Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2023

Covenant House and Affiliates

Consolidated Financial Statements
Together With Independent Auditors' Report

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Independent Auditors' Report

Board of Directors
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Opinion

We have audited the accompanying consolidated financial statements of Covenant House and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, based on our audit and the reports of the other auditors, and the additional audit procedures performed, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House and Affiliates as of June 30, 2023 and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Covenant House Toronto, Covenant House Vancouver, Asociación La Alianza (Guatemala), Casa Alianza de Honduras, Casa Alianza Nicaragua Association, Fundación Casa Alianza México, I.A.P., controlled international affiliated organizations, which statements reflect total assets constituting 22.88% of total consolidated assets as of June 30, 2023, and total revenue constituting 21.56% of total consolidated revenues for the year then ended. Those statements were audited by other auditors in accordance with auditing standards other than those generally accepted in the United States of America, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the controlled international affiliated organizations, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the controlled international affiliated organizations, prior to these conversion adjustments, is based solely on the reports of the other auditors and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America.

Basis of Opinion

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

Change in Accounting Policy

As discussed in Note 2 to the consolidated financial statements, Covenant House and Affiliates adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, using the effective date method with July 1, 2022 as the date of initial adoption. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Covenant House and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Covenant House and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Covenant House and Affiliates' June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 10, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 51 and 52 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

May 14, 2024

Covenant House and Affiliates

Consolidated Statement of Financial Position
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 41,271,240	$ 49,836,166
Cash held in escrow	276,300	1,679,053
Restricted cash	465,301	570,435
Contributions receivable, net (Note 3)	13,234,129	14,245,867
Grants receivable (Note 4)	16,246,020	14,585,161
Notes receivable (Note 5)	11,906,642	11,922,790
Prepaid expenses and other assets, net (Note 6)	13,685,014	16,346,081
Investments (Note 7)	105,536,076	91,179,574
Investments, other (Note 7)	12,396,523	16,129,933
Property, plant and equipment, net (Note 8)	256,828,298	257,051,681
Right of use assets - operating leases (Note 11)	18,171,976	-
Advance payment on condominium construction	7,500,000	7,500,000
Beneficial interests in trusts (Note 11)	7,178,407	7,011,445
	$ 504,695,926	$ 488,058,186
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 21,179,436	$ 23,018,051
Deferred revenue (Note 10)	5,498,919	4,283,785
Line of credit and other debt obligations (Note 9)	44,787,904	43,614,413
Finance lease obligations (Note 11)	403,485	254,319
Lease liability, operating leases (Note 11)	18,181,863	-
Paycheck Protection Program loans	57,843	111,950
Obligations due under split-interest agreements (Note 12)	3,555,918	3,629,452
Other liabilities	162,226	-
Construction loans payable	-	866,906
Pension benefits liability (Note 15)	16,717,189	17,836,807
Total Liabilities	110,544,783	93,615,683
Net Assets		
Without donor restrictions (Notes 16 and 17)	313,468,609	309,743,589
With donor restrictions (Notes 17 and 18)	80,682,534	84,698,914
Total Net Assets	394,151,143	394,442,503
	$ 504,695,926	$ 488,058,186

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
CONTRIBUTIONS AND OTHER REVENUE				
Contributions from individuals, foundations and corporations, including legacies and bequests of $14,430,693 and $14,891,356 for 2023 and 2022	$ 133,797,994	$ 20,456,279	$ 154,254,273	$ 160,977,928
Government grants and contracts	72,263,542	1,557,146	73,820,688	78,607,223
Contributions of nonfinancial assets	18,384,344	432,091	18,816,435	16,964,061
Special events revenue, net of costs of direct benefits to donors of $2,616,800 and $1,988,100 for 2023 and 2022	19,386,652	-	19,386,652	19,447,476
School management fees	6,793,745	-	6,793,745	7,406,774
Net assets released from restrictions	26,640,495	(26,640,495)	-	-
Total Contributions and Other Revenue	277,266,772	(4,194,979)	273,071,793	283,403,462
INVESTMENT RETURN				
Interest and dividends, net	3,132,531	204,746	3,337,277	1,959,860
Net unrealized gain (loss)	3,902,742	190,972	4,093,714	(10,017,633)
Net realized gain	42,250	-	42,250	134,909
Change in value of split-interest agreements	(45,770)	211,278	165,508	(208,760)
Change in value of beneficial interest in trusts	10,460	204,891	215,351	(1,505,718)
Sales of customer lists and other income	2,699,526	49,751	2,749,277	3,066,289
Total Investment Return	9,741,739	861,638	10,603,377	(6,571,053)
Total Contributions and Other Revenue and Investment Return	287,008,511	(3,333,341)	283,675,170	276,832,409
EXPENSES				
Program services	221,060,433	-	221,060,433	203,357,176
Supporting Services				
Management and general	29,318,718	-	29,318,718	29,330,717
Fundraising	28,282,799	-	28,282,799	29,389,925
Total Expenses	278,661,950	-	278,661,950	262,077,818
Change in Net Assets from Operations	8,346,561	(3,333,341)	5,013,220	14,754,591
Foreign currency translation adjustment	(47,722)	(683,039)	(730,761)	(2,935,014)
Net periodic pension cost, except service cost	(1,496,945)	-	(1,496,945)	(1,583,653)
Pension benefits liability adjustment	2,700,903	-	2,700,903	7,443,878
Forgiveness of Paycheck Protection Program loans	16,930	-	16,930	4,281,453
Return of CARES Act stimulus	(384,219)	-	(384,219)	-
Impairment loss of property, plant and equipment	-	-	-	(2,081,184)
Net gain on sale of property, plant and equipment	530,760	-	530,760	61,522,583
Change in Net Assets	9,666,268	(4,016,380)	5,649,888	81,402,654
NET ASSETS				
Beginning of year	309,743,589	84,698,914	394,442,503	313,039,849
Transfer of Net Assets (Note 1)	(5,941,248)	-	(5,941,248)	-
End of year	$ 313,468,609	$ 80,682,534	$ 394,151,143	$ 394,442,503

