

**Covenant House Washington, D.C.**

Financial Statements

June 30, 2021 and 2020

**Covenant House Washington, D.C.**

Financial Statements  
June 30, 2021 and 2020

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## Independent Auditors' Report

### **Board of Directors Covenant House Washington, D.C.**

We have audited the accompanying financial statements of Covenant House Washington, D.C. (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House Washington, D.C. as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PKF O'Connor Davies, LLP*

Bethesda, Maryland  
February 8, 2022

**Covenant House Washington, D.C.**

Statements of Financial Position

	June 30,	
	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,305,645	\$ 1,467,560
Cash and cash equivalents - restricted	19,218	28,579
Grants receivable	258,044	224,658
Other receivables	52,056	1,317
Prepaid expenses	17,473	69,431
Property and equipment, net	2,722,974	3,100,867
Contributions receivable - land use	272,081	275,482
Other assets	27,455	5,250
	<u>\$ 6,674,946</u>	<u>\$ 5,173,144</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, accrued expenses and refundable advances	\$ 538,149	\$ 344,501
Deferred revenue	36,000	150,737
Due to Parent	11,955	1,213,082
Notes payable	-	257,396
PPP refundable advance / loan	236,159	569,212
Total Liabilities	<u>822,263</u>	<u>2,534,928</u>
 Net Assets		
Without donor restrictions	5,488,735	2,329,213
With donor restrictions	363,948	309,003
Total Net Assets	<u>5,852,683</u>	<u>2,638,216</u>
	<u>\$ 6,674,946</u>	<u>\$ 5,173,144</u>

See notes to the financial statements.

## Covenant House Washington, D.C.

### Statements of Activities

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 504,999	\$ 194,160	\$ 699,159	\$ 999,644	\$ 56,212	\$ 1,055,856
Contributed services and merchandise	258,852	-	258,852	33,406	-	33,406
Government grants	3,024,717	-	3,024,717	2,139,531	-	2,139,531
PPP income	333,053	-	333,053	289,588	-	289,588
Branding dollars from Parent	1,464,223	-	1,464,223	2,221,567	-	2,221,567
Grants from Parent related to National Sleep Out Event	129,650	-	129,650	171,413	-	171,413
Special event revenue, net of direct benefits to donors of \$5,736 and \$16,799	100,895	-	100,895	234,650	-	234,650
Net assets released from restrictions	139,215	(139,215)	-	47,792	(47,792)	-
Total Support and Revenue	5,955,604	54,945	6,010,549	6,137,591	8,420	6,146,011
<b>OTHER INCOME</b>						
Other income	3,539	-	3,539	3,778	-	3,778
Gain on sale of building	4,012,927	-	4,012,927	-	-	-
Total Other Income	4,016,466	-	4,016,466	3,778	-	3,778
Total Support and Revenue and Other Income	9,972,070	54,945	10,027,015	6,141,369	8,420	6,149,789
<b>EXPENSES</b>						
Program services	5,890,290	-	5,890,290	4,898,767	-	4,898,767
Supporting Services						
Management and general	769,674	-	769,674	713,098	-	713,098
Fundraising	152,584	-	152,584	138,707	-	138,707
Total Expenses	6,812,548	-	6,812,548	5,750,572	-	5,750,572
Change in Net Assets	3,159,522	54,945	3,214,467	390,797	8,420	399,217
<b>NET ASSETS</b>						
Beginning of year	2,329,213	309,003	2,638,216	1,938,416	300,583	2,238,999
End of year	\$ 5,488,735	\$ 363,948	\$ 5,852,683	\$ 2,329,213	\$ 309,003	\$ 2,638,216

See notes to the financial statements.

