



June 19, 2023

To Whom It May Concern,

We are re-submitting the report to now include the finalized Statewide Agreed-Upon Procedures Report. We finalized and submitted both the audited consolidated financial statements and single audit in March 2023. The Agreed-Upon Procedures were finalized in the weeks thereafter. This current submission now includes both the June 30, 2022 consolidated financial statements, single audit, and Agreed-Upon Procedures. There were no changes to the previously submitted financial statement and single audit reports.

Regards,

A handwritten signature in black ink, appearing to read "Robert Cordero".

Robert Cordero, Partner

Covenant House New Orleans

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

June 30, 2022

Covenant House New Orleans

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

June 30, 2022

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Independent Auditors' Report

Board of Directors
Covenant House New Orleans

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited 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 Officer on page 24 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 25, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 23, 2023, 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 23, 2023

Covenant House New Orleans

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

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 2,930,676	\$ 3,073,213
Grants receivable	744,654	889,283
Contributions receivable, net	140,558	197,148
Other receivables, net	1,683	121,727
Due from Parent	-	4,387
Other assets	130,359	116,025
Investments	3,358,957	3,800,255
Property and equipment, net	3,224,281	3,301,163
Beneficial interest in assets held by others	404,241	455,841
	\$ 10,935,409	\$ 11,959,042
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	\$ 1,267,048	\$ 1,003,527
Due to Parent	27,426	-
Total Liabilities	1,294,474	1,003,527
Net Assets		
Without donor restrictions	8,615,189	9,616,876
With donor restrictions	1,025,746	1,338,639
Total Net Assets	9,640,935	10,955,515
	\$ 10,935,409	\$ 11,959,042

See notes to consolidated financial statements

Covenant House New Orleans

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

	2022			Total 2021
	Without Donor Restrictions	With Donor Restrictions	Total	
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions from individuals, foundations and corporations, including legacies and bequests	\$ 1,826,635	\$ 434,648	\$ 2,261,283	\$ 2,532,414
Contributions of nonfinancial assets	282,545	-	282,545	259,761
Government grants and contracts	2,086,321	-	2,086,321	2,576,269
Support from Parent	1,218,796	-	1,218,796	1,208,153
Support from Parent related to National Sleep Out Event	383,927	-	383,927	276,347
Restricted Site Investment Fund from Parent	70,000	-	70,000	-
Special events revenue, net of direct benefits to donors of \$87,928 and \$60,089 in 2022 and 2021	748,849	-	748,849	905,723
Total Contributions, Revenue and Other Support	<u>6,617,073</u>	<u>434,648</u>	<u>7,051,721</u>	<u>7,758,667</u>
INVESTMENT (LOSS) AND OTHER INCOME				
Investment (Loss) Income				
Interest and dividends	98,393	-	98,393	75,002
Net unrealized (loss) gain on investments	(710,764)	-	(710,764)	892,017
Net realized gains on investments	58,253	-	58,253	33,463
Job-training program revenue, net of costs of \$24,176 in 2021	-	-	-	22,880
Other income	6,686	-	6,686	20,357
Total Investment (Loss) and Other Income	<u>(547,432)</u>	<u>-</u>	<u>(547,432)</u>	<u>1,043,719</u>
Total Contributions, Revenue and Other Support and Investment (Loss) and Other Income	6,069,641	434,648	6,504,289	8,802,386
Net assets released from restrictions	747,541	(747,541)	-	-
Total Contributions, Revenue and Other Support and Investment (Loss) and Other Income and Net Assets Released from Restrictions	<u>6,817,182</u>	<u>(312,893)</u>	<u>6,504,289</u>	<u>8,802,386</u>
EXPENSES				
Program services	6,377,865	-	6,377,865	6,151,099
Supporting Services				
Management and general	973,248	-	973,248	990,891
Fundraising	467,756	-	467,756	349,231
Total Supporting Services	<u>1,441,004</u>	<u>-</u>	<u>1,441,004</u>	<u>1,340,122</u>
Total Expenses	<u>7,818,869</u>	<u>-</u>	<u>7,818,869</u>	<u>7,491,221</u>
Change in Net Assets Before Non-Operating Activity	(1,001,687)	(312,893)	(1,314,580)	1,311,165
NON-OPERATING ACTIVITY				
Forgiveness of long term debt - PPP loan	-	-	-	817,200
Change in Net Assets	(1,001,687)	(312,893)	(1,314,580)	2,128,365
NET ASSETS				
Beginning of year	9,616,876	1,338,639	10,955,515	8,827,150
End of year	<u>\$ 8,615,189</u>	<u>\$ 1,025,746</u>	<u>\$ 9,640,935</u>	<u>\$ 10,955,515</u>