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Program Services										Supporting Services					
	Immediate Housing	Outreach	Young Families Program	Health and Well-Being	Drop-In Services	Public Education and Prevention	Transitional Living - Rights of Passage	Schools	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefit To Donors	2023 Total Expenses	2022 Total Expenses
Salaries and wages	$ 47,143,982	$ 6,346,707	$ 2,054,502	$ 4,770,601	$ 6,166,269	$ 7,232,859	$ 18,315,143	$ 3,147,150	$ 3,718,144	$ 98,895,357	$ 12,676,304	$ 8,861,933	$ 21,538,237	$ -	$ 120,433,594	$ 111,804,060
Payroll taxes	4,034,125	540,896	159,890	434,028	516,381	546,552	1,638,391	182,148	316,237	8,368,648	1,047,779	776,888	1,824,667	-	10,193,315	9,195,246
Employee benefits	8,300,777	1,071,462	357,857	1,018,415	995,531	1,558,514	3,162,631	374,993	718,280	17,558,460	2,702,594	1,431,584	4,134,178	-	21,692,638	20,096,911
Total Salaries and Related Expenses	59,478,884	7,959,065	2,572,249	6,223,044	7,678,181	9,337,925	23,116,165	3,704,291	4,752,661	124,822,465	16,426,677	11,070,405	27,497,082	-	152,319,547	141,096,217
Legal services (includes contributed legal services of $369,654 and $300,293 in 2023 and 2022)	309,939	34,819	8,967	141,624	94,441	10,910	142,712	-	13,451	756,863	421,500	-	421,500	-	1,178,363	500,197
Contributed public service announcements	-	-	-	-	-	12,916,875	-	-	-	12,916,875	-	-	-	-	12,916,875	12,738,177
Professional fees	273,610	24,676	17,744	77,500	51,534	25,327	124,466	-	58,453	653,310	1,145,517	18,708	1,164,225	-	1,817,535	1,848,427
Medical fees	15,398	8	8,025	205,879	6,249	35	14,126	-	-	249,720	-	-	-	-	249,720	342,703
Consulting fees	1,828,419	295,843	36,723	269,451	261,263	1,701,728	718,097	-	181,448	5,292,972	1,710,254	1,137,145	2,847,399	89,648	8,230,019	8,020,279
Supplies	1,042,241	150,333	56,613	568,710	116,429	124,603	406,724	51,804	158,495	2,675,952	465,193	140,828	606,021	163,813	3,445,786	3,572,031
Telephone	622,149	84,558	33,383	62,997	60,992	69,428	420,536	33,436	65,381	1,452,860	217,418	64,546	281,964	3,953	1,738,777	1,702,371
Postage and printing	322,759	18,270	14,364	28,680	35,391	8,292,953	110,081	-	26,118	8,848,616	351,060	12,199,533	12,550,593	56,738	21,455,947	22,506,335
Fuel and utilities	1,836,063	203,342	86,478	72,274	212,658	101,992	951,423	12,684	97,776	3,574,690	295,285	106,607	401,892	-	3,976,582	3,397,353
Repairs and maintenance	1,776,696	66,335	84,031	72,314	288,968	182,973	716,275	2,427	107,404	3,297,423	226,487	104,720	331,207	-	3,628,630	2,818,137
Contributed facilities	1,040,574	70,445	87,626	116,158	184,444	3,550	187,441	-	-	1,690,238	46,173	13,359	59,532	-	1,749,770	1,130,152
Rent and other	813,579	331,633	116,223	20,811	71,239	16,788	2,223,312	-	242,404	3,835,989	364,503	36,215	400,718	31,450	4,268,157	5,391,154
Equipment	751,301	23,768	24,497	100,981	137,184	322,550	270,351	557	33,025	1,664,214	498,692	105,697	604,389	-	2,268,603	3,016,312
Travel and transportation	431,887	84,272	30,637	43,903	76,501	147,774	167,727	987	79,884	1,063,572	173,765	54,703	228,468	-	1,292,040	1,065,942
Conference and meetings	403,967	30,657	17,327	57,130	68,670	85,089	166,646	-	39,754	869,240	117,984	44,181	162,165	-	1,031,405	769,940
Specific Assistance to Individuals																
Food	3,505,202	322,958	242,714	68,616	196,141	140,200	752,360	-	38,304	5,266,495	39,523	4,780	44,303	78,488	5,389,286	4,568,126
Medical	248,345	18,390	6,317	247,365	30,407	7,406	42,760	-	-	600,990	3,958	1,931	5,889	-	606,879	444,912
Clothing, allowance and other	2,280,705	180,007	187,245	277,942	283,817	124,433	3,665,405	-	2,935,032	9,934,586	17,348	17,729	35,077	-	9,969,663	9,745,843
Contributed clothing and merchandise	1,286,278	73,543	5,718	63,548	91,652	-	391,226	-	13,063	1,925,028	119	272,139	272,258	177,209	2,374,495	1,478,738
Temporary help	509,451	19,423	1,647	33,980	114,560	2,706	133,485	-	18,905	834,157	230,377	78,011	308,388	-	1,142,545	1,350,401
Other purchased services	4,308,094	441,143	117,991	470,371	433,446	858,244	1,376,363	301	216,901	8,222,854	2,058,474	756,368	2,814,842	1,894,989	12,932,685	13,557,065
Dues, licenses, and permits	107,351	9,085	3,019	19,446	8,608	28,396	41,984	10,695	16,482	245,066	69,342	42,535	111,877	16,176	373,119	390,260
Subscriptions and publications	85,701	12,392	2,658	9,697	9,834	13,065	34,237	-	5,024	172,608	102,041	53,524	155,565	-	328,173	330,763
Staff recruitment	147,623	10,552	3,976	25,061	19,365	27,919	42,829	-	12,905	290,230	487,388	49,202	536,590	-	826,820	950,557
Insurance	1,209,657	92,878	76,598	115,532	154,197	82,162	481,344	33,333	108,163	2,353,864	580,387	70,000	650,387	-	3,004,251	2,811,894
Contributed goods and services	357,353	6,408	4,083	342,037	52,986	4,083	163,328	-	11,384	941,662	20,417	53,196	73,613	2,465	1,017,740	1,279,500
Miscellaneous, net	468,037	84,882	41,800	58,580	70,877	132,453	241,685	81,751	26,421	1,206,486	717,255	274,146	991,401	101,871	2,299,758	1,938,761
Bank charges and fees	580,207	41,146	29,171	88,375	176,828	24,138	232,220	-	68,744	1,240,829	409,515	320,520	730,035	-	1,970,864	1,767,096
Interest	158,873	12,873	2,111	10,660	17,575	14,649	87,673	1,422	3,418	309,254	120,461	13,760	134,221	-	443,475	500,636
Total Before Depreciation and Amortization	86,200,343	10,703,704	3,919,935	9,892,666	11,004,437	34,800,354	37,422,981	3,933,688	9,331,000	207,209,108	27,317,113	27,104,488	54,421,601	2,616,800	264,247,509	251,030,279
Depreciation and amortization	4,300,969	298,324	133,730	378,926	518,838	5,109,988	2,632,063	103,296	375,191	13,851,325	2,001,605	1,178,311	3,179,916	-	17,031,241	13,035,639
Total Expenses	90,501,312	11,002,028	4,053,665	10,271,592	11,523,275	39,910,342	40,055,044	4,036,984	9,706,191	221,060,433	29,318,718	28,282,799	57,601,517	2,616,800	281,278,750	264,065,918
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,616,800)	(2,616,800)	(1,988,100)
Total Expenses Reported by Function on Statement of Activities	$ 90,501,312	$ 11,002,028	$ 4,053,665	$ 10,271,592	$ 11,523,275	$ 39,910,342	$ 40,055,044	$ 4,036,984	$ 9,706,191	$ 221,060,433	$ 29,318,718	$ 28,282,799	$ 57,601,517	$ -	$ 278,661,950	$ 262,077,818

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 5,649,888	$ 81,402,654
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount and reserve on contributions receivable	201,821	176,143
Amortization of customer lists	5,539,069	3,868,867
Realized and unrealized (gain) loss on investments	(4,135,964)	9,882,724
Contributed investments	(219,190)	(305,198)
Amortization of note receivable	16,148	14,574
Interest income on short-term treasury bills	(83,784)	-
Accrued interest on note receivable	-	(2,013)
Forgiveness of paycheck protection program loan	(16,930)	(3,392,593)
Deferred gain on sale leaseback	(24,538)	(24,538)
Net gain on sale of property, plant and equipment	(530,760)	(61,522,583)
Disposal of property, plant and equipment	56,479	-
Impairment loss of property, plant and equipment	-	2,081,184
Additions to beneficial interest in trusts	-	(1,410,464)
Change in value of beneficial interest in trusts	(215,351)	1,505,718
Amortization of deferred revenue and loan discount	(134,233)	(170,740)
Deferred rent	-	(239,204)
Change in value of split interest agreements	(165,508)	208,760
Pension benefits liability adjustment	(1,119,618)	(6,128,169)
Amortization of right of use assets - operating leases	3,891,774	-
Depreciation and amortization	11,492,172	9,166,772
Amortization of deferred financing costs	98,127	73,606
Bad debt expense- contributions receivable	47,516	464,256
Bad debt expense- grants receivable	89,171	37,449
Foreign currency translation adjustment	730,761	2,935,014
Changes in operating assets and liabilities, net of transfer in 2023		
Contributions receivable	762,401	(2,121,688)
Grants receivable	(1,750,030)	(3,301,462)
Prepaid expenses and other assets	1,398,863	868,418
Accounts payable and accrued expenses	(1,838,615)	1,909,627
Deferred revenue	1,349,367	1,609,823
Paycheck Protection Program refundable advance	-	(1,013,069)
Lease liabilities	(3,881,887)	-
Other liabilities	162,226	-
Net Cash from Operating Activities	17,369,375	36,573,868
CASH FLOWS FROM INVESTING ACTIVITIES		
Beneficial interests in trusts	48,389	102,922
Purchase of customer lists	(4,276,865)	(7,180,863)
Purchases of investments	(37,918,795)	(22,538,701)
Sales of investments	28,009,716	12,369,109
Capital expenditures	(13,244,900)	(46,954,953)
Construction escrow deposits	-	(10,901,803)
Maturity of guaranteed investment certificates	2,162,589	398,416
Purchase of certificates of deposit	-	(84,728)
Maturity of certificates of deposit	1,570,821	-
Advance payment on condominium construction	-	(7,500,000)
Proceeds from sale of property	-	81,112,744
Net Cash from Investing Activities	(23,649,045)	(1,177,857)

