Covenant House Missouri

Financial Statements

June 30, 2022

Independent Auditors' Report

Board of Directors
Covenant House Missouri

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Covenant House Missouri, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House Missouri, as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Covenant House Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Covenant House Missouri'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 Covenant House Missouri's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 19, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 23, 2022

Covenant House Missouri

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

	2022	2021
ASSETS		
Cash and cash equivalents	$ 634,574	$ 678,431
Investments	1,751	1,954
Government grants receivable	364,887	190,922
Due from Parent	15,269	-
Pledges receivable, net of allowance for doubtful accounts of $4,462	120,538	420,538
Prepaid expenses and other assets	2,165	26,066
Property and equipment, net	3,372,529	3,115,331
	$ 4,511,713	$ 4,433,242
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 335,905	$ 270,501
Due to Parent	-	827
Loan payable	126,662	134,579
Capital lease obligations	13,966	17,659
Other liabilities	116,201	116,201
Total Liabilities	592,734	539,767
Net Assets		
Without donor restrictions	3,788,979	3,151,975
With donor restrictions	130,000	741,500
Total Net Assets	3,918,979	3,893,475
	$ 4,511,713	$ 4,433,242

See notes to financial statements

Covenant House Missouri

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

	2022			
	Without Donor Restrictions	With Donor Restrictions	Total	2021 Total
SUPPORT AND REVENUE				
Contributions	$ 1,675,143	$ 5,000	$ 1,680,143	$ 1,930,185
Contributed services and merchandise	39,091	-	39,091	4,486
Government grants	1,336,560	-	1,336,560	1,521,698
Branding dollars from Parent	739,112	-	739,112	647,123
Branding dollars from Parent - loan forgiveness	-	-	-	1,812,017
Grants from Parent related to National Sleep Out Event	302,322	-	302,322	376,723
Special event revenue	206,010	-	206,010	130,546
Net assets released from restrictions	616,500	(616,500)	-	-
Total Support and Revenue	4,914,738	(611,500)	4,303,238	6,422,778
INVESTMENT AND OTHER INCOME				
Interest and dividends	302	-	302	522
Investment return	(203)	-	(203)	(9)
Other income	843	-	843	2,511
Total Investment and Other Income	942	-	942	3,024
Total Support and Revenue and Investment and Other Income	4,915,680	(611,500)	4,304,180	6,425,802
EXPENSES				
Program services	3,530,596	-	3,530,596	3,264,336
Supporting Services				
Management and general	475,404	-	475,404	441,971
Development	272,676	-	272,676	238,346
Total Supporting Services	748,080	-	748,080	680,317
Total Expenses	4,278,676	-	4,278,676	3,944,653
Change in Net Assets	637,004	(611,500)	25,504	2,481,149
NET ASSETS				
Beginning of year	3,151,975	741,500	3,893,475	1,412,326
End of year	$ 3,788,979	$ 130,000	$ 3,918,979	$ 3,893,475

