Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2021

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Consolidated Financial Statements
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June 30, 2021

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Covenant House and Affiliates

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, 2021, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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, Fundación Casa Alianza México, I.A.P., controlled international affiliated organizations, which statements reflect total assets constituting 21.73% of consolidated total assets as of June 30, 2021, and total revenues of 19.50% of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with accounting standards other than those generally accepted in the United States of America 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, 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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited Covenant House and Affiliates' June 30, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 5, 2022

Covenant House and Affiliates

Consolidated Statement of Financial Position
June 30, 2021
(with comparative amounts at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 51,143,142	$ 44,176,784
Cash held in escrow	742,739	1,467,260
Restricted cash	6,085,911	228,579
Contributions receivable, net (Note 3)	12,764,578	16,789,698
Grants receivable (Note 4)	11,321,148	11,271,298
Notes receivable (Note 5)	11,935,351	-
Prepaid expenses and other assets, net (Note 6)	13,871,080	9,270,273
Investments (Note 7)	90,580,791	72,721,948
Investments, other (Note 7)	16,443,621	21,262,401
Property, plant and equipment, net (Note 8)	243,293,162	187,382,918
Property held for sale (Note 8)	31,423	31,423
Beneficial interests in trusts (Note 11)	7,209,621	5,942,394
	$ 465,422,567	$ 370,544,976
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 22,156,788	$ 16,470,899
Deferred revenue (Note 10)	2,844,702	2,930,250
Line of credit, other debt obligations and capital leases (Note 9)	37,490,180	23,867,049
Paycheck Protection Program loans (Note 13)	3,504,543	9,067,722
Paycheck Protection Program refundable advances (Note 13)	1,013,069	4,081,316
Deferred rent	239,204	558,145
Obligations due under split-interest agreements (Note 11)	4,873,569	4,927,681
Conditional asset retirement obligation (Note 2)	414,374	414,374
Construction escrow deposits (Note 8)	10,901,803	7,901,803
Construction loans payable (Note 12)	44,804,384	20,869,418
Pension benefits liability (Note 14)	23,964,976	25,183,837
Other liabilities	175,126	175,126
Total Liabilities	152,382,718	116,447,620
Net Assets		
Without donor restrictions (Notes 15 and 17)	240,312,053	187,811,940
With donor restrictions (Notes 16 and 17)	72,727,796	66,285,416
Total Net Assets	313,039,849	254,097,356
Total Liabilities and Net Assets	$ 465,422,567	$ 370,544,976

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2021
(with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
CONTRIBUTIONS AND OTHER REVENUE				
Contributions from individuals, foundations and corporations, including legacies and bequests of $10,743,515 and $13,855,953 for 2021 and 2020	$ 127,789,340	$ 26,387,172	$ 154,176,512	$ 153,815,958
Government grants and contracts	64,254,702	960,000	65,214,702	55,818,880
Contributed goods and services	58,353,578	1,405,377	59,758,955	5,392,750
Special events revenue, net of costs of direct benefits to donors of $620,818 and $990,930 for 2021 and 2020	20,086,829	-	20,086,829	20,764,991
School management fees	6,417,511	-	6,417,511	8,323,205
Total Contributions and Other Revenue	276,901,960	28,752,549	305,654,509	244,115,784
INVESTMENT RETURN				
Interest and dividends, net	1,312,187	141,947	1,454,134	1,581,687
Net unrealized gain (loss)	6,659,519	1,365,960	8,025,479	(142,115)
Net realized gain	553,842	-	553,842	968,903
Change in value of split-interest agreements	(281,278)	1,032,312	751,034	(362,321)
Change in value of beneficial interest in trusts	-	1,364,447	1,364,447	(134,878)
Sales of customer lists and other income	2,215,072	11,952	2,227,024	2,409,606
Total Investment Return	10,459,342	3,916,618	14,375,960	4,320,882
	287,361,302	32,669,167	320,030,469	248,436,666
Net assets released from restrictions	28,375,414	(28,375,414)	-	-
Total Contributions and Other Revenue and Investment Return	315,736,716	4,293,753	320,030,469	248,436,666
EXPENSES				
Program services	225,898,978	-	225,898,978	160,177,670
Supporting Services				
Management and general	24,397,735	-	24,397,735	23,193,830
Fundraising	28,023,405	-	28,023,405	24,178,198
Total Expenses	278,320,118	-	278,320,118	207,549,698
Change in Net Assets from Operations	37,416,598	4,293,753	41,710,351	40,886,968
Foreign currency translation adjustment	4,796,751	2,148,627	6,945,378	(3,328,719)
Pension benefits liability adjustment	(2,022,036)	-	(2,022,036)	(8,658,869)
Net periodic pension cost, except service cost	1,953,346	-	1,953,346	(1,386,000)
Forgiveness of Paycheck Protection Program loans	6,001,215	-	6,001,215	-
Net realized gain on sale of property	4,354,239	-	4,354,239	-
Gain on forgiveness of debt from new market tax credit unwind	-	-	-	4,502,710
Change in Net Assets	52,500,113	6,442,380	58,942,493	32,016,090
NET ASSETS				
Beginning of year	187,811,940	66,285,416	254,097,356	222,081,266
End of year	$ 240,312,053	$ 72,727,796	$ 313,039,849	$ 254,097,356

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(with summarized totals for the year ended June 30, 2020)