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Cash Flows
(continued)
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit and other obligations	$ 4,345,290	$ 7,204,479
Proceeds from construction loans payable	-	4,923,192
Repayments of construction loans payable	(866,906)	(49,036,356)
Repayments of accrued interest on construction loans payable	-	(1,827,092)
Repayments of line of credit and other obligations	(3,269,926)	(992,828)
Repayments of paycheck protection program loan	(37,177)	-
Principal payments under finance lease obligations	(123,248)	(93,950)
Deposits held with trustee	(8,485)	(6,717)
Transfer to Youth Vision Solutions	(3,924,665)	-
Payment of annuity obligations	(554,065)	(1,536,796)
Additions to gift split-interest arrangements	646,039	83,919
Net Cash from Financing Activities	(3,793,143)	(41,282,149)
Net Change in Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash	(10,072,813)	(5,886,138)
CASH AND CASH EQUIVALENTS, CASH HELD IN ESCROW AND RESTRICTED CASH		
Beginning of year	52,085,654	57,971,792
End of year	$ 42,012,841	$ 52,085,654
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 457,821	$ 378,391
NON-CASH OPERATING, INVESTING AND FINANCING FINANCING ACTIVITIES		
Property, plant and equipment costs included within accounts payable and accrued expenses	-	603,602
Construction costs financed through accounts payable	-	175,686
Forgiveness of Paycheck Protection Program loan payable	16,930	3,392,593
Settlement of conditional asset retirement obligation	-	414,374
Assets acquired under finance lease obligations	272,414	187,245

See notes to consolidated financial statements

1. Organization and Tax Status

Covenant House (Parent) is a not-for-profit organization incorporated in 1972. Covenant House (Parent) and affiliates ("related entities") (collectively, "Covenant House"), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 58,000 young people during fiscal 2023. Throughout the fiscal year, Covenant House provided a total of more than 790,000 nights of housing and safety for, on average, 2,165 youth each night.

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

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

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

Asociación La Alianza (Guatemala)	Covenant House Toronto
Casa Alianza de Honduras	Covenant House Vancouver
Casa Alianza Internacional	Fundación Casa Alianza México, I.A.P.
Casa Alianza Nicaragua *(dissolved during 2023)*	

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

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

1. Organization and Tax Status *(continued)*

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

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

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

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

In December 2022, Covenant House Michigan (the “Michigan affiliate”) and Youth Vision Solution (“YVS”), agreed that the two entities will legally separate and sever their corporate relationship. Accordingly, the Michigan affiliate is no longer the sole member of YVS. The Board of Directors of each entity voted and approved the separation and filed the appropriate separation documents with the State of Michigan. The separation of the two entities was finalized as of April 30, 2023.

On June 26, 2023, the Board of Directors of Casa Alianza Nicaragua (the “Nicaragua affiliate”) agreed to a voluntary dissolution which was approved by Covenant House’s Board of Directors. Subsequent to fiscal 2023, the Nicaragua affiliate ceased operations and assets were transferred in accordance with the Nicaragua affiliate's bylaws and local law.

1. Organization and Tax Status *(continued)*

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

Fundación Casa Alianza México, I.A.P. is not subject to income taxes in accordance with (Mexican) Income Tax Law, except for nondeductible Value Added Tax (VAT) expenses incurred. Based on Nicaragua's applicable fiscal equity law, the Nicaragua affiliate, 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 Code. Accordingly, it is not subject to federal income taxes under Section 501(a) of the Code. Covenant House (Parent), as a not-for-profit organization, is also exempt from state and local income taxes and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors. The U.S. affiliates of Covenant House (Parent) are also classified as tax-exempt organizations and are not subject to federal income taxes under Section 501(a) of the Code, and as not-for-profit organizations, are also exempt from state and local income taxes.

Components of Program and Supporting Services

Program Services

The Immediate Housing *(formerly Shelter and Crisis Care)* program focuses on crisis care and provides emergency services: temporary, immediate housing; nutritious meals; clothing; medical care; mental health services; and legal aid to all young people ages 16-22 who are experiencing homelessness or human trafficking. Covenant House's high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. Covenant House is expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, and youth who are pregnant or parenting. Covenant House's shelter doors are always open, 24/7, and Covenant House has provided uninterrupted service to children and youth for more than 50 years.

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

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

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

Health and Well-being *(formerly Medical)* - Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. This is even more the case for young people of color and those who identify as LGBTQ+, as they face unique challenges associated with racism and prejudice, and for survivors of human trafficking. Half of all Covenant House youth are dealing with a mental health challenge, and Covenant House's data shows that LGBTQ+ youth are more likely to face these challenges than their peers. Covenant House welcomes all young people with unconditional love and absolute respect. Covenant House's trauma informed Health and Well-being services range from medical care at Covenant House's on-site health centers at certain Covenant House affiliates, to yoga classes, art and music therapy, one-on-one and group counseling, religious and spiritual services, and physical fitness. Through these activities and the stability and care they receive at Covenant House, young people begin to heal from the harm they experienced while living unhoused, taking control of their lives, building on their strengths, and nourishing their self-confidence.

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

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

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

Covenant House's Transitional Living programs, often referred to as "Rights of Passage" or ROP, are where young people take their boldest steps toward independence. Youth live in ROP for up to 24 months, where they tap their potential and plan for the future. Covenant House's research shows that the longer a young person resides with Covenant House and takes advantage of Covenant House's programs, the more likely they are to experience positive outcomes, including stable housing, gainful employment, and higher education. In Covenant House's Transitional Living programs, youth 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 support each young person on their journey toward sustainable independence and a hope-filled future.

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

The Schools program at 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.

Adoption of New Accounting Policy

Covenant House adopted Financial Accounting Standards Board Topic 842, *Leases*, using the effective date method with July 1, 2022 as the date of initial adoption, with certain practical expedients available. Covenant House elected the available practical expedients to account for its existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether the classification of capital (now finance) leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

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

Adoption of New Accounting Policy (continued)

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, Covenant House recognized a lease liability of $21,310,574, that represents the present value of the remaining operating lease payments of $24,371,777, discounted at a range between 2.85% to 4.60%, and a right of use asset ("ROU") of $21,343,329, adjusted for prepaid rent of $32,755. Covenant House's accounting policy for capital (now finance) leases remained the same.

The standard had an impact on Covenant House's consolidated statement of financial position but did not have an impact on its consolidated statements of activities and cash flows. The most significant impact was the recognition of a ROU asset and lease liability for its operating leases.

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. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management's expected collectability.

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.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for fiscal 2023 and 2022 consisted of the following:

	2023	2022	Utilization in Progams/Activities	Donor Restrictions	Valuation Techniques
Public Service Announcements	$ 12,916,875	$ 12,738,177	Program and	None	(a)
Food	822	156,296	Program and	None	(b)
Supplies	6,619	33,763	Program and	None	(b)
Clothing	16,839	19,577	Program and	None	(b)
Contributed goods/merchandise	2,829,251	1,979,748	Program and	None	(b)
Services	2,017,595	1,046,927	Program and	None	(c)
Legal	369,654	300,293	Program and	None	(e)
Rent	658,780	689,280	Administration	None	(d)
	$ 18,816,435	$ 16,964,061			

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

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

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

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

(e) Estimated based on current rates of legal services provided by law firm.

