions	358,636	(358,636)	-	-
Total Contributions, Revenue and Other Support and Investment and Other Income and Releases from Restrictions	7,443,081	744,249	8,187,330	6,931,965
EXPENSES				
Program services	5,766,758	-	5,766,758	5,137,658
Supporting Services				
Management and general	945,515	-	945,515	773,818
Fundraising	289,848	-	289,848	264,204
Total Supporting Services	1,235,363	-	1,235,363	1,038,022
Total Expenses	7,002,121	-	7,002,121	6,175,680
Change in Net Assets	440,960	744,249	1,185,209	756,285
NET ASSETS				
Beginning of year	6,644,156	997,785	7,641,941	6,885,656
End of year	\$ 7,085,116	\$ 1,742,034	\$ 8,827,150	\$ 7,641,941

See notes to consolidated financial statements

Covenant House New Orleans

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

	Program Services							Supporting Services				Cost of Direct Benefits to Donors	Total	
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Community Service Center	Public Education	Rights of Passage/In-School	Total Program Services	Management and General	Fundraising	Total Supporting Services		2020	2019
Salaries and wages	\$ 1,138,014	\$ 121,547	\$ 270,044	\$ 136,073	\$ 189,790	\$ 20,026	\$ 584,906	\$ 2,460,400	\$ 490,131	\$ 162,785	\$ 652,916	\$ -	\$ 3,113,316	\$ 2,807,548
Payroll taxes	89,139	9,525	21,165	10,777	15,222	1,482	47,124	194,444	37,038	12,581	49,619	-	244,063	217,872
Employee benefits	343,778	38,328	81,556	31,836	61,992	6,524	160,536	724,550	162,255	40,290	202,545	-	927,095	698,701
Total Salaries and Related Expenses	1,570,931	169,400	372,765	178,686	267,004	28,042	792,566	3,379,394	689,424	215,656	905,080	-	4,284,474	3,724,121
Accounting fees	-	-	-	-	-	-	-	-	44,950	-	44,950	-	44,950	45,000
Legal fees	1,189	-	279	122	122	-	734	2,446	-	-	-	-	2,446	2,148
Medical fees	-	-	-	7,984	1,331	-	3,992	13,307	-	-	-	-	13,307	33,780
Consulting fees	28,264	1,650	6,630	4,288	112,178	4,305	18,275	175,590	11,633	8,483	20,116	-	195,706	234,193
Supplies	46,482	1,939	11,476	9,885	5,747	12	21,631	97,172	6,941	2,606	9,547	-	106,719	84,980
Telephone	12,337	1,854	2,951	1,493	4,320	85	10,820	33,860	9,117	1,912	11,029	-	44,889	35,453
Postage and printing	4,186	81	984	359	287	4,358	3,076	13,341	2,689	15,870	18,559	-	31,900	25,666
Occupancy														
Fuel and utilities	51,898	-	12,174	1,816	6,905	-	27,659	100,452	9,469	1,831	11,300	-	111,752	159,953
Repairs and maintenance	53,044	-	15,932	20	5,668	-	31,916	108,580	10,819	1,429	12,248	-	118,828	123,431