	Program Services										Supporting Services					
	Short-term Housing and Crisis Care	Outreach	Young Families Program	Medical	Drop-in Services	Public Education	Transitional Living - Rights of Passage	Schools	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits To Donors	2021 Total Expenses	2020 Total Expenses
Salaries and wages	$ 38,246,596	$ 3,490,014	$ 3,257,982	$ 4,459,524	$ 7,730,669	$ 5,447,456	$ 17,281,376	$ 2,617,931	$ 2,728,153	$ 85,259,701	$ 10,511,987	$ 8,218,137	$ 18,730,124	$ -	$ 103,989,825	$ 98,424,675
Payroll taxes	3,233,838	310,592	281,254	380,473	665,645	484,145	1,529,003	215,447	236,054	7,336,451	785,104	693,535	1,478,639	-	8,815,090	8,117,061
Employee benefits	6,346,316	623,584	580,129	773,886	1,214,690	1,071,534	2,647,668	511,579	521,238	14,290,624	2,364,415	1,268,065	3,632,480	-	17,923,104	16,885,199
Total Salaries and Related Expenses	47,826,750	4,424,190	4,119,365	5,613,883	9,611,004	7,003,135	21,458,047	3,344,957	3,485,445	106,886,776	13,661,506	10,179,737	23,841,243	-	130,728,019	123,426,935
Contributed legal services	77,224	20,438	-	8,112	12,326	20,336	12,326	-	-	150,762	1,204,487	32,500	1,236,987	-	1,387,749	1,371,959
Contributed public service announcements	-	-	-	-	-	53,858,799	-	-	-	53,858,799	-	-	-	-	53,858,799	-
Accounting fees	59,546	6,735	8,159	107,392	15,257	8,518	49,436	31,003	7,000	293,046	682,376	7,903	690,279	-	983,325	963,822
Legal fees	36,465	1,923	748	2,028	7,704	5,179	37,714	20,072	6,720	118,553	491,354	2,837	494,191	-	612,744	676,262
Medical fees	40,461	1,309	141	242,095	3,475	-	14,713	-	-	302,194	119,644	-	119,644	-	421,838	234,403
Consulting fees	1,079,752	55,860	55,404	178,891	270,627	1,399,803	320,367	-	93,520	3,454,224	1,175,832	958,301	2,134,133	-	5,588,357	6,691,090
Supplies	874,221	49,189	57,082	185,599	163,151	27,118	424,814	172,017	102,918	2,056,109	192,759	114,655	307,414	12,000	2,375,523	2,897,319
Telephone	504,226	50,778	91,054	51,353	99,200	66,638	341,752	38,005	43,362	1,286,368	191,684	93,093	284,777	-	1,571,145	1,473,525
Postage and printing	275,863	24,646	20,465	32,868	55,946	7,135,452	211,850	25,023	19,235	7,801,348	401,397	13,420,827	13,822,224	-	21,623,572	16,803,528
Fuel and utilities	1,263,062	70,877	91,255	51,587	231,499	51,644	770,684	133,778	47,562	2,711,948	150,724	79,431	230,155	-	2,942,103	3,194,083
Repairs and maintenance	1,251,006	72,050	69,611	105,374	192,611	35,468	882,870	28,728	30,759	2,668,477	198,754	89,220	287,974	-	2,956,451	2,221,684
Contributed facilities	113,312	420	-	420	1,679	-	77,099	-	-	192,930	420	-	420	-	193,350	-
Rent and other	486,863	78,556	259,028	51,834	230,617	518,117	1,997,481	-	178,940	3,801,436	484,080	211,824	695,904	-	4,497,340	4,342,800
Equipment	1,060,431	71,895	62,388	116,014	219,640	150,830	587,551	357,827	37,688	2,664,264	383,976	105,937	489,913	-	3,154,177	2,470,270
Travel and transportation	191,167	37,695	21,291	11,075	92,812	7,306	61,103	1,784	20,567	444,800	45,620	20,052	65,672	-	510,472	1,629,116
Conference and meetings	162,071	8,280	12,990	25,365	36,060	48,100	83,617	-	21,036	397,519	84,543	46,794	131,337	12,198	541,054	-
Specific Assistance to Individuals																
Food	2,520,321	193,484	184,714	13,888	245,369	7,953	912,923	-	11,198	4,089,850	15,475	4,316	19,791	7,655	4,117,296	4,425,252
Medical	196,320	7,774	9,372	125,129	40,315	1,322	41,582	-	30	421,844	5,474	2,171	7,645	-	429,489	446,830
Contributed medical	-	-	-	-	847	-	-	-	-	847	-	-	-	-	847	26,072
Clothing, allowance and other	1,407,922	262,133	150,873	69,986	283,858	17,125	3,227,501	735,726	2,674,644	8,829,768	20,578	13,608	34,186	-	8,863,954	5,981,090
Contributed clothing and merchandise	1,314,657	122,553	7,555	35,471	152,793	19,062	359,148	-	55,425	2,066,664	7,943	324,499	332,442	59,448	2,458,554	2,589,348
Temporary help	320,960	9,840	13,306	570,044	115,022	3,876	29,569	-	8,831	1,071,448	155,471	13,478	168,949	-	1,240,397	1,103,749
Other purchased services	3,236,533	211,285	154,115	432,523	590,440	1,000,970	1,130,090	418,284	217,561	7,391,801	1,138,292	789,790	1,928,082	465,184	9,785,067	8,794,573
Dues, licenses, and permits	86,423	6,853	7,722	23,406	52,748	10,332	27,716	81,328	726	297,254	77,129	47,227	124,356	-	421,610	415,983
Subscriptions and publications	62,789	6,203	3,166	5,887	18,714	16,233	29,976	-	870	143,838	52,194	44,695	96,889	-	240,727	171,219
Staff recruitment	32,907	3,135	708	46,059	77,020	2,170	18,256	3,730	15	184,000	354,066	7,021	361,087	-	545,087	379,184
Insurance	959,000	63,744	100,887	73,954	203,520	24,423	433,130	94,354	69,908	2,022,920	365,686	76,987	442,673	-	2,465,593	2,080,571
Contributed services	184,775	14,072	16,394	276,394	49,303	26,140	147,757	-	10,500	725,335	64,020	37,040	101,060	-	826,395	1,434,277
Contributed goods	31,466	-	-	11,577	-	-	11,955	-	8,902	63,900	-	15,808	15,808	-	79,708	94,868
Miscellaneous, net	164,500	34,344	4,283	7,802	157,785	64,238	96,022	42,566	16,569	588,109	979,106	230,945	1,210,051	64,333	1,862,493	1,218,961
Bank charges and fees	465,130	38,253	26,954	82,962	85,774	23,153	242,378	1,565	36,797	1,002,966	376,842	335,489	712,331	-	1,715,297	1,815,488
Interest	76,235	21,674	2,273	13,504	65,001	3,619	36,700	-	-	219,006	148,507	4,766	153,273	-	372,279	793,439
Loss on foreign currency exchange	3,379	-	1,550	-	3,099	210	-	-	-	8,238	1,110	463	1,573	-	9,811	7,499
Total Before Depreciation and Amortization	66,365,737	5,970,188	5,552,853	8,572,476	13,385,216	71,557,269	34,076,127	5,530,747	7,206,728	218,217,341	23,231,049	27,311,414	50,542,463	620,818	269,380,622	200,175,199
Depreciation and amortizatior	3,727,674	155,574	103,382	99,133	569,030	1,671,342	1,093,420	212,066	50,016	7,681,637	1,166,686	711,991	1,878,677	-	9,560,314	8,365,429
Total Expenses	70,093,411	6,125,762	5,656,235	8,671,609	13,954,246	73,228,611	35,169,547	5,742,813	7,256,744	225,898,978	24,397,735	28,023,405	52,421,140	620,818	278,940,936	208,540,628
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	(620,818)	(620,818)	990,930
Total Expenses Reported by Function on Statement of Activities	$ 70,093,411	$ 6,125,762	$ 5,656,235	$ 8,671,609	$ 13,954,246	$ 73,228,611	$ 35,169,547	$ 5,742,813	$ 7,256,744	$ 225,898,978	$ 24,397,735	$ 28,023,405	$ 52,421,140	$ -	$ 278,320,118	$ 207,549,698