See notes to financial statements

Covenant House Missouri

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

	Program Services			Supporting Services				
	Residential Youth	Community Youth	Total Program Services	Management and General	Development	Total Supporting Services	2022	Total 2021
Salaries and wages	$ 1,560,489	$ 656,642	$ 2,217,131	$ 266,203	$ 157,227	$ 423,430	$ 2,640,561	$ 2,263,765
Payroll taxes	121,565	49,909	171,474	29,507	11,695	41,202	212,676	170,696
Employee benefits	174,277	91,532	265,809	58,019	17,935	75,954	341,763	321,553
Total Salaries and Related Expenses	1,856,331	798,083	2,654,414	353,729	186,857	540,586	3,195,000	2,756,014
Accounting fees	14,556	2,303	16,859	2,853	1,038	3,891	20,750	36,500
Bank charges and fees	2,819	446	3,265	552	201	753	4,018	5,094
Cellular telephone	1,838	291	2,129	360	131	491	2,620	4,037
Conferences, conventions and meetings	32,174	5,091	37,265	6,307	2,293	8,600	45,865	18,471
Consulting fees	-	-	-	-	-	-	-	1,500
Dues, licenses and permits	4,363	690	5,053	855	311	1,166	6,219	3,390
Equipment	44,524	7,045	51,569	8,727	3,173	11,900	63,469	48,264
Fundraising expenses	-	-	-	-	42,366	42,366	42,366	32,597
Insurance	67,691	10,711	78,402	13,268	4,825	18,093	96,495	104,019
Interest	-	-	-	2,178	-	2,178	2,178	41,378
Legal fees	1,357	215	1,572	266	97	363	1,935	-
Miscellaneous	21,716	3,436	25,152	4,257	1,548	5,805	30,957	16,708
Occupancy:								
Repairs and maintenance	30,758	4,867	35,625	6,029	2,192	8,221	43,846	109,248
Utilities	84,537	13,377	97,914	16,570	6,025	22,595	120,509	120,107
Other purchased services	65,116	10,304	75,420	12,763	4,641	17,404	92,824	91,757
Postage and printing	17,108	2,708	19,816	3,353	1,219	4,572	24,388	19,559
Specific Assistance to Individuals:								
Essentials, including contributed merchandise	47,595	7,531	55,126	-	-	-	55,126	65,133
Food	54,862	8,681	63,543	-	-	-	63,543	102,361
Medical	44,368	7,020	51,388	-	-	-	51,388	60,359
Staff recruitment	17,404	2,754	20,158	3,411	1,240	4,651	24,809	19,570
Subscriptions and publications	3,364	532	3,896	659	240	899	4,795	3,006
Supplies	18,000	2,848	20,848	3,528	1,283	4,811	25,659	33,207
Travel and transportation	5,723	906	6,629	1,122	408	1,530	8,159	18,123
Total Functional Expenses Before Depreciation	2,436,204	889,839	3,326,043	440,787	260,088	700,875	4,026,918	3,710,402
Depreciation	176,608	27,945	204,553	34,617	12,588	47,205	251,758	234,251
Total Functional Expenses	$ 2,612,812	$ 917,784	$ 3,530,596	$ 475,404	$ 272,676	$ 748,080	$ 4,278,676	$ 3,944,653

Covenant House Missouri

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	$ 25,504	$ 2,481,149
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	251,758	234,251
Net unrealized loss (gain) on investments	245	51
Loan forgiviness from Parent	-	(1,812,017)
Gain on sale of property and equipment	-	(400)
Loan forgiviness from Affordable Housing Commission	(7,917)	(7,917)
Net change in operating assets and liabilities		
Government grants receivable	(173,965)	(11,269)
Pledges receivable	300,000	(328,647)
Prepaid expenses and other assets	23,901	3,026
Accounts payable and accrued liabilities	65,404	24,689
Accrued interest	-	41,251
Due from/to Parent	(16,096)	1,593
Net Cash from Operating Activities	468,834	625,760
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	(42)	(42)
Proceeds from the sale of property and equipment	-	400
Purchase of property and equipment	(508,956)	(408,745)
Net Cash from Investing Activities	(508,998)	(408,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of non-interest bearing note from parent	-	(50,000)
Repayment of capital lease obligations	(3,693)	(3,047)
Proceeds on line of credit payable to Parent	-	250,000
Payments on line of credit payable to Parent	-	(250,000)
Net Cash from Financing Activities	(3,693)	(53,047)
Change in Cash and Cash Equivalents	(43,857)	164,326
CASH AND CASH EQUIVALENTS		
Beginning of year	678,431	514,105
End of year	$ 634,574	$ 678,431
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 2,178	$ 3,306

See notes to financial statements

1. Organization and Tax Status

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 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 year 2022. During fiscal year 2022, the worldwide COVID-19 pandemic impacted the number of youth Covenant House reached, as affiliates took measures to ensure social distancing, set aside isolation rooms for symptomatic youth, paused in-person public education and prevention programs, and, throughout the year, suspended or modified street outreach. The pandemic impacted all of operations, including food production; the creation of online opportunities for mental health care, education, and job readiness training; development of appropriate intake protocols; implementation of new cleaning and sanitizing protocols, and other measures, all of which drove up operating costs. Nevertheless, in fiscal year 2022, Covenant House provided a total of nearly 726,000 nights of housing and safety for, on average, 1,991 youth each night.

