Covenant House Missouri

Financial Statements

June 30, 2019

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS
ESTABLISHED IN 1891

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, 2019, 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.

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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, 2019, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, during the year ended June 30, 2019 the Organization adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Covenant House Missouri's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

March 17, 2020

Covenant House Missouri

Statement of Financial Position
June 30, 2019
(with comparative amounts at June 30, 2018)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 38,147	$ 345,198
Investments	184,060	224,612
Government grants receivable	159,833	174,487
Due from Parent	-	5,116
Other receivables, net of allowance for doubtful accounts of $25,000	42,648	158,315
Prepaid expenses and other assets	10,490	11,480
Property and equipment, net	3,061,454	3,185,066
	$ 3,496,632	$ 4,104,274
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	$ 233,673	$ 233,532
Due to Parent	792	-
Notes payable and accrued interest due to Parent	1,780,740	1,639,746
Other liabilities	116,201	116,201
Total Liabilities	2,131,406	1,989,479
Net Assets		
Without donor restrictions	1,265,226	1,952,891
With donor restrictions	100,000	161,904
Total Net Assets	1,365,226	2,114,795
	$ 3,496,632	$ 4,104,274

See notes to financial statements

Covenant House Missouri

Statement of Activities
Year Ended June 30, 2019
(with summarized totals for the year ended June 30, 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
SUPPORT AND REVENUE				
Contributions	$ 736,608	$ -	$ 736,608	$ 777,828
Contributed services and merchandise	20,079	-	20,079	24,221
Government grants	1,152,153	-	1,152,153	1,064,019
Branding dollars from Parent	814,000	-	814,000	646,000
Grants from Parent related to National Sleep Out Event	175,155	-	175,155	188,171
Special event revenue, net of direct benefits to donors of $58,911 and $82,917	145,657	-	145,657	628,809
Net assets released from restrictions	64,794	(64,794)	-	-
Total Support and Revenue	3,108,446	(64,794)	3,043,652	3,329,048
INVESTMENT AND OTHER INCOME				
Interest and dividends	4,311	2,266	6,577	3,973
Unrealized gains	2,545	624	3,169	4,316
Other income	13,098	-	13,098	37,397
Total Investment and Other Income	19,954	2,890	22,844	45,686
Total Support and Revenue and Investment and Other Income	3,128,400	(61,904)	3,066,496	3,374,734
EXPENSES				
Program services	3,367,712	-	3,367,712	3,040,510
Supporting Services				
Management and general	302,018	-	302,018	320,272
Fundraising	146,335	-	146,335	143,241
Total Supporting Services	448,353	-	448,353	463,513
Total Expenses	3,816,065	-	3,816,065	3,504,023
Change in Net Assets	(687,665)	(61,904)	(749,569)	(129,289)
NET ASSETS				
Beginning of year	1,952,891	161,904	2,114,795	2,244,084
End of year	$ 1,265,226	$ 100,000	$ 1,365,226	$ 2,114,795

See notes to financial statements

Covenant House Missouri

Statement of Functional Expenses
Year Ended June 30, 2019
(with summarized totals for year ended June 30, 2018)

