Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2022

Covenant House and Affiliates

Consolidated Financial Statements
Together With Independent Auditors' Report

June 30, 2022

TABLE OF CONTENTS **Page**

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Covenant House and Affiliates

Opinion

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

In our opinion, based on our audit and the reports of the other auditors, and the additional audit procedures performed, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House and Affiliates as of June 30, 2022 and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Covenant House Toronto, Covenant House Vancouver, Asociación La Alianza (Guatemala), Casa Alianza de Honduras, Casa Alianza Nicaragua Association, Fundación Casa Alianza México, I.A.P., controlled international affiliated organizations, which statements reflect total assets constituting 22.59% of total consolidated assets as of June 30, 2022, and total revenue constituting 21.78% of total consolidated revenues for the year then ended. Those statements were audited by other auditors in accordance with auditing standards other than those generally accepted in the United States of America, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the controlled international affiliated organizations, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the controlled international affiliated organizations, prior to these conversion adjustments, is based solely on the reports of the other auditors and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America.

Basis of 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 Consolidated Financial Statements section of our report. We are required to be independent of Covenant House and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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. report

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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated 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 and Affiliates' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Covenant House and Affiliates' 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 and Affiliates' June 30, 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 5, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 10, 2023

Covenant House and Affiliates

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

	2022	2021
ASSETS		
Cash and cash equivalents	$ 49,836,166	$ 51,143,142
Cash held in escrow	1,679,053	742,739
Restricted cash	570,435	6,085,911
Contributions receivable, net (Note 3)	14,245,867	12,764,578
Grants receivable (Note 4)	14,585,161	11,321,148
Notes receivable (Note 5)	11,922,790	11,935,351
Prepaid expenses and other assets, net (Note 6)	16,346,081	13,902,503
Investments (Note 7)	91,179,574	90,580,791
Investments, other (Note 7)	16,129,933	16,443,621
Property, plant and equipment, net (Note 8)	257,051,681	243,293,162
Advance payment on condominium construction	7,500,000	-
Beneficial interests in trusts (Note 11)	7,011,445	7,209,621
	$ 488,058,186	$ 465,422,567
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 23,018,051	$ 22,331,914
Deferred revenue (Note 10)	4,283,785	2,844,702
Line of credit, other debt obligations and capital leases (Note 9)	43,868,732	37,490,180
Paycheck Protection Program loans (Note 13)	111,950	4,104,543
Paycheck Protection Program refundable advances	-	413,069
Deferred rent	-	239,204
Obligations due under split-interest agreements (Note 11)	3,629,452	4,873,569
Conditional asset retirement obligation	-	414,374
Construction escrow deposits	-	10,901,803
Construction loans payable	866,906	44,804,384
Pension benefits liability (Note 14)	17,836,807	23,964,976
Total Liabilities	93,615,683	152,382,718
Net Assets		
Without donor restrictions (Notes 15 and 17)	309,743,589	240,312,053
With donor restrictions (Notes 16 and 17)	84,698,914	72,727,796
Total Net Assets	394,442,503	313,039,849
	$ 488,058,186	$ 465,422,567

See notes to consolidated financial statements

Covenant House and Affiliates

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

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
CONTRIBUTIONS AND OTHER REVENUE				
Contributions from individuals, foundations and corporations, including legacies and bequests of $14,891,356 and $10,743,515 for 2022 and 2021	$ 135,416,297	$ 25,561,631	$ 160,977,928	$ 154,176,512
Government grants and contracts	69,194,781	9,412,442	78,607,223	65,214,702
Contributions of nonfinancial assets	16,964,061	-	16,964,061	59,758,955
Special events revenue, net of costs of direct benefits to donors of $1,988,100 and $620,818 for 2022 and 2021	19,447,476	-	19,447,476	20,086,829
School management fees	7,406,774	-	7,406,774	6,417,511
Net assets released from restrictions	19,392,771	(19,392,771)	-	-
Total Contributions and Other Revenue	267,822,160	15,581,302	283,403,462	305,654,509
INVESTMENT RETURN				
Interest and dividends, net	1,795,960	163,900	1,959,860	1,454,134
Net unrealized (loss) gain	(9,253,512)	(764,121)	(10,017,633)	8,025,479
Net realized gain	134,909	-	134,909	553,842
Change in value of split-interest agreements	475,119	(683,879)	(208,760)	751,034
Change in value of beneficial interest in trusts	23,280	(1,528,998)	(1,505,718)	1,364,447
Sales of customer lists and other income	3,066,289	-	3,066,289	2,227,024
Total Investment Return	(3,757,955)	(2,813,098)	(6,571,053)	14,375,960
Total Contributions and Other Revenue and Investment Return	264,064,205	12,768,204	276,832,409	320,030,469
EXPENSES				
Program services	203,357,176	-	203,357,176	225,898,978
Supporting Services				
Management and general	29,330,717	-	29,330,717	24,397,735
Fundraising	29,389,925	-	29,389,925	28,023,405
Total Expenses	262,077,818	-	262,077,818	278,320,118
Change in Net Assets from Operations	1,986,387	12,768,204	14,754,591	41,710,351
Foreign currency translation adjustment	(2,137,928)	(797,086)	(2,935,014)	6,945,378
Net periodic pension cost, except service cost	(1,583,653)	-	(1,583,653)	(2,022,036)
Pension benefits liability adjustment	7,443,878	-	7,443,878	1,953,346
Forgiveness of Paycheck Protection Program loans	4,281,453	-	4,281,453	6,001,215
Impairment loss of property, plant and equipment	(2,081,184)	-	(2,081,184)	-
Net gain on sale of property, plant and equipment	61,522,583	-	61,522,583	4,354,239
Change in Net Assets	69,431,536	11,971,118	81,402,654	58,942,493
NET ASSETS				
Beginning of year	240,312,053	72,727,796	313,039,849	254,097,356
End of year	$ 309,743,589	$ 84,698,914	$ 394,442,503	$ 313,039,849

See notes to consolidated financial statements

Covenant House and Affiliates

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

	Program Services									
	Immediate Housing	Outreach	Young Families Program	Health and Well-Being	Drop-In Services	Public Education and Prevention	Transitional Living - Rights of Passage	Schools	Permanent Supportive Housing	Total Program Services
Salaries and wages	$ 41,285,466	$ 4,731,341	$ 1,966,558	$ 4,638,270	$ 7,694,577	$ 6,372,646	$ 18,297,925	$ 2,391,772	$ 3,580,892	$ 90,959,447
Payroll taxes	3,374,056	421,776	155,981	397,256	612,180	489,558	1,526,936	194,184	289,419	7,461,346
Employee benefits	6,980,455	850,810	338,920	960,999	1,282,429	1,274,549	3,075,189	480,946	769,988	16,014,285
Total Salaries and Related Expenses	51,639,977	6,003,927	2,461,459	5,996,525	9,589,186	8,136,753	22,900,050	3,066,902	4,640,299	114,435,078
Contributed legal services	51,289	6,411	-	6,411	18,144	10,000	24,556	-	-	116,811
Contributed public service announcements	-	-	-	-	-	12,738,177	-	-	-	12,738,177
Professional fees	303,309	27,240	15,466	72,322	74,468	24,229	111,950	10,177	18,966	658,127
Medical fees	57,296	2,540	3,778	245,211	13,474	616	18,698	-	-	341,613
Consulting fees	1,200,153	211,902	37,981	322,974	218,196	1,862,233	482,164	-	225,141	4,560,744
Supplies	1,062,458	75,675	62,174	168,835	245,449	31,887	420,771	443,568	136,649	2,647,466
Telephone	594,606	66,584	30,788	57,307	102,886	67,813	387,172	41,968	62,698	1,411,822
Postage and printing	175,874	10,124	6,548	15,941	21,337	8,522,727	72,203	-	10,195	8,834,949
Fuel and utilities	1,427,960	75,306	87,643	56,920	283,127	57,180	773,779	8,451	74,998	2,845,364
Repairs and maintenance	1,370,368	92,579	78,825	47,158	218,624	38,896	641,297	23,616	45,868	2,557,231
Contributed facilities	908,052	9,127	74,830	17,793	1,743	3,550	61,271	-	-	1,076,366
Rent and other	1,205,682	107,642	62,863	87,408	243,978	466,374	2,168,612	-	231,347	4,573,906
Equipment	1,178,731	66,975	47,082	244,072	273,207	111,012	531,051	2,118	75,457	2,529,705
Travel and transportation	263,235	69,342	18,921	29,183	111,016	82,233	116,237	-	44,667	734,834
Conference and meetings	250,798	18,208	9,066	34,975	52,493	71,321	127,652	-	23,988	588,501
Specific Assistance to Individuals										
Food	2,887,123	250,238	176,103	11,780	202,189	3,383	926,756	-	20,657	4,478,229
Medical	180,826	1,697	6,342	196,522	30,062	1,274	27,770	-	2	444,495
Clothing, allowance and other	2,006,041	176,034	140,020	85,373	649,127	112,339	2,761,502	-	3,740,603	9,671,039
Contributed clothing and merchandise	757,139	132,458	15,407	25,132	106,927	100	198,720	-	-	1,235,883
Temporary help	761,242	9,247	1,198	98,240	113,956	15,971	136,472	-	16,640	1,152,966
Other purchased services	4,811,687	184,079	109,848	423,014	561,201	1,015,321	1,435,687	6,938	307,568	8,855,343
Dues, licenses, and permits	79,874	9,739	2,722	38,483	24,614	11,822	35,272	8,125	7,395	218,046
Subscriptions and publications	77,474	14,763	2,706	6,214	15,853	10,040	41,821	-	4,075	172,946
Staff recruitment	187,201	22,416	2,613	63,363	47,476	40,356	84,650	34	13,432	461,541
Insurance	1,124,451	81,308	77,251	79,045	204,502	30,434	519,425	34,662	97,682	2,248,760
Contributed goods and services	674,727	18,335	7,000	186,944	52,421	10,355	155,309	-	10,500	1,115,591
Miscellaneous, net	436,227	72,978	56,240	63,028	112,678	233,308	227,745	54,065	22,430	1,278,699
Bank charges and fees	507,416	41,529	29,809	81,578	83,333	24,681	255,810	-	40,920	1,065,076
Interest	209,398	15,959	2,549	13,691	65,615	12,403	53,854	-	3,859	377,328
Total Before Depreciation and Amortization	76,390,614	7,874,362	3,627,232	8,775,442	13,737,282	33,746,788	35,698,256	3,700,624	9,876,036	193,426,636
Depreciation and amortizatior	3,703,413	222,119	153,735	223,293	476,071	3,082,813	1,905,130	-	163,966	9,930,540
Total Expenses	80,094,027	8,096,481	3,780,967	8,998,735	14,213,353	36,829,601	37,603,386	3,700,624	10,040,002	203,357,176
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-
Total Expenses Reported by Function on Statement of Activities	$ 80,094,027	$ 8,096,481	$ 3,780,967	$ 8,998,735	$ 14,213,353	$ 36,829,601	$ 37,603,386	$ 3,700,624	$ 10,040,002	$ 203,357,176