Rent and other	1,060	-	299	65	177	-	3,511	5,112	1,764	343	2,107	-	7,219	45,442
Equipment	33,336	511	7,986	1,507	2,723	543	14,548	61,154	37,490	9,084	46,574	-	107,728	109,974
Transportation	13,487	7,591	3,416	606	2,545	809	9,162	37,416	1,759	2,286	4,045	-	41,461	59,674
Conferences, conventions and meetings	4,819	237	1,130	1,736	914	317	3,574	12,727	1,396	2,188	3,584	-	16,311	21,978
Specific Assistance to Individuals														
Food	171,621	4,282	40,257	51	4,395	-	29,172	249,758	-	-	-	-	249,758	199,655
Contributed medical	-	-	-	15,643	2,607	-	7,822	26,072	-	-	-	-	26,072	16,126
Clothing, allowance and other	100,808	31,445	23,707	5,462	459,774	-	240,538	861,734	244	691	935	-	862,669	656,589
Contributed clothing and merchandise	2,440	-	572	-	-	-	-	3,012	126	-	126	-	3,138	3,744
Temporary help	-	-	-	-	-	-	-	-	27,767	-	27,767	-	27,767	271
Other purchased services	40,524	1,376	11,124	398	4,296	16	17,187	74,921	25,118	8,178	33,296	83,487	191,704	103,944
Dues, licenses and permits	1,799	86	494	106	255	-	1,114	3,854	454	1,841	2,295	-	6,149	5,981
Subscriptions and publications	896	25	210	138	77	540	530	2,416	295	654	949	-	3,365	3,090
Staff recruitment	1,196	95	292	324	337	-	679	2,923	160	733	893	-	3,816	2,477
Insurance	31,823	3,759	7,611	1,853	9,259	101	20,133	74,539	8,466	1,762	10,228	-	84,767	82,255
Contributed services	982	-	230	174,660	30,284	-	87,886	294,042	-	-	-	-	294,042	209,628
Miscellaneous	5,841	668	1,385	197	-	49	2,221	10,359	2,340	798	3,138	-	13,497	63,972
Bank charges and fees	1,217	-	286	601	-	-	902	3,006	9,236	10,655	19,891	38,649	61,546	21,130
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	275
Total Functional Expenses Before Depreciation and Amortization	2,180,190	224,977	522,190	408,000	921,205	38,977	1,349,648	5,645,187	901,657	287,000	1,188,657	122,136	6,955,980	6,074,930
Depreciation and amortization	69,334	375	17,627	1,192	8,005	-	25,039	121,572	43,858	2,848	46,706	-	188,278	138,427
Total Functional Expenses	2,249,524	225,352	539,817	409,192	929,210	38,977	1,374,687	5,766,759	945,515	289,848	1,235,363	122,136	7,124,258	6,213,357
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(122,136)	(122,136)	(37,677)
Total Expenses Reported by Function on the Statement of Activities	\$ 2,249,524	\$ 225,352	\$ 539,815	\$ 409,192	\$ 929,210	\$ 38,977	\$ 1,374,687	\$ 5,766,759	\$ 945,515	\$ 289,848	\$ 1,235,363	\$ -	\$ 7,002,121	\$ 6,175,680