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Functional Expenses Year Ended June 30, 2022 (with summarized total for year ended June 30, 2021)

	Program Services								Supporting Services			Cost of Direct Benefits to Donors and Job-Training Costs	Total			
	Immediate Housing	Young Families Program	Outreach	Health and Well-Being	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	2022	2021
Salaries and wages	\$ 1,151,888	\$ 426,805	\$ 116,604	\$ 210,347	\$ 582,025	\$ 78,561	\$ 22,046	\$ 182,934	\$ 2,771,210	\$ 509,098	\$ 289,982	\$ 799,080	\$ -	\$ 3,570,290	\$ 3,422,037	
Payroll taxes	89,846	33,246	8,866	16,509	45,703	6,085	1,520	14,427	216,202	38,072	22,347	60,419	-	276,621	264,489	
Employee benefits	296,976	114,239	33,366	41,883	136,225	18,471	3,775	51,767	696,702	143,737	36,574	180,311	-	877,013	950,359	
Total Salaries and Related Expenses	1,538,710	574,290	158,836	268,739	763,953	103,117	27,341	249,128	3,684,114	690,907	348,903	1,039,810	-	4,723,924	4,636,885	
Accounting fees	-	-	-	-	-	-	-	-	-	90,848	-	90,848	-	90,848	57,750	
Legal fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,680	
Medical fees	1,988	699	-	10,330	6,397	1,908	-	-	21,322	-	-	-	-	21,322	796	
Consulting fees	25,515	10,165	-	2,960	17,379	2,975	350	89,158	148,502	1,256	44,671	45,927	-	194,429	189,425	
Supplies	31,687	12,902	389	4,643	14,533	3,848	274	1,885	70,161	5,857	1,581	7,438	-	77,599	87,520	
Telephone	13,333	4,740	1,564	2,121	11,570	1,604	310	5,731	40,973	9,574	2,728	12,302	-	53,275	55,243	
Postage and printing	1,814	637	60	229	1,172	250	353	-	4,515	2,303	15,654	17,957	-	22,472	23,450	
Occupancy																
Fuel and utilities	55,921	19,648	-	2,347	29,910	1,322	-	-	109,148	10,601	2,050	12,651	-	121,799	137,317	
Repairs and maintenance	43,270	33,929	-	55	22,472	5,886	-	38	105,650	11,076	1,481	12,557	-	118,207	91,942	
Rent and other	1,032	42,570	-	71	557	188	-	3,327	47,745	1,929	376	2,305	-	50,050	7,228	
Equipment	27,557	10,718	486	1,193	11,131	2,026	804	1,033	54,948	32,295	10,117	42,412	-	97,360	118,257	
Transportation	11,150	4,332	10,107	886	6,280	1,497	269	11,534	46,055	700	501	1,201	-	47,256	23,186	
Conferences, conventions and meetings	11,543	4,055	173	1,816	8,168	1,367	1,256	78	28,456	2,922	2,416	5,338	-	33,794	38,394	
Specific Assistance to Individuals																
Food	162,505	57,096	73	51	27,387	51	-	1,893	249,056	-	-	-	-	249,056	241,071	
Contributed medical	-	-	-	2,751	1,375	458	-	-	4,584	-	-	-	-	-	4,584	
Clothing, allowance and other	150,439	88,932	17,737	11,835	84,692	11,034	-	700,717	1,065,386	-	-	-	-	1,065,386	1,042,430	
Contributed clothing and merchandise	1,565	550	-	-	-	-	-	-	2,115	88	-	88	-	2,203	3,625	
Temporary help	-	-	-	-	-	-	-	-	-	13,822	-	13,822	-	13,822	919	
Other purchased services	41,425	17,822	1,085	824	19,083	3,897	501	52	84,689	22,450	5,353	27,803	-	112,492	85,259	
Dues, licenses and permits	999	375	59	106	769	167	-	106	2,581	1,144	1,721	2,865	-	5,446	6,009	
Subscriptions and publications	2,870	1,009	737	371	1,349	69	16	-	6,421	795	1,615	2,410	-	8,831	11,012	
Staff recruitment	1,092	715	426	336	1,332	99	-	1,155	5,155	705	1,212	1,917	-	7,072	2,979	
Insurance	46,599	16,978	5,684	4,240	26,253	4,592	104	9,721	114,171	14,034	2,756	16,790	-	130,961	100,984	
Contributed services	-	-	-	165,454	82,727	27,576	-	-	275,757	-	-	-	-	-	275,757	
Miscellaneous	7,511	2,639	653	203	1,851	50	12	77	12,996	2,446	595	3,041	87,928	103,965	97,626	
Bank charges and fees	1,335	469	-	721	1,082	-	-	-	3,607	8,828	19,473	28,301	-	31,908	25,876	
Total Functional Expenses Before Depreciation and Amortization	2,179,860	905,270	198,069	482,282	1,141,422	173,981	31,590	1,075,633	6,188,107	924,580	463,203	1,387,783	87,928	7,663,818	7,361,999	
Depreciation and amortization	87,455	34,925	299	3,153	53,868	7,967	210	1,881	189,758	48,668	4,553	53,221	-	242,979	213,487	
Total Functional Expenses	2,267,315	940,195	198,368	485,435	1,195,290	181,948	31,800	1,077,514	6,377,865	973,248	467,756	1,441,004	87,928	7,906,797	7,575,486	
Less cost of direct benefits to donors and job-training program costs	-	-	-	-	-	-	-	-	-	-	-	-	(87,928)	(87,928)	(84,265)	
Total Expenses Reported by Function on the Statement of Activities	\$ 2,267,315	\$ 940,195	\$ 198,368	\$ 485,435	\$ 1,195,290	\$ 181,948	\$ 31,800	\$ 1,077,514	\$ 6,377,865	\$ 973,248	\$ 467,756	\$ 1,441,004	\$ -	\$ 7,818,869	\$ 7,491,221	