	Program Services					Supporting Services					
	Shelter and Crisis Care	Outreach	Community Service Center	Rights of Passage	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits to Donors	Total Expenses 2019	Total Expenses 2018
Salaries and wages	$ 651,274	$ 120,023	$ 484,028	$ 531,250	$ 1,786,575	$ 121,991	$ 59,028	$ 181,019	$ -	$ 1,967,594	$ 1,851,580
Payroll taxes	51,451	9,482	38,239	41,969	141,141	9,637	4,663	14,300	-	155,441	152,544
Employee benefits	106,852	19,692	79,413	87,160	293,117	20,014	9,685	29,699	-	322,816	239,132
Total Salaries and Related Expenses	809,577	149,197	601,680	660,379	2,220,833	151,642	73,376	225,018	-	2,445,851	2,243,256
Accounting fees	8,037	1,481	5,973	6,556	22,047	1,505	728	2,233	-	24,280	23,000
Legal fees	-	-	-	-	-	-	-	-	-	-	8,448
Consulting fees	11,337	2,089	8,426	9,248	31,100	2,124	1,028	3,152	-	34,252	92,570
Supplies	9,615	1,772	7,146	7,843	26,376	1,801	871	2,672	-	29,048	18,192
Telephone	6,789	1,251	5,046	5,538	18,624	1,272	615	1,887	-	20,511	20,581
Postage and printing	16,846	3,105	12,520	13,741	46,212	3,156	1,527	4,683	-	50,895	26,560
Occupancy:											
Fuel and utilities	42,370	7,808	31,489	34,563	116,230	7,936	3,840	11,776	-	128,006	125,520
Repairs and maintenance	9,886	1,822	7,347	8,064	27,119	1,852	896	2,748	-	29,867	34,420
Equipment	19,551	3,603	14,531	15,948	53,633	3,662	1,772	5,434	-	59,067	40,297
Travel and transportation	7,985	1,472	5,935	6,514	21,906	1,494	724	2,218	-	24,124	25,789
Conferences, conventions and meetings	7,005	1,291	5,206	5,714	19,216	1,312	635	1,947	-	21,163	19,269
Specific Assistance to Individuals:											
Food	20,150	3,699	14,960	16,396	55,205	-	-	-	-	55,205	38,447
Medical	5,482	1,010	4,074	5,995	16,561	-	-	-	-	16,561	12,010
Clothing, allowance and other	45,452	6,686	26,963	30,506	109,607	-	-	-	-	109,607	118,486
Contributed clothing and merchandise	8,493	1,225	4,939	5,421	20,078	-	-	-	-	20,078	15,773
Temporary help	69,933	5,239	102,507	50,115	227,794	-	-	-	-	227,794	110,733
Other purchased services	14,066	2,592	10,454	11,474	38,586	2,635	1,275	3,910	-	42,496	46,258
Fundraising expenses	-	-	-	-	-	-	13,932	13,932	58,911	72,843	103,459
Dues, licenses and permits	506	93	376	412	1,387	95	46	141	-	1,528	1,697
Subscriptions and publications	-	-	-	-	-	1,317	11,852	13,169	-	13,169	2,828
Staff recruitment	1,007	83	542	1,444	3,076	37,893	23,567	61,460	-	64,536	51,335
Insurance	28,383	5,231	21,095	23,152	77,861	5,316	2,572	7,888	-	85,749	81,497
Miscellaneous	8,432	1,554	6,267	6,878	23,131	1,577	764	2,341	-	25,472	23,879
Bank charges and fees	-	-	-		-	7,164	-	7,164	-	7,164	10,812
Provision for bad debts	-	-	-	-	-	-	-	-	-	-	25,000
Interest	-	-	-	-	-	55,215	-	55,215	-	55,215	65,416
Total Functional Expenses Before Depreciation	1,150,902	202,303	897,476	925,901	3,176,582	288,968	140,020	428,988	58,911	3,664,481	3,385,532
Depreciation	69,674	12,840	51,782	56,834	191,130	13,050	6,315	19,365	-	210,495	207,708
Total Functional Expenses	1,220,576	215,143	949,258	982,735	3,367,712	302,018	146,335	448,353	58,911	3,874,976	3,593,240
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(58,911)	(58,911)	(89,217)
Total Expenses Reported by Function on the Statement of Activities	$ 1,220,576	$ 215,143	$ 949,258	$ 982,735	$ 3,367,712	$ 302,018	$ 146,335	$ 448,353	$ -	$ 3,816,065	$ 3,504,023

See notes to financial statements

Covenant House Missouri

Statement of Cash Flows
Year Ended June 30, 2019
(with comparative amounts for year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (749,569)	$ (129,289)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	210,495	207,708
Provision for bad debts	-	25,000
Net unrealized gain on investments	(3,169)	(4,316)
Net change in operating assets and liabilities		
Government grants receivable	14,654	(15,577)
Other receivables	115,667	(174,815)
Prepaid expenses and other assets	990	(11,480)
Accounts payable, accrued liabilities, refundable advances	141	103,281
Accrued interest	40,994	79,078
Due from/to Parent	5,908	(5,688)
Net Cash from Operating Activities	(363,889)	73,902
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	(6,279)	-
Proceeds from the sale of short-term investments	50,000	166,383
Purchase of property and equipment	(86,883)	(52,838)
Net Cash from Investing Activities	(43,162)	113,545
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-interest bearing note from parent	100,000	-
Payments on notes payable to Parent	-	(98,102)
Net Cash from Financing Activities	100,000	(98,102)
Change in Cash and Cash Equivalents	(307,051)	89,345
CASH AND CASH EQUIVALENTS		
Beginning of year	345,198	255,853
End of year	$ 38,147	$ 345,198
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 10,702	$ 26,703

See notes to financial statements

1. Organization and Nature of Activities

Covenant House Missouri (the "Organization"), is a not-for-profit organization, and an operating affiliate of Covenant House (the "Parent"), a not-for-profit organization founded in 1968 and incorporated in 1972. The Organization provides shelter, residential services, community services, and outreach services to youth in the St. Louis metropolitan area. 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 74,000 and 89,000 young people during fiscal 2019 and 2018.

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.
- CH Housing Development Fund Corporation
- 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, and 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

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.

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.

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

Direct Benefit-to-Donor Costs

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying 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.

Change in Accounting Principle

On July 1, 2018, the Organization adopted new guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Organization to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Organization to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements

The changes have the following effect on net assets at June 30, 2018:

Net Asset Classifications	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
As Previously Presented:			
Unrestricted net assets	$ 1,952,891	$ -	$ 1,952,891
Temporarily restricted net assets	-	161,904	161,904
Total Net Assets	$ 1,952,891	$ 161,904	$ 2,114,795

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. Net assets without donor restrictions may be used at the discretion of the Organization's management and Board of Directors.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Organization to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, 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 and reported in the statement of activities as net assets released from restriction.