See notes to consolidated financial statements

Covenant House New Orleans

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

	Program Services							Supporting Services				Total		
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Community Service Center	Public Education	Rights of Passage/In-School	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits to Donors	2020	2019
Salaries and wages	\$ 1,138,014	\$ 121,547	\$ 270,044	\$ 136,073	\$ 189,790	\$ 20,026	\$ 584,906	\$ 2,460,400	\$ 490,131	\$ 162,785	\$ 652,916	\$ -	\$ 3,113,316	\$ 2,807,548
Payroll taxes	89,139	9,525	21,165	10,777	15,222	1,482	47,124	194,444	37,038	12,581	49,619	-	244,063	217,872
Employee benefits	343,778	38,328	81,556	31,836	61,992	6,524	160,536	724,550	162,255	40,290	202,545	-	927,095	698,701
Total Salaries and Related Expenses	1,570,931	169,400	372,765	178,686	267,004	28,042	792,566	3,379,394	689,424	215,656	905,080	-	4,284,474	3,724,121
Accounting fees	-	-	-	-	-	-	-	-	44,950	-	44,950	-	44,950	45,000
Legal fees	1,189	-	279	122	122	-	734	2,446	-	-	-	-	2,446	2,148
Medical fees	-	-	-	7,984	1,331	-	3,992	13,307	-	-	-	-	13,307	33,780
Consulting fees	28,264	1,650	6,630	4,288	112,178	4,305	18,275	175,590	11,633	8,483	20,116	-	195,706	234,193
Supplies	46,482	1,939	11,476	9,885	5,747	12	21,631	97,172	6,941	2,606	9,547	-	106,719	84,980
Telephone	12,337	1,854	2,951	1,493	4,320	85	10,820	33,860	9,117	1,912	11,029	-	44,889	35,453
Postage and printing	4,186	81	984	359	287	4,358	3,076	13,341	2,689	15,870	18,559	-	31,900	25,666
Occupancy														
Fuel and utilities	51,898	-	12,174	1,816	6,905	-	27,659	100,452	9,469	1,831	11,300	-	111,752	159,953
Repairs and maintenance	53,044	-	15,932	20	5,668	-	31,916	108,580	10,819	1,429	12,248	-	118,828	123,431
Rent and other	1,060	-	299	65	177	-	3,511	5,112	1,764	343	2,107	-	7,219	45,442
Equipment	33,336	511	7,986	1,507	2,723	543	14,548	61,154	37,490	9,084	46,574	-	107,728	109,974
Transportation	13,487	7,591	3,416	606	2,545	809	9,162	37,416	1,759	2,286	4,045	-	41,461	59,674
Conferences, conventions and meetings	4,819	237	1,130	1,736	914	317	3,574	12,727	1,396	2,188	3,584	-	16,311	21,978
Specific Assistance to Individuals														
Food	171,621	4,282	40,257	51	4,395	-	29,172	249,758	-	-	-	-	249,758	199,655
Contributed medical	-	-	-	15,643	2,607	-	7,822	26,072	-	-	-	-	26,072	16,126
Clothing, allowance and other	100,808	31,445	23,707	5,462	459,774	-	240,538	861,734	244	691	935	-	862,669	656,589
Contributed clothing and merchandise	2,440	-	572	-	-	-	-	3,012	126	-	126	-	3,138	3,744
Temporary help	-	-	-	-	-	-	-	-	27,767	-	27,767	-	27,767	271
Other purchased services	40,524	1,376	11,124	398	4,296	16	17,187	74,921	25,118	8,178	33,296	83,487	191,704	103,944
Dues, licenses and permits	1,799	86	494	106	255	-	1,114	3,854	454	1,841	2,295	-	6,149	5,981
Subscriptions and publications	896	25	210	138	77	540	530	2,416	295	654	949	-	3,365	3,090
Staff recruitment	1,196	95	292	324	337	-	679	2,923	160	733	893	-	3,816	2,477
Insurance	31,823	3,759	7,611	1,853	9,259	101	20,133	74,539	8,466	1,762	10,228	-	84,767	82,255
Contributed services	982	-	230	174,660	30,284	-	87,886	294,042	-	-	-	-	294,042	209,628
Miscellaneous	5,841	668	1,385	197	-	49	2,221	10,359	2,340	798	3,138	-	13,497	63,972
Bank charges and fees	1,217	-	286	601	-	-	902	3,006	9,236	10,655	19,891	38,649	61,546	21,130
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	275
Total Functional Expenses Before Depreciation and Amortization	2,180,190	224,977	522,190	408,000	921,205	38,977	1,349,648	5,645,187	901,657	287,000	1,188,657	122,136	6,955,980	6,074,930
Depreciation and amortization	69,334	375	17,627	1,192	8,005	-	25,039	121,572	43,858	2,848	46,706	-	188,278	138,427
Total Functional Expenses	2,249,524	225,352	539,817	409,192	929,210	38,977	1,374,687	5,766,759	945,515	289,848	1,235,363	122,136	7,124,258	6,213,357
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(122,136)	(122,136)	(37,677)
Total Expenses Reported by Function on the Statement of Activities	\$ 2,249,524	\$ 225,352	\$ 539,815	\$ 409,192	\$ 929,210	\$ 38,977	\$ 1,374,687	\$ 5,766,759	\$ 945,515	\$ 289,848	\$ 1,235,363	\$ -	\$ 7,002,121	\$ 6,175,680