See notes to consolidated financial statements

Covenant House New Orleans

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,314,580)	\$ 2,128,365
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	242,979	213,487
Discount on contributions	(1,861)	1,739
Forgiveness of long term debt - PPP Loan	-	(817,200)
Net unrealized and realized loss (gain) on investments	652,511	(925,480)
Net change in operating assets and liabilities		
Grants receivable	144,629	155,907
Other receivables	120,044	(42,581)
Contributions receivable	58,451	(82,315)
Other assets	(14,334)	(28,405)
Due from Parent	4,387	(4,387)
Accounts payable, accrued expenses and refundable advances	263,521	212,155
Due to Parent	27,426	(39,707)
Net Cash from Operating Activities	183,173	771,578
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	71,521	28,240
Purchases of investments	(238,901)	(128,799)
Proceeds from sale of beneficial interest	10,307	10,006
Purchases of beneficial interest	(2,540)	(3,225)
Purchase of property and equipment	(166,097)	(368,663)
Proceeds from sale of property and equipment	-	3,510
Net Cash from Investing Activities	(325,710)	(458,931)
Change in Cash and Cash Equivalents	(142,537)	312,647
CASH AND CASH EQUIVALENTS		
Beginning of year	3,073,213	2,760,566
End of year	\$ 2,930,676	\$ 3,073,213

See notes to consolidated financial statements

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

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 and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 43,000 young people during fiscal 2022. During fiscal 2022, the worldwide COVID-19 pandemic continued to impact the number of youth Covenant House reached, as affiliates prolonged measures to ensure social distancing, set aside isolation rooms for symptomatic youth, and modified street outreach. Nevertheless, in fiscal 2022, Covenant House provided a total of nearly 730,000 nights of housing and safety for, on average, 1,991 youth each night.