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

Net Assets Presentation (continued)

Income and gains earned on endowment fund investments are available to be used in the "without donor restrictions" or "with donor restrictions" net asset classes based upon stipulations by the donors.

Earnings related to restricted net assets will be 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. The Organization had no net assets with donor restrictions as of June 30, 2019.

Revenue Recognition

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

Functional Expense Allocation

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 program services. Supporting services include management and general and fundraising. Allocated expenses among program services and management and general and fundraising include salaries and related expenses, staff travel, consulting and professional fees, rent and occupancy, other expenses, and depreciation which are allocated based on time and costs where efforts are made.

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.

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

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, vehicles and equipment	1 to 12 years

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 as of June 30, 2019 and 2018 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 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.

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

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, 2019 and 2018.

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.

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, 2016.

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, 2018, 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 March 17, 2020.

3. Investments

Investments at June 30, 2019 and 2018 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.

	2019	2018
Investments:		
Mutual Funds:		
Stocks	$ 73,862	$ 74,728
Bonds	105,116	147,068
Total Investments at Fair Value	178,978	221,796
Cash and cash equivalents, at cost	5,082	2,816
Total Investments	$ 184,060	$ 224,612

4. Government Grants Receivable

All government grants receivable as of June 30, 2019 and 2018 are expected to be fully collected within one year.

5. Property and Equipment

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

	2019	2018
Buildings	$ 232,330	$ 232,330
Building improvements	4,761,286	4,734,982
Furniture, vehicles and equipment	841,275	780,696
	5,834,891	5,748,008
Less accumulated depreciation	2,773,437	2,562,942
	$ 3,061,454	$ 3,185,066

6. 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 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. At June 30, 2019 and 2018, the Organization was not in compliance regarding the collateralized investments. The Parent has agreed to waive the compliance requirement for the years ended June 30, 2019 and 2018. The note document with the Parent was modified in 2017. The modification included the postponement of required principal payments until August 2017.

6. Note Payable and Line of Credit payable to Parent *(continued)*

The note was modified again on June 30, 2019, this modification postponed repayment of principal and interest to start on July 28, 2020 at $13,853 per month. The promissory note is now due on July 28, 2032 with an interest rate of 2.50%. Total interest expense in 2019 and 2018 was $55,215 and $65,416.

During 2019, The Organization borrowed $100,000 from the Parent to cover operating expenses. This note bears no interest. Repayments on the note are to be made during fiscal year 2021.

The Parent entered into an unsecured line of credit agreement with a bank to borrow up to an aggregate amount of $15 million on February 14, 2019. 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, 2019. Under this unsecured line of credit agreement, the Organization has access to $350,000 to fund cash shortfalls. No drawdowns have been made on the line of credit.

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

2020	$ -
2021	224,610
2022	127,761
2023	130,992
2024	134,305
Thereafter	1,163,072
	$ 1,780,740

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 $20,735 and $19,677 for the years ended June 30, 2019 and 2018.

Future minimum annual lease payments for the year ending June 30, 2020 is $12,051

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 $1,152,153 and, $1,064,019 for the years ended June 30, 2019 and 2018.

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 its affiliates. Contributions, promises to give and government grants and contracts totaled approximately $66 million and $64 million for the Parent for the years ended June 30, 2019 and 2018. 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 $34 million and $35 million for the years ended June 30, 2019 and 2018. For the years ended June 30, 2019 and 2018, the Organization received $814,000 and $646,000 and is included in Branding dollars from the Parent. Additionally, in 2019 and 2018, the Organization received $175,155 and $188,171 from the Parent relating to National Sleep Out Events.

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 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 $55,443 and $36,224 for the years ended June 30, 2019 and 2018.

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, 2019 and 2018, the Organization contributed $20,768 and $16,456 for its allocable share of the Parent’s minimum funding requirement, which is included in employee benefits on the statement of functional expense.

10. Net Assets With Donor Restrictions

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

	2019	2018
Time Restrictions		
Program	$ -	$ 42,500
Purpose Restriction		
Program	100,000	119,404
	$ 100,000	$ 161,904

Net assets released from restriction during the years ended June 30, were as follows:

	2019	2018
Time Restrictions		
Program	$ 42,500	$ 7,500
Purpose Restriction		
Program	22,294	-
	$ 64,794	$ 7,500

11. Concentration of Credit Risk

Investments Risks

The investment portfolio is diversified by types of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

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 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.

Subsequent Event

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.

12. 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:

Financial Assets:	
Cash and cash equivalents	$ 38,147
Other receivable, net	42,648
Grants receivable	159,833
Investments	184,060
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	$ 424,688

At June 30, 2019, the Organization has an available line of credit of $250,000 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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