See notes to consolidated financial statements

Covenant House New Orleans

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

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,185,209	\$ 756,285
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	168,278	138,427
Net unrealized and realized loss (gain) on investments	52,821	(67,331)
Loss on sale of property and equipment	-	3,934
Net change in operating assets and liabilities		
Grants receivable	(593,274)	(36,988)
Other receivables	(35,466)	86,678
Contributions receivable	271,229	(345,148)
Other assets	971	(3,437)
Accounts payable, accrued expenses and refundable advances	82,580	114,914
Due to Parent	30,877	(4,342)
Net Cash from Operating Activities	1,163,225	642,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	72,813	77,243
Purchases of investments	(125,407)	(165,392)
Proceeds from sale of beneficial interest	9,822	19,095
Purchases of beneficial interest	(4,747)	(2,468)
Purchase of property and equipment	(405,451)	(309,576)
Proceeds from sale of property and equipment	-	12,402
Net Cash from Investing Activities	(452,970)	(368,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term debt - PPP Loan	817,200	-
Change in Cash and Cash Equivalents	1,527,455	274,296
CASH AND CASH EQUIVALENTS		
Beginning of year	1,233,111	958,815
End of year	\$ 2,760,566	\$ 1,233,111

See notes to consolidated financial statements

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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, crisis intervention, public education, prevention, and other services that reached approximately 50,000 and 74,000 young people during fiscal 2020 and 2019.

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.

CHNO is affiliated with the following not-for-profit organizations through common control.

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

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

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

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

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

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2020

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

Components of Program and Supporting Services

Program Services

Shelter and Crisis Care

The Shelter and Crisis Care program provides shelter, food, clothing, counseling, cash management, physical and behavioral health, job readiness and placement to runaway homeless and at-risk youth, 22 and under.

Outreach

The Outreach program is an effort to reach youths who would otherwise not find their way to the Crisis Center. Outreach teams cruise the city streets, searching for these youths and providing them with food, a trained counselor and a safe ride to shelter.

Mother/Child

The Mother/Child program provides emergency shelter, food and counseling to homeless mothers (22 and under) and their children.

Medical

Medical includes basic medical services, referrals, HIV testing, mental health and counseling.

Community Service Center

The Community Service Center provides comprehensive services to former Covenant House youth, and other youths in the community who need support to maintain themselves in stable living situations. Within this program, the Organization also provides counseling and intervention services, and work-related instruction and experience through the White Dove Landscaping program. The Organization's partners in service include Tulane Medical Center's Adolescent drop-in clinic and Catholic Charities Archdiocese of New Orleans Head Start Program.

Public Education

The Public Education program informs and educates the public on how to identify potential "runaway" and "throwaway" adolescents, the public and private resources available to help such adolescents before they leave home and the public support services available to these families to improve their home environment.

Rights of Passage/In-School

The Rights of Passage program provides transitional living services to youths for up to 24 months, including individual counseling and help with their education and finding jobs and ultimately long term housing.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2020

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

Components of Program 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

Development services relate to the activities of the development program in raising general and specific contributions.

Direct Benefit-to-Donor Costs

Direct benefit-to-donor are costs incurred in conjunction with items such as meals and entertainment benefiting attendees of special events.

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.

New Accounting Pronouncements

Revenue from Contracts with Customers

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

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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

New Accounting Pronouncements (continued)

Revenue from Contracts with Customers (continued)

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

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

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

Recognition of Contributions

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

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 received the donated assets for either specified or unspecified purposes.

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2020

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

Net Asset Presentation (continued)

The Organization reports gift of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

Revenue Recognition

Revenue is recognized as services are performed or expenditures are incurred under the Organization's contracts with its clients and funders.

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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

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.

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2020

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

Contributions and Pledges Receivable (continued)

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 \$29,000 and \$25,000 at June 30, 2020 and 2019 is included in other assets.

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, 2020 and 2019.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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

Advertising Costs

Advertising costs are expensed as incurred.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

3. Receivables

Grants Receivable

All grants receivable as of June 30, 2020 are expected to be collected within one year.

Contributions Receivable

Contributions receivable primarily consist of promises to give related to the Organization's 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, 2020 and 2019. Contributions receivable as of June 30, are due as follows:

	<u>2020</u>	<u>2019</u>
Within one year	\$ 55,537	\$ 345,578
More than five years	<u>115,000</u>	<u>95,000</u>
	170,537	440,578
Discount to present value	<u>(53,965)</u>	<u>(52,777)</u>
	<u>\$ 116,572</u>	<u>\$ 387,801</u>

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

3. Receivables (continued)

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:

	2020	2019
White Dove Landscaping	\$ 70,886	\$ 44,866
Other	9,060	7,507
	79,946	52,373
Allowance for doubtful accounts	(800)	(8,693)
	\$ 79,146	\$ 43,680

As of June 30, 2020 and 2019, 96% and 82% 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:

	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

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2020

4. Fair Value of Investments (continued)

	2019		Total
	Level 2	Level 3	
Affiliated pooled investments	<u>\$ 2,814,043</u>	<u>\$ -</u>	<u>\$ 2,814,043</u>
Investment cash, at cost			<u>49,491</u>
Total Investments			<u>2,863,534</u>
Beneficial Interest in Assets Held by Others			
Greater New Orleans Foundation	-	247,211	247,211
Jewish New Orleans Foundation	-	46,506	46,506
The Catholic Foundation	-	48,432	48,432
Baton Rouge Area Foundation	-	36,457	36,457
Total Beneficial Interest			
in Assets Held by Others	<u>-</u>	<u>378,606</u>	<u>378,606</u>
Total Investments and Beneficial Interest in Assets Held by Others	<u>\$ 2,814,043</u>	<u>\$ 378,606</u>	<u>\$ 3,242,140</u>

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:

	2020	2019
Balance, beginning of year	\$ 378,606	\$ 382,175
Purchases	4,747	2,468
Sales	(9,822)	(19,095)
Realized gain	3,349	8,638
Unrealized (loss) gain	(3,349)	4,420
Balance, end of year	<u>\$ 373,531</u>	<u>\$ 378,606</u>

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

5. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,527,418	\$ 1,527,418
Buildings	992,262	992,262
Building improvements	1,152,519	859,805
Equipment	<u>2,029,706</u>	<u>1,916,969</u>
	5,701,905	5,296,454
Accumulated depreciation and amortization	<u>(2,552,408)</u>	<u>(2,384,130)</u>
	<u>\$ 3,149,497</u>	<u>\$ 2,912,324</u>

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, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.

The Organization believes it has used all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended through June 30, 2020, will be forgiven. The entire amount received under the PPP is reported as a forgivable loan in the consolidated statement of financial position at June 30, 2020.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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 \$19,181 and \$18,495 for the years ended June 30, 2020 and 2019.

Future minimum annual lease payments at June 30, 2020 for the years ending June 30 are payable as follows:

2021	\$	20,239
2022		15,984
2023		11,393
2024		1,011
2025		1,011
Thereafter		<u>13,473</u>
	\$	<u>63,111</u>

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 totaled \$2,184,556 and \$1,625,358 for the years ended June 30, 2020 and 2019.

8. Related Party Transactions

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give totaled approximately \$88 million and \$66 million for the Parent in the years ended June 30, 2020 and 2019. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The 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 the Parent's policy, approximated \$38 million and \$34 million for the years ended June 30, 2020 and 2019. For the years ended June 30, 2020 and 2019, the Organization received \$1,846,826 and \$1,510,000 and in contributions from the Parent.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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:

	<u>2020</u>	<u>2019</u>
Medical	\$ 190,303	\$ 135,452
Community Service Center	32,891	22,576
Rights of Passage	95,708	67,726
Management and General	-	264
Merchandise and Services	<u>4,235</u>	<u>3,594</u>
	<u>\$ 323,137</u>	<u>\$ 229,612</u>

10. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Program core support	\$ 1,717,055	\$ 974,432
Other programs	<u>24,979</u>	<u>23,353</u>
	<u>\$ 1,742,034</u>	<u>\$ 997,785</u>

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

	<u>2020</u>	<u>2019</u>
Program core support	<u>\$ 358,636</u>	<u>\$ 308,910</u>

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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 of 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 the 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.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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 the Parent affiliate 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:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 3,192,648	\$ 3,070,597
Investment income	77,284	75,754
Net realized and unrealized (depreciation) appreciation	(52,964)	67,819
Appropriation for expenditures	(9,868)	(19,095)
Fees	<u>(2,422)</u>	<u>(2,427)</u>
Balance, end of year	<u>\$ 3,204,678</u>	<u>\$ 3,192,648</u>

12. Pension Plans

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year 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 \$122,387 and \$118,710 for the years ended June 30, 2020 and 2019.