	Supporting Services					
	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefit To Donors	2022 Total Expenses	2021 Total Expenses
Salaries and wages	$ 11,600,282	$ 9,244,331	$ 20,844,613	$ -	$ 111,804,060	$ 103,989,825
Payroll taxes	972,783	761,117	1,733,900	-	9,195,246	8,815,090
Employee benefits	2,720,543	1,362,083	4,082,626	-	20,096,911	17,923,104
Total Salaries and Related Expenses	15,293,608	11,367,531	26,661,139	-	141,096,217	130,728,019
Contributed legal services	380,886	2,500	383,386	-	500,197	1,387,749
Contributed public service announcements	-	-	-	-	12,738,177	53,858,799
Professional fees	1,120,944	69,356	1,190,300	-	1,848,427	1,596,069
Medical fees	1,090	-	1,090	-	342,703	421,838
Consulting fees	2,389,725	1,069,810	3,459,535	-	8,020,279	5,588,357
Supplies	673,695	115,421	789,116	135,449	3,572,031	2,375,523
Telephone	211,670	78,879	290,549	-	1,702,371	1,571,145
Postage and printing	540,406	13,118,773	13,659,179	12,207	22,506,335	21,623,572
Fuel and utilities	485,393	66,596	551,989	-	3,397,353	2,942,103
Repairs and maintenance	179,048	81,858	260,906	-	2,818,137	2,956,451
Contributed facilities	42,145	11,641	53,786	-	1,130,152	193,350
Rent and other	545,885	227,355	773,240	44,008	5,391,154	4,497,340
Equipment	376,768	109,839	486,607	-	3,016,312	3,154,177
Travel and transportation	284,499	46,609	331,108	-	1,065,942	510,472
Conference and meetings	143,074	38,365	181,439	-	769,940	541,054
Specific Assistance to Individuals						
Food	10,874	18,030	28,904	60,993	4,568,126	4,117,296
Medical	2	415	417	-	444,912	429,489
Clothing, allowance and other	31,828	42,976	74,804	-	9,745,843	8,863,954
Contributed clothing and merchandise	27,587	118,585	146,172	96,683	1,478,738	2,459,401
Temporary help	151,210	46,225	197,435	-	1,350,401	1,240,397
Other purchased services	2,142,287	1,047,139	3,189,426	1,512,296	13,557,065	9,785,067
Dues, licenses, and permits	135,096	37,118	172,214	-	390,260	421,610
Subscriptions and publications	88,282	69,535	157,817	-	330,763	240,727
Staff recruitment	435,124	53,892	489,016	-	950,557	545,087
Insurance	498,275	64,859	563,134	-	2,811,894	2,465,593
Contributed goods and services	77,145	86,264	163,409	500	1,279,500	906,103
Miscellaneous, net	418,206	115,892	534,098	125,964	1,938,761	1,872,304
Bank charges and fees	364,504	337,516	702,020	-	1,767,096	1,715,297
Interest	106,578	16,730	123,308	-	500,636	409,081
Total Before Depreciation and Amortization	27,155,834	28,459,709	55,615,543	1,988,100	251,030,279	269,417,424
Depreciation and amortizatior	2,174,883	930,216	3,105,099	-	13,035,639	9,523,512
Total Expenses	29,330,717	29,389,925	58,720,642	1,988,100	264,065,918	278,940,936
Less direct benefits to donors	-	-	-	(1,988,100)	(1,988,100)	(620,818)
Total Expenses Reported by Function on Statement of Activities	$ 29,330,717	$ 29,389,925	$ 58,720,642	$ -	$ 262,077,818	$ 278,320,118

See notes to consolidated financial statements

Covenant House and Affiliates

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

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 81,402,654	$ 58,942,493
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount and reserve on contributions receivable	176,143	87,275
Amortization of customer lists	3,868,867	2,112,253
Realized and unrealized loss (gain) on investments	9,882,724	(8,579,321)
Contributed investments	(305,198)	(92,331)
Amortization of note receivable	14,574	-
Accrued interest on note receivable	(2,013)	-
Forgiveness of paycheck protection program loan	(3,392,593)	(6,001,215)
Deferred gain on sale leaseback	(24,538)	(24,538)
Net gain on sale of property, plant and equipment	(61,522,583)	(4,354,239)
Impairment loss of property, plant and equipment	2,081,184	-
Contributed property, plant, and equipment	-	(543,027)
Additions to beneficial interest in trusts	(1,410,464)	-
Change in value of beneficial interest in trusts	1,505,718	(1,364,447)
Amortization of deferred revenue and loan discount	(170,740)	(308,783)
Deferred rent	(239,204)	(318,941)
Change in value of split interest agreements	208,760	(751,034)
Pension benefits liability adjustment	(6,128,169)	(1,218,861)
Depreciation and amortization	9,166,772	7,411,259
Amortization of deferred financing costs	73,606	59,395
Bad debt expense- contributions receivable	464,256	196,015
Bad debt expense- grants receivable	37,449	139,078
Foreign currency translation adjustment	2,935,014	(6,945,378)
Changes in operating assets and liabilities		
Contributions receivable	(2,121,688)	3,741,830
Grants receivable	(3,301,462)	(188,928)
Prepaid expenses and other assets	868,418	(1,212,612)
Accounts payable and accrued expenses	1,909,627	4,151,260
Deferred revenue	1,609,823	223,235
Construction loan payable	(1,253,722)	-
Paycheck Protection Program refundable advance	(1,013,069)	(4,081,317)
Net Cash from Operating Activities	35,320,146	41,079,121
CASH FLOWS FROM INVESTING ACTIVITIES		
Beneficial interests in trusts	102,922	97,220
Purchase of customer lists	(7,180,863)	(5,500,448)
Purchases of investments	(22,538,701)	(22,427,655)
Sales of investments	12,369,109	13,250,245
Capital expenditures	(46,954,953)	(54,996,964)
Construction escrow deposits	(10,901,803)	3,000,000
Maturity of guaranteed investment certificates	398,416	4,685,527
Purchase of certificates of deposit	(84,728)	(1,902,968)
Maturity of certificates of deposit	-	2,036,221
Deployment of notes receivable	-	(11,935,351)
Advance payment on condominium construction	(7,500,000)	-
Proceeds from sale of property	81,112,744	5,077,272
Net Cash from Investing Activities	(1,177,857)	(68,616,901)

See notes to consolidated financial statements

Covenant House and Affiliates

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

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit and other obligations	$ 7,204,479	$ 27,229,852
Proceeds from construction loans payable	4,923,192	23,934,966
Repayments of construction loans payable	(47,782,634)	-
Repayments of accrued interest on construction loans payable	(1,827,092)	-
Repayments of line of credit and other obligations	(992,828)	(12,575,879)
Proceeds from Paycheck Protection Program loans	-	1,451,106
Principal payments under capital lease obligations	(93,950)	(66,486)
Deposits held with trustee	(6,717)	(9,781)
Payment of debt issuance costs	-	(1,023,751)
Payment of annuity obligations	(1,536,796)	(607,787)
Additions to gift split-interest arrangements	83,919	1,304,709
Net Cash from Financing Activities	(40,028,427)	39,636,949
Net Change in Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash	(5,886,138)	12,099,169
CASH AND CASH EQUIVALENTS, CASH HELD IN ESCROW AND RESTRICTED CASH		
Beginning of year	57,971,792	45,872,623
End of year	$ 52,085,654	$ 57,971,792
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 378,391	$ 357,933
NON-CASH OPERATING, INVESTING AND FINANCING FINANCING ACTIVITIES		
Property, plant and equipment costs included within accounts payable and accrued expenses	603,602	843,409
Construction costs financed through accounts payable	175,686	691,220
Forgiveness of Paycheck Protection Program loan payable	3,392,593	6,001,215
Settlement of conditional asset retirement obligation	414,374	-
Assets acquired under capital lease obligations	187,245	-

See notes to consolidated financial statements

1. Organization and Tax Status

Covenant House (Parent) is a not-for-profit organization incorporated in 1972. Covenant House (Parent) and affiliates ("related entities") (collectively, "Covenant House"), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 43,000 young people during fiscal 2022. During fiscal 2022, the worldwide COVID-19 pandemic continued to impact the number of youth Covenant House reached, as affiliates prolonged measures to ensure social distancing, set aside isolation rooms for symptomatic youth, and modified street outreach. Nevertheless, in fiscal 2022, Covenant House provided a total of nearly 730,000 nights of housing and safety for, on average, 1,991 youth each night.

Covenant House (Parent) is the sole member of the following not-for-profit and other affiliates ("U.S. Affiliates"):

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

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 ("International Affiliates"):

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

Covenant House (Parent) is the founder of Fundación Casa Alianza México, I.A.P.

In 2018, 460 West 41st Street, LLC (the "LLC") filed its certificate of formation with the state of Delaware. Covenant House (Parent) has both 100% membership interest and the exclusive right to manage and control the affairs of the LLC. In fiscal 2019, CH Housing Development Fund Corporation ("HDFC") was incorporated in the state of New York as a separate Not-for-Profit Corporation.

1. Organization and Tax Status *(continued)*

Both the LLC and HDFC were formed for the purpose of acquiring, operating and developing a transitional housing facility located at 538-550 Tenth Avenue and 552-554 Tenth Avenue in New York, New York (collectively, the “Property”). HDFC, as nominee of the LLC, acquired the legal interest in the Property and then through a Declaration of Interest and Nominee Agreement, the LLC acquired the beneficial interest in the Property. The LLC entered into a master lease agreement with the New York affiliate, Covenant House New York/Under 21 for the Property upon its completion. During fiscal 2022, construction on the Property was completed (see Note 8).

In October 2020, CHGA CHI Leverage Lender, LLC (the “Georgia LLC”) a Covenant House Georgia, Inc. (the “Georgia affiliate”) subsidiary, was formed as a special purpose entity for participation in a New Markets Tax Credit (“NMTC”) financing transaction and received an allocation of NMTC funds pursuant to Section 45D of the Internal Revenue Code (the “Code”). The Georgia LLC was financed by equity contributions from the Georgia affiliate and Covenant House (Parent). The purpose of the Georgia LLC is for the construction of a new transitional supportive housing building, the renovation of the shelter and administrative facility, and a community service center, including acquisition of equipment for the use therein, located at 1559 Johnson Road, Blvd N.W., Atlanta, Georgia (the “Georgia Project”).

