

# **Covenant House Missouri**

Financial Statements

June 30, 2017

## Independent Auditors' Report

### **Board of Directors Covenant House Missouri**

We have audited the accompanying financial statements of Covenant House Missouri (the "Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House Missouri as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Covenant House Missouri's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

Harrison, New York  
April 12, 2018

## Covenant House Missouri

### Statement of Financial Position

June 30, 2017

(with comparative amounts at June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 255,853	\$ 496,597
Investments	386,679	376,578
Government grants receivable	158,910	163,354
Due from Parent	-	9,350
Other receivables	8,500	23,880
Prepaid expenses and other assets	-	11,405
Property and equipment, net	<u>3,339,936</u>	<u>3,554,802</u>
	<u>\$ 4,149,878</u>	<u>\$ 4,635,966</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	\$ 89,886	\$ 121,970
Due to Parent	572	-
Notes payable to Parent	1,699,135	1,721,899
Other liabilities	<u>116,201</u>	<u>116,201</u>
Total Liabilities	<u>1,905,794</u>	<u>1,960,070</u>
Net Assets		
Unrestricted	2,131,828	2,508,824
Temporarily restricted	<u>112,256</u>	<u>167,072</u>
Total Net Assets	<u>2,244,084</u>	<u>2,675,896</u>
	<u>\$ 4,149,878</u>	<u>\$ 4,635,966</u>

See notes to financial statements

**Covenant House Missouri**

Statement of Activities  
Year Ended June 30, 2017  
(with summarized totals for the year ended June 30, 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,000,504	\$ -	\$ 1,000,504	\$ 1,038,824
Contributed services and merchandise	9,270	-	9,270	6,520
Government grants	716,369	-	716,369	884,359
Branding dollars from Parent	761,000	-	761,000	761,000
Grants from Parent related to National Sleep Out Event	186,241	-	186,241	103,566
Special event revenue, net of direct benefits to donors of \$74,946 and \$111,082	411,733	-	411,733	385,040
Net assets released from restrictions	57,000	(57,000)	-	-
<b>Total Support and Revenue</b>	<b>3,142,117</b>	<b>(57,000)</b>	<b>3,085,117</b>	<b>3,179,309</b>
<b>INVESTMENT AND OTHER INCOME</b>				
Interest and dividends	1,533	-	1,533	14,473
Realized gains	-	2,184	2,184	628
Other income	27,451	-	27,451	27,352
<b>Total Investment and Other Income</b>	<b>28,984</b>	<b>2,184</b>	<b>31,168</b>	<b>42,453</b>
<b>Total Support and Revenue and Investment and Other Income</b>	<b>3,171,101</b>	<b>(54,816)</b>	<b>3,116,285</b>	<b>3,221,762</b>
<b>EXPENSES</b>				
Program services	3,215,383	-	3,215,383	3,357,702
Supporting Services				
Management and general	231,739	-	231,739	256,625
Fundraising	100,975	-	100,975	107,886
<b>Total Supporting Services</b>	<b>332,714</b>	<b>-</b>	<b>332,714</b>	<b>364,511</b>
<b>Total Expenses</b>	<b>3,548,097</b>	<b>-</b>	<b>3,548,097</b>	<b>3,722,213</b>
<b>Change in Net Assets</b>	<b>(376,996)</b>	<b>(54,816)</b>	<b>(431,812)</b>	<b>(500,451)</b>
<b>NET ASSETS</b>				
Beginning of year	2,508,824	167,072	2,675,896	3,176,347
End of year	\$ 2,131,828	\$ 112,256	\$ 2,244,084	\$ 2,675,896

See notes to financial statements

**Covenant House Missouri**

Statement of Functional Expenses  
Year Ended June 30, 2017  
(with summarized totals for year ended June 30, 2016)