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

- Covenant House Alaska
- Covenant House 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 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
- CH Housing Development Fund Corporation
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44th Corporation
- 460 West 41st Street, LLC

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

- Associacion 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

1. Organization and Tax Status *(continued)*

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.

Components of Program and Supporting Services

Program Services

Residential Youth Programming
The Organization provides safe shelter and case management to youth ages 16-24 who are runaway, trafficked, and at-risk of or experiencing homelessness. Currently, the Organization operates a short-term emergency shelter, Genesis, and a 2-year Transitional Living Program ("TLP"). In fiscal 2022, the Genesis Shelter provided short-term care and case management services to 165 youth. Youth were able to receive support services and work with case managers to identify and create a plan to work towards meeting their goals. 39 youth resided in TLP, where they were able to access support services, work on achieving long-term goals and stability, and transition to long-term housing. The average census in Genesis and TLP in fiscal 2022 was 91% and 86%. Between the two programs, 12,881 bed nights were provided. All residential youth have access to comprehensive support services such as mental health care, physical health care, and career development services.

Community Youth Programming
The Organization recognizes that the need for services far exceeds the available shelter space in the community. To meet this overwhelming need, the Organization provides services to youth in the community who are unsheltered, at-risk and need support. In fiscal 2022, 61 youth in the community received services through the Aftercare and Outreach services. The Organization endeavors to safeguard all youth, ensuring they have access to the comprehensive services they need. Youth in the community have access to mental health care, physical health care, career development services and case management.

In fiscal 2022, 251 residential and community youth, ages 16-24, participated in supportive services. This included visits to the Wellness Center, which offers mental and physical healthcare services, as well as visits with a psychiatrist, and career services, which offer educational and employment support. In fiscal 2022, 191 youth engaged with career services, a key step in providing youth with the tools they need to live sustainable lives.

Supporting Services

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

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

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

Components of Program and Supporting Services (continued)

Supporting Services (continued)

Direct Benefit-to-Donor Costs

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying 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. Some of the more significant estimates required to be made by management include the allowance for doubtful receivables, depreciation and fixed asset impairment.

Net Asset Presentation

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Without donor restrictions – consist of resources available for the general support of the Organization's operations. This class also includes assets previously restricted where restrictions have expired or been met.

With donor restrictions – represent amounts subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may require the assets to be maintained in perpetuity.

Earnings related to restricted net assets are included in net assets without donor restrictions unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

Revenue Recognition

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

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

Functional Expense Allocation

The costs of providing the various program and supporting services have been summarized on a functional basis. Supporting services include management and general and fundraising. Salaries and related expenses are allocated directly to program salaries and supporting services. Specific assistance to individuals such as food, medical and essentials are allocated based on individuals serviced by each program. Other expenses by function have been allocated among program and supporting services classifications on the basis of salary allocation.

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 statement of financial position. Interest and dividend income, as well as realized gains or losses and unrealized appreciation or depreciation in investment value, are recognized as with or without donor restrictions, in accordance with donor intent 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.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or at their estimated fair value at the date of donation. Expenditures for maintenance and repairs are expensed as incurred. Expenditures that improve or extend the estimated useful lives are capitalized. The Organization follows the practice of capitalizing all expenditures for property and equipment with a cost in excess of $5,000.

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, vehicles and equipment	1 to 12 years

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

Impairment of Long-Lived Assets

U.S. GAAP guidance, *Accounting for the Impairment or Disposal of Long-lived Assets,* requires long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, impairment would then be measured as the difference between the fair value of the asset and its carrying value to determine the amount of the impairment. The Organization generally determines fair value by using the undiscounted cash flow method. No impairment losses have been recorded to date.