In November 2020, Covenant House Illinois QALICB LLC (the “QALICB LLC”), a Covenant House Illinois (the “Illinois affiliate”) subsidiary, was formed as a special purpose entity for participation in a NMTC financing transaction and received an allocation of NMTC funds pursuant to Section 45D of the Code. The purpose of the QALICB LLC is to acquire, develop, improve, lease, operate, finance, and manage certain real property located at 2934 West Lake Street in Chicago, Illinois (the “Illinois Project”).

In 2019, Covenant House California (the “California affiliate”) acquired the DreamCatcher Youth Services (“DreamCatcher”) program which included a property acquisition, from its’ parent agency, Alameda Family Services (AFS). DreamCatcher’s mission is consistent with that of the California affiliate; providing support and housing for homeless and trafficked youth in Oakland, CA. DreamCatcher specializes in working with youth ages 13-18, and has been a long-time access point for youth to transition from homelessness into the California affiliate’s Oakland Program.

Covenant House Toronto and Covenant House Vancouver, both located in Canada and International affiliates of Covenant House (Parent), are charitable organizations registered under the Income Tax Act (Canada). Covenant House Toronto was incorporated without share capital under the Corporations Act (Ontario) and Covenant House Vancouver was incorporated under the British Columbia Act.

Fundación Casa Alianza México, I.A.P. is not subject to income taxes in accordance with (Mexican) Income Tax Law, except for nondeductible expenses incurred. Based on Nicaragua’s applicable fiscal equity law, Casa Alianza Nicaragua, as a nonprofit organization, is exempt from income taxes. Asociación La Alianza (Guatemala) and Casa Alianza de Honduras are also not-for-profit organizations and are not subject to income taxes under their respective country’s income tax laws.

1. Organization and Tax Status *(continued)*

Covenant House (Parent) is qualified as a tax-exempt organization as described in Section 501(c)(3) of the Code. Accordingly, it is not subject to federal income taxes under Section 501(a) of the Code. Covenant House (Parent), as a not-for-profit organization, is also exempt from state and local income taxes and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors. The U.S. affiliates of Covenant House (Parent) are also classified as tax-exempt organizations and are not subject to federal income taxes under Section 501(a) of the Code, and as not-for-profit organizations, are also exempt from state and local income taxes.

Components of Program and Supporting Services

Program Services

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

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

The Young Families Program *(formerly Mother/Child)* provides emergency services, short and long-term housing, nourishing food, and medical and mental health care to pregnant and parenting youth and their children. Covenant House also offers young families access to free childcare services, parenting support, and a full range of educational, vocational, and job placement services. This holistic plan provides young parents with the support they need to grow into responsible and caring parents, capable of supporting their families financially and emotionally.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

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

The Drop-In Services *(formerly Community Service Center)* are another form of outreach at Covenant House affiliates. Youth in this program do not receive residential services, but receive access to nutritious meals, hot showers, hygiene products, laundry services, and new clothing and shoes. They can request and receive medical and mental health services, case management services, transitional and permanent housing assistance, and they may take part in education and employment programs.

Public Education and Prevention uses a variety of platforms to inform and educate the public, government officials, and young people about youth homelessness and human trafficking. Covenant House employs websites, social media, public service announcements, billboards, newsletters, school-based programs, community engagement and training, talks, lectures, and peer-to-peer events to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

Transitional Living - Rights of Passage, often referred to as "Rights of Passage" or ROP, is where young people take steps toward independence. Youth live in ROP for 18-24 months, where they tap their potential and plan for the future. Here they build basic life skills and financial literacy, participate in educational and vocational programs, seek employment with long-term advancement and career prospects, and work toward moving into their own safe and stable housing. Covenant House staff supports each young person on their journey toward sustainable independence and a hope-filled future.

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

The Schools program at Covenant House Michigan (the "Michigan affiliate") provides services to young people who need support to complete their education and obtain employment. If youth have been suspended from school, the program provides general educational development classes, job training, and a reduction in the length of the suspension.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Supporting Services

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

Fundraising
Fundraising services relate to the activities of Covenant House's development department in raising general and specific contributions.

Costs of Direct Benefits to Donors
Costs of direct benefits to donors are those costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Covenant House (Parent) and its affiliates. All significant intercompany transactions and balances have been eliminated in consolidation.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of Covenant House's operations and that may be used at the discretion of Covenant House's management and Board of Directors.

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

Net Asset Presentation (continued)

With donor restrictions – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities, including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the consolidated statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as support without donor restrictions.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are greater than 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.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as with donor restrictions. Covenant House reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Covenant House maintains an allowance for doubtful accounts for estimated losses that may result from the inability of donors to make required payments. Such allowance is based upon several factors including, but not limited to, historical collection experience and the creditworthiness of the respective donor. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management's expected collectability.

Government Contracts and Grants

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered.

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the consolidated statement of financial position and are being amortized over the period of the respective grant/loan agreements.

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

In-Kind Contributions

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

In-kind contributions for fiscal 2022 and 2021 consisted of the following:

	2022	2021	Utilization in Progams/Activities	Donor Restrictions	Valuation Techniques and Inputs
Public Service Announcements	$ 12,738,177	$ 53,858,799	Program and Administration	No associated donor restrictions	(a)
Food	156,296	-	Program and Administration	No associated donor restrictions	(b)
Supplies	33,763	-	Program and Administration	No associated donor restrictions	(b)
Clothing	19,577	-	Program and Administration	No associated donor restrictions	(b)
Contributed goods/merchandise	1,979,748	2,220,739	Program and Administration	No associated donor restrictions	(b)
Contributed property	-	481,634	Program and Administration	No associated donor restrictions	(c)
Contributed property	-	942,743	Program	Donor restricted	(c)
Services	1,046,927	1,773,811	Program and Administration	No associated donor restrictions	(d)
Legal	300,293	406,229	Program and Administration	No associated donor restrictions	(d)
Rent	689,280	75,000	Program and Administration	No associated donor restrictions	(e)
	$ 16,964,061	$ 59,758,955			

(a) Public service announcements are valued at the estimated fair value based on current rates for similar services.

(b) Fair value is based on estimates of wholesale values that would be received for selling similar products in the United States.

(c) Fair value is estimated on the basis of recent comparable prices in the real estate market.

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

(e) Fair value is determined by using the local appraised market rent value.

Special Events

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

School Management Fees

School management fee revenue is reported at the gross amount billed as the principal or primary obligor for the operation of certain individual charter schools. Costs of operating the schools include salaries of school staff, facility costs, and other amounts which are recognized on the accrual basis when incurred.

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

Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash

Cash and cash equivalents are defined as cash balances held in bank accounts and highly liquid investments with maturities of three months or less from the date of purchase, except for those cash equivalents which are included in Covenant House's investment portfolio and are held for long-term investment purposes. Cash held in escrow consists of timing of deposits and drawdowns related to the construction costs and net proceeds from the sale of the Property. Restricted cash consists principally of cash held for both the Georgia and Illinois Projects. The following is a reconciliation of the cash and cash equivalents, cash held in escrow and restricted cash reported on the consolidated statement of financial position and the consolidated statement of cash flows at June 30:

	2022	2021
Cash and cash equivalents	$ 49,836,166	$ 51,143,142
Cash held in escrow	1,679,053	742,739
Restricted cash	570,435	6,085,911
	$ 52,085,654	$ 57,971,792

Investments

Investments are carried at fair value. Marketable equity securities and debt obligations are carried at fair value based on quoted market values. Covenant House follows guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the net asset value (NAV). The fair value of the non-exchange traded alternative investments have been estimated using NAV as reported by the respective external investment manager or general partner. U.S. GAAP guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. Because such alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could potentially be material.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on the first-in, first-out method and are recorded in the consolidated statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned. Income earned from investments, including realized and unrealized gains and losses, is recorded as without donor restrictions, except where the instructions of the donor specify otherwise.

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

Investments – Other

Investments – other, consist of certificates of deposit held for investment with maturities greater than three months at time of purchase that are not debt securities and are carried at cost, which approximates fair value. In addition, investments - other, consists of guaranteed investment certificates, with a maturity at the purchase date of greater than three months but not more than one year and are carried at cost, which approximates fair value.

Other Assets, Customer Lists

The costs of customer lists purchased by Covenant House (Parent) for generating fundraising contributions are capitalized and amortized from the date of purchase using the straight-line method over an estimated useful life of three to five years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost if purchased or, if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 3 to 33 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the term of the lease or their estimated useful lives. As of June 30, 2022 and 2021, property held for sale is recorded at the lower of cost or fair value, less costs to sell, at $31,423, is not depreciated and is included in prepaid expenses and other assets on the accompanying consolidated statement of financial position.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever 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 undiscounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary. For the year ended June 30, 2022, Covenant House Texas (the "Texas affiliate") recognized $1,878,063 of impairment losses and the New York affiliate recognized $203,121 of impairment losses. There were no asset impairments for the year ended June 30, 2021.

Deferred Rent

U.S. GAAP requires that rent be expensed on a straight-line basis over the lease term, notwithstanding the actual cash payments required under the lease, with the difference between the straight-line expense and the actual rent payments shown as deferred rent on the consolidated statement of financial position.

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

Split-Interest Agreements and Beneficial Interests in Trusts

Covenant House is a beneficiary of various perpetual trusts and trusts with a defined time frame ("term trusts") that are held by others. Under the terms of these trusts, Covenant House has an irrevocable right to receive all or a portion of the income earned on the trust assets over the life of the trust. Covenant House does not control the assets held by the outside trusts. Covenant House measures its beneficial interest in trusts held by others based upon its beneficial interest in the fair value of the underlying investments held by the trusts. The fair value of Covenant House's beneficial interest is adjusted during the term of the trusts for changes in fair value of the underlying investments or the changes to Covenant House's beneficial interest. Such adjustments are reported as change in value of beneficial interests in trusts on the consolidated statement of activities.

In addition, Covenant House holds assets under split-interest agreements consisting of charitable remainder trusts and charitable gift annuities for which Covenant House serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are included in investments. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor. Under Covenant House's charitable gift annuities and charitable remainder trust programs where Covenant House is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the general use of Covenant House, unless as otherwise stipulated by the donor. The liabilities are adjusted during the term of the trust or annuity contract for changes in the life expectancy of the donor or beneficiary, discount rate, and other changes in the estimates of future payments. Such adjustments are reported as change in value of split-interest agreements on the consolidated statement of activities.

Asset Retirement Obligations

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement, as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. The CARO reported at June 30, 2021, was settled in fiscal 2022. (See Note 8).