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

Special Events

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

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

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

	2023	2022
Cash and cash equivalents	$ 41,271,240	$ 49,836,166
Cash held in escrow	276,300	1,679,053
Restricted cash	465,301	570,435
	$ 42,012,841	$ 52,085,654

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.

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

Investments (continued)

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.

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.

Employee Retention Credit

During fiscal year 2022, Covenant House Texas (the "Texas affiliate") received, and recorded revenue related to the Employee Retention Tax Credit (ERTC) in the amount of $384,219. The ERTC, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, allows eligible employers to receive a payroll tax credit based on certain qualifications. The calculation of the credit varies based on the applicable calendar year and the amount of qualified wages paid during a qualifying period. During fiscal 2022, the Texas affiliate filed the necessary forms for the ERTC. However, during fiscal 2023, the Texas affiliate determined that it did not qualify to receive the ERTC and recognized the return of such funds on the accompanying 2023 consolidated statement of activities as non-operating activities. The Texas affiliate also incurred $38,157 of penalties and $35,038 of interest on the errant ERTC received, which are included in miscellaneous and interest on the accompanying 2023 consolidated statement of functional expenses.

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

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including undiscounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary. For the year ended June 30, 2022, the Texas affiliate recognized $1,878,063 of impairment losses and the New York affiliate recognized $203,121 of impairment losses. In 2023, there were no such losses.

Split-Interest Agreements and Beneficial Interests in Trusts

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

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

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

Functional Expense Allocation

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

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.

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

Fair Value of Financial Instruments (continued)

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

Common stocks, mutual funds, exchange-traded funds, U.S. and foreign government securities and corporate debt securities: The reported fair value of common stocks, mutual funds, exchange-traded funds, and U.S. and foreign government securities is based on quoted market prices. The reported fair value of corporate debt securities is based on pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. 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.

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.

Alternative Investments: Pursuant to U.S. GAAP guidance, the fair value of alternative investments is measured using NAV as a practical expedient.

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, 2020.

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.

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

Concentration of Credit Risk

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

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

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

Reclassification

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

Leases

As of July 1, 2022, Covenant House has various leases. Operating and finance leases are included in right of use assets – operating leases and finance leases (collectively, "ROU assets") and as lease liabilities for operating leases and finance lease obligations on the accompanying consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. Covenant House uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that Covenant House will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

Covenant House uses the risk-free interest rate to determine the present value of the lease payments when no rate is stated in the lease. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. The following disclosure is required under FASB ASC 840, Leases, and is presented as of and for the year ended June 30, 2022, as management of Covenant House elected to adopt FASB ASC 842 as of July 1, 2022. For the year ended June 30, 2022, lease payments were charged to expense over the lease term as they became payable. Lease expenses for the year ended June 30, 2022, totaled $1,684,156 and are included in rent and other in the accompanying consolidated statement of functional expenses.

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.

Prior Year 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, 2022, from which the summarized information was derived.

Subsequent Events Evaluation by Management

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 14, 2024.

3. Contributions Receivable

Contributions receivable from donors that are due within one year are considered current. Contributions receivable that are due in more than one year have been discounted to their present value using interest rates ranging from 1.23% to 6.75% in 2023 and 2022. The interest rates have been determined using discount factors that approximate the risk and expected timing of future contribution payments. The receivables are due as follows at June 30:

	2023	2022
Unconditional promises expected to be collected in:		
Less than one year	$ 9,412,620	$ 9,313,044
Within five years	4,337,711	5,225,219
Thereafter	347,227	354,568
	14,097,558	14,892,831
Less: Discount to present value	(511,531)	(309,710)
Reserve for uncollectible accounts	(351,898)	(337,254)
	$ 13,234,129	$ 14,245,867

3. Contributions Receivable *(continued)*

During fiscal 2023, 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 $16,246,020 and $14,585,161 at June 30, 2023 and 2022 are expected to be collected within one year. As of June 30, 2023 and 2022, 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, $5,829,510. 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 $5,829,510 (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 QALICB LLC loaned Covenant House Investment Fund, LLC, ("Investment Fund 2"), an unrelated entity, $6,046,900. As of June 30, 2023 and 2022, the loan accrued $30,232 of interest income. Investment Fund 2 also received equity from a tax credit investor and then made a QEI in Chicago Development Fund ("CDF") Suballocatee XLI, LLC, as a CDE. The CDE then made two loans in the amount of $6,046,900 (Note C) and $2,283,100 (Note D) to the QALICB LLC. (See Note 9).

6. Other Assets, Customer Lists

Included in prepaid expenses and other assets on the consolidated statement of financial position are customer lists that Covenant House (Parent) purchased for purposes of generating fundraising contributions. At June 30, 2023 and 2022, the cost of the customer lists amounted to $27,356,823 and $23,079,958. Accumulated amortization at June 30, 2023 and 2022 amounted to $18,794,773 and $13,255,704. Amortization expense for fiscal year 2023 and 2022 amounted to $5,539,069 and $3,868,867.

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

	Amount
2024	$ 4,995,047
2025	2,812,125
2026	754,878
	$ 8,562,050

7. Investments

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

	2023			
	Level 1	Level 2	Investments Measured at NAV*	Total
Investments:				
Common stocks	$ 3,520,090	$ -	$ -	$ 3,520,090
U.S. government securities	10,649,407	-	-	10,649,407
Foreign government securities	585,861	-	-	585,861
Corporate debt securities	630,833	2,112,658	-	2,743,491
Exchange-traded funds	2,373,883	-	-	2,373,883
Mutual Funds:				
Stocks	16,029,448	-	-	16,029,448
Bonds	15,004,081	-	-	15,004,081
Combined	26,738,026	3,258,678	-	29,996,704
Hedge fund	-	-	3,062,104	3,062,104
Total Investments at Fair Value	$ 75,531,629	$ 5,371,336	$ 3,062,104	83,965,069
Cash and cash equivalents, at cost				21,571,007
Total Investments				$ 105,536,076

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

7. Investments *(continued)*

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 2023 and 2022.

Investment management fees of approximately $145,000 and $153,000 are netted with interest and dividend income in the accompanying consolidated statement of activities for the years ended June 30, 2023 and 2022.

Covenant House's certificates of deposit of $416,875 and $1,987,696 and guaranteed investment certificates of $11,979,648 and $14,142,237 as of June 30, 2023 and 2022, 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.

Information regarding alternative investment valued using NAV as the practical expedient at June 30, 2023 is as follows:

Type	Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge fund	Multi-strategy hedge fund with low volatility and event driven emphasis on utilizing fundamental bottom-up method of investing in primarily distressed investments and merger arbitrage	$ 3,062,104	$ -	Quarterly	65 days

8. Property, Plant and Equipment

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

	2023	2022
Buildings	$ 219,436,209	$ 185,974,059
Building improvements	58,750,468	57,475,530
Equipment, furniture and vehicles	34,421,954	32,613,741
Equipment acquired under finance lease obligations	1,188,409	1,587,707
Leasehold improvements	5,654,204	5,361,034
	319,451,244	283,012,071
Less: Accumulated depreciation and amortization	(107,444,751)	(98,265,831)
	212,006,493	184,746,240
Land	34,988,403	34,438,463
Construction in progress	9,833,402	37,866,978
Property, Plant and Equipment, net	$ 256,828,298	$ 257,051,681

Accumulated depreciation and amortization on equipment acquired under finance lease obligations amounted to $788,694 and $1,399,792 at June 30, 2023 and 2022.

Depreciation and amortization expense amounted to $11,492,172 and $9,166,772 for the years ended June 30, 2023 and 2022.