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 58,942,493	$ 32,016,090
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount on contributions receivable	87,275	(16,932)
Amortization of customer lists	2,112,253	1,105,496
Realized and unrealized gains on investments	(8,579,321)	(826,788)
Contributed investments	(92,331)	(135,263)
Net gain on sale of property and equipment	(4,300,849)	(600)
Gain on forgiveness of debt from new market tax credit unwind	-	(4,502,710)
Deferred gain on sale leaseback of building	(24,538)	-
Contributed property, plant, and equipment	(543,027)	(380,198)
Forgiveness of Paycheck Protection Program loan	(6,001,215)	-
Change in value of beneficial interest in trusts	(1,364,447)	134,878
Amortization of deferred revenue and loan discount	(308,783)	(80,076)
Deferred rent	(318,941)	(318,941)
Change in value of split interest agreements	(751,034)	362,321
Pension benefits liability adjustment	(1,218,861)	5,935,869
Depreciation and amortization	7,411,259	7,259,933
Amortization of deferred financing costs	59,395	221,458
Bad debt expense	196,015	288,250
Bad debt expense - grants receivable	139,078	-
Foreign currency translation adjustment	(6,945,378)	3,328,719
Changes in operating assets and liabilities		
Contributions receivable	3,741,830	2,430,832
Grants receivable	(188,928)	(3,029,565)
Prepaid expenses and other assets	(1,212,612)	(1,289,999)
Accounts payable and accrued expenses	4,151,260	1,955,652
Deferred revenue	223,235	525,960
Paycheck Protection Program refundable advances	(4,081,317)	4,081,316
Other liabilities	-	12,900
Net Cash from Operating Activities	41,132,511	49,078,602
CASH FLOWS FROM INVESTING ACTIVITIES		
Beneficial interests in trusts	97,220	104,469
Purchase of customer lists	(5,500,448)	(1,788,103)
Purchases of investments	(22,427,655)	(44,455,752)
Sales of investments	13,250,245	35,271,208
Capital expenditures	(54,996,964)	(35,525,077)
Maturity of guaranteed investment certificates	4,685,527	-
Purchase of guaranteed investment certificates	-	(4,648,578)
Construction escrow deposits	3,000,000	-
Purchase of certificates of deposit	(1,902,968)	-
Maturity of certificates of deposit	2,036,221	-
Deployment of notes receivable	(11,935,351)	-
Proceeds from sale of property	5,023,882	600
Net Cash from Investing Activities	(68,670,291)	(51,041,233)

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Cash Flows
(continued)
Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit and other debt obligations	$ 27,229,852	$ 16,419,049
Proceeds from construction loans payable	23,934,966	14,987,577
Repayments of line of credit and other debt obligations	(12,575,879)	(17,606,910)
Proceeds from Paycheck Protection Program loans	1,451,106	9,067,722
Principal payments under capital lease obligations	(66,486)	(160,853)
Payment of annuity obligations	(607,787)	(604,023)
Deposits held with trustee	(9,781)	-
Closing costs incurred	(1,023,751)	-
Additions to gift annuity arrangements	1,304,709	825,605
Net Cash from Financing Activities	39,636,949	22,928,167
Net Change in Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash	12,099,169	20,965,536
CASH AND CASH EQUIVALENTS, CASH HELD IN ESCROW AND RESTRICTED CASH		
Beginning of year	45,872,623	24,907,087
End of year	$ 57,971,792	$ 45,872,623
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 357,933	$ 581,402
Forgiveness of note receivable from New Market Tax Credit	-	12,813,000
Forgiveness of debt from New Market Tax Credit unwind	-	17,300,000
NON-CASH OPERATING, INVESTING AND FINANCING FINANCING ACTIVITIES		
Capitalized accrued interest included within accounts payable and accrued expenses	-	462,859
Property, plant and equipment costs included within accounts payable and accrued expenses	843,409	38,436
Assets acquired under capital lease obligations	-	21,151
Construction costs financed through accounts payable	691,220	-