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

Functional Expense Allocation

The majority of expenses are directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of square footage of office space occupied, salaries, the support to affiliates prorated program percentage allocation and other bases determined by Covenant House's management. Expenses of shared services or non-program services are allocated based on the number of full-time employees and the percentage of their time spent on certain programs, fundraising and administrative duties. Allocated expenses among program services, management and general, and fundraising include salaries and related expenses, professional fees, consulting fees, postage and printing, rent and other, food, clothing, allowance and other, other purchased services, depreciation and amortization, and other expenses, which are allocated based on time and costs where efforts are made.

Fair Value of Financial Instruments

The three levels of the fair value hierarchy used by Covenant House are described below:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable in the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently and investments that are valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which Covenant House's investments have been classified, Covenant House has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions such as a gate or lockup period.

The following methods and assumptions were used by Covenant House in estimating the fair value of its financial instruments:

Common stocks, mutual funds, exchange-traded funds, U.S. government securities and debt securities: The reported fair value of common stocks, mutual funds, exchange-traded funds, U.S. government securities and debt securities is based on quoted market prices. The fair values assigned to non-exchange traded alternative investments are based on valuations provided by the respective external investment manager or general partner. Covenant House believes such values are reasonable and appropriate.

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

Fair Value of Financial Instruments (continued)

Beneficial interests in trusts: The fair value of beneficial interests in trusts is determined by Covenant House's share of the fair value of the assets held by the trust.

Obligations due under split-interest agreements: The fair value of obligations due under split-interest agreements is based upon actuarial assumptions utilizing the required rate of return as of the measurement date.

Accounting for Uncertainty in Income Taxes

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

Foreign Currency Translation

Covenant House has determined that its functional currency is the United States dollar. Accordingly, for those affiliates that do not use the United States dollar as their functional currency, assets and liabilities are translated using the current exchange rate in effect at the consolidated statement of financial position date. Operations are translated using the weighted-average exchange rate in effect during the fiscal year. The resulting foreign exchange gains and/or losses are recorded on the consolidated statement of activities.

Concentration of Credit Risk

Financial instruments that potentially subject Covenant House to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Covenant House maintains its cash with established commercial banks. At times, the cash balances exceeded federally insured limits.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing Covenant House's donor base.

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

Reclassification

Certain information in the prior year's consolidated financial statements has been reclassified to conform to the current year's presentation.

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

Operating Measure

The consolidated statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to program and supporting activities.

Deferred Financing Costs

Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from the related debt. Amortization of these costs is provided using the straight line method, which does not differ materially from the effective interest method, over the life of the related debt. Covenant House reflects amortization of deferred financing costs within interest expense.

Summarized Comparative Information

The consolidated financial statements include certain 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 Covenant House's consolidated financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is May 10, 2023.

3. Contributions Receivable

Contributions receivable from donors that are due within one year are considered current. Contributions receivable that are due in more than one year have been discounted to their present value using interest rates ranging from .29% to 6.75% in 2022 and 2021. The interest rates have been determined using discount factors that approximate the risk and expected timing of future contribution payments. The receivables are due as follows at June 30:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	$ 9,313,044	$ 10,081,616
Within five years	5,225,219	2,759,092
Thereafter	354,568	387,081
	14,892,831	13,227,789
Less: Discount to present value	(309,710)	(133,567)
Reserve for uncollectible accounts	(337,254)	(329,644)
	$ 14,245,867	$ 12,764,578

3. Contributions Receivable *(continued)*

During fiscal 2022, Covenant House received notification of certain promises to give. However, due to their conditional nature, these gifts have not been reflected in the accompanying consolidated financial statements.

4. Grants Receivable

Grants receivable of $14,585,161 and $11,321,148 at June 30, 2022 and 2021 are expected to be collected within one year. As of June 30, 2022 and 2021, no allowance for doubtful accounts was determined to be necessary.

5. Notes Receivable

In connection with the Georgia affiliate's NMTC transaction, in December 2020, the Georgia LLC loaned Chase CHG Atlanta Investment Fund, LLC, ("Investment Fund 1"), an unrelated entity, $5,829,570. As of June 30, 2022 and 2021, the loan accrued $30,662 of interest income. Investment Fund 1 also received equity from a tax credit investor and then made a Qualified Equity Investment ("QEI") in Empowerment Reinvestment Fund XXXVIII ("ERF") (Suballocatee), as a Community Development Entity ("CDE"). The CDE then made two loans in the amount of $5,829,570 (Note A) and $2,027,430 (Note B) to the Georgia affiliate. (See Note 9)

In connection with the Illinois affiliate's NMTC transaction, in January 2021, the Illinois affiliate loaned Covenant House Investment Fund, LLC, ("Investment Fund 2"), an unrelated entity, $6,046,900. As of June 30, 2022 and 2021, the loan accrued $30,232 and $28,219 of interest income. Investment Fund 2 also received equity from a tax credit investor and then made a QEI in Chicago Development Fund ("CDF") Suballocatee XLI, LLC, as a CDE. The CDE then made two loans in the amount of $6,046,900 (Note C) and $2,283,100 (Note D) to the QALICB LLC. (See Note 9)

6. Other Assets, Customer Lists

Included in prepaid expenses and other assets on the consolidated statement of financial position are customer lists that Covenant House (Parent) purchased for purposes of generating fundraising contributions. At June 30, 2022 and 2021 the cost of the customer lists amounted to $23,079,958 and $15,899,095. Accumulated amortization at June 30, 2022 and 2021 amounted to $13,255,704 and $9,386,837. Amortization expense for fiscal year 2022 and 2021 amounted to $3,868,867 and $2,112,253.

Future amortization for Covenant House (Parent's) customer lists are as follows for the years ending June 30:

	Amount
2023	$ 4,871,194
2024	3,569,802
2025	1,383,258
	$ 9,824,254

7. Investments

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's investments at June 30:

	2022		
	Level 1	Level 2	Total
Investments:			
Common stocks	$ 2,773,017	$ -	$ 2,773,017
U.S. government securities	5,726,087	-	5,726,087
Foreign government securities	580,422	-	580,422
Corporate debt securities	1,515,642	411,487	1,927,129
Exchange-traded funds	864,482	-	864,482
Mutual Funds:			
Stocks	16,745,814	-	16,745,814
Bonds	20,625,235	-	20,625,235
Combined	27,808,100	-	27,808,100
Total Investments at Fair Value	$ 76,638,799	$ 411,487	77,050,286
Cash and cash equivalents, at cost			14,129,288
Total Investments			$ 91,179,574

7. Investments *(continued)*

	2021		
	Level 1	Level 2	Total
Investments:			
Common stocks	$ 3,384,614	$ -	$ 3,384,614
U.S. government securities	868,043	-	868,043
Foreign government securities	374,376	-	374,376
Corporate debt securities	1,034,694	685,252	1,719,946
Exchange-traded funds	849,607	-	849,607
Mutual Funds:			
Stocks	17,398,904	-	17,398,904
Bonds	22,409,976	-	22,409,976
Combined	25,953,342	-	25,953,342
Total Investments at Fair Value	$ 72,273,556	$ 685,252	72,958,808
Cash and cash equivalents, at cost			17,621,983
Total Investments			$ 90,580,791

The categorization of the investments within the fair value hierarchy presented above is based solely on the pricing transparency of the respective instrument and does not necessarily correspond to Covenant House's perceived risk associated with the investment security.

Covenant House's policy is to recognize transfers in and transfers out at the end of the reporting period. There were no transfers between levels during fiscal 2022 and 2021.

Investment management fees of approximately $153,000 and $136,700 are netted with interest and dividend income in the accompanying consolidated statement of activities for the years ended June 30, 2022 and 2021.

Covenant House's certificates of deposit of $1,987,696 and $1,902,968 and guaranteed investment certificates of $14,142,237 and $14,540,653 as of June 30, 2022 and 2021, are classified as investments, other, in the accompanying consolidated statement of financial position. These do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not required.

8. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30:

	2022	2021
Buildings	$ 185,974,059	$ 138,297,965
Building improvements	57,475,530	47,362,889
Equipment, furniture and vehicles	32,613,741	27,960,194
Equipment acquired under capital lease obligations	1,587,707	1,396,970
Leasehold improvements	5,361,034	11,155,179
	283,012,071	226,173,197
Less: Accumulated depreciation and amortization	(98,265,831)	(112,379,205)
	184,746,240	113,793,992
Land	34,438,463	35,863,983
Construction in progress	37,866,978	93,635,187
Property, Plant and Equipment, net	$ 257,051,681	$ 243,293,162

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $1,399,792 and $1,201,500 at June 30, 2022 and 2021.

Depreciation and amortization expense amounted to $9,166,772 and $7,411,259 for the years ended June 30, 2022 and 2021.

During fiscal year 2021, the California affiliate acquired property at 632 N East Street, Anaheim, California for a purchase price of $1,356,686, of which $601,800 was allocated to land and $754,886 was allocated to building at the estimated fair value of the assets. During fiscal year 2021, the California affiliate also acquired nine modular homes in Hayward, California for a purchase price of $752,036.

During fiscal year 2021, the Washington, D.C. affiliate sold its property located at 7 New York Avenue, Washington, D.C. The sales price was $4,600,000, resulting in a gain on the sale of $4,012,927 after settlement and other charges and is included in the accompanying 2021 consolidated statement of activities. In conjunction with the sale, the note payable secured by the property was paid.

8. Property, Plant and Equipment *(continued)*

On January 13, 2020, the Illinois affiliate finalized the acquisition of a building and land at 2934 West Lake Street in Chicago. The acquisition was partially funded by a loan from Covenant House (Parent). The Illinois affiliate acquired the building and land for a purchase price of $2,900,000. In 2021, the property underwent significant renovations in order to bring it to its intended use. Additional renovation costs incurred have been capitalized as construction in progress and will be reclassified to building improvements and depreciated upon completion of renovations and placement into service. The building was put into use in October 2021. As a result, $172,227 of depreciation charges have been provided on the Illinois affiliate's building for the year ended June 30, 2022. No depreciation charges have been provided on the building as of June 30, 2021, since it was not placed into service during that period. In 2021, the Illinois affiliate transferred the land, building and construction in progress costs to the QALICB LLC, in connection with the NMTC. A net asset transfer was made totaling $738,099 for costs incurred for the land, building and construction in progress costs for the Illinois Project incurred by the Illinois affiliate, net of the CDE loans. The total net asset transfer consisted of land costs of $708,712, building costs of $2,829,768, construction in progress costs of $3,565,882, and debt issuance costs of $496,023, net of the CDE loans payable of $8,330,000 and due from QALICB LLC for $8,484.

During 2022, the Texas affiliate disposed of $4,407,350 of property and improvements, $253,669 of furniture and equipment and $25,517 of computer hardware and software. The disposal resulted in an impairment loss totaling $1,878,063 and is reflected as a non-operating activity in the 2022 consolidated statement of activities.