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Cost of Direct Benefits to Donors	Total Expenses 2017	Total Expenses 2016
	Shelter and Crisis Care	Outreach	Community Service Center	Rights of Passage		Management and General	Fundraising				
Salaries and wages	\$ 631,640	\$ 116,405	\$ 469,436	\$ 515,235	\$ 1,732,716	\$ 118,313	\$ 57,248	\$ 175,561	\$ -	\$ 1,908,277	\$ 2,040,534
Payroll taxes	50,775	9,357	37,736	41,418	139,286	9,511	4,602	14,113	-	153,399	169,780
Employee benefits	73,748	13,591	54,810	60,157	202,306	13,814	6,684	20,498	-	222,804	197,523
<b>Total Salaries and Related Expenses</b>	<b>756,163</b>	<b>139,353</b>	<b>561,982</b>	<b>616,810</b>	<b>2,074,308</b>	<b>141,638</b>	<b>68,534</b>	<b>210,172</b>	<b>-</b>	<b>2,284,480</b>	<b>2,407,837</b>
Accounting fees	15,028	2,769	11,169	12,258	41,224	2,815	1,362	4,177	-	45,401	56,148
Legal fees	-	-	-	-	-	8,039	-	8,039	-	8,039	3,550
Consulting fees	3,401	627	2,527	2,774	9,329	637	308	945	-	10,274	5,834
Supplies	6,862	1,265	5,100	5,597	18,824	1,285	622	1,907	-	20,731	18,276
Telephone	6,828	1,258	5,074	5,569	18,729	1,279	619	1,898	-	20,627	14,275
Postage and printing	8,275	1,525	6,150	6,750	22,700	1,550	750	2,300	-	25,000	17,326
Occupancy:											
Fuel and utilities	39,993	7,370	29,723	32,623	109,709	7,491	3,625	11,116	-	120,825	116,908
Repairs and maintenance	14,223	2,621	10,570	11,602	39,016	2,664	1,289	3,953	-	42,969	54,086
Equipment	16,214	2,988	12,051	13,226	44,479	3,037	1,470	4,507	-	48,986	56,082
Travel and transportation	6,237	1,149	4,635	5,087	17,108	1,168	565	1,733	-	18,841	20,712
Conferences, conventions and meetings	9,282	1,711	6,898	7,571	25,462	1,739	841	2,580	-	28,042	27,876
Specific Assistance to Individuals:											
Food	25,576	3,688	14,874	16,325	60,463	-	-	-	-	60,463	49,133
Medical	2,592	374	1,507	1,654	6,127	-	-	-	-	6,127	2,772
Clothing, allowance and other	38,597	5,566	22,447	24,636	91,246	-	-	-	-	91,246	85,720
Contributed clothing and merchandise	580	84	337	370	1,371	-	-	-	-	1,371	6,523
Temporary help	73,864	13,612	54,896	60,251	202,623	13,835	6,695	20,530	-	223,153	220,895
Other purchased services	50,845	9,370	37,788	41,475	139,478	9,522	4,608	14,130	74,946	228,554	299,382
Dues, licenses and permits	658	121	489	536	1,804	123	60	183	-	1,987	3,419
Subscriptions and publications	-	-	-	-	-	-	-	-	-	-	1,903
Staff recruitment	-	-	-	-	-	1,639	-	1,639	-	1,639	2,265
Insurance	26,167	4,822	19,448	21,345	71,782	4,901	2,372	7,273	-	79,055	83,740
Miscellaneous	3,745	690	2,783	3,055	10,273	702	339	1,041	-	11,314	14,638
Bank charges and fees	-	-	-	-	-	9,521	-	9,521	-	9,521	8,733
Interest	-	-	-	-	-	3,861	-	3,861	-	3,861	22,455
<b>Total Functional Expenses Before Depreciation</b>	<b>1,105,130</b>	<b>200,963</b>	<b>810,448</b>	<b>889,514</b>	<b>3,006,055</b>	<b>217,446</b>	<b>94,059</b>	<b>311,505</b>	<b>74,946</b>	<b>3,392,506</b>	<b>3,600,488</b>
Depreciation	76,308	14,063	56,712	62,245	209,328	14,293	6,916	21,209	-	230,537	232,807
<b>Total Functional Expenses</b>	<b>1,181,438</b>	<b>215,026</b>	<b>867,160</b>	<b>951,759</b>	<b>3,215,383</b>	<b>231,739</b>	<b>100,975</b>	<b>332,714</b>	<b>74,946</b>	<b>3,623,043</b>	<b>3,833,295</b>
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(74,946)	(74,946)	(111,082)
<b>Total Expenses Reported by Function on the Statement of Activities</b>	<b>\$ 1,181,438</b>	<b>\$ 215,026</b>	<b>\$ 867,160</b>	<b>\$ 951,759</b>	<b>\$ 3,215,383</b>	<b>\$ 231,739</b>	<b>\$ 100,975</b>	<b>\$ 332,714</b>	<b>\$ -</b>	<b>\$ 3,548,097</b>	<b>\$ 3,722,213</b>