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 18,000 young people during fiscal 2021. During fiscal 2021, the worldwide COVID-19 pandemic impacted the number of youth Covenant House reached, as affiliates took measures to ensure social distancing, set aside isolation rooms for symptomatic youth, paused in-person public education and prevention programs, and, throughout the year, suspended or modified street outreach. The pandemic impacted all of Covenant House's operations, including food production (meal provision was nearly 75% higher than pre-pandemic levels); the creation of online opportunities for mental health care, education, and job readiness training; development of appropriate intake protocols; implementation of new cleaning and sanitizing protocols, and other measures, all of which drove up operating costs. Nevertheless, in fiscal 2021, Covenant House provided a total of nearly 690,000 nights of housing and safety for, on average, 1,883 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 California
Covenant House Chicago
Covenant House Connecticut, Inc.
Covenant House Florida, Inc.
Covenant House Georgia, Inc.
Covenant House Illinois, Inc.
Covenant House Michigan
Covenant House Missouri
Covenant House New Jersey, Inc.
Covenant House New Orleans
Covenant House Texas
Covenant House Washington, D.C.
Covenant House Western Avenue
Covenant House Testamentum
Covenant International Foundation
Rights of Passage, Inc.
Under 21 Boston, Inc.
Under 21 d/b/a Covenant House New York
268 West 44th Corporation
460 West 41st St, LLC
CH Housing Development Fund Corporation
CH Pennsylvania Under 21 d/b/a Covenant House Pennsylvania

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

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

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. Covenant House (Parent) intends to have the LLC enter into a master lease agreement with the New York affiliate, Covenant House New York/Under 21 for the Property upon its completion.

In October 2020, CHGA CHI Leverage Lender, LLC (the "Georgia LLC") a Covenant House Georgia (the "Georgia affiliate") limited liability company, 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 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") limited liability company, 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.

In 2012, Covenant House Holdings, LLC ("CHH") was formed as a special purpose entity for the purpose of participation in a NMTC financing transaction, and received an allocation of NMTC funds pursuant to Section 45D of the Code to fund the opening of the crisis center located at 755 A Street, Anchorage, Alaska. Covenant House Alaska (the "Alaska affiliate") is the sole member of CHH. In February 2020, CHH was dissolved after the unwinding of NMTC transactions (see Note 9).

1. Organization and Tax Status *(continued)*

Covenant House Toronto and Covenant House Vancouver, both located in Canada and International affiliates of Covenant House, 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.

Covenant House (Parent) is qualified as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (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 Short term Housing and Crisis Care *(formally Shelter and Crisis Care)* program provides emergency services, temporary housing, food, clothing, medical care, mental health services, and legal aid to young people under the age of 21 experiencing homelessness or human trafficking.

The Outreach program actively seeks out young people experiencing homelessness who may need help. The team assists with critical safety needs by providing transportation to a safe shelter. Young people living on the streets can receive food, water, hygiene kits, clothing, blankets, counseling, and referrals to services such as medical care, employment, and education services.

The Young Families Program *(formerly Mother/Child)* program provides emergency services, short and long-term housing, food, and medical and mental health care to pregnant and parenting youth and their children. The program also offers young families access to free childcare services, parenting support, and a full range of educational, vocational, and job placement services.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

Medical includes medical facilities operated at and maintained by certain Covenant House affiliates to provide immediate and ongoing medical attention to individuals receiving services at the site.

The Drop-in Services *(formerly Community Service Center)* are another form of outreach at Covenant House affiliates. Youth in this program are not receiving residential services, but are provided 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 the education and employment program.

Public Education 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, talks, lectures, and peer-to-peer events across the Covenant House federation to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

Transitional Living - Rights of Passage, often referred to as “Rights of Passage” or ROP, are 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 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 School’s 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.

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

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.

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.

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

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.

Contributed Goods, Services, Public Service Announcements and Materials

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

Covenant House recognizes contributions of public service announcements and materials at their estimated fair value at the date of the donation. During fiscal 2021, Covenant House (Parent) received $53,858,799 in contributed public service announcements.

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 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:

	2021	2020
Cash and cash equivalents	$ 51,143,142	$ 44,176,784
Cash held in escrow	742,739	1,467,260
Restricted cash	6,085,911	228,579
	$ 57,971,792	$ 45,872,623

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, 2021 and 2020, property held for sale is recorded at the lower of cost or fair value, less costs to sell at $31,423 and is not depreciated.

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. There were no asset impairments for the years ended June 30, 2021 and 2020.

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 for 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 liability related to such obligations totaled $414,374 at June 30, 2021 and 2020, and primarily relates to required future asbestos remediation expected to occur in the next 2 to 4 years. For the years ended June 30, 2021 and 2020, depreciation expense recorded on the related asset totaled $0. Accretion of interest related to these obligations in fiscal 2021 and 2020 totaled $0 and Covenant House did not incur any payments for asbestos remediation in fiscal 2021 and 2020.

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.

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 and debt securities: The reported fair value of common stocks, mutual funds, exchange-traded funds and debt securities is based on quoted market prices or other similar inputs. 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, 2018.

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 does not believe that a significant risk of loss, due to the failure of a financial institution, presently exists.

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.

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, 2020, 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 5, 2022.

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 discount rates ranging from .29% to 6.75% in 2021 and 2020. The discount rate has been calculated using factors that approximate the risk and expected timing of future contribution payments. The receivables are due as follows at June 30:

	2021	2020
Unconditional promises expected to be collected in:		
Less than one year	$10,081,616	$11,353,201
Within five years	2,759,092	5,419,177
Thereafter	387,081	390,482
	13,227,789	17,162,860
Less: Discount to present value	(133,567)	(220,842)
Reserve for uncollectible accounts	(329,644)	(152,320)
	$12,764,578	$16,789,698

3. Contributions Receivable *(continued)*

During fiscal 2021, 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 $11,321,148 and $11,271,298 at June 30, 2021 and 2020 are expected to be collected within one year. As of June 30, 2021 and 2020, 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, 2021, the loan accrued $30,605 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, 2021, the loan accrued $28,276 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)

In connection with the Alaska affiliate's NMTC transaction (Note 9), in September 2012, the Alaska affiliate loaned Covenant House Investment Fund, LLC, ("Investment Fund 2"), an unrelated entity, $12,813,000. Investment Fund 2 also received equity from a tax credit investor and then made a QEI in Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC ("Wells Fargo"), Brownfield Revitalization XXIV, LLC ("Brownfield") and Consortium America XXXIX, LLC ("Consortium"), as a CDE. The CDE then made two loans in the amount of $12,813,000 (Note E) and $4,487,000 (Note F) to CHH.