On July 22, 2019, the Texas affiliate acquired real property for a purchase price of $3,750,000, of which $1,975,000 was allocated to land and $1,775,000 was allocated to building at the estimated fair value of the assets. At closing, the Texas affiliate made a cash payment of $1,950,000 and obtained a loan totaling $1,800,000 held by Allegiance Bank for the balance (see Note 9).

During 2022, the New York affiliate disposed of $6,160,616 of leasehold improvements. The disposal resulted in an impairment loss totaling $203,121 and is reflected as a non-operating activity in the 2022 consolidated statement of activities.

The Vancouver affiliate is undertaking the redevelopment at 1280 Seymour Street as Phase 2 and renovation at 326 West Pender Street as Phase 3 of an expansion project. The expansion project is the redevelopment, construction and renovation/fixturing of the affiliate's three locations. The Vancouver affiliate is committed to a construction contract for 1280 Seymour Street. As of June 30, 2022 and 2021, the Vancouver affiliate has incurred $33,359,207 CAD (US $25,873,434) and $21,025,066 CAD (US $16,959,848) of professional development and construction costs related to Phase 2 and $437,461 CAD (US $339,295) and $72,857 CAD (US $58,770) for Phase 3, which have been recorded as construction in progress. At June 30, 2022, the Vancouver affiliate has contracted costs aggregating $471,658 CAD (US $365,818) related to the completion of Phase 2 of the expansion project

8. Property, Plant and Equipment *(continued)*

On April 1, 2001, the VanCity Place Society assigned to the Vancouver affiliate a land lease, free of charge, located on West Pender Street, Vancouver, which the VanCity Place Society acquired from the City of Vancouver. The lease expires on June 25, 2057. The Vancouver affiliate purchased the building located on the leased land and uses it for its program purposes. While the value of the purchased building was capitalized and has been depreciated since the date of purchase, no value was assigned to the free use of the land under the terms of the lease. Accordingly, in accordance with U.S. GAAP, for purposes of preparing its consolidated financial statements, Covenant House has recognized a restricted contribution at fair value for the right to use the land. The contribution is being amortized on a straight-line basis over the remaining term of the lease.

Purchase and Sale, Development Agreement, Sale of Old Property and Gain on Sale of Old Property

Covenant House (Parent) entered into a development agreement with The Gotham Organization, Inc. ("Gotham"), effective October 20, 2017, to redevelop the Property. In addition, Covenant House (Parent) entered into a purchase and sale agreement (the "Agreement") with GO Covenant, LLC, a newly formed affiliate of Gotham. GO Covenant, LLC, advanced certain pre-development and transaction costs to an escrow account ("Construction Escrow Deposits") for the purpose of designing and constructing the Property. In fiscal 2022, HDFC sold property located at 550 Tenth Avenue, New York, New York (the "Old Property") to GO Covenant, LLC for total consideration of $79,018,030 as per the Agreement.

Prior to the sale, the book basis and accumulated depreciation of the Old Property was transferred to the LLC from Covenant House (Parent). The total book basis of assets sold included land for $598,497, building for $31,069,311 and building improvements for $469,935. The total accumulated depreciation included in the sale was $13,416,748 related to the building and $469,935 related to building improvements. The total net book value of the Old Property at the time of sale was $18,251,060. An existing asset retirement obligation associated with the Old Property was also settled as a result of the sale for $414,374. These transactions resulted in a total net gain on sale of property of $61,181,344 for the LLC, which is included in non-operating activities on the 2022 consolidated statement of activities.

Advance Payment on Condominium Construction

In addition, Covenant House (Parent) also entered into a separate purchase and sale agreement with GO Covenant, LLC for a parcel of the Property, for an amount of $7,500,000. GO Covenant, LLC has agreed to construct a condominium unit within this parcel and then transfer it to Covenant House (Parent) upon completion.

9. Line of Credit, Other Debt Obligations and Capital Leases

The following table summarizes the total amounts outstanding under the line of credit agreement, other debt obligations and capital leases attributed to Covenant House (Parent) and each affiliate as of June 30:

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2022	Maturity Date	Interest Rate (per annum) at June 30, 2022	Debt Obligation at June 30, 2021
CH Parent	Goldman Sachs	$ 350,000	2/14/2024	SOFR + 1.63%	$ -
CH California	Department of Housing and Community Development	370,000	9/23/2023	3.00%	444,000
CH California	Bank of America	1,162,148	1/28/2028	4.25%	1,213,422
CH California	Wells Fargo Capital lease	103,493	3/1/2027	2.00%	-
CH California	Super Dryer CSC	9,871	7/1/2024	10.00%	-
CH California	Dynobook	61,810	9/1/2024	2.00%	-
CH California	Great American Leasing Co.	-	6/30/2025	1.94%	36,045
CH California	Weingart Foundation	-	11/5/2021	2.00%	750,000
CH California	Bank of America	1,516,637	1/15/2031	3.45%	1,574,002
CH Florida	Milner, Inc	32,567	6/1/2023	18.00%	66,949
CH Georgia	Investment Fund 1 (Note A)	5,829,570	12/22/2050	1.4123% per annum	5,829,570
CH Georgia	Investment Fund 1 (Note B)	2,027,430	12/22/2050	1.4123% per annum	2,027,430
CH Illinois	Investment Fund 2 (Note C and D)	8,375,231	12/31/2057	1.086% per annum	8,372,217
CH Illinois	IFF Leverage Loan	-	1/12/2024	6.25%	305,738
CH Missouri	Affordable Housing Commission	126,662	11/16/2037	0.00%	134,579
CH Missouri	Sumner One	13,966	4/25/2025	4.00%	17,659
CH New Jersey	New Jersey Housing and Mortgage Finance Agency ("NJHMFA")	829,306	10/6/2024	0.00%	829,306
CH New Jersey	NJHMFA	648,346	6/7/2024	0.00%	648,346
CH New Jersey	NJHMFA	700,000	3/31/2024	0.00%	700,000
CH New Jersey	NJHMFA	165,179	11/20/2042	0.00%	165,179
CH New Jersey	New Jersey Department of Community Affairs	654,400	7/27/2042	1.00%	654,400
CH New York/Under 21	Pitney Bowes -Send Pro P2000 Mailing System Lease	-	5/28/2022	1.93%	3,166
CH New York/Under 21	Konica Minolta Business Solutions	1,093	8/15/2022	0.00%	14,212
CH New York/Under 21	Konica Minolta Business Solutions	19,510	6/12/2024	0.00%	29,689
CH New York/Under 21	Konica Minolta Business Solutions	3,270	10/10/2024	0.00%	4,717
CH Texas	NEC Financial Services, LLC	8,739	9/4/2023	0.00%	16,498
CH Texas	Allegiance Bank	1,294,584	7/22/2024	5.50%	1,369,687
CH Toronto	City of Toronto	549,126	2024	0.00%	606,802
CH Vancouver	BC Housing/Proposal Development Funding	4,369,484	4/1/2029	0.00%	4,544,398
CH Vancouver	BC Housing Management Commission	3,878,005	Payable on demand	0.00%	4,033,245
CH Vancouver	Canada Mortgage and Housing Corporation	3,947,213	2040	0.00%	4,105,223
CH Vancouver	Canada Mortgage and Housing Corporation	5,776,771	2041	0.00%	-
CH Vancouver	Canada Mortgage and Housing Corporation	1,939,003	2032	0.00%	-
		44,763,414			38,496,479
Less: Deferred financing costs		(894,682)			(1,006,299)
		$ 43,868,732			$ 37,490,180

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

Covenant House (Parent) entered into an unsecured line of credit agreement with a financial institution 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 totaled 1.63% and 1.64% at June 30, 2022 and 2021.

Drawdowns under the unsecured line of credit agreement with the financial institution totaled $1,000,000 and $3,825,000 during the years ended June 30, 2022 and 2021. Total repayments on the line of credit were $650,000 and $5,900,000 during fiscal 2022 and 2021.

On December 20, 2020, the Georgia LLC received two loans from the CDE. The loans were comprised of Note A totaling $5,829,570 and Note B totaling $2,027,430 from Investment Fund 1. Each of the loans are secured by the mortgage with respect to the Georgia Project. Both Note A and B have an interest rate equal to a fixed rate of 1.4123% per annum. Interest only payments are due quarterly starting March 15, 2021, and through September 15, 2027. Commencing on December 15, 2027, payments of interest and principal will be made quarterly over the remaining term of the loans, which mature September 15, 2050. In connection with the NMTC financing, the Tax Credit Investor, and sole member of the Investment Fund for the NMTC financing, entered into an Investment Fund Put and Call Agreement (the “Put and Call Agreement 1”) with the Georgia LLC, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC Financing, to sell or “put” its membership interest in Investment Fund 1 to the Georgia LLC. The NMTC financing was arranged on behalf of the Georgia LLC, a commonly controlled affiliate of the Georgia affiliate.

On January 13, 2021, the QALICB LLC received two mortgage loans from the CDE. The loans were comprised of Note C totaling $6,046,900 from Investment Fund 2 and Note D totaling $2,283,100 from Investment Fund 2 (the “Tax Credit Investor”). Each of the loans are secured by the mortgage with respect to the Illinois Project. Both Note C and D have an interest rate equal to a fixed rate of 1.086% per annum. Interest only payments are due annually starting December 1, 2021 and through January 13, 2028. Any accrued but unpaid interest and unpaid principal on the loans are due in full on December 31, 2057. In connection with the NMTC financing, the Tax Credit Investor, and sole member of Investment Fund 2 for the NMTC financing, entered into an Investment Fund Put and Call Agreement (the “Put and Call Agreement 2”) with the QALICB LLC, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC Financing, to sell or “put” its membership interest in Investment Fund 2 to the QALICB LLC. For the QALICB LLC, the total amount of capitalized interest related to the credit arrangement described above totaled $45,231 and $42,217 for the years ended June 30, 2022 and 2021. The NMTC financing was arranged on behalf of the QALICB LLC, a commonly controlled affiliate of the Illinois affiliate.

Both the Georgia and QALICB LLCs served as the qualified active low-income community business (the “QALICB”) for the NMTC financing.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

On January 12, 2021, the Illinois affiliate entered into a separate loan agreement with a mission driven lender to borrow a maximum amount of $605,000 to make the leverage loan to the Investment Fund and fund the interest reserve in connection with the Illinois Project. The leverage loan was repaid in full during fiscal 2022. For the years ended June 30, 2022 and 2021, total interest expense on the loan was $12,920 and $10,721.

On January 15, 2021, the California affiliate entered into a $1,600,000 term loan with Bank of America, with an interest rate of 3.45% and maturity date of January 15, 2031. The total amount of interest expense relating to this loan totaled $53,901 and $22,793 for the years ended June 30, 2022 and 2021.