**Covenant House Washington, D.C.**

**Statement of Functional Expenses  
Year Ended June 30, 2021**

	Program Services					Supporting Services				Cost of Direct Benefits to Donors	Total Expenses
	Emergency Housing and Crisis Care	Outreach	Rights of Passage and Supportive Housing	Community Service Center	Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 552,866	\$ 566,711	\$ 1,382,682	\$ 110,148	\$ 203,581	\$ 2,815,988	\$ 342,241	\$ 88,469	\$ 430,710	\$ -	\$ 3,246,698
Payroll taxes	65,049	64,089	198,295	10,051	22,897	360,381	28,321	11,321	39,642	-	400,023
Employee benefits	90,156	49,289	253,859	11,987	54,811	460,102	37,462	11,243	48,705	-	508,807
<b>Total Salaries and Related Expenses</b>	<b>708,071</b>	<b>680,089</b>	<b>1,834,836</b>	<b>132,186</b>	<b>281,289</b>	<b>3,636,471</b>	<b>408,024</b>	<b>111,033</b>	<b>519,057</b>	<b>-</b>	<b>4,155,528</b>
Professional fees	14,847	10,085	12,779	9,488	9,790	56,989	109,867	2,152	112,019	-	169,008
Supplies	6,825	12,563	34,752	3,351	3,943	61,434	2,957	10,653	13,610	-	75,044
Telephone	5,788	6,423	50,538	1,190	3,122	67,061	3,471	1,304	4,775	-	71,836
Postage and printing	1,273	1,273	1,318	1,273	1,273	6,410	5,203	-	5,203	-	11,613
Occupancy:											
Fuel and utilities	15,398	19,970	92,507	3,582	8,616	140,073	15,413	1,041	16,454	-	156,527
Repairs and maintenance	8,835	8,556	126,374	1,805	4,766	150,336	5,287	1,997	7,284	-	157,620
Rent and other	1,481	16,055	509,117	1,453	1,453	529,559	4,689	4,680	9,369	-	538,928
Equipment	16,178	16,954	109,334	3,511	21,910	167,887	11,731	2,295	14,026	-	181,913
Travel, transportation and conferences	7,556	3,073	3,084	2,851	2,875	19,439	7,085	4,297	11,382	-	30,821
Specific assistance to individuals	9,240	94,888	152,417	6,814	7,265	270,624	-	-	-	-	270,624
Other purchased services	26,958	38,630	167,448	9,818	17,010	259,864	30,517	9,330	39,847	5,736	305,447
Dues, licenses and permits	277	238	314	202	202	1,233	784	13	797	-	2,030
Subscriptions and publications	1,550	1,536	1,536	1,536	1,536	7,694	6,096	-	6,096	-	13,790
Staff recruitment	574	574	574	574	574	2,870	2,346	-	2,346	-	5,216
Insurance	8,929	8,736	26,424	5,276	6,814	56,179	14,485	3,357	17,842	-	74,021
Donated services and merchandise	19,038	19,763	96,936	19,038	25,896	180,671	78,181	-	78,181	-	258,852
Miscellaneous	799	11,819	799	283	627	14,327	4,510	905	5,415	-	19,742
Bad debts (recovery)	1,601	1,313	4,947	1,313	1,313	10,487	10,171	(4,798)	5,373	-	15,860
Bank charges and fees	793	793	793	793	793	3,965	3,245	-	3,245	-	7,210
Interest	2,493	9,904	2,493	2,146	2,379	19,415	11,673	-	11,673	-	31,088
Depreciation	71,132	51,965	23,367	63,300	17,538	227,302	33,939	4,325	38,264	-	265,566
<b>Total Functional Expenses</b>	<b>929,636</b>	<b>1,015,200</b>	<b>3,252,687</b>	<b>271,783</b>	<b>420,984</b>	<b>5,890,290</b>	<b>769,674</b>	<b>152,584</b>	<b>922,258</b>	<b>5,736</b>	<b>6,818,284</b>
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(5,736)	(5,736)
<b>Total Expenses Reported by Function on the Statement of Activities</b>	<b>\$ 929,636</b>	<b>\$ 1,015,200</b>	<b>\$ 3,252,687</b>	<b>\$ 271,783</b>	<b>\$ 420,984</b>	<b>\$ 5,890,290</b>	<b>\$ 769,674</b>	<b>\$ 152,584</b>	<b>\$ 922,258</b>	<b>\$ -</b>	<b>\$ 6,812,548</b>

See notes to the financial statements.