In February 2004, Covenant Landscaping, LLC (the “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

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

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:

- 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

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

Immediate Housing (formerly Shelter and Crisis Care)

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

Outreach

The Outreach program actively seeks out young people experiencing homelessness who may need help. In vans and on foot, Covenant House outreach workers go out to the neighborhoods, riverfronts, parks, and other places, where young people facing homelessness often seek refuge. The Organization's teams offer food, water, hygiene kits, clothing, blankets, counseling, and referrals. Through sustained contact, they build trust with the young people, the first step toward encouraging them to come into shelters and connect with 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 the 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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

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, nourishing food, and medical and mental health care to pregnant and parenting youth and their children. The Organization also offer young families access to free childcare services, parenting support, and a full range of educational, vocational, and job placement services. This holistic plan provides young parents with the support they need to grow into responsible and caring parents, capable of supporting their families financially and emotionally.

Health and Well-Being (formerly Medical)

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

Drop-in Services (formerly Community Service Center)

Drop-in services are another form of outreach at Covenant House affiliates. Youth in this program do not receive residential services, but receive 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 our education and employment programs.

Transitional Living - Rights of Passage

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

Permanent Supportive Housing

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

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

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 and Job-Training Costs

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

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 and the LLC record 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), and 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. There were no contract assets or contract liabilities as of July 1, 2020.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies

In-Kind Contributions

As of July 1, 2021, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts-in-kind. The standard does not change the accounting for gifts-in-kind, however, provides matters related to presentation and disclosure (see Note 8).

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

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 \$33,000 and \$31,000 at June 30, 2022 and 2021 is included in other assets.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Allowance for Doubtful Accounts

The Organization maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its 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.

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, 2022 and 2021.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2021 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, 2021, 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, 2019.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2022

3. Receivables

Grants Receivable

All grants receivable as of June 30, 2022 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 discount rate ranging from 4.75% to 6% as of June 30, 2022 and 2021. Contributions receivable as of June 30, are due as follows:

	2022	2021
Within one year	\$ 115,923	\$ 134,374
More than five years	75,000	115,000
	190,923	249,374
Discount to present value	(50,365)	(52,226)
	\$ 140,558	\$ 197,148

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:

	2022		
	Level 2	Level 3	Total
Affiliated pooled investments	\$ 3,227,371	\$ -	\$ 3,227,371
Investment cash, at cost			131,586
Total Investments			3,358,957
Beneficial Interest in Assets Held by Others			
Greater New Orleans Foundation	-	254,891	254,891
Jewish New Orleans Foundation	-	52,438	52,438
The Catholic Foundation	-	54,725	54,725
Baton Rouge Area Foundation	-	42,187	42,187
Total Beneficial Interest in Assets Held by Others	-	404,241	404,241
Total Investments and Beneficial Interest in Assets Held by Others	\$ 3,227,371	\$ 404,241	\$ 3,763,198

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

4. Fair Value of Investments *(continued)*

	2021		Total
	Level 2	Level 3	
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

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:

	2022	2021
Balance, beginning of year	\$ 455,841	\$ 373,531
Purchases	2,540	3,225
Sales	(10,307)	(10,006)
Realized gain	15,324	13,209
Unrealized (loss) gain	(59,157)	75,882
Balance, end of year	\$ 404,241	\$ 455,841

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2022

5. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,527,418	\$ 1,527,418
Buildings	993,140	992,262
Building improvements	1,422,683	1,369,705
Equipment	<u>2,289,913</u>	<u>2,177,672</u>
	6,233,154	6,067,057
Accumulated depreciation and amortization	<u>(3,008,873)</u>	<u>(2,765,894)</u>
	<u>\$ 3,224,281</u>	<u>\$ 3,301,163</u>

6. 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 \$61,965 and \$20,211 for the years ended June 30, 2022 and 2021.