During 2018, the California affiliate refinanced its outstanding debt and entered into a $1,375,000 term loan with Bank of America, with an interest rate of 4.25% and maturing on January 28, 2028. The total amount of interest expense relating to this loan totaled $51,287 and $53,677 for the years ended June 30, 2022 and 2021.

On November 5, 2018, the California affiliate obtained through financing an unsecured note payable of $750,000 with an interest rate at 2% from an unrelated foundation, with the condition that the note be used to repay the secured note of $750,000. The principal balance and accrued interest were repaid in full on November 12, 2021.

In fiscal year 2019, the California affiliate was awarded an Emergency Housing and Assistance Program Operating Facility ("EHAP") grant through Department of Housing and Community Development of $740,000 in order to secure funding on the purchase of the DreamCatcher property. The grant is structured as a loan to the affiliate, to be forgiven at the end of the grant period and secured by a deed of trust on the DreamCatcher property and bears interest at the rate of 3% simple interest per annum. The forgiveness is amortized over the grant period. At June 30, 2022 and 2021, the total unamortized balance of the remaining forgivable loan was $370,000 and $444,000.

In 2008, the Missouri affiliate 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. Kings Highway (the "Missouri Project"). The loan is secured by the assets of the Missouri 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 Missouri Project; (ii) failure of the borrower to maintain the Missouri Project as a rental property, (iii) failure of occupancy requirements. Forgivable loan balances amounted to $126,662 and $134,579 for the years ended June 30, 2022 and 2021.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

On October 6, 2009, the New Jersey affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from NJHMFA, aggregating $829,306 at June 30, 2022 and 2021. Of this amount, $538,000 was used to repay the existing debt obligation to Covenant House (Parent), $109,729 was applied to fund required escrow balances, $30,187 was applied to financing expenses, capitalized as deferred financing costs on the accompanying consolidated statement of financial position, and the balance was received by the New Jersey affiliate as cost reimbursement for construction costs previously incurred. This mortgage is payable without interest over a period of 15 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled $113,251 and $110,773. To the extent that principal payments are not covered by cash flows, the payment of principal is deferred until the end of the mortgage term. In fiscal 2022 and 2021, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

The New Jersey affiliate also acquired a residential property in Montclair, NJ for a transitional living program to serve youths with mental disabilities called Nancy's Place. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark, NJ, for the transitional living program were provided for by temporary financing of $1,015,500 obtained from Corporation for Supportive Housing ("CSH") on March 20, 2008. In accordance with terms of the agreement, partial payments aggregating $775,466 were made. These payments were made using grant funds awarded to the New Jersey affiliate from the U.S. Department of Housing and Urban Development. On June 8, 2009, the remaining balance of $240,034 was refinanced by NJHMFA into a new permanent mortgage aggregating $648,346, including additional loan proceeds for the acquisition of two adjacent properties. This mortgage is payable, without interest, over a period of 15 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled $147,596 and $147,694. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2022 and 2021, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

In May 2006, the New Jersey affiliate secured a long-term loan from the CSH for $528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The New Jersey affiliate entered into an agreement to buy the related real estate on August 9, 2005. This loan was refinanced as part of new funding received from the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which totaled approximately $4,000,000, $3,300,000 of which was received via a grant and $700,000 was a loan, which was entered into on March 17, 2008. The initial mortgage term for the $700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled $262,830 and $259,647. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2022 and 2021, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the loan.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

On November 20, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA, aggregating $165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled $23,607 and $22,691. To the extent that payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2022 and 2021, the project ran a deficit; as such no principal payments were made. If it is determined at the maturity of the mortgage that the New Jersey affiliate cannot repay and if all mortgage terms and conditions have been met, NJMFA may extend or refinance the mortgage. The property serves as collateral for the mortgage.

On July 27, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Montclair, NJ from New Jersey Department of Community Affairs ("NJDCA"), aggregating $654,400 at June 30, 2022 and 2021. Of this amount $600,000 was received at the closing with the balance due as expenses related to the occupancy of the building were incurred. $1,000 was received both in fiscal 2014 and fiscal 2013 and the balance of $52,400 was fully received as of June 30, 2016. This mortgage is payable over a period of 30 years with interest of 1% per annum, from the first of the month following the issuance of a final certificate of occupancy for the premises. Occupancy commenced on October 1, 2013. Repayment will be made from 50% of the project's cash flows after payment of expenses and debt service. To the extent that principal and interest payments are not covered by the project's cash flows, payment is deferred until the end of the mortgage term. In fiscal 2022 and 2021, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage. Interest expense on this mortgage amounted to $6,540 both in fiscal 2022 and 2021.

The New Jersey affiliate has an available $1,000,000 line of credit agreement with Bank of America, N.A. which was renewed and has a maturity date on February 28, 2024. Interest on amounts borrowed accrues at a rate of British Banker's Association LIBOR plus 0.40%. There were no outstanding borrowings on this line of credit facility at June 30, 2022 and 2021. As such, there was no interest expense for fiscal 2022 and 2021.

During fiscal 2020, the Texas affiliate obtained a loan totaling $1,800,000 held by Allegiance Bank. The loan matures on July 22, 2024 and requires monthly payments of interest at 5.50% per annum for the first eighteen months. Commencing with month nineteen, monthly installment payments of principal and interest shall be due based on an amortization of the original loan over 240 months. Upon maturity, the remaining principal and accrued interest are due in full. In fiscal 2020, the Texas affiliate made a balloon principal payment of $400,000 towards the loan. As of June 30, 2022 and 2021, the total amount outstanding on the note payable was $1,294,584 and $1,369,687.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $3,000,000 (US $2,326,803). Interest is payable at the bank's prime rate. During fiscal 2022 and 2021, there were no drawings against this line of credit.

During fiscal 2019, the Toronto affiliate received CAD $885,000 (USD $686,407) in funding in the form of a forgivable loan from the City of Toronto towards the cost of the building purchased in 2018 for a new housing program. This amount is secured by a mortgage, which is non-interest bearing and there are no principal payments due unless the building is sold or there is a change in use without prior agreement. The mortgage will be reduced at a rate of 5% per year until fully forgiven in 20 years. As of June 30, 2022 and 2021, the outstanding balance of the forgivable loan was CAD $708,000 (USD $549,126) and CAD $752,250 (USD $606,802).

The Vancouver affiliate was provided with financial assistance in the amount of CAD $5,000,000 (US $3,878,005) in the form of a forgivable mortgage, registered on July 26, 2017. The Vancouver affiliate is required to continue developing and operating the property at 1302 Seymour Street, for the specific purpose under the mortgage. As long as the Vancouver affiliate is using the property for the specific purpose, the mortgage will be forgiven equally over the term of the loan in the 11th year following the project completion date of 2021. As of June 30, 2022 and 2021, the outstanding balance of the forgivable mortgage was CAD $5,000,000 (US $3,878,005) and CAD $5,000,000 (USD $4,033,245).

In fiscal 2019, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,633,675 (US $4,369,484) in the form of a mortgage, payable on demand, but no later than April 2029. The mortgage is non-interest bearing, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to demand. Subsequent to April 2029, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 2% per annum. As of June 30, 2022 and 2021, the outstanding balance of the forgivable mortgage was CAD $5,633,675 (US $4,369,484) and CAD $5,633,675 (USD $4,544,398).

In fiscal 2020, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,089,232 (US $3,947,213) in the form of a mortgage, payable on demand, but no later than January 2040. The mortgage is non-interest bearing, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to demand. Subsequent to January 2040, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2022 and 2021, the outstanding balance of the forgivable mortgage was CAD $5,089,232 (US $3,947,213) and CAD $5,089,232 (US $4,105,223).

In fiscal 2022, the Vancouver affiliate was provided with financial assistance in the amount of CAD $7,448,122 (US $5,776,771) in the form of a mortgage, payable on demand, but no later than July 2041. The mortgage is non-interest bearing, and the property at 1280 Seymour Street is provided as collateral. No principal repayments are required prior to demand. Subsequent to July 2041, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2022, the outstanding balance of the forgivable mortgage was CAD $7,448,122 (US $5,776,771).

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

In fiscal 2022, the Vancouver affiliate was provided with financial assistance in the amount of CAD $2,500,000 (US $1,939,003) in the form of a mortgage, payable on demand, but no later than August 2056. The mortgage is non-interest bearing, and the property at 1280 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to August 2056, if the mortgage is not fully repaid, it bears interest at the Royal Bank of Canada's prime interest rate plus 2% per annum. As of June 30, 2022, the outstanding balance of the forgivable mortgage was CAD $2,500,000 (US $1,939,003).

The Georgia affiliate maintains a $500,000 line of credit agreement with South State Bank which expires on July 25, 2023. The line is renewed annually and is due on demand. The line bears a variable interest rate based on the Wall Street Journal U.S. Prime Rate (the "Index"). The Index as of June 30, 2022 is 4.75%. There were no outstanding borrowings as of June 30, 2022 and 2021. Under terms of the line of credit, the Georgia affiliate is required to provide the lender with a copy of the audited consolidated financial statements without modification of the independent auditors' report within 120 days of the fiscal year end. The Georgia affiliate has obtained a waiver for this requirement for the year ended June 30, 2022.

Covenant House is a lessee of certain equipment acquired under capital leases expiring in various years through fiscal year 2027. Amortization of assets acquired under capital leases is included in depreciation and amortization expense on the consolidated statement of activities. Obligations under capital leases at June 30, 2022 and 2021 amounted to approximately $267,000 and $189,000.

The following summarizes the scheduled line of credit, other debt obligations and capital lease obligation payments for the years ending June 30:

2023	$ 672,069
2024	283,427
2025	1,656,999
2026	156,322
2027	710,794
Thereafter	41,296,038
	44,775,649
Less: Deferred financing costs	(894,682)
Less: Amount representing interest	(12,235)
	$ 43,868,732

10. Deferred Revenue

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the accompanying consolidated statement of financial position and are being amortized over the period of the respective grant/loan agreements.

The following grants/loans have been awarded to various Covenant House affiliates during current and prior fiscal years:

Covenant House ("CH") Affiliate	Awarding Agency/Other	Unamortized Balance at June 30, 2022	Unamortized Balance at June 30, 2021
CH California	State of California		
	Department of Housing and Community Development	$ -	$ 150,729
CH New Jersey	U.S. Department of Housing and Urban Development	800,000	800,000
CH New Jersey	State of New Jersey Department of Human Services (Crisis Center)	4,335	5,419
CH Alaska	Indian Housing Block Grant under the Native American Housing Assistance of Self Determination Act of 1996 from Cook Inlet Housing Authority	1,740,185	-
CH Alaska	Cook Inlet Tribal Council	349,667	374,205
CH Alaska	Rasmuson Foundation	21,251	-
CH Alaska	Municipality of Anchorage	399,795	862,633
CH Alaska	Providence St. Joseph	-	56,808
Various	Various	968,552	594,908
		$ 4,283,785	$ 2,844,702

11. Split-Interest Agreements

Covenant House is the beneficiary of various split-interest agreements with donors. Covenant House may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee(s)) at which time the remaining assets are available for Covenant House's use. Under Covenant House's charitable remainder trust and charitable gift annuities programs, where Covenant House is the trustee, Covenant House has elected the fair value reporting option under ASC 825, which requires the obligation due under split-interest agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or beneficiary and the discount rate at the date of measurement. Covenant House believes that accounting for charitable remainder trusts and charitable gift annuities at fair value appropriately reflects Covenant House's obligations due under split-interest agreements.