On January 13, 2020, the Illinois affiliate finalized the acquisition of a building and land at 2934 West Lake Street in Chicago. The acquisition was partially funded by a loan from Covenant House (Parent). The Illinois affiliate acquired the building and land for a purchase price of $2,900,000. In 2021, the property underwent significant renovations in order to bring it to its intended use. Additional renovation costs incurred have been capitalized as construction in progress and will be reclassified to building improvements and depreciated upon completion of renovations and placement into service. The building was put into use in October 2021. As a result, $172,227 of depreciation charges have been provided on the Illinois affiliate's building for the year ended June 30, 2022. 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.

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

In fiscal 2011, Covenant House (Parent) sold a building it owned to the Texas affiliate. Subsequent to the sale of the building, the Parent entered into a 99-year lease, for a nominal value, with Covenant House Texas which allows them to use the land on which the purchased building is situated. In fiscal 2022, the Parent and the Texas affiliate agreed to transfer the Parent's remainder interest for the use of land so that the Texas affiliate would be the sole owner of the property. During fiscal 2023, the deed to the land was fully executed and transferred to the Texas affiliate.

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

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

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

The Vancouver affiliate is undertaking the redevelopment at 1280 Seymour Street as Phase 2 and renovation at 326 West Pender Street as Phase 3 of an expansion project. The expansion project is the redevelopment, construction and renovation/fixturing of the Vancouver affiliate's three locations. As of June 30, 2022, the Vancouver affiliate has incurred $33,359,207 CAD (US $25,873,434) of professional development and construction costs related to Phase 2. As of June 30, 2023 and 2022, the Vancouver affiliate has incurred $3,251,898 CAD (US $2,454,149) and $437,461 CAD (US $339,295) for Phase 3, which have been recorded as construction in progress. At June 30, 2023, the Vancouver affiliate has contracted costs aggregating $6,300,000 CAD (US $4,754,497) 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, the Vancouver affiliate 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 *(continued)*

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

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

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

Advance Payment on Condominium Construction

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

Subsequent to June 30, 2023, the California affiliate acquired property at West Pico Boulevard, Los Angeles, California for a purchase price of $2,940,000. The purchase was financed through a grant of $1,340,000 and a $1,600,000 loan from a separate third party.

Subsequent to June 30, 2023, Covenant House Florida (the "Florida affiliate") entered into a agreement to sell its building and land owned in Orlando, Florida.

9. Line of Credit and Other Debt Obligations

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

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2023	Maturity Date	Interest Rate (per annum) at June 30, 2023	Debt Obligation at June 30, 2022
CH Parent	Goldman Sachs	$ 3,000,000	2/14/2024	SOFR + 1.63%	$ 350,000
CH California	Department of Housing and Community Development	296,000	7/19/2024	3.00%	370,000
CH California	Bank of America	1,110,348	1/28/2028	4.25%	1,162,148
CH California	Bank of America	500,000	3/1/2024	8.55%	-
CH California	Bank of America	1,455,521	1/15/2031	3.45%	1,516,637
CH Georgia	Investment Fund 1 (Note A)	5,829,570	12/22/2050	1.4123% per annum	5,829,570
CH Georgia	Investment Fund 1 (Note B)	2,027,430	12/22/2050	1.4123% per annum	2,027,430
CH Illinois	Investment Fund 2 (Note C and D)	8,375,231	12/31/2057	1.086% per annum	8,375,231
CH Missouri	Affordable Housing Commission	118,744	11/16/2037	0.00%	126,662
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 Texas	Allegiance Bank	-	7/22/2024	5.50%	1,294,584
CH Toronto	City of Toronto	500,920	2024	0.00%	549,126
CH Vancouver	BC Housing/Proposal Development Funding	4,251,633	4/1/2029	0.00%	4,369,484
CH Vancouver	BC Housing Management Commission	3,773,410	Payable on demand	0.00%	3,878,005
CH Vancouver	Canada Mortgage and Housing Corporation	3,840,752	2040	0.00%	3,947,213
CH Vancouver	Canada Mortgage and Housing Corporation	5,620,964	2041	0.00%	5,776,771
CH Vancouver	Canada Mortgage and Housing Corporation	1,886,705	2032	0.00%	1,939,003
		45,584,459			44,509,095
Less: Deferred financing costs		(796,555)			(894,682)
		$ 44,787,904			$ 43,614,413

9. Line of Credit and Other Debt Obligations *(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 30-day SOFR rate, plus additional percentage points as defined in the agreement, which totaled 5.25% and 1.63% at June 30, 2023 and 2022. The agreement was extended to February 14, 2025.

Drawdowns under the unsecured line of credit agreement with the financial institution totaled $4,650,000 and $1,000,000 during the years ended June 30, 2023 and 2022. Total repayments on the line of credit were $2,000,000 and $650,000 during fiscal 2023 and 2022.

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

On January 13, 2021, the QALICB LLC received two mortgage loans from the CDE. The loans were comprised of Note C totaling $6,046,900 from Investment Fund 2 and Note D totaling $2,283,100 from Investment Fund 2 (the “Tax Credit Investor”). Each of the loans are secured by the mortgage with respect to the Illinois Project. Both Note C and D have an interest rate equal to a fixed rate of 1.086% per annum. Interest only payments are due annually starting December 1, 2021 and through January 13, 2028. Any accrued but unpaid interest and unpaid principal on the loans are due in full on December 31, 2057. In connection with the NMTC financing, the Tax Credit Investor, and sole member of Investment Fund 2 for the NMTC financing, entered into an Investment Fund Put and Call Agreement (the “Put and Call Agreement 2”) with the QALICB LLC, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC Financing, to sell or “put” its membership interest in Investment Fund 2 to the QALICB LLC. For the QALICB LLC, the total amount of capitalized interest related to the credit arrangement described above totaled $45,231 at June 30, 2023 and 2022. 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 and Other Debt Obligations *(continued)*

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

On March 21, 2023, the California affiliate entered into a Master Credit Agreement with Bank of America, with Bank of America's prime interest rate plus 0.3% and maturity date of March 1, 2024. As of June 30, 2023, CHC drew down $500,000 on the Master Credit Agreement. Subsequent to June 30, 2023, this borrowed amount was fully repaid.

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 $52,213 and $53,901 for the years ended June 30, 2023 and 2022.

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 $49,113 and $51,287 for the years ended June 30, 2023 and 2022.

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, 2023 and 2022, the total unamortized balance of the remaining forgivable loan was $296,000 and $370,000.

In 2008, the Missouri affiliate obtained a non-interest-bearing forgivable loan totaling $237,500 from the Affordable Housing Commission for the construction of 36 residential dwelling units located at 2727 N. Kings Highway (the "Missouri Project"). The loan is secured by the assets of the Missouri Project. The Affordable Housing Commission forgives $7,917 of the liability annually, with final forgiveness occurring on November 16, 2037, the maturity date. The entire unpaid principal and interest amount of this loan shall become immediately due and payable upon the first to occur of the following: (i) the sale of the Missouri Project; (ii) failure of the borrower to maintain the Missouri Project as a rental property, (iii) failure of occupancy requirements. Forgivable loan balances amounted to $118,744 and $126,662 for the years ended June 30, 2023 and 2022.

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

On October 6, 2009, the New Jersey affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from NJHMFA, aggregating $829,306 at June 30, 2023 and 2022. 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, 2023 and 2022, the escrow amount held with the trustee totaled $115,731 and $113,251. 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 2023 and 2022, 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, 2023 and 2022, the escrow amount held with the trustee totaled $149,500 and $147,596. 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 2023 and 2022, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

In May 2006, the New Jersey affiliate secured a long-term loan from the CSH for $528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The New Jersey affiliate entered into an agreement to buy the related real estate on August 9, 2005. This loan was refinanced as part of new funding received from the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which totaled approximately $4,000,000, $3,300,000 of which was received via a grant and $700,000 was a loan, which was entered into on March 17, 2008. The initial mortgage term for the $700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2023 and 2022, the escrow amount held with the trustee totaled $266,015 and $262,830. 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 2023 and 2022, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the loan.