Future minimum annual lease payments at June 30, 2022 for the years ending June 30 are payable as follows:

2023	\$ 120,956
2024	109,970
2025	64,570
2026	1,011
2027	1,011
Thereafter	<u>11,452</u>
	<u>\$ 308,970</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 and contracts totaled \$2,086,321 and \$2,576,269 for the years ended June 30, 2022 and 2021.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2022

7. 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 \$89 million and \$84 million for Covenant House (Parent) in the years ended June 30, 2022 and 2021. 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 \$38 million and \$36 million for the years ended June 30, 2022 and 2021. For the years ended June 30, 2022 and 2021, the Organization received \$1,218,796 and \$1,208,153 and in contributions from Covenant House (Parent). For the years ended June 30, 2022 and 2021, Covenant House (Parent) granted funds related to Sleep Out events to the Organization totaling \$383,927 and \$276,347.

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

8. In-kind Contributions and Donated Services

The Organization received donated contributions and services as follows for the year ended June 30:

	<u>2022</u>	<u>2021</u>	<u>Utilization in Program/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Services	\$ 275,757	\$ 247,669	Program and Administration	None	(a)
Merchandise	<u>6,788</u>	<u>12,092</u>	Program and Administration	None	(b)
	<u>\$ 282,545</u>	<u>\$ 259,761</u>			

(a) The services relate to work performed by third-party volunteers. The fair value of the services is based on current rates for similar services, including an estimate of reasonable fringe benefits.

(b) The fair value of merchandise received is based on the estimated wholesale values that would have been received for selling similar products.

The Organization does not sell in-kind contributions.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2022

9. Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Program core support	\$ 997,167	\$ 1,310,455
Other programs	<u>28,579</u>	<u>28,184</u>
	<u>\$ 1,025,746</u>	<u>\$ 1,338,639</u>

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

	<u>2022</u>	<u>2021</u>
Program core support	<u>\$ 747,541</u>	<u>\$ 686,110</u>

10. 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 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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2022

10. Board Designated Endowment Funds *(continued)*

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.

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:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 4,195,868	\$ 3,204,673
Investment income	98,280	74,964
Net realized and unrealized (depreciation) appreciation	(649,402)	928,854
Appropriation for expenditures	(10,307)	(10,006)
Fees	(2,827)	(2,617)
Balance, end of year	<u>\$ 3,631,612</u>	<u>\$ 4,195,868</u>

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2022

11. 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 \$152,535 and \$133,496 for the years ended June 30, 2022 and 2021.

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, 2022 and 2021, the Organization contributed \$80,024 and \$149,253 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.

12. 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, 2022, 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. As of June 2022, there were \$2,136,566 of cash held by banks that exceeded Federal Deposit Insurance Corporation limits. 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.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2022

13. 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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,930,676	\$ 3,073,213
Grants receivable	744,654	889,283
Contributions receivable, net	140,558	197,148
Other receivables, net	1,683	121,727
Due from Parent	-	4,387
Investments	3,358,957	3,800,255
Beneficial interest in assets held by others	404,241	455,841
Total Financial Assets	<u>7,580,769</u>	<u>8,541,854</u>
Less: Contractual or donor imposed restricted amounts		
Amounts restricted for purpose and time by donors	(1,025,746)	(1,338,639)
Board designated funds	<u>(3,631,612)</u>	<u>(4,195,868)</u>
	<u>(4,657,358)</u>	<u>(5,534,507)</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u>\$ 2,923,411</u>	<u>\$ 3,007,347</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.

14. Risks and Uncertainties

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

15. Subsequent Events

The Organization has evaluated events through March 23, 2023, 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, 2022

Covenant House New Orleans

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer Year Ended June 30, 2022

Agency Head Name: Rheneisha Robertson

<u>Purpose</u>	<u>Amount</u>
Salary	\$187,541
Benefits-insurance	18,956
Benefits-retirement	3,282
Benefits-others	1,571
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$211,350</u>