See notes to financial statements

## Covenant House Missouri

Statement of Cash Flows  
Year Ended June 30, 2017  
(with comparative amounts for year ended June 30, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (431,812)	\$ (500,451)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	230,537	232,807
Net unrealized gain on investments	(2,184)	(628)
Net change in operating assets and liabilities		
Government grants receivable	4,444	(7,639)
Other receivables	15,380	(2,412)
Prepaid expenses and other assets	11,405	(5,036)
Accounts payable, accrued liabilities, refundable advances	(32,084)	(97,086)
Due from/to Parent	9,922	(13,517)
Net Cash from Operating Activities	(194,392)	(393,962)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of short-term investments	(7,917)	(12,745)
Purchase of property and equipment	(15,671)	(31,562)
Net Cash from Investing Activities	(23,588)	(44,307)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable to Parent	(22,764)	(137,285)
 Change in Cash and Cash Equivalents	(240,744)	(575,554)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	496,597	1,072,151
End of year	\$ 255,853	\$ 496,597
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 3,861	\$ 22,455

See notes to financial statements

## Covenant House Missouri

Notes to Financial Statements  
June 30, 2017

### 1. Organization and Nature of Activities

Covenant House Missouri (the "Organization"), a not-for-profit organization, is an operating affiliate of Covenant House (the "Parent"), a New York-based organization. The Organization provides shelter, residential services, community services, and outreach services to youth in the St. Louis metropolitan area. Covenant House (Parent), is a not-for-profit organization founded in 1968 and incorporated in 1972. Covenant House (Parent) and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical attention, crisis intervention, public education and prevention, and other services that reached approximately 80,000 young people during fiscal 2017.

In fiscal 2016, Covenant House provided shelter, food, clothing, medical attention, crisis intervention, and other services to approximately 47,000 runaway and homeless. The increase from 2016 to 2017 is due to the inclusion of Public Education and Prevention programs.

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

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

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

- Asociacion 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. The Organization is also exempt from Missouri income and sales taxes.



## **Covenant House Missouri**

Notes to Financial Statements  
June 30, 2017

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

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

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

###### **Shelter and Crisis Care**

The Shelter and Crisis Care program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths through Covenant House programs in Missouri.

###### **Outreach**

The Outreach program is an effort to reach youths who are on the streets for various reasons. Outreach vans cruise the city streets day and night searching for these youths and provide them with food, a trained counselor, and referrals to shelters and health and other services, if needed.

###### **Community Service Center**

The Community Service Center (CSC) program provides comprehensive services to youths in the residential programs and to other youths in the community who need support in order to complete their educations, obtain employment, and maintain themselves in stable living situations.

###### **Rights of Passage**

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

##### ***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.

###### **Development**

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

##### ***Direct Benefit-to-Donor Costs***

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

## **Covenant House Missouri**

Notes to Financial Statements  
June 30, 2017

### **2. Summary of Significant Accounting Policies**

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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.

#### ***Net Assets Presentation***

The Organization maintains its net assets under the following two classes:

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain time and donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.

There are no permanently restricted net assets.

#### ***Revenue Recognition***

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

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### ***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.

## Covenant House Missouri

Notes to Financial Statements  
June 30, 2017

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

#### ***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 valued at fair value in the statement of financial position. Interest and dividends and realized and unrealized gains and losses on the sale of investments are included in the 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.