The Note E receivable was netted with $17,107,659 in debt associated with NMTC as part of the unwind of the NMTC transaction as described in Note 9. The Alaska affiliate recognized a net gain of $4,502,710 on the forgiveness of debt from NMTC unwind.

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, 2021 and 2020 the cost of the customer lists amounted to $15,899,095 and $10,398,647. Accumulated amortization at June 30, 2021 and 2020 amounted to $9,386,837 and $7,274,584. Amortization expense for fiscal year 2021 and 2020 amounted to $2,112,253 and $1,105,496.

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

	Amount
2022	$ 2,913,261
2023	2,530,286
2024	1,068,708
	$ 6,512,255

7. Investments

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

	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

7. Investments *(continued)*

	2020		
	Level 1	Level 2	Total
Investments:			
Common stocks	$ 2,499,137	$ -	$ 2,499,137
U.S. government securities	1,061,914	-	1,061,914
Foreign government securities	170,259	-	170,259
Corporate debt securities	1,146,312	1,285,186	2,431,498
Mutual Funds:			
Stocks	17,347,690	-	17,347,690
Bonds	15,807,246	-	15,807,246
Combined	15,657,049	-	15,657,049
Total Investments at Fair Value	$ 53,689,607	$ 1,285,186	54,974,793
Cash and cash equivalents, at cost			17,747,155
Total Investments			$ 72,721,948

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 2021 and 2020.

Investment management fees of approximately $136,700 and $114,000 are netted with interest and dividend income in the accompanying consolidated statement of activities for the years ended June 30, 2021 and 2020.

Covenant House's certificates of deposit of $1,902,968 and $2,036,221 and guaranteed investment certificates of $14,540,653 and $19,226,180 as of June 30, 2021 and 2020, 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 and Property Held for Sale

Property, plant and equipment and property held for sale, consist of the following at June 30:

	2021	2020
Buildings	$ 138,297,965	$ 131,647,469
Building improvements	47,362,889	46,291,773
Equipment, furniture and vehicles	27,960,194	25,931,376
Equipment acquired under capital lease obligations	1,396,970	1,324,400
Leasehold improvements	11,155,179	10,974,323
	226,173,197	216,169,341
Less: Accumulated depreciation and amortization	(112,379,205)	(105,328,829)
	113,793,992	110,840,512
Land	35,863,983	33,048,248
Construction in progress	93,635,187	43,494,158
Property, Plant and Equipment, net	$ 243,293,162	$ 187,382,918
Property Held for Sale	$ 31,423	$ 31,423

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $1,201,500 and $800,310 at June 30, 2021 and 2020.

Depreciation and amortization expense amounted to $7,411,259 and $7,259,933 for the years ended June 30, 2021 and 2020.

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, which is included in the accompanying consolidated statement of activities. In conjunction with the sale, the note payable secured by the property was paid.

8. Property, Plant and Equipment and Property Held for Sale *(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. Since the acquisition, the property has been undergoing significant renovations in order to bring it to its intended use. As a result, no depreciation charges have been provided on the building as of June 30, 2021. 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. 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.

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).

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, 2021, the Vancouver affiliate has incurred $21,025,066 CAD (US $16,959,848) of professional development and construction costs related to Phase 2 and $72,857 CAD (US $58,770) for Phase 3, which have been recorded as construction in progress. At June 30, 2021, the Vancouver affiliate has contracted costs aggregating $12,782,755 CAD (US $10,311,197) related to the completion of Phase 2 of the expansion project

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.

8. Property, Plant and Equipment and Property Held for Sale *(continued)*

Purchase and Sale, Development Agreement

Covenant House (Parent) entered into a development agreement with The Gotham Organization, Inc. ("Gotham"), effective October 20, 2017, to redevelop the Property. During fiscal 2019, a net asset transfer was made by Covenant House (Parent) to the LLC totaling $1,942,566 for construction costs incurred for the Property by Covenant House (Parent), net of various construction liabilities. This consisted of construction in progress costs of $11,315,582, net of accrued construction loans payable of $1,471,213 and construction escrow deposits of $7,901,803.

In addition, Covenant House (Parent) entered into a purchase and sale 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. The construction escrow deposits totaled $10,901,803 and $7,901,803 at June 30, 2021 and 2020.

The LLC incurred $66,969,766 and $34,077,614 of construction in progress costs related to the Property as of June 30, 2021 and 2020.

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 and each affiliate as of June 30:

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2021	Maturity Date	Interest Rate (per annum) at June 30, 2021	Debt Obligation at June 30, 2020
CH Parent Entity	Goldman Sachs	$ -	2/14/2022	LIBOR + 1.65%	$ 2,075,000
CH California	Department of Housing and Community Development	444,000	9/23/2023	3.00%	518,000
CH California	Bank of America	1,213,422	1/28/2028	4.25%	1,262,684
CH California	Great American Leasing Co.	36,045	6/30/2025	1.94%	65,830
CH California	Weingart Foundation (Note 2)	750,000	11/5/2021	2.00%	750,000
CH California	Bank of America	1,574,002	1/15/2031	3.45%	-
CH Florida	Milner, Inc	66,949	6/1/2023	18.00%	92,518
CH Georgia	Chase Community Development Entity Subsidiary, LLC (Note A)	5,829,570	9/15/2050	1.41%	-
CH Georgia	Chase Community Development Entity Subsidiary, LLC (Note B)	2,027,430	9/15/2050	1.41%	-
CH Illinois	Chase Community Development Entity Subsidiary, LLC (Notes C & D)	8,372,217	12/31/2057	1.09%	-
CH Illinois	IFF Leverage Loan	305,738	1/12/2024	6.25%	-
CH Missouri	Affordable Housing Commission	134,579	11/15/2037	0.00%	142,496
CH Missouri	Sumner One	17,659	5/15/2025	4.00%	20,706
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	3,166	5/28/2022	1.93%	6,616
CH New York/Under 21	Konica Minolta Business Solutions	14,212	8/15/2022	0.00%	-
CH New York/Under 21	Konica Minolta Business Solutions	29,689	6/12/2024	0.00%	-
CH New York/Under 21	Konica Minolta Business Solutions	4,717	10/10/2024	0.00%	-
CH Pennsylvania/Under 21	Citizens Bank	-	4/1/2021	2.31%	2,188,000
CH Texas	NEC Financial Services, LLC	16,498	9/4/2023	0.00%	24,583
CH Texas	Allegiance Bank	1,369,687	7/22/2024	5.50%	1,400,000
CH Washington, D.C.	PNC Bank	-	1/27/2030	6.00%	257,396
CH Toronto	City of Toronto	606,802	2024	0.00%	583,796
CH Vancouver	BC Housing/Proposal Development Funding	4,544,398	4/1/2029	0.00%	4,129,213
CH Vancouver	BC Housing Management Commission	4,033,245	Payable on demand	0.00%	3,664,760
CH Vancouver	Canada Mortgage and Housing Corporation	4,105,223	2040	0.00%	3,730,163
		38,496,479			23,908,992
Less: Deferred financing costs		(1,006,299)			(41,943)
		$ 37,490,180			$ 23,867,049

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 1.64% and 1.65% at June 30, 2021 and 2020.

Drawdowns under the unsecured line of credit agreement with the financial institution totaled $3,825,000 and $10,050,000 during the years ended June 30, 2021 and 2020. Total repayments on the line of credit were $5,900,000 and $13,925,000 during fiscal 2021 and 2020.

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 loan, which matures 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") 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 Chase Community Equity, LLC (the "Tax Credit Investor"). Each of the loans are secured by the mortgage with respect to the Illinois Project. Both Note A and B 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") 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 $42,217 for the year ended June 30, 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 Illinois affiliate is required to repay any unpaid principal balance in full no later than January 12, 2024. Interest accrues on outstanding principal of the loan at a rate of 6.25%. For the year ended June 30, 2021, total interest expense on the loan was $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 $22,793 for the year ended June 30, 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 $53,677 and $55,673 for the years ended June 30, 2021 and 2020.

On November 5, 2018 (the “disbursement date”), the California affiliate obtained through financing a secured 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, entered into for the Covenant House Western Avenue Property. The principal balance and accrued interest was repaid in full on November 12, 2021.

On November 5, 2018 (the “disbursement date”) the California affiliate obtained through financing an unsecured note payable of $750,000 (“Note 2”) with an interest rate at 2% from an unrelated foundation, with the condition that the note be used to repay Note 1. The repayment of the principal balance and accrued interest will be due and payable three years from the disbursement date. The total amount of interest expense relating to Note 2 totaled $15,000 and $9,833 for the years ended June 30, 2021 and 2020.

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, 2021 and 2020, the total unamortized balance of the remaining forgivable loan was $444,000 and $518,000.

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

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 $134,579 and $142,496 for the years ended June 30, 2021 and 2020.

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, 2021 and 2020. 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, 2021 and 2020, the escrow amount held with the trustee totaled $110,773 and $108,891. 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 2021 and 2020, 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, 2021 and 2020, the escrow amount held with the trustee totaled $145,693 and $143,745. 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 2021 and 2020, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

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

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, 2021 and 2020, the escrow amount held with the trustee totaled $259,647 and $256,383. 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 2021 and 2020, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the loan.

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, 2021 and 2020, the escrow amount held with the trustee totaled $24,455 and $20,635. 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 2021 and 2020, 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, 2021 and 2020. 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 2021 and 2020, 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 2021 and 2020.

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

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, 2023. Interest on amounts borrowed accrues at a rate of British Banker's Association LIBOR plus 3.50%. There were no outstanding borrowings on this line of credit facility at June 30, 2021 and 2020. Interest expense for June 30, 2021 and 2020 amounted to $0 and $9,618.

In April 2016, the Pennsylvania affiliate refinanced its loan payable with a financial institution. The new term loan is for $2,650,000, matured in April 2021, and had an interest rate based on the 30-day LIBOR rate plus 2%. Interest was payable monthly with a principal payment due in the amount of $4,200, and a final balloon payment due at maturity. Covenant House (Parent) had fully cash-collateralized the outstanding loan amount with the financial institution.

Effective March 12, 2018, the Pennsylvania affiliate renegotiated its loan terms with the financial institution. The affiliate entered into an interest rate swap agreement to effectively convert the variable interest rate to a fixed rate of 2.31% per annum. The change in the fair value of the swap agreement and the payments to, or receipts from, the counterparty to the swap are netted with interest expense on the consolidated statement of functional expenses. Accordingly, at June 30, 2020, the affiliate recognized a swap liability of $39,262, which is included in accounts payable and accrued expenses. The swap is reported at fair value using level 2 inputs. The maturity date and principal payment terms remain unchanged. The outstanding loan balance at June 30, 2020, was $2,188,000. On July 24, 2020, the Pennsylvania affiliate paid the full amount of the then existing loan payable and at the same time the interest rate swap agreement was terminated.

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, 2021, the total amount outstanding on the note payable was $1,369,687.

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

The Washington, D.C. affiliate had a term loan with a principal amount of $397,742 that bore interest at 6% per annum, and was secured by a Deed of Trust on the underlying property located at New York Avenue, Washington, D.C. The outstanding balance was $257,396 as of June 30, 2020. The loan was paid in full during fiscal year 2021 after the underlying property was sold.

During July 2018, the Washington, D.C. affiliate obtained a line of credit in the amount of $500,000. Interest only payments are due monthly at the prime rate plus 0.50%. The line of credit is due on demand and secured by substantially all assets of the Washington, D.C. affiliate. There was no outstanding balance on the line of credit at June 30, 2020. The line of credit was closed during the year ended June 30, 2021.