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are due beyond one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

All contributions and pledges receivable at June 30, 2022 and 2021 are expected to be fully collected within one year.

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. 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.

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, 2022 and 2021.

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

Advertising Costs

Advertising costs are expensed as incurred.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2019.

Prior Year Summarized Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 23, 2022.

3. Investments

The following are major classes and categories of investments measured at fair value at June 30, 2022 and 2021. All mutual funds are valued using Level 1 inputs under the fair value hierarchy.

	2022	2021
Mutual Funds:		
Bonds	$ 1,751	$ 1,954

The composition of investment return as reported in the statement of activities for the years ended June 30, is as follows:

	2022	2021
Interest and dividends	$ 42	$ 42
Unrealized loss	(245)	(51)
	$ (203)	$ (9)

4. Government Grants and Pledges Receivable

All government grants and pledges receivable at June 30, 2022 and 2021, are expected to be fully collected within one year.

	2022	2021
Amounts due in		
Less than one year	$ 489,887	$ 615,922
Allowance for unfulfilled promises to give	(4,462)	(4,462)
	$ 485,425	$ 611,460

The Organization determines whether an allowance for uncollectible government grants and pledges receivable should be provided based on prior years' experience and management's analysis of specific receivables. Management has determined that it was immaterial to record a discount on the pledges receivable at June 30, 2022 and 2021.

5. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Buildings	$ 232,330	$ 232,330
Building improvements	5,173,285	4,998,372
Furniture, vehicles and equipment	366,095	371,341
Construction in progress	368,243	34,201
	6,139,953	5,636,244
Accumulated depreciation	(2,767,424)	(2,520,913)
	$ 3,372,529	$ 3,115,331

6. Loan Payable

In 2008, the Organization obtained a non-interest-bearing forgivable loan totaling $237,500 from the Affordable Housing Commission for the construction of 36 residential dwelling units located at 2727 N. Kingshighway (the "Project"). The loan is secured by the assets of the Project. The Affordable Housing Commission forgives $7,917 of the liability annually, with final forgiveness occurring on November 16, 2037, the maturity date. The entire unpaid principal and interest amount of this loan shall become immediately due and payable upon the first to occur of the following: (i) the sale of the Project; (ii) failure of the borrower to maintain the Project as a rental property, (iii) failure of occupancy requirements. The forgivable loan balance amounted to $126,662 and $134,579 at June 30, 2022 and 2021.

7. Notes Payable and Line of Credit 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 was due in monthly principal and interest payments, at an interest rate of 1.25%, through January 15, 2028.

On June 15, 2021, the Parent forgave the remaining loan principal balance of $1,601,033 and accrued interest on that loan of $160,984. The amounts of forgiveness are included in Branding dollars – loan forgiveness on the 2021 statement of activities. Total interest expense in 2021 was $41,251.

During 2019, The Organization borrowed an additional $100,000 from the Parent to cover operating expenses. This note bears no interest. On June 15, 2021, the Parent forgave the remaining loan balance of $50,000. The amounts of forgiveness are included in Branding dollars – loan forgiveness on the 2021 statement of activities.

On February 14, 2019, The Parent entered into an unsecured line of credit agreement with a bank to borrow up to an aggregate amount of $15 million. Interest on outstanding borrowings is payable at the one-month LIBOR rate plus additional percentage points as defined in the agreement, which is 1.50% at June 30, 2022. Under this unsecured line of credit agreement, the Organization has access to $350,000 to fund cash shortfalls. There were no outstanding balances on the line of credit at June 30, 2022 and 2021.