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

On November 20, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA, aggregating $165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2023 and 2022, the escrow amount held with the trustee totaled $24,524 and $23,607. 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 2023 and 2022, 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, 2023 and 2022. 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 2023 and 2022, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage.

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, 2025. Interest on amounts borrowed accrues at the SOFR rate. There were no outstanding borrowings on this line of credit facility at June 30, 2023 and 2022. As such, there was no interest expense for fiscal 2023 and 2022.

During fiscal 2020, the Texas affiliate acquired a certain real property with 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. During fiscal 2023, the Texas affiliate repaid the loan in full.

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $3,000,000 (US $2,264,046). Interest is payable at the bank's prime rate. During fiscal 2023 and 2022, there were no drawings against this line of credit.

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

During fiscal 2019, the Toronto affiliate received CAD $885,000 (USD $686,407) in funding in the form of a forgivable loan from the City of Toronto towards the cost of the building purchased in 2018 for a new housing program. This amount is secured by a mortgage, which is non-interest bearing and there are no principal payments due unless the building is sold or there is a change in use without prior agreement. The mortgage will be reduced at a rate of 5% per year until fully forgiven in 20 years. As of June 30, 2023 and 2022, the outstanding balance of the forgivable loan was CAD $663,750 (USD $500,920) and CAD $708,000 (USD $549,126).

The Vancouver affiliate was provided with financial assistance in the amount of CAD $5,000,000 (US $3,878,005) in the form of a forgivable mortgage, registered on July 26, 2017. The Vancouver affiliate is required to continue developing and operating the property at 1302 Seymour Street, for the specific purpose under the mortgage. As long as the Vancouver affiliate is using the property for the specific purpose, the mortgage will be forgiven equally over the term of the loan in the 11th year following the project completion date of 2021. As of June 30, 2023 and 2022, the outstanding balance of the forgivable mortgage was CAD $5,000,000 (US $3,773,410) and CAD $5,000,000 (USD $3,878,005).

In fiscal 2019, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,633,675 (US $4,369,484) in the form of a mortgage, payable on demand, but no later than April 2029. The mortgage is non-interest bearing, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to demand for payment. 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, 2023 and 2022, the outstanding balance of the forgivable mortgage was CAD $5,633,675 (US $4,251,633) and CAD $5,633,675 (USD $4,369,484).

In fiscal 2020, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,089,232 (US $3,947,213) in the form of a mortgage, payable on demand, but no later than January 2040. The mortgage is non-interest bearing, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to demand for payment. Subsequent to January 2040, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2023 and 2022, the outstanding balance of the forgivable mortgage was CAD $5,089,232 (US $3,840,752) and CAD $5,089,232 (US $3,947,213).

In fiscal 2022, the Vancouver affiliate was provided with financial assistance in the amount of CAD $7,448,122 (US $5,776,771) in the form of a mortgage, payable on demand, but no later than July 2041. The mortgage is non-interest bearing, and the property at 1280 Seymour Street is provided as collateral. No principal repayments are required prior to demand for payment. Subsequent to July 2041, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2023 and 2022, the outstanding balance of the forgivable mortgage was CAD $7,448,122 (US $5,620,964) and CAD $7,448,122 (US $5,776,771).

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

In fiscal 2022, the Vancouver affiliate was provided with financial assistance in the amount of CAD $2,500,000 (US $1,939,003) in the form of a mortgage, payable on demand, but no later than August 2056. The mortgage is non-interest bearing, and the property at 1280 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to August 2056, if the mortgage is not fully repaid, it bears interest at the Royal Bank of Canada's prime interest rate plus 2% per annum. As of June 30, 2023 and 2022, the outstanding balance of the forgivable mortgage was CAD $2,500,000 (US $1,886,705) and CAD $2,500,000 (US $1,939,003).

The Georgia affiliate maintains a $500,000 line of credit agreement with South State Bank which expires on July 25, 2024. The line is renewed annually and is due on demand. The line bears a variable interest rate based on the Wall Street Journal U.S. Prime Rate (the "Index"). The Index as of June 30, 2023 is 8.25%. There were no outstanding borrowings as of June 30, 2023 and 2022. Under terms of the line of credit, the Georgia affiliate is required to provide the lender with a copy of the audited consolidated financial statements without modification of the independent auditors' report within 120 days of the fiscal year end. The Georgia affiliate has obtained a waiver for this requirement for the year ended June 30, 2023.

The following summarizes the scheduled line of credit and other debt obligations for the years ending June 30:

2024	$ 3,920,841
2025	129,733
2026	134,554
2027	640,488
2028	949,684
Thereafter	39,809,159
	45,584,459
Less: Deferred financing costs	(796,555)
	$ 44,787,904

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, 2023	Unamortized Balance at June 30, 2022
CH New Jersey	U.S. Department of Housing and Urban Development	$ 725,000	$ 800,000
CH New Jersey	State of New Jersey Department of Human Services (Crisis Center)	3,252	4,335
CH Alaska	Indian Housing Block Grant under the Native American Housing Assistance of Self Determination Act of 1996 from Cook Inlet Housing Authority	1,740,185	1,740,185
CH Alaska	Cook Inlet Tribal Council	325,129	349,667
CH Alaska	Rasmuson Foundation	-	21,251
CH Alaska	Municipality of Anchorage	-	399,795
CH Alaska	Bridge to Success Affordable Housing	985,000	-
CH Alaska	Block Foundation	150,000	-
CH Alaska	Alaska Housing Finance Corporation	7,574	-
CH Alaska	Alaska Community Foundation	10,000	-
Various	Various	1,552,779	968,552
		$ 5,498,919	$ 4,283,785

11. Lease Commitments

Operating Lease

Covenant House has entered into various operating leases for office space, youth apartments, copiers, and other equipment expiring through fiscal 2038.

The Organization amortizes these operating leases over the remaining life of the lease agreements. Right-of-use assets consist of the following at June 30, 2023:

ROU assets	$ 22,063,750
Less: accumulated amortization	(3,891,774)
	$ 18,171,976

11. Lease Commitments *(continued)*

Operating Lease (continued)

Information associated with the measurement of Covenant House's operating lease obligations as of June 30, 2023 is as follows*:*

Weighted-average for remaining lease term in years for operating leases	4.60
Weighted-average discount rate for operating leases	3.19%

Operating lease expense for the year ended June 30, 2023 totaled $5,105,899. Cash paid for the amounts included in the measurement of operating lease liabilities for the year ended June 30, 2023 totals $4,057,331.

Finance Lease

Covenant House is a lessee of various equipment acquired through finance leases expiring in various years through 2030.

Covenant House amortized these finance leases over the remaining life of the lease agreements. Right of use assets (included in property, plant and equipment on the accompanying consolidated statement of financial position) consist of the following at June 30, 2023:

ROU assets - finance lease	$ 1,188,409
Less: accumulated amortization	(788,694)
	$ 399,715

Information associated with the measurement of Covenant House's finance lease obligations as of June 30, 2023 is as follows:

Weighted-average for remaining lease term in years for finance leases	4.61
Weighted-average discount rate for finance leases	9.35%

As of June 30, 2023, the future minimum lease payments under the lease agreements above are as follows:

	Finance	Operating	Total
2024	$ 138,202	$ 4,885,289	$ 5,023,491
2025	102,545	4,079,956	4,182,501
2026	87,672	2,994,336	3,082,008
2027	87,672	1,573,601	1,661,273
2028	61,139	1,425,251	1,486,390
Thereafter	53,689	4,870,107	4,923,796
Total undiscounted lease payments	530,919	19,828,540	20,359,459
Less: imputed interest	(127,434)	(1,646,677)	(1,774,111)
Present value of lease liabilities	$ 403,485	$ 18,181,863	$ 18,585,348

12. 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.