11. Split-Interest Agreements *(continued)*

The discount rate used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2022 was 3.6% and in 2021 was 1.2%. At June 30, 2022, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,533,000 and $2,096,000. At June 30, 2021, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $2,072,000 and $2,801,000. As of June 30, 2022 and 2021, $6,987,506 and $8,814,650 of investments relate to such agreements. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Covenant House further maintains beneficial interests in certain trusts administered by third parties. Those trusts of a perpetual nature were valued at approximately $4,992,000 and $4,611,000 at June 30, 2022 and 2021. Other trusts with a defined time frame (term trusts) were valued at approximately $2,019,000 and $2,598,000 at June 30, 2022 and 2021. As these trusts are controlled and invested by independent third parties, Covenant House records a beneficial interest and contribution revenue for its ratable share of the assets based on the fair value of the trusts' underlying assets.

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's beneficial interests in trusts and obligations under split-interest agreements at June 30:

	2022		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 3,629,452	$ -	$ 3,629,452
Beneficial interests in trusts	$ -	$ 7,011,445	$ 7,011,445

	2021		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 4,873,569	$ -	$ 4,873,569
Beneficial interests in trusts	$ -	$ 7,209,621	$ 7,209,621

11. Split-Interest Agreements *(continued)*

The following tables summarize the changes in fair value associated with Covenant House's Level 3 beneficial interests in trusts for the years ended June 30:

	2022				
	Beginning Balance at July 1, 2021	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2022
Beneficial interests in trusts	$ 7,209,621	$ 1,410,464	$(1,505,718)	$ (102,922)	$ 7,011,445

	2021				
	Beginning Balance at July 1, 2020	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2021
Beneficial interests in trusts	$ 5,942,394	$ -	$ 1,364,447	$ (97,220)	$ 7,209,621

12. Construction Loans Payable

In fiscal 2019, a financial institution and Covenant House (Parent) executed a loan agreement in an amount of up to $57,000,000. In the same year, an amendment was fully executed to increase the total loan commitment to $61,000,000. Covenant House (Parent) granted fee title for the loan proceeds to HDFC, and HDFC entered into a Nominee Agreement with the LLC. The loan proceeds were used to fund the construction of the Property. The total commitment consisted of two loan components, which were comprised of a building loan in the amount of $54,595,517 and a project loan in the amount of $6,404,483.

During fiscal 2022, construction on the Property was completed and both the building and project loan were fully paid upon the sale of the Old Property (see Note 8).

13. Paycheck Protection Program

During fiscal 2021 and 2020, Covenant House (Parent) and its related entities in the U.S. received both the first and second rounds of loan proceeds, under the Paycheck Protection Program (the "PPP"), in the amount of $16,014,545 during the first round and $3,451,680 during the second round, collectively, (the "PPP loans"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 or 2020 average monthly payroll expenses of the qualifying entity. The PPP loans bear an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the first round of the PPP loan, if any, is payable within two years from the date of the loan while the unforgiven portion of the second round of the PPP loan, if any, is payable within five years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration ("SBA"). If Covenant House (Parent) and its related U.S. entities do not apply for forgiveness, payments begin approximately 16 months after the loan date.

Certain related U.S. entities recognized their PPP loans as a conditional grant under ASC 958-605, *Revenue Recognition-Contributions* and recognize income as allowable costs are incurred and other related conditions are met. In fiscal 2022 and 2021, Covenant House and its U.S. related entities recognized $413,069 and $5,572,036 of income, included in government grants and contracts in the consolidated statement of activities. PPP loan funds of $413,069 were reported as PPP refundable advances in the consolidated statement of financial position at June 30, 2021. There were no PPP refundable advances at June 30, 2022.

Covenant House (Parent) and certain other related U.S. entities which received PPP loans recognized the funds as debt in accordance with ASC 470, *Debt*. Covenant House (Parent) and these U.S. entities will recognize the income when full forgiveness from the SBA is received. The balances of these PPP loans amounted to $111,950 and $4,104,543 at June 30, 2022 and 2021. Although Covenant House (Parent) and these U.S. entities believe the loans will be substantially forgiven, there can be no guarantee that the SBA will approve the loan forgiveness. For the years ended June 30, 2022 and 2021, a total of $4,281,453 and $6,001,215 in PPP loans has been forgiven in full and is included in the accompanying consolidated statement of activities.

14. Pension Plans

Covenant House (Parent) has a defined benefit pension plan (the "Plan") covering employees of Covenant House (Parent) and its U.S. affiliates only. Benefits are generally based on years of service and average salary, as defined under the Plan. Covenant House (Parent) contributes to the Plan the amount necessary to satisfy IRS funding requirements as calculated by its actuary.

The assets of the Plan, which are held by Transamerica Retirement Solutions, LLC, consist primarily of mutual funds and short-term corporate bonds, and are reported at fair value based on quoted market values as of the reporting date.

The Plan's investment objectives seek to obtain the highest total rate of return in keeping with a moderate level of risk while preserving principal in real terms and focusing on long-term returns over near-term current yield. To develop the expected long-term rate of return on assets assumption, Covenant House (Parent) considers historical returns and future expectations of returns for its fixed income securities.

Effective December 31, 2006, Covenant House (Parent) froze service credits in the Plan. Compensation increases continued to apply within the Plan structure for those participants who exceeded certain thresholds of age and years of service to protect the benefits of older and longer tenured employees. Covenant House (Parent) further amended the Plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits would accrue under the Plan after that date.

As set forth in the provisions of the Employee Retirement income Security Act of 1974 ("ERISA"), Covenant House (Parent) is responsible for maintaining an annual minimum funding requirement. However, beginning in 2018, Covenant House (Parent) began charging affiliates their pro rata share of the minimum funding requirement.

14. Pension Plans *(continued)*

The following table presents the Plan's required pension disclosures as of and for the years ended June 30:

	2022	2021
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 55,517,093	$ 55,489,206
Service cost	868,745	845,420
Interest cost	1,515,049	1,668,924
Actuarial (gain) loss	(12,238,948)	1,121,889
Benefits paid	(3,537,431)	(3,608,346)
Projected benefit obligation, end of year	$ 42,124,508	$ 55,517,093
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 34,544,027	$ 33,231,567
Actual return on plan assets	(4,863,404)	2,722,123
Employer contributions	1,741,986	2,198,683
Benefits paid	(3,537,431)	(3,608,346)
Fair value of plan assets, end of year	$ 27,885,178	$ 34,544,027
Funded status, end of year	$ (14,239,330)	$ (20,973,066)
Accumulated benefit obligation	$ 42,124,508	$ 55,517,093
Amounts included in without donor restricted net assets:		
Unrecognized actuarial loss	$ 11,475,852	$ 18,920,000
Components of the net periodic pension cost:		
Service cost	$ 868,745	$ 845,420
Interest cost	1,515,049	1,668,924
Expected return on plan assets	(1,702,031)	(1,644,857)
Amortization of actuarial loss	1,770,635	1,997,969
Net periodic pension cost	$ 2,452,398	$ 2,867,456
Other changes recognized in without donor restrictions net assets:		
Actuarial (gain) loss incurred during the year	$ (5,673,513)	$ 44,623
Amortization of actuarial loss	(1,770,635)	(1,997,969)
Pension related activity, other than net periodic pension cost	$ (7,444,148)	$ (1,953,346)
Amounts in without donor restrictions net assets expected to be recognized as components of net periodic pension cost in the next fiscal year:		
Amortization of actuarial loss	$ 968,453	$ 1,770,635
Weighted-average Assumptions:		
Discount rate - benefit obligation	4.64%	2.81%
Discount rate - net periodic pension cost	2.81%	3.10%
Expected long-term rate of return on Plan assets	5.00%	5.00%
Average rate of increase in compensation levels	N/A	N/A

14. Pension Plans *(continued)*

Employer contributions to the Plan for the years ended June 30, 2022 and 2021 were \$1,741,986 and \$2,198,683. Plan benefits expected to be paid in the following fiscal years are as follows:

2023	$ 2,579,272
2024	3,143,357
2025	2,959,095
2026	2,835,777
2027	2,887,531
2028-2032	13,496,664

The following table prioritizes the inputs used to measure and report the fair value of the Plan's assets at June 30:

	2022		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 19,332,234	$ -	$ 19,332,234
Equity mutual funds	4,248,081	-	4,248,081
Short-term corporate bonds	-	4,304,863	4,304,863
Total Plan Assets	$ 23,580,315	$ 4,304,863	$ 27,885,178

	2021		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 25,375,569	$ -	$ 25,375,569
Equity mutual funds	7,701,381	-	7,701,381
Short-term corporate bonds	1,467,077	-	1,467,077
Total Plan Assets	$ 34,544,027	$ -	$ 34,544,027

The percentages of the fair value of total Plan assets by asset category are as follows at June 30:

	2022	2021
Equity securities	15%	22%
Debt securities	85%	78%
	100%	100%

14. Pension Plans *(continued)*

Effective January 1, 2007, Covenant House (Parent) adopted a 403(b) defined contribution pension plan for all employees with one year of service. As of January 1, 2012, Covenant House (Parent) and its U.S. affiliates, match 100% of employee contributions to the 403(b) plan up to 3% of employee contributions, except for the highly compensated employees as defined below. New hires become eligible to receive the employer match contribution once the employee has reached age 21 and completed one year of service. Along with the matching provision, there is an additional annual employer contribution to the retirement account for all employees who worked 1,000 hours in a year. Covenant House (Parent) and its U.S. affiliates' contributions range from 1% to 9% of each eligible employee's salary based on points, provided that the respective employee worked 1,000 hours annually. Points are defined as the sum of age and years of service. The 403(b) plan is 100% vested (cliff vesting) after three years of service. Total expense related to the 403(b) plan was approximately $2,811,000 and $2,600,000 for the years ended June 30, 2022 and 2021. Total employer contributions due to the 403(b) plan are approximately $2,700,000 and $2,180,000 at June 30, 2022 and 2021, and are included in pension benefits liability in the accompanying consolidated statement of financial position.