**Covenant House Washington, D.C.**

**Statement of Functional Expenses  
Year Ended June 30, 2020**

	Program Services					Supporting Services				Cost of Direct Benefits to Donors	Total Expenses
	Emergency Housing and Crisis Care	Outreach	Rights of Passage and Supportive Housing	Community Service Center	Public Education	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries and wages	\$ 561,289	\$ 454,554	\$ 1,021,316	\$ 89,004	\$ 204,404	\$ 2,330,567	\$ 289,422	\$ 56,129	\$ 345,551	\$ -	\$ 2,676,118
Payroll taxes	57,361	48,026	96,284	17,541	27,027	246,239	65,890	4,621	70,511	-	316,750
Employee benefits	115,377	67,472	205,075	15,232	68,956	472,112	49,933	10,938	60,871	-	532,983
<b>Total Salaries and Related Expenses</b>	<b>734,027</b>	<b>570,052</b>	<b>1,322,675</b>	<b>121,777</b>	<b>300,387</b>	<b>3,048,918</b>	<b>405,245</b>	<b>71,688</b>	<b>476,933</b>	<b>-</b>	<b>3,525,851</b>
Professional fees	13,585	11,842	11,030	6,263	26,380	69,100	94,375	27,180	121,555	-	190,655
Supplies	10,523	9,992	21,473	2,020	3,038	47,046	8,250	10	8,260	-	55,306
Telephone	6,139	9,902	38,115	1,240	3,247	58,643	4,012	970	4,982	-	63,625
Postage and printing	2,184	450	540	450	450	4,074	948	1,096	2,044	-	6,118
Occupancy:											
Fuel and utilities	27,581	31,736	70,798	3,334	8,870	142,319	15,371	2,336	17,707	-	160,026
Repairs and maintenance	33,686	12,979	32,763	1,338	3,437	84,203	4,434	945	5,379	-	89,582
Rent and other	1,112	66,520	483,859	1,112	1,112	553,715	4,547	-	4,547	-	558,262
Equipment	27,497	18,125	57,670	2,819	8,175	114,286	10,047	1,578	11,625	-	125,911
Travel, transportation and conferences	26,511	18,044	40,255	6,672	9,110	100,592	22,314	2,859	25,173	-	125,765
Specific assistance to individuals	3,938	56,081	42,234	85	12,149	114,487	-	-	-	-	114,487
Other purchased services	43,333	37,869	81,434	11,340	15,637	189,613	38,652	3,360	42,012	16,799	248,424
Dues, licenses and permits	767	572	1,302	572	572	3,785	1,307	1,035	2,342	-	6,127
Subscriptions and publications	1,708	1,675	1,675	1,675	1,675	8,408	2,286	4,356	6,642	-	15,050
Staff recruitment	291	291	291	291	291	1,455	812	194	1,006	-	2,461
Insurance	6,824	10,700	24,209	4,442	6,213	52,388	14,515	789	15,304	-	67,692
Donated services and merchandise	3,370	3,370	3,370	3,370	3,370	16,850	16,556	-	16,556	-	33,406
Miscellaneous	846	56	56	56	56	1,070	8,070	-	8,070	-	9,140
Bad debts	1,351	1,457	1,608	1,349	1,424	7,189	87	5,435	5,522	-	12,711
Bank charges and fees	1,244	1,244	1,244	1,244	1,244	6,220	5,088	-	5,088	-	11,308
Interest	7,400	17,883	7,400	6,909	7,236	46,828	29,652	2,707	32,359	-	79,187
Depreciation	69,633	52,556	23,633	64,020	17,736	227,578	26,530	12,169	38,699	-	266,277
<b>Total Functional Expenses</b>	<b>1,023,550</b>	<b>933,396</b>	<b>2,267,634</b>	<b>242,378</b>	<b>431,809</b>	<b>4,898,767</b>	<b>713,098</b>	<b>138,707</b>	<b>851,805</b>	<b>16,799</b>	<b>5,767,371</b>
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(16,799)	(16,799)
<b>Total Expenses Reported by Function on the Statement of Activities</b>	<b>\$ 1,023,550</b>	<b>\$ 933,396</b>	<b>\$ 2,267,634</b>	<b>\$ 242,378</b>	<b>\$ 431,809</b>	<b>\$ 4,898,767</b>	<b>\$ 713,098</b>	<b>\$ 138,707</b>	<b>\$ 851,805</b>	<b>\$ -</b>	<b>\$ 5,750,572</b>

See notes to the financial statements.