Covenant House New Orleans

Uniform Guidance Schedules and Reports

Year Ended June 30, 2022

Covenant House New Orleans

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through City of New Orleans				
Emergency Solutions Grant Program	14.231	ESG-034D	\$ -	\$ 70,021
Emergency Solutions Grant Program	14.231	ESG-033D	-	63,706
Pass-Through UNITY for the Homeless, Inc.				
Continuum of Care Program	14.267	LA0273L6H031903	-	36,956
Continuum of Care Program	14.267	LA0278L6H031903	-	153,253
Continuum of Care Program	14.267	LA0319D6H031901	-	266,352
Continuum of Care Program	14.267	LA0077L6H031912	-	96,393
Continuum of Care Program	14.267	LA0086L6H031912	-	61,526
Total U.S. Department of Housing and Urban Development			-	748,207
<u>U.S. Department of Agriculture</u>				
Direct Program				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		-	440,953
Total SNAP Cluster			-	440,953
Child Nutrition Cluster:				
Pass-Through Louisiana Department of Education				
School Breakfast Program	10.553	7547	-	42,985
Total Child Nutrition Cluster			-	42,985
Total U.S. Department of Agriculture			-	483,938
<u>U.S. Department of Homeland Security</u>				
Pass-Through United Way				
Emergency Food and Shelter National Board Program	97.024	38-3658-024	-	9,096
Total U.S. Department of Homeleand Security			-	9,096
<u>U.S. Department of Justice</u>				
Direct Program				
Services for Trafficking Victims	16.320		-	172,097
Pass-Through Louisiana Commission on				
Law Enforcement and Administration of Criminal Justice				
Crime Victim Assistance	16.575	2018-VA-01/02/03/04-5445	-	38,851
Crime Victim Assistance	16.575	2018-VA-01/02/03/04-6122	-	121,379
Pass-Through Jefferson Parish Sheriff Office				
Services for Trafficking Victims	16.320	2018-VT-BX-K087	-	20,133
Total U.S. Department of Justice			-	352,460
<u>U.S. Department of Health and Human Services</u>				
Direct Programs				
Transitional Living for Homeless Youth	93.550		-	344,417
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	123,840
Total U.S. Department of Health and Human Services			-	468,257
Total Expenditures of Federal Awards			\$ -	\$ 2,061,958

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, 2022

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, 2022. 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, 2022, 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 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, 2022, 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 23, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 23, 2023

**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

Opinion on Each Major Federal Program

We have audited Covenant House New Orleans' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Covenant House New Orleans' major federal programs for the year ended June 30, 2022. Covenant House New Orleans' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Covenant House New Orleans 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, 2022.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Covenant House New Orleans and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Covenant House New Orleans' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Covenant House New Orleans' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Covenant House New Orleans' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Covenant House New Orleans' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Covenant House New Orleans' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Covenant House New Orleans' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Covenant House New Orleans' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 23, 2023

Covenant House New Orleans

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated 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:

Federal Assistance
Listing Number
 14.267

Name of Federal Program or Cluster
 Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

yes no

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2022.

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.

Covenant House New Orleans

Independent Accountants' Report on Applying
Agreed-Upon Procedures

June 30, 2022

Independent Accountants' Report on Applying Agreed-Upon Procedures

Board of Directors Covenant House New Orleans

We have performed the procedures enumerated below, which the Louisiana Legislative Auditor (the "Specified Party") has specified, as listed below of Covenant House New Orleans (the "Responsible Party") prepared in accordance with the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (the "Criteria"). Covenant House New Orleans is responsible for the prescribed statewide agreed upon procedures (the "Subject Matter"), which are intended to represent a minimum level of additional work to be performed for the Responsible Party that meet the legal requirement to have an audit.

The Specified Party has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the Subject Matter. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures that were applied and our findings are as follows:

Written Policies and Procedures:

1. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding budgeting.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding purchasing.
 - c) **Disbursements**, including processing, reviewing, and approving.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding disbursements.
and procedures regarding receipts/collections.

Written Policies and Procedures (continued):

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
Finding: We obtained and inspected the Responsible Party's written policy
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding payroll/personnel.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding contracting.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding credit cards (and debit cards and fuel cards). We noted that P-Cards are non-applicable to the Responsible Party.
- h) **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding travel and expense reimbursement.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding ethics.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Finding: We noted that debt service is non-applicable to the Responsible Party.