Effective January 1, 2012, Covenant House (Parent) implemented a 457(b) plan for those highly compensated employees who have reached the IRS maximum 403(b) contribution for the year. These employees have the option of continuing their contributions and will be matched by the employer 100% of up to 3% of employee contributions. All other criteria for eligibility follows the same guidelines as the 403(b) plan. Total employer expense related to the 457(b) plan approximated $162,000 and $62,000 for the years ended June 30, 2022 and 2021. Covenant House (Parent)'s obligations under the 457(b) plan are approximately $898,000 and $812,000 at June 30, 2022 and 2021, and are included in pension benefits liability in the accompanying consolidated statement of financial position.

The Toronto affiliate maintains a Group Registered Retirement Savings Plan ("RRSP"). During fiscal years 2022 and 2021, the expense for the RRSP totaled approximately CAD $574,000 (US $454,000) and CAD $575,000 (US $449,000). There are no employer contributions due to the Toronto affiliate's RRSP at June 30, 2022 and 2021.

The Vancouver affiliate maintains a defined contribution pension plan that provides retirement benefits to its employees. Employees are eligible to join after one year of continuous service. Pension contributions vest with the employee after two years of participation in the plan. Funding contributions are made by employees and are matched by the Vancouver affiliate in the amount of 3%, 5% or 7% of employee compensation based on the number of completed years of service. The expense related to the defined contribution plan for fiscal years 2022 and 2021 totaled approximately CAD $339,000 (US $268,000) and CAD $332,000 (US $259,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2022 and 2021.

In addition, the labor laws of affiliates in Central America provide for severance pay if an employee is dismissed without just cause. Accrued expenses related to such potential payments are determined in accordance with local statutes and are reflected in the accompanying consolidated financial statements.

15. Board Designated Net Assets

Certain affiliates' Board of Directors have designated a portion of their net assets without donor restrictions to be used for strategic purposes, building renovations and/or capital expenditures. These board designated net assets totaled $32,895,185 and $33,921,864 as of June 30, 2022 and 2021.

16. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

	2022	2021
Various donor-imposed purpose restrictions:		
Program	$ 15,830,088	$ 8,210,338
Capital campaign	47,537,524	41,691,401
Time Restriction:		
Beneficial interest in trusts	2,780,737	2,142,458
Other split-interest agreements	2,665,232	3,349,112
Other time restrictions	2,638,951	2,717,539
Unappropriated endowment earnings	4,358,603	4,958,824
Beneficial interest in perpetual trusts	3,680,714	4,451,059
Endowment held in perpetuity	5,207,065	5,207,065
	$ 84,698,914	$ 72,727,796

Net assets were released from donor restrictions satisfying the following restrictions for the years ended June 30:

	2022	2021
Purpose restriction	$ 17,237,275	$ 25,988,361
Time restriction	2,155,496	2,387,053
	$ 19,392,771	$ 28,375,414

17. Endowments

Covenant House's endowment includes both donor-restricted (gifted) endowment funds and funds designated by the Board of Directors to function as an endowment (quasi-endowment). Covenant House's donor-restricted endowment consists of various individual funds established principally in support of Covenant House's mission; it excludes donor restricted beneficial interests in trusts administered by third parties. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

17. Endowments *(continued)*

On September 17, 2010, the State of New York passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. Covenant House classifies as donor restricted endowment funds, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified as donor restricted net assets held in perpetuity is classified as donor restricted net assets until such amounts are appropriated for expenditure by Covenant House in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established, and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, Covenant House considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return on endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of Covenant House and the investment policy of Covenant House.

Covenant House has adopted investment management and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support Covenant House's activities while seeking to maintain the purchasing power of the endowment assets. Covenant House's primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

To satisfy its long-term rate-of-return objectives, Covenant House relies on a total return strategy, the objective of which is to achieve a return consisting of a combination of current income and capital appreciation (depreciation), without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various investment classes and strategies to help reduce risk.

17. Endowments *(continued)*

The following details endowment net asset composition, excluding third-party perpetual trusts of approximately $4,992,000 and $4,611,000, as of June 30, 2022 and 2021.

	2022			
	Restrictions	With Donor Restrictions		
Composition of Endowment Net Assets by Type of Fund	Board Designated	Cumulative Earnings	Original Gift Amount	Total
Board-designated endowment fund	$ 5,523,632	$ -	$ -	$ 5,523,632
Donor-restricted endowment funds	-	4,358,603	5,207,065	9,565,668
	$ 5,523,632	$ 4,358,603	$ 5,207,065	$ 15,089,300
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 6,417,001	$ 4,958,824	$ 5,207,065	$ 16,582,890
Investment return:				
Investment income	149,304	163,900	-	313,204
Net depreciation (realized and unrealized)	(1,029,539)	(764,121)	-	(1,793,660)
Appropriation of endowment assets for expenditure	(10,307)	-	-	(10,307)
Other changes	(2,827)	-	-	(2,827)
Endowment net assets, end of year	$ 5,523,632	$ 4,358,603	$ 5,207,065	$ 15,089,300

	2021			
	Without Donor Restrictions	With Donor Restrictions		
Composition of Endowment Net Assets by Type of Fund	Board Designated	Cumulative Earnings	Original Gift Amount	Total
Board-designated endowment fund	$ 6,417,001	$ -	$ -	$ 6,417,001
Donor-restricted endowment funds	-	4,958,824	5,207,065	10,165,889
	$ 6,417,001	$ 4,958,824	$ 5,207,065	$ 16,582,890
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 4,956,407	$ 3,450,917	$ 5,207,065	$ 13,614,389
Investment return:				
Investment income	119,649	141,947	-	261,596
Net appreciation (realized and unrealized)	1,353,573	1,365,960	-	2,719,533
Appropriation of endowment assets for expenditure	(10,006)	-	-	(10,006)
Other changes	(2,622)	-	-	(2,622)
Endowment net assets, end of year	$ 6,417,001	$ 4,958,824	$ 5,207,065	$ 16,582,890

18. Allocation of Joint Costs

Covenant House (Parent) has allocated joint costs incurred associated with certain informational mailings that contain an appeal for funds between the public education program and fundraising expense categories on the accompanying consolidated statement of activities. During fiscal 2021, joint costs incurred totaled approximately $596,000, of which approximately $549,000 were allocated to public education and approximately $47,000 were allocated to fundraising. During fiscal 2022, there were no informational mailings that contained an appeal for funds, therefore, there no joint costs were incurred.

19. Commitments and Contingencies

Covenant House is party to a number of operating leases for office space and equipment. Aggregate future minimum lease payments due under operating leases that have remaining terms in excess of one year as of June 30, 2022, are as follows:

2023	$ 2,424,673
2024	1,792,705
2025	1,489,835
2026	747,918
2027	363,207
Thereafter	873,836
	$ 7,692,174

During July 1999, the Michigan affiliate entered into a dollar-a-year lease for its main campus with the Archdiocese of Detroit for a period of 99 years. The fair value of the property at the time of the lease signing was recorded as net assets with donor restrictions and is released from restriction over the period of the lease. As the asset is amortized over the 99 year life of the lease, $1,869 of rent expense is recorded. The Michigan affiliate uses this property for administrative purposes, the crisis center, rights of passage, charter school and future programs. The affiliate subleases a portion of its main campus to CHA-Detroit for its Central Campus. The affiliate entered into a lease with CHA-Detroit, East Campus for a building effective June 25, 2020 through June 30, 2025. The affiliate also entered into a lease with CHA-Detroit for its Southwest Campus for a building effective June 25, 2020 through June 30, 2025.

19. Commitments and Contingencies *(continued)*

The Washington, D.C. affiliate's Community Service Center resides on a parcel of land along Mississippi Ave., SE, in Washington, D.C., which is part of a larger Building Bridges Across the River, Inc. (BBAR) development project. The Washington, D.C. affiliate has negotiated a ground sublease with BBAR that was finalized on November 11, 2005. Based on the sublease agreement, the lease commencement date was determined retroactively to be January 20, 2003 with a termination date of July 18, 2100. The lease has an annual rent of $25 per year and the Washington, D.C. affiliate is responsible for all operating expenses and utilities. The fair value of the land at the time of the lease agreement signing was recorded as a contribution receivable and restricted contribution and is released from restrictions over the term of the lease. The balance of the long term other asset of $268,680 and $272,081, and is reported in prepaid expenses and other assets on the accompanying consolidated statement of financial position at June 30, 2022 and 2021. The Washington, D.C. affiliate built a free-standing, two-story building on the premises, referred to as the Nancy Dickerson Whitehead Community Service Center, which the Washington, D.C. affiliate owns and can sell, assign, or sublet after 15 years, assuming that the purchaser, assignee, or sub-lessee agrees to certain use restrictions, will perform a needed service at the facility, and is financially capable.

If the Washington, D.C. affiliate sells the building, then BBAR will be entitled to 19% of the proceeds. The Washington, D.C. affiliate uses the building and land to provide recreational, educational, social, cultural and support services to homeless and at-risk youths.

Covenant House is contingently liable under various claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the consolidated financial statements of Covenant House.

Covenant House receives funding under grants and contracts from various federal, state and local government agencies. In accordance with the terms of certain government contracts, the records of certain affiliates are subject to audit for varying periods after the date of final payment of the contracts. Covenant House is liable for any disallowed costs; however, management believes that the amount of costs disallowed, if any, would not be material to its consolidated financial statements.

20. Liquidity and Availability of Financial Assets

The following reflects Covenant House's financial assets as of June 30, reduced by amounts not available for general use within one year. Total financial assets available to meet cash needs for general expenditures within one year at June 30, are as follows:

	2022	2021
Financial Assets:		
Cash and cash equivalents	$ 49,836,166	$ 51,143,142
Contributions receivable, net	14,245,867	12,764,578
Grants receivable	14,585,161	11,321,148
Other assets	3,579,802	4,060,784
Investments	91,179,574	90,580,791
Investments, other	16,129,933	16,443,621
	189,556,503	186,314,064
Less amounts unavailable for general expenditure:		
Amounts restricted by donors with time or purpose restrictions and internal designations	(65,293,259)	(64,203,800)
Board designated funds	(32,895,185)	(33,921,864)
Investments held for charitable remainder annuity trusts	(1,277,796)	(1,474,493)
Beneficial interest in perpetual trusts	(1,483,742)	(369,352)
Investments held in perpetuity	(5,207,065)	(5,207,065)
	(106,157,047)	(105,176,574)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	$ 83,399,456	$ 81,137,490

As part of Covenant House's liquidity management, Covenant House monitors the status and collectability of receivables on a regular basis. Contributions and special events revenue are solicited on a regular basis to increase support and revenue. In addition, Covenant House (Parent) has a $15 million line of credit with a financial institution which can be used to finance short-term working capital needs of the affiliates. Certain affiliates also maintain lines of credit as well.

21. Risks and Uncertainties

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

* * * * *