The discount rate used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2023 was 4.2% and in 2022 was 3.6%. At June 30, 2023, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,548,000 and $2,008,000. At June 30, 2023, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,533,000 and $2,096,000. As of June 30, 2023 and 2022, $7,302,892 and $6,987,506 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 $5,076,000 and $4,992,000 at June 30, 2023 and 2022. Other trusts with a defined time frame (term trusts) were valued at approximately $2,103,000 and $2,019,000 at June 30, 2023 and 2022. 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.

12. Split-Interest Agreements *(continued)*

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:

	2023		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 3,555,918	$ -	$ 3,555,918
Beneficial interests in trusts	$ -	$ 7,178,407	$ 7,178,407

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

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:

	2023				
	Beginning Balance at July 1, 2022	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2023
Beneficial interests in trusts	$ 7,011,445	$ -	$ 215,351	$ (48,389)	$ 7,178,407

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

13. Construction Loans Payable

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

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

14. Paycheck Protection Program

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

Covenant House (Parent) and certain other related U.S. entities which received PPP loans recognized the funds as debt in accordance with ASC 470, *Debt*. Covenant House (Parent) and these U.S. entities will recognize the income when full forgiveness from the SBA is received. The balances of these PPP loans amounted to $57,843 and $111,950 at June 30, 2023 and 2022. Although Covenant House (Parent) and these U.S. entities believe the loans will be substantially forgiven, there can be no guarantee that the SBA will approve the loan forgiveness. For the years ended June 30, 2023 and 2022, a total of $16,930 and $4,281,453 in PPP loans has been forgiven in full and is included in the accompanying consolidated statement of activities.

14. Paycheck Protection Program *(continued)*

Covenant House (Parent) and its related entities in the U.S. PPP loan funds received are subject to audit in the current and future years. As a result, there is at least a reasonable possibility that the PPP loan forgiveness received, or a portion thereof, may need to be repaid in the future.

The Washington D.C. affiliate is required to repay a portion of their PPP loan back to the SBA. The remaining balance at June 30, 2023 and 2022 was $57,843 and $111,950.

Future principal payments for the years ending June 30 are payable as follows:

2024	$	34,764
2025		23,079
	$	57,843

15. 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.

15. Pension Plans *(continued)*

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

	2023	2022
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 42,124,508	$ 55,517,093
Service cost	863,280	868,745
Interest cost	1,895,417	1,515,049
Actuarial (gain)	(2,105,066)	(12,238,948)
Benefits paid	(3,047,394)	(3,537,431)
Projected benefit obligation, end of year	$ 39,730,745	$ 42,124,508
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 27,885,178	$ 34,544,027
Actual return on plan assets	994,309	(4,863,404)
Employer contributions	1,365,707	1,741,986
Benefits paid	(3,047,394)	(3,537,431)
Fair value of plan assets, end of year	$ 27,197,800	$ 27,885,178
Funded status, end of year	$ (12,532,945)	$ (14,239,330)
Accumulated benefit obligation	$ 39,730,745	$ 42,124,508
Amounts included in without donor restricted net assets:		
Unrecognized actuarial loss	$ 8,774,949	$ 11,475,852
Components of the net periodic pension cost:		
Service cost	$ 863,280	$ 868,745
Interest cost	1,895,417	1,515,049
Expected return on plan assets	(1,366,925)	(1,702,031)
Amortization of actuarial loss	968,453	1,770,635
Net periodic pension cost	$ 2,360,225	$ 2,452,398
Other changes recognized in without donor restrictions net assets:		
Actuarial (gain) incurred during the year	$ (1,732,450)	$ (5,673,513)
Amortization of actuarial loss	(968,453)	(1,770,635)
Pension related activity, other than net periodic pension cost	$ (2,700,903)	$ (7,444,148)
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	$ 661,415	$ 968,453
Weighted-average Assumptions:		
Discount rate - benefit obligation	5.22%	4.64%
Discount rate - net periodic pension cost	4.64%	2.81%
Expected long-term rate of return on Plan assets	5.50%	5.00%
Average rate of increase in compensation levels	N/A	N/A

15. Pension Plans *(continued)*

Employer contributions to the Plan for the years ended June 30, 2023 and 2022 were $1,365,707 and $1,741,986. Plan benefits expected to be paid in the following fiscal years are as follows:

2024	$ 2,957,353
2025	2,989,888
2026	2,851,297
2027	2,803,224
2028	3,442,577
2029-2033	13,000,623

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

	2023		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 20,434,454	$ -	$ 20,434,454
Equity mutual funds	5,195,013	-	5,195,013
Short-term corporate bonds	-	1,568,333	1,568,333
Total Plan Assets	$ 25,629,467	$ 1,568,333	$ 27,197,800

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

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

	2023	2022
Equity securities	19%	15%
Debt securities	81%	85%
	100%	100%

15. 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 $2,885,000 and $2,811,000 for the years ended June 30, 2023 and 2022. Total employer contributions due to the 403(b) plan are approximately $3,038,000 and $2,700,000 at June 30, 2023 and 2022, 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 $132,000 and $162,000 for the years ended June 30, 2023 and 2022. Covenant House (Parent)'s obligations under the 457(b) plan are approximately $1,134,000 and $898,000 at June 30, 2023 and 2022, 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 2023 and 2022, the expense for the RRSP totaled approximately CAD $639,000 (US $477,000) and CAD $574,000 (US $454,000). There are no employer contributions due to the Toronto affiliate's RRSP at June 30, 2023 and 2022.

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 2023 and 2022 totaled approximately CAD $406,000 (US $303,000) and CAD $339,000 (US $268,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2023 and 2022.

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.

16. Board Designated Net Assets

Certain affiliates' Board of Directors have designated a portion of their net assets without donor restrictions to be used for strategic purposes, building renovations and/or capital expenditures. These board designated net assets totaled $37,734,674 and $32,895,185 as of June 30, 2023 and 2022.

17. Net Assets with Donor Restrictions

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

	2023	2022
Various donor-imposed purpose restrictions:		
Program	$ 5,783,950	$ 15,830,088
Capital campaign	54,979,940	47,537,524
Time Restriction:		
Beneficial interest in trusts	2,957,479	2,780,737
Other split-interest agreements	2,527,947	2,665,232
Other time restrictions	832,877	2,638,951
Unappropriated endowment earnings	4,754,321	4,358,603
Beneficial interest in perpetual trusts	3,638,955	3,680,714
Endowment held in perpetuity	5,207,065	5,207,065
	$ 80,682,534	$ 84,698,914

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

	2023	2022
Purpose restriction	$ 22,751,650	$ 17,237,275
Time restriction	3,888,845	2,155,496
	$ 26,640,495	$ 19,392,771

18. 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.

18. 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.

18. Endowments *(continued)*

The following details endowment net asset composition, excluding third-party perpetual trusts of approximately $5,076,000 and $4,992,000, as of June 30, 2023 and 2022.

	2023			
	Restrictions	With Donor Restrictions		
Composition of Endowment Net Assets by Type of Fund	Board Designated	Cumulative Earnings	Original Gift Amount	Total
Board-designated endowment fund	$ 5,670,785	$ -	$ -	$ 5,670,785
Donor-restricted endowment funds	-	4,754,321	5,207,065	9,961,386
	$ 5,670,785	$ 4,754,321	$ 5,207,065	$ 15,632,171
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 5,523,632	$ 4,358,603	$ 5,207,065	$ 15,089,300
Investment return:				
Investment income	142,815	204,746	-	347,561
Net apppreciation (realized and unrealized)	528,339	190,972	-	719,311
Appropriation of endowment assets for expenditure	(521,894)	-	-	(521,894)
Other changes	(2,107)	-	-	(2,107)
Endowment net assets, end of year	$ 5,670,785	$ 4,754,321	$ 5,207,065	$ 15,632,171

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

19. Commitments and Contingencies

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. Due to the separation of the Michigan affiliate and YVS, these leases will remain with YVS and not the Michigan affiliate.