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. For the years ended June 30, 2020 and 2019, the Organization contributed \$223,684 and \$86,583 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the consolidated statement of functional expense.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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, 2020, 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,760,566	\$ 1,233,111
Grants receivable	1,045,190	451,916
Contributions receivable, net	116,572	387,801
Other receivables, net	79,146	43,680
Investments	2,863,307	2,863,534
Beneficial interest in assets held by others	373,531	378,606
Total Financial Assets	<u>7,238,312</u>	<u>5,358,648</u>
Less: Contractual or donor imposed restricted amounts		
Amounts restricted for purpose and time by donors	(1,742,034)	(997,785)
Board designated funds	<u>(3,204,678)</u>	<u>(3,192,648)</u>
	<u>(4,946,712)</u>	<u>(4,190,433)</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u>\$ 2,291,600</u>	<u>\$ 1,168,215</u>

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2020

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 3, 2021, the date these consolidated financial statements were 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, 2020

Covenant House New Orleans

**Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2020**

Agency Head Name: James R. Kelly

<u>Purpose</u>	<u>Amount</u>
Salary	\$148,998
Benefits-insurance	15,950
Benefits-retirement	13,436
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	-
	<u>\$178,384</u>

Covenant House New Orleans

Uniform Guidance Schedules and Reports

June 30, 2020

Covenant House New Orleans

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA 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	SESG-031D	\$ -	\$ 95,760
Pass-through City of New Orleans Emergency Solutions Grant Program	14.231	ESG-032D	-	43,339
Emergency Solutions Grant Program	14.231	ESG-033D	-	40,760
Pass-through UNITY for the Homeless, Inc. Continuum of Care Program	14.267	LA0273L6H031802	-	36,588
Continuum of Care Program	14.267	LA0278L6H031802	-	189,548
Continuum of Care Program	14.267	LA0230L6H031705	-	49,135
Continuum of Care Program	14.267	LA0319D6H031800	-	138,838
Continuum of Care Program	14.267	LA0077L6H031710	-	37,203
Continuum of Care Program	14.267	LA0077L6H031811	-	82,613
Continuum of Care Program	14.267	LA0086L6H031710	-	78,520
Total U.S. Department of Housing and Urban Development			-	<u>792,304</u>
U.S. Department of Agriculture				
Direct Program State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		-	373,555
Pass-through Louisiana Department of Education School Breakfast Program	10.553	7547	-	36,221
Total U.S. Department of Agriculture			-	<u>409,776</u>
Department of Homeland Security				
Pass-through United Way Emergency Food and Shelter National Board Program	97.024	34-3658-024	-	9,048
U.S. Department of Justice				
Direct Program Services for Trafficking Victims	16.320		-	265,755
Pass-through Louisiana Commission on Law Enforcement and Administration of Criminal Justice Crime Victim Assistance	16.575	2017-VA-01/04-4181	-	172,985
Pass-through Jefferson Parish Sheriff Office Services for Trafficking Victims	16.320	2018-VT-BX-KO87	-	34,750
Total U.S. Department of Justice			-	<u>473,490</u>
U.S. Department of Health and Human Services				
Direct Programs Transitional Living for Homeless Youth	93.550		-	301,453
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	137,897
Total U.S. Department of Health and Human Services			-	<u>439,350</u>
Total Expenditures of Federal Awards			\$ -	<u>\$ 2,123,968</u>

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

Covenant House New Orleans

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

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, 2020. 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, 2020, 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.

**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, 2020, 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 3, 2021.

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) to determine the 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKF O'Connor Davies, LLP

March 3, 2021

**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, 2020. 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 the requirements of laws, regulations, contracts, and grants 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* (CFR) 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, 2020.

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 3, 2021

Covenant House New Orleans

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

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?
Significant deficiency(ies) identified?

yes no
yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?
Significant deficiency(ies) identified?

yes no
yes 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 no

Identification of major federal programs:

Table with 2 columns: CFDA Number, Name of Federal Program or Cluster. Row 1: 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, 2020.

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 - Financial Statement Findings

There were no prior year findings.