8. Capital Lease Obligations

The Organization entered into an agreement to lease a copier machines on May 25, 2020. Per the terms of the agreement, ownership of the copier machines transfers once all principal rental payments have been made. The lease meets the criteria of capital leases as defined by U.S. GAAP guidance. The balance due at June 30, 2022 and 2021 was $13,966 and $17,659. Interest expense for 2022 and 2021 was $2,178 and $2,823. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and, and accordingly, it is recorded in the Organization's assets and liabilities. The following is an analysis of the leased asset included in property and equipment:

	2022	2021
Equipment	$ 21,151	$ 21,151
Accumulated depreciation	(9,165)	(4,935)
	$ 11,986	$ 16,216

8. Capital Lease Obligations (*Continued*)

Payments to Maturity

The annual requirements to amortize capital lease obligations at June 30, 2022 including interest payments of $3,684 are as follows for the years ending June 30:

	Principal	Interest
2023	$ 4,100	$ 1,770
2024	4,771	1,100
2025	5,095	814
	$ 13,966	$ 3,684

9. 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 its affiliates. Contributions, promises to give and government grants and contracts totaled approximately $89 million and $84 million for the Parent for the years ended June 30, 2022 and 2021. Contributions received from the Parent are generally not specifically restricted by donors to specific Covenant House affiliates.

The Parent combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as “Branding Dollars” to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent’s policy, approximated $40 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 $689,301 and $2,454,740 and is included in Branding dollars from the Parent. Additionally, in 2022 and 2021, the Organization received $302,322 and $376,723 from the Parent relating to National Sleep Out Events. Additionally, in 2021, the Organization received a one-time grant of $50,000 the Parent from the site investment fund.

10. 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 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 $55,393 and $36,720 for the years ended June 30, 2022 and 2021.

10. Employee Benefit Plan (*continued*)

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. For the years ended June 30, 2022 and 2021, the Organization contributed $10,745 and $24,253 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statement of functional expense.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, are as follows:

	Balance June 30, 2021	Additions	Releases	Balance June 30, 2022
Purpose Restriction				
Support development team	$ 41,500	$ -	$ 41,500	$ -
Capital improvements	150,000	-	150,000	-
Genesis program	-	5,000	-	5,000
Residential program expansion	550,000	-	425,000	125,000
	$ 741,500	$ 5,000	$ 616,500	$ 130,000

	Balance June 30, 2020	Additions	Releases	Balance June 30, 2021
Time Restrictions				
Program	$ 25,000	$ -	$ 25,000	$ -
Purpose Restriction				
Support development team	20,000	41,500	20,000	41,500
Capital improvements	-	150,000	-	150,000
Program	-	150,000	150,000	-
Wellness center construction	75,000	-	75,000	-
Residential program expansion	-	550,000	-	550,000
	$ 120,000	$ 891,500	$ 270,000	$ 741,500

12. Commitments and Contingencies

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 $1,336,560 and, $1,521,698 for the years ended June 30, 2022 and 2021.

13. Concentration and Risks

Investments Risks and Uncertainties

Investments are carried at fair value. Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

Credit Risk

Financial instruments, which potentially subject the Organization to a concentration of credit and market risk, consist principally of cash deposits with financial institutions and grants receivable. These deposits are maintained at financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. The Organization does not believe that a significant risk of loss due to the failure of a financial institution presently exists. 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. At June 30, 2022 and 2021, approximately $565,000 and $524,000 was maintained with an institution in excess of FDIC limits.

Operating Risk

The Coronavirus outbreak may have an adverse effect on the results of operations. 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.

14. Liquidity and Availability of Financial Assets

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

	2022	2021
Cash and cash equivalents	$ 634,574	$ 678,431
Investments	1,751	1,954
Grants receivable	364,887	190,922
Due from Parent	15,269	-
Pledges receivable, net	120,538	420,538
Total Financial Assets	1,137,019	1,291,845
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions	130,000	741,500
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	$ 1,007,019	$ 550,345

At June 30, 2022, the Organization has an available line of credit of $350,000 for working capital.

As part of the Organization's liquidity management strategy, the Organization 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 grants.

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