Written Policies and Procedures (continued):

- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding information technology disaster recovery/business continuity.

- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Finding: We obtained and inspected the Responsible Party's written policy and procedures regarding sexual harassment requirements.

Board or Finance Committee:

2. Obtain and inspect the board/finance committee minutes for the fiscal period (Year ended June 30, 2022), as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Finding: We obtained and inspected the Responsible Party's board/finance committee minutes for the fiscal period as well as the bylaws and observed that the committees met with a quorum and in accordance with the bylaws.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. Alternately, for those entities reporting on the nonprofit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Finding: We obtained minutes from the Responsible Party and noted references to interim financial reporting and results which include public funds received.

Board or Finance Committee (continued):

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
Finding: We noted that this is non-applicable to the Responsible Party.

Bank Reconciliations:

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statements closing date (e.g., initialed and dated, electronically logged);
Finding: We obtained a listing of the Responsible Party's bank accounts for the fiscal period, management's representation that the list is complete and selected the main operating account as well as four random additional accounts. We randomly selected one month for each of these accounts and observed evidence that the bank reconciliations were prepared within 2 months of the related statements closing date.
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
Finding: We observed evidence that the bank reconciliations were reviewed by a member of management who does not handle cash, post ledgers, or issue checks.
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
Finding: We observed no reconciling items that had been outstanding for more than 12 months from the selected statement closing date.

Collections (excluding electronic funds transfers):

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

Finding: We obtained a listing of deposit sites for the fiscal period, management's representation that the listing is complete and selected the only deposit site.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Finding: We obtained a listing of collections locations for each deposit site, management's representation that the listing is complete and observed that employees responsible for cash collections do not share cash drawers/registers.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Findings: We observed that employees responsible for collecting cash are not responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Finding: We observed that employees responsible for collecting cash are not responsible for posting collection entries to the general ledger or subsidiary ledgers.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Finding: We observed that employees responsible for reconciling collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency additions are not responsible for collecting cash.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.

Finding: We inquired with management and all employees who have access to cash are covered by a bond or insurance policy for theft.

Collections (excluding electronic funds transfers) (continued):

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
Finding: We observed that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
Finding: We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
Finding: We traced the deposit slip total to the actual deposit per the bank statement.
 - d) Observe the deposit was made within one business day of the receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
Finding: We observed that the deposit was made within one business day of the receipt at the collection location.
 - e) Trace the actual deposit per the bank statement to the general ledger.
Finding: We traced the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchase/payments, travel reimbursements, and petty cash purchases):

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Finding: We obtained a listing of locations that process payments for the fiscal period, management's representation that the listing is complete and selected the one location where payments are processed.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
Finding: We observed that at least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Non-Payroll Disbursements (excluding card purchase/payments, travel reimbursements, and petty cash purchases) (continued):

- b) At least two employees are involved in processing and approving payments to vendors.
Finding: We observed that at least two employees are involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
Finding: We observed the employee responsible for processing payments is prohibited from adding/modifying vendor files.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
Finding: We observed that the employee who signs the checks gives them to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
Finding: We observed that the disbursement matched the original invoice/billing statement.
 - b) Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
Finding: We observed whether the disbursement documentation included evidence of segregation of duties.

Credit Cards/Debit Cards/Fuel Cards/P-Cards:

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the card. Obtain management's representation that the listing is complete
Finding: We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards for the fiscal period and obtained management's representation that the listing is complete.
12. Using the listing prepared by management randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

Credit Cards/Debit Cards/Fuel Cards/P-Cards (continued):

- a) Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.
Finding: We randomly selected 5 cards and monthly statements for each card and observed that there is evidence that the monthly statement and supporting documentation was reviewed and approved in writing by someone other than the authorized card holder.
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
Finding: We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).
Finding: We randomly selected 10 transactions for each card and observed that each transaction was supported by an original itemized receipt that identifies precisely what was purchased, written documentation of the business purpose, and documentation of the individuals participating in meals, as applicable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions):