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $3,000,000 (US $2,419,947). Interest is payable at the bank's prime rate. During fiscal 2021 and 2020, there were no drawings against this line of credit.

During fiscal 2019, the Toronto affiliate received CAD $885,000 (USD $713,884) 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, 2021, the outstanding balance of the forgivable loan was CAD $752,250 (USD $606,802).

The Vancouver affiliate was provided with financial assistance in the amount of CAD $5,000,000 (US $4,033,245) 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, 2021, the outstanding balance of the forgivable mortgage was CAD $5,000,000 (US $4,033,245).

In fiscal 2019, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,633,675 (US $4,544,398) in the form of a mortgage, repayable on demand. The mortgage is non-interest bearing prior to its maturity in April 2029, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. 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, 2021, the outstanding balance of the forgivable mortgage was CAD $5,633,675 (US $4,544,398).

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

In fiscal 2020, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,089,232 (US $3,730,163) in the form of a mortgage, repayable on demand. The mortgage is non-interest bearing prior to its maturity in January 2040, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to April 2029, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2021, the outstanding balance of the forgivable mortgage was CAD $5,089,232 (US $4,105,223).

The Georgia affiliate maintains a line of credit agreement with CenterState Bank. On July 6, 2020, the Georgia affiliate renewed the line of credit and increased the limit to $500,000 (previously $300,000). The line bears interest at the bank's prime lending rate of 3.25%. On July 6, 2021, the Organization renewed the line of credit and extended the maturity date to July 6, 2022. There were no borrowings against the line as of June 30, 2021 and 2020. The line is renewed annually and is due on demand.

Covenant House is a lessee of certain equipment acquired under capital leases expiring in various years through fiscal year 2026. 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, 2021 and 2020 amounted to approximately $189,000 and $210,000.

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

2022	$ 1,045,769
2023	263,875
2024	973,763
2025	1,249,250
2026	722,357
Thereafter	34,269,127
	38,524,141
Less: Deferred financing costs	(1,006,299)
Less: Amount representing interest	(27,662)
	$ 37,490,180

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, 2021	Unamortized Balance at June 30, 2020
CH California	State of California		
	Department of Housing and Community Development	$ 150,729	$ 428,505
CH New Jersey	U.S. Department of Housing and Urban Development	800,000	800,000
CH New Jersey	State of New Jersey Department of Community Affairs	-	43,815
CH New Jersey	State of New Jersey Department of Human Services (Crisis Center)	5,419	6,503
CH Alaska	Cook Inlet Tribal Council	374,205	398,743
CH Alaska	Doris Duke Foundation	-	350,000
CH Alaska	Rasmuson Foundation	-	150,000
CH Alaska	Municipality of Anchorage	862,633	-
CH Alaska	Providence St. Joseph	56,808	-
Various	Various	594,908	752,684
		$ 2,844,702	$ 2,930,250

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, 2021 was 0.5% and in 2020 was 0.6%. 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. At June 30, 2020, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,993,000 and $2,934,000. As of June 30, 2021 and 2020, $8,814,650 and $8,470,116 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 $4,611,000 and $4,046,000 at June 30, 2021 and 2020. Other trusts with a defined time frame (term trusts) were valued at approximately $2,598,000 and $1,896,000 at June 30, 2021 and 2020. 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:

	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

	2020		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 4,927,681	$ -	$ 4,927,681
Beneficial interests in trusts	$ -	$ 5,942,394	$ 5,942,394

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:

	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

	2020				
	Beginning Balance at July 1, 2019	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2020
Beneficial interests in trusts	$ 6,181,741	$ -	$ (134,878)	$ (104,469)	$ 5,942,394

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 fiscal 2019, 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 will be used to fund the demolition and construction of the Property. The total commitment consists of two loan components, which are comprised of a building loan in the amount of $54,595,517 and a project loan in the amount of $6,404,483.

In fiscal 2019, the LLC drew down $5,338,323 on the building loan and $543,518 on the project loan. The loans bear interest at the current LIBOR rate at the time of the draw plus 275 basis points. Subsequent to June 30, 2021, both of the loans were fully repaid.

In fiscal 2020, the LLC drew down an additional $13,474,404 on the building loan and $1,513,173 on the project loan. In fiscal 2021, the LLC drew down an additional $21,025,919 on the building loan and $964,105 on the project loan

13. Paycheck Protection Program

During fiscal 2021 and 2020, Covenant House 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 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 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 2021 and 2020, Covenant House and its U.S. related entities recognized $5,572,036 and $2,865,507 of income, included in government grants and contracts in the consolidated statement of activities. The remaining PPP loan funds of $1,013,069 and $4,081,316 are reported as PPP refundable advances in the consolidated statement of financial position at June 30, 2021 and 2020.

Covenant House (Parent) and 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 $3,504,543 and $9,067,722 at June 30, 2021 and 2020. 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 year ended June 30, 2021, a total of $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:

	2021	2020
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 55,489,206	$ 45,068,088
Service cost	845,420	835,000
Interest cost	1,668,924	1,946,000
Actuarial loss	1,121,889	10,895,966
Benefits paid	(3,608,346)	(3,255,848)
Projected benefit obligation, end of year	$ 55,517,093	$ 55,489,206
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 33,231,567	$ 28,759,372
Actual return on plan assets	2,722,123	2,797,097
Employer contributions	2,198,683	4,930,946
Benefits paid	(3,608,346)	(3,255,848)
Fair value of plan assets, end of year	$ 34,544,027	$ 33,231,567
Funded status, end of year	$ (20,973,066)	$ (22,257,639)
Accumulated benefit obligation	$ 55,517,093	$ 55,489,206
Amounts included in without donor restricted net assets:		
Unrecognized actuarial loss	$ 18,920,000	$ 20,873,346
Components of the net periodic pension cost:		
Service cost	$ 845,420	$ 835,000
Interest cost	1,668,924	1,946,000
Expected return on plan assets	(1,644,857)	(1,609,000)
Amortization of actuarial loss	1,997,969	1,049,000
Net periodic pension cost	$ 2,867,456	$ 2,221,000
Other changes recognized in without donor restrictions net assets:		
Actuarial loss incurred during the year	$ 44,623	$ 9,707,869
Amortization of actuarial loss	(1,997,969)	(1,049,000)
Pension related activity, other than net periodic pension cost	$ (1,953,346)	$ 8,658,869
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	$ 1,770,635	$ 1,997,969
Weighted-average Assumptions:		
Discount rate - benefit obligation	2.81%	3.10%
Discount rate - net periodic pension cost	3.10%	4.40%
Expected long-term rate of return on Plan assets	5.00%	5.50%
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, 2021 and 2020 were $2,198,683 and $4,930,946. Plan benefits expected to be paid in the following fiscal years are as follows:

2022	$ 3,223,831
2023	2,879,401
2024	3,481,998
2025	3,363,958
2026	3,112,115
2027-2031	15,098,468

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

	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

	2020		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 23,490,705	$ -	$ 23,490,705
Equity mutual funds	5,162,176	-	5,162,176
Pooled separate accounts	4,578,686	-	4,578,686
Total Plan Assets	$ 33,231,567	$ -	$ 33,231,567

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

	2021	2020
Equity securities	22 %	16 %
Debt securities	78 %	84 %
	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 $2,600,000 and $2,472,000 for the years ended June 30, 2021 and 2020. Total employer contributions due to the 403(b) plan are approximately $2,180,000 and $2,265,000 at June 30, 2021 and 2020, 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 $62,000 and $58,000 for the years ended June 30, 2021 and 2020. Covenant House (Parent) obligations under the 457(b) plan are approximately $812,000 and $662,000 at June 30, 2021 and 2020, 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 2021 and 2020, the expense for the RRSP totaled approximately CAD $575,000 (US $449,000) and CAD $536,000 (US $399,000). There are no employer contributions due to the Toronto affiliate's RRSP at June 30, 2021 and 2020.

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 2021 and 2020 totaled approximately CAD $332,000 (US $259,000) and CAD $251,000 (US $187,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2021 and 2020.

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 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 $33,921,864 and $33,660,176 as of June 30, 2021 and 2020.

16. Net Assets with Donor Restrictions

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

	2021	2020
Various donor-imposed purpose restrictions:		
Program	$ 8,210,338	$ 10,660,539
Capital campaign	41,691,401	36,810,166
Time Restriction:		
Beneficial interest in trusts	2,142,458	1,522,494
Other split-interest agreements	3,349,112	2,769,845
Other time restrictions	2,717,539	1,940,499
Unappropriated endowment earnings	4,958,824	3,450,917
Beneficial interest in perpetual trusts	4,451,059	3,923,891
Endowment held in perpetuity	5,207,065	5,207,065
	$ 72,727,796	$ 66,285,416

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

	2021	2020
Purpose restriction	$ 25,988,361	$ 19,239,794
Time restriction	2,387,053	2,086,421
	$ 28,375,414	$ 21,326,215

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 $4,611,000 and $4,046,000, as of June 30, 2021 and 2020.

	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

	2020			
	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	$ 4,956,407	$ -	$ -	$ 4,956,407
Donor-restricted endowment funds	-	3,450,917	5,207,065	8,657,982
	$ 4,956,407	$ 3,450,917	$ 5,207,065	$ 13,614,389
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 4,919,848	$ 3,899,502	$ 5,247,065	$ 14,066,415
Investment return:				
Investment income	121,129	162,185	-	283,314
Net depreciation (realized and unrealized)	(48,410)	(610,770)	-	(659,180)
Appropriation of endowment assets for expenditure	(9,868)	-	-	(9,868)
Other changes	(26,292)	-	(40,000)	(66,292)
Endowment net assets, end of year	$ 4,956,407	$ 3,450,917	$ 5,207,065	$ 13,614,389

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. Total joint costs of approximately $596,000 and $203,000 were incurred during fiscal 2021 and 2020. Approximately $549,000 and $187,000 were allocated to public education and approximately $47,000 and $16,000 were allocated to fundraising.

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, 2021, are as follows:

2022	$ 19,824,714
2023	1,119,943
2024	918,782
2025	875,433
2026	379,372
Thereafter	559,501
	$ 23,677,745

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 $272,081 and $275,482, is reported in prepaid expenses and other assets on the accompanying consolidated statement of financial position at June 30, 2021 and 2020. 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:

	2021	2020
Financial Assets:		
Cash and cash equivalents	$ 51,143,142	$ 44,176,784
Contributions receivable, net	12,764,578	16,789,698
Grants receivable	11,321,148	11,271,298
Other assets	4,060,784	2,476,037
Investments	90,580,791	72,721,948
Investments, other	16,443,621	21,262,401
	186,314,064	168,698,166
Less amounts unavailable for general expenditure:		
Amounts restricted by donors with time or purpose restrictions and internal designations	(64,203,800)	(54,987,582)
Board designated funds	(33,921,864)	(33,660,176)
Investments held for charitable remainder annuity trusts	(1,474,493)	(1,055,560)
Contributions and grants receivable - Due in Future years	-	(50,000)
Beneficial interest in perpetual trusts	(369,352)	(1,881,254)
Investments held in perpetuity	(5,207,065)	(5,207,065)
	(105,176,574)	(96,841,637)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	$ 81,137,490	$ 71,856,529

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. Subsequent Event

In November 2021, the Property was sold for total consideration of $79,019,030 to GO Covenant, LLC based on the purchase and sale agreement (see Notes 1 and 8). As part of the Property sale, construction escrow deposits totaling $10,901,803, at June 30, 2021, were also credited toward the total consideration. In addition, Covenant House (Parent) 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.

22. Risks and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of the operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining PPP loans under the CARES Act as detailed in Note 13, the extent to which the Covenant House's operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to Covenant House's future results of operations, cash flows, or financial condition

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