#### ***Property and Equipment***

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

Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	33 years
Building improvements	1 to 39 years
Furniture and fixtures	1 to 12 years

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

## **Covenant House Missouri**

Notes to Financial Statements  
June 30, 2017

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

#### ***Special Events***

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of cost of direct benefits to donors.

#### ***Donated Goods and Services***

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

The Organization recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

#### ***Advertising Costs***

Advertising costs are expensed as incurred.

#### ***Asset Retirement Obligation***

The Organization has recorded a liability for the future estimated costs of removing asbestos from buildings it owns. There are no assets legally restricted to fund this liability. The liability is recorded as other liabilities on the accompanying statement of financial position and is \$116,201 as of June 30, 2017 and 2016.

#### ***Impairment of Long-Lived Assets***

Long-lived assets, such as property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted fair values and third-party independent appraisals. There were no impairments for the years ended June 30, 2017 and 2016.

#### ***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, 2014.

## Covenant House Missouri

Notes to Financial Statements  
June 30, 2017

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

#### *Prior Year Summarized Comparative Information*

Information as of and for the year ended June 30, 2016 is presented for comparative purposes only. Certain activity by net asset classification is not included in these 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 financial statements as of and for the year ended June 30, 2016, from which the summarized comparative information was derived.

#### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 12, 2018.

### 3. Investments

Investments at June 30, 2017 and 2016 consisted of fixed income securities and mutual funds measured at fair value on a recurring basis and classified with Level 1 inputs using the fair value hierarchy.

### 4. Government Grants Receivable

All government grants receivable as of June 30, 2017 are expected to be fully collected within one year.

### 5. Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Buildings	\$ 232,330	\$ 232,330
Building improvements	4,734,982	4,724,982
Furniture, vehicles and equipment	<u>727,858</u>	<u>722,187</u>
	5,695,170	5,679,499
Less accumulated depreciation	<u>2,355,234</u>	<u>2,124,697</u>
	<u>\$ 3,339,936</u>	<u>\$ 3,554,802</u>

## Covenant House Missouri

Notes to Financial Statements  
June 30, 2017

### 6. Note Payable to Parent

During 2014, the Organization entered into a promissory note of \$2,184,000 with the Parent to finance real estate and leasehold improvements. The promissory note is due in monthly principal and interest payments, at an interest rate of 1.25%, through January 15, 2028. The note is collateralized by \$250,000 of investments. Subsequent to the year end, the note document with the Parent was modified. The modification included the postponement of required principal payments until August 2017 and a change in the interest rate to be .08% above the Parent's borrowing rate. Total interest expense in 2017 and 2016 was \$3,861 and \$22,455.

Future principal maturities relating to the note payable for the years ending June 30 are as follows:

2018	\$	257,030
2019		142,540
2020		144,332
2021		146,147
2022		147,987
Thereafter		861,099
	\$	<u>1,699,135</u>

### 7. Commitments and Contingencies

#### *Leases*

The Organization has entered into various non-cancelable operating leases for equipment. These leases expire at various dates through May 2020. Rental expenses under all operating leases amounted to \$21,372 and \$15,174 for the years ended June 30, 2017 and 2016.

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

2018	\$	13,146
2019		13,146
2020		12,051
	\$	<u>38,343</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 that the amount of disallowed costs, if any, would not be significant. Government grants totaled \$716,369 and \$884,359 for the years ended June 30, 2017 and 2016.

## **Covenant House Missouri**

Notes to Financial Statements  
June 30, 2017

### **8. Related Party Transactions**

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give totaled approximately \$66 million and \$64.3 million for the Parent in the years ended June 30, 2017 and 2016. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent's policy, approximated \$36 million and \$33.6 million for the years ended June 30, 2017 and 2016. For each of the years ended June 30, 2017 and 2016, the Organization received \$761,000 and is included in Branding dollars from the Parent.

### **9. Employee Benefit Plan**

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation 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 \$34,208 and \$45,659 for the years ended June 30, 2017 and 2016.

### **10. Concentration of Credit Risk**

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash deposits with financial institutions and grants receivable. These deposits are maintained at financial institutions and the Organization has not experienced any losses. Concentration 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.

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