14. Obtain from management a listing of all travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
Finding: We obtained from management a listing of all travel-related expense reimbursements during the fiscal period, management's representation that the listing is complete and randomly selected 5 reimbursements.
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).Finding: We noted no per-diem reimbursements in the 5 selections.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)
(continued):

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased,
Finding: We observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- c) Observe that each reimbursement is supported by documentation of the business/public purpose for meal charges, observe that the documentation includes the names of those individuals participating and other documentation required by written policy (procedure #1h).
Finding: We observed that each reimbursement is supported by documentation of the business/public purpose for meal charges, includes the names of those individuals participating and other documentation required by written policy.
- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
Finding: We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts:

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Alternately, the practitioner may use an equivalent selection source, such as an active vendor list. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract and:
 - a) Observe that the contracts were bid in accordance with the Louisiana Public Bid Law 12 (e.g., solicited quotes or bids, advertised) if required by law.
Finding: We observed that the contracts were bid in accordance with the Louisiana Public Bid Law 12.
 - b) Observe that the contracts were approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
Finding: We observed that the contracts were approved by the governing board.
 - c) If the contracts were amended (e.g. change order), observe that the original contract terms provided for such an amendment.
Finding: We observed that the contract terms provided language for amendments, but none were amended during the fiscal period.

Contracts (continued):

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Finding: We randomly selected one payment from the fiscal period for each of the 5 contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed.

Payroll and Personnel:

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Finding: We obtained a listing of employees employed during the fiscal period, management's representation that the listing is complete and randomly selected 5 employees and obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/official selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Finding: We observed that all selected employees documented their daily attendance and leave.

- b) Observe that supervisors approved the attendance and leave of the selected employee/officials.

Finding: We observed that supervisors approved the attendance and leave of the selected employees.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Finding: We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Payroll and Personnel (continued):

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree to the hours that the employee/officials cumulated leave records, and agree the pay rates to the employee/officials authorized pay rates in the employee/officials' personnel files.

Finding: We obtained a listing of employees that received termination payments during the fiscal period and management's representation that the list is complete. We randomly selected two employees and obtained related documentation of the hours and pay rates used in management's termination payment calculations, agreed to the hours that the employees cumulated leave records, and agreed the pay rates to the employees authorized pay rates in the employee's personnel files.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Finding: We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics:

20. Using the 5 randomly selected employees/officials from procedure #16 obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Finding: We observed that the documentation demonstrates each employee selected completed one hour of ethics during the fiscal period.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period, as applicable.

Finding: We observed that the documentation demonstrates each employee selected attested through signature verification that he or she has read the Responsible Party's ethics policy during the fiscal period.

Debt Service:

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

Finding: We noted that this is non-applicable to the Responsible Party.

Debt Service (continued):

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Finding: We noted that this is non-applicable to the Responsible Party.

Fraud Notice:

23. Obtain listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Finding: We noted no misappropriation of public funds and assets during the fiscal period and obtained management's representation.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Finding: We observed that the entity had posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Information Technology Disaster Recovery/Business Continuity:

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."

- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Finding: We performed the procedure and discussed the results with management.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Finding: We performed the procedure and discussed the results with management.

Information Technology Disaster Recovery/Business Continuity (continued):

- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Finding: We performed the procedure and discussed the results with management.

Sexual Harassment:

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Finding: We observed that the documentation demonstrates each employee selected completed one hour of sexual harassment training during the fiscal period.

- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Finding: We observed that the Responsible Party has its sexual harassment policy posted on its website's careers page, and on all new hire employment documents.

- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements;
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- e) Amount of time it took to resolve each complaint

Finding: We obtained the Responsible Party's Sexual Harassment report for the current fiscal period which was dated on or before February 1 and detailed the number of public servants who have completed the training requirements. We observed that there were no sexual harassment complaints received during the current fiscal period.

We were engaged by Covenant House New Orleans to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Criteria. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Covenant House New Orleans and the Louisiana Legislative Auditor, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors, management of Covenant House New Orleans and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties.

PKF O'Connor Davies, LLP

June 8, 2023

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