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 $265,279 and $268,680, and is reported in prepaid expenses and other assets on the accompanying consolidated statement of financial position at June 30, 2023 and 2022. 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:

	2023	2022
Financial Assets:		
Cash and cash equivalents	$ 41,271,240	$ 49,836,166
Contributions receivable, net	13,234,129	14,245,867
Grants receivable	16,246,020	14,585,161
Other assets	1,477,480	3,579,802
Investments	105,536,076	91,179,574
Investments, other	12,396,523	16,129,933
	190,161,468	189,556,503
Less amounts unavailable for general expenditure:		
Amounts restricted by donors with time or purpose restrictions and internal designations	(70,235,433)	(65,293,259)
Board designated funds	(37,734,674)	(32,895,185)
Investments held for charitable remainder annuity trusts	(1,443,545)	(1,277,796)
Beneficial interest in perpetual trusts	(1,489,000)	(1,483,742)
Investments held in perpetuity	(5,207,065)	(5,207,065)
	(116,109,717)	(106,157,047)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	$ 74,051,751	$ 83,399,456

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.

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Covenant House and Affiliates

Supplementary Information

Covenant House and Affiliates

Consolidating Schedule of Financial Position
June 30, 2023
(with comparative amounts at June 30, 2022)

	2023				2022
	Covenant House	CIF	Eliminations	Total	Total
ASSETS					
Cash and cash equivalents	$ 41,271,240	$ -	$ -	$ 41,271,240	$ 49,836,166
Cash held in escrow	276,300	-	-	276,300	1,679,053
Restricted cash	465,301	-	-	465,301	570,435
Contributions receivable, net	13,234,129	-	-	13,234,129	14,245,867
Grants receivable	16,246,020	-	-	16,246,020	14,585,161
Notes receivable	11,906,642	-	-	11,906,642	11,922,790
Prepaid expenses and other assets, net	13,685,014	-	-	13,685,014	16,346,081
Investments	105,536,076	-	-	105,536,076	91,179,574
Investments, other	12,396,523	-	-	12,396,523	16,129,933
Property, plant and equipment, net	255,906,973	921,325	-	256,828,298	257,051,681
Right of use assets - operating leases	18,171,976	-	-	18,171,976	-
Advance payment on condominium construction	7,500,000	-	-	7,500,000	7,500,000
Beneficial interests in trusts	7,178,407	-	-	7,178,407	7,011,445
	$ 503,774,601	$ 921,325	$ -	$ 504,695,926	$ 488,058,186
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 21,179,436	$ -	$ -	$ 21,179,436	$ 23,018,051
Deferred revenue	5,498,919	-	-	5,498,919	4,283,785
Line of credit and other debt obligations	44,787,904	-	-	44,787,904	43,614,413
Finance lease obligations	403,485	-	-	403,485	254,319
Lease liability, operating leases	18,181,863	-	-	18,181,863	-
Paycheck Protection Program loans	57,843	-	-	57,843	111,950
Obligations due under split-interest agreements	3,555,918	-	-	3,555,918	3,629,452
Other liabilities	162,226	-	-	162,226	-
Construction loans payable	-	-	-	-	866,906
Pension benefits liability	16,717,189	-	-	16,717,189	17,836,807
Total Liabilities	110,544,783	-	-	110,544,783	93,615,683
Net Assets					
Without donor restrictions	312,547,284	921,325	-	313,468,609	309,743,589
With donor restrictions	80,682,534	-	-	80,682,534	84,698,914
Total Net Assets	393,229,818	-	-	394,151,143	394,442,503
	$ 503,774,601	$ 921,325	$ -	$ 504,695,926	$ 488,058,186

See independent auditors' report

Covenant House and Affiliates

Consolidating Schedule of Activities
Year Ended June 30, 2023
(with summarized totals for year ended June 30, 2022)

	Covenant House Without Donor Restrictions	Covenant House With Donor Restrictions	Covenant House Total	CIF Total	Eliminations	2023 Total	2022 Total
CONTRIBUTIONS AND OTHER REVENUE							
Contributions from individuals, foundations and corporations, including legacies and bequests of $14,430,693 and $14,891,356 for 2023 and 2022	$ 133,797,994	$ 20,456,279	$ 154,254,273	$ -	$ -	$ 154,254,273	$ 160,977,928
Government grants and contracts	72,263,542	1,557,146	73,820,688	-	-	73,820,688	78,607,223
Contributions of nonfinancial assets	18,384,344	432,091	18,816,435	-	-	18,816,435	16,964,061
Support from Covenant House (Parent)	-	-	-	266,283	(266,283)	-	-
Special events revenue, net of costs of direct benefits to donors of $2,616,800 and $1,988,100 for 2023 and 2022	19,386,652	-	19,386,652	-	-	19,386,652	19,447,476
School management fees	6,793,745	-	6,793,745	-	-	6,793,745	7,406,774
Net assets released from restrictions	26,640,495	(26,640,495)	-	-	-	-	-
Total Contributions and Other Revenue	277,266,772	(4,194,979)	273,071,793	266,283	(266,283)	273,071,793	283,403,462
INVESTMENT RETURN							
Interest and dividends, net	3,132,531	204,746	3,337,277	-	-	3,337,277	1,959,860
Net unrealized gain (loss)	3,902,742	190,972	4,093,714	-	-	4,093,714	(10,017,633)
Net realized gain	42,250	-	42,250	-	-	42,250	134,909
Change in value of split-interest agreements	(45,770)	211,278	165,508	-	-	165,508	(208,760)
Change in value of beneficial interest in trusts	10,460	204,891	215,351	-	-	215,351	(1,505,718)
Sales of customer lists and other income	2,699,526	49,751	2,749,277	-	-	2,749,277	3,066,289
Total Investment Return	9,741,739	861,638	10,603,377	-	-	10,603,377	(6,571,053)
Total Contributions and Other Revenue and Investment Return	287,008,511	(3,333,341)	283,675,170	266,283	(266,283)	283,675,170	276,832,409
EXPENSES							
Program services	221,030,273	-	221,030,273	296,443	(266,283)	221,060,433	203,357,176
Supporting Services							
Management and general	29,318,718	-	29,318,718	-	-	29,318,718	29,330,717
Fundraising	28,282,799	-	28,282,799	-	-	28,282,799	29,389,925
Total Expenses	278,631,790	-	278,631,790	296,443	(266,283)	278,661,950	262,077,818
Change in Net Assets from Operations	8,376,721	(3,333,341)	5,043,380	(30,160)	-	5,013,220	14,754,591
Foreign currency translation adjustment	(47,722)	(683,039)	(730,761)	-	-	(730,761)	(2,935,014)
Net periodic pension cost, except service cost	(1,496,945)	-	(1,496,945)	-	-	(1,496,945)	(1,583,653)
Pension benefits liability adjustment	2,700,903	-	2,700,903	-	-	2,700,903	7,443,878
Forgiveness of Paycheck Protection Program loans	16,930	-	16,930	-	-	16,930	4,281,453
Return of CARES Act stimulus	(384,219)	-	(384,219)	-	-	(384,219)	-
Impairment loss of property, plant and equipment	-	-	-	-	-	-	(2,081,184)
Net gain on sale of property, plant and equipment	476,953	-	476,953	53,807	-	530,760	61,522,583
Change in Net Assets	9,642,621	(4,016,380)	5,626,241	23,647	-	5,649,888	81,402,654
NET ASSETS							
Beginning of year	308,845,911	84,698,914	393,544,825	897,678	-	394,442,503	313,039,849
Transfer of Net Assets	(5,941,248)	-	(5,941,248)	-	-	(5,941,248)	-
End of year	$ 312,547,284	$ 80,682,534	$ 393,229,818	$ 921,325	$ -	$ 394,151,143	$ 394,442,503

See independent auditors' report