## Covenant House Washington, D.C.

### Statements of Cash Flows

	Year Ended June 30,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 3,214,467	\$ 399,217
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	265,566	266,277
Gain on sale of building	(4,012,927)	-
Long-term contributions receivable	3,401	3,401
Bad debt expense	15,860	12,711
Net change in operating assets and liabilities		
Grants receivable	(49,246)	(201,366)
Pledge receivable	-	200,000
Other receivables	(50,739)	21,995
Prepaid expenses	51,958	(56,694)
Other assets	(22,205)	-
Accounts payable, accrued liabilities and refundable advances	193,648	(104,479)
Due to Parent	(1,201,127)	625,678
PPP refundable advance	(333,053)	569,212
Deferred revenue	(114,737)	90,148
Net Cash from Operating Activities	(2,039,134)	1,826,100
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(82,861)	(54,539)
Net proceeds from sale of building	4,208,115	-
Net Cash from Investing Activities	4,125,254	(54,539)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on note payable	(257,396)	(20,426)
Payments on line of credit	-	(500,000)
Net Cash from Financing Activities	(257,396)	(520,426)
Change in Cash, Cash Equivalents and Restricted Cash	1,828,724	1,251,135
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning of year	1,496,139	245,004
End of year	\$ 3,324,863	\$ 1,496,139
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 31,088	\$ 79,187

See notes to the financial statements.

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

### 1. Organization and Nature of Activities

Covenant House Washington, D.C. (the “Organization”), a not-for-profit organization, is an operating affiliate of Covenant House (the Parent), a New York-based organization. The Organization provides shelter, residential services, community services, and outreach services to youth in the Washington, D.C. metropolitan area. The Parent is a not-for-profit organization founded in 1968 and incorporated in 1972.

Covenant House (the “Parent”) is a not-for-profit organization founded in 1968 and incorporated in 1972. Covenant House (Parent) and affiliates (collectively “Covenant House”), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention and other programs that reached approximately 18,000 and 30,000 young people during fiscal years 2021 and 2020. During fiscal year 2021, the worldwide COVID-19 pandemic impacted the number of youth Covenant House reached, as affiliates took measures to ensure social distancing, set aside isolation rooms for symptomatic youth, paused in-person public education and prevention programs, and, throughout the year, suspended or modified street outreach. The pandemic impacted all operations, including food production (the meal provision was nearly 75% higher than pre-pandemic levels); the creation of online opportunities for mental health care, education, and job readiness training; development of appropriate intake protocols; implementation of new cleaning and sanitizing protocols, and other measures, all of which drove up operating costs. Nevertheless, in fiscal year 2021, Covenant House provided a total of nearly 690,000 nights of housing and safety for, on average, 1,883 youth each night.

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

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

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

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

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 in the following international not-for-profit affiliates:

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

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

The Organization has been determined to be a non-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

#### ***Components of Program and Supporting Services***

##### ***Program Services***

###### Emergency Housing and Crisis Care

The Emergency Housing and Crisis Care program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths through Covenant House programs in the Washington, D.C. metropolitan area.

###### Outreach

The Outreach program is an effort to reach youths who are on the streets for various reasons. Outreach vans cruise the city streets day and night searching for these youths and provide them with food, a trained counselor, and referrals to shelters and health and other services, if needed. Youths are also referred to the Organization’s Community Service Center (“CSC”); there they receive ongoing counseling and other services.

###### Rights of Passage and Supportive Housing Program

The Rights of Passage program provides transitional living services for up to 24 months, to youths, including individual counseling and help with their education and search for jobs and housing. The Supportive Housing Program provides transitional living services for up to 60 months to youths with an identified disability, including individual case management and help with education, housing and job placement.

###### Community Service Center

The CSC program provides comprehensive services to youths in the residential programs and to other youths in the community who need support in order to complete their education, obtain employment, and maintain themselves in stable living situations.

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

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

#### ***Program Services (continued)***

##### Public Education

The Public Education program informs and educates the public on how to identify potential runaway and throwaway adolescents. It also identifies public and private resources available to help such adolescents before they leave home and the public support services that are available to these families to improve the home environment in an effort to prevent homelessness.

#### ***Supporting Services***

##### Management and General

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

##### Fundraising

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

##### Direct Benefit to Donor Costs

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

### 2. Summary of Significant Accounting Policies

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

## **Covenant House Washington, D.C.**

Notes to Financial Statements  
June 30, 2021 and 2020

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

#### ***Net Asset Presentation***

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

*Net Assets Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### ***Revenue Recognition***

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

The Organization recognizes grant and contract revenues in the statements of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period. Funds received in advance are reported as deferred revenue in the statements of financial position. Revenue for performance based grants and contracts is recognized on a fixed fee unit basis based on actual services rendered, not to exceed the maximum allowable per the grant or contract.

#### ***Functional Allocation of Expenses***

The costs of providing the various program and supporting services have been summarized on a functional basis. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocated direct costs to program services. Supporting services include management and general and fundraising. Allocated expenses among program services and management and general and fundraising include salaries and related expenses, staff travel, consulting and professional fees, and other expenses which are allocated based on time and costs where efforts are made.

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

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

#### ***Property and Equipment***

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

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	30 years
Building improvements	3 to 30 years
Furniture and equipment	1 to 12 years
Vehicles	3 to 5 years

#### ***Asset Recoverability***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There is no such impairment for the years ended June 30, 2021 and 2020.

#### ***Contributions and Pledges Receivable***

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for general use, unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of the fundraising activity. Contribution revenue is recognized based upon the present value of the estimated future payment to be made to the Organization.

#### ***Deferred Revenue***

Deposits received for program services not yet provided are recorded as deferred revenue and recognized as program service revenue in the period to which they pertain.

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

### 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 cost of direct benefits to donors.

#### ***Donated Goods and Services***

Donated goods and services consist of items and services received by the Organization. These amounts are recorded as both revenue and expense at their estimated fair values at the date of receipt.

The Organization recognizes the fair value of donated services which create or enhance non-financial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

#### ***Advertising Costs***

Advertising costs are expensed as incurred.

#### ***Accounting for Uncertainty in Income Taxes***

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2018.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 8, 2022.

### 3. Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Cash, cash equivalents and restricted cash consistent of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 3,305,645	\$ 1,467,560
Restricted cash	19,218	28,579
	<u>\$ 3,324,863</u>	<u>\$ 1,496,139</u>

## Covenant House Washington, D.C.

### Notes to Financial Statements June 30, 2021 and 2020

#### 4. Grants Receivable

Grants receivable of \$258,044 and \$224,658 at June 30, 2021 and 2020 represent the amounts due from various governmental and private agencies for the Organization's programs. All grants receivable as of June 30, 2021 and 2020 are expected to be collected within one year. In accordance with the terms of certain government grants, the records of the Organization are subject to audit for varying periods after the date of final payment of the grants. The Organization is liable for any disallowed costs; however, management believes that the amount of disallowed costs, if any, would not be significant.

#### 5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 7,066,380	\$ 7,660,829
Furniture and equipment	387,003	393,301
Vehicles	<u>32,882</u>	<u>17,484</u>
	7,486,265	8,071,614
Less accumulated depreciation	<u>(4,763,291)</u>	<u>(4,970,747)</u>
	<u>\$ 2,722,974</u>	<u>\$ 3,100,867</u>

#### 6. PPP Refundable Advance

On May 1, 2020, the Organization received loan proceeds in the amount of \$858,800 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears 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 PPP loan, if any, is payable within two years from the date of the loan unless extended. 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 the Organization does not apply for forgiveness, payments begin approximately seven and a half months after the loan date.

The Organization intended to use all proceeds received in accordance with regulations established by the PPP. Management believed its use of the proceeds, including amounts expended would be forgiven. Management recognized the PPP loan as a conditional grant under ASC 958-605, Revenue Recognition-Contributions and recognized income as allowable costs were incurred and other related conditions are met. In fiscal year 2020, the Organization recognized \$289,588 of income and remaining PPP loan funds were reported as PPP refundable advance in the statements of financial position at June 30, 2020.



## Covenant House Washington, D.C.

### Notes to Financial Statements June 30, 2021 and 2020

#### 6. PPP Refundable Advance (*continued*)

During fiscal year 2021 the SBA forgave \$622,641 of the advance and the remaining balance of \$236,159 is subject to repayment with interest.

A principal payment of \$107,398 was due in September 2021 and commencing October 2021 monthly payments of \$3,199 are due which include principal and interest. The terms of payment were extended to five years after forgiveness was received.

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

2022	\$ 125,301
2023	26,506
2024	29,868
2025	33,656
2026	20,828
	<u>\$ 236,159</u>

#### 7. Notes Payable

The Organization had a term loan with an original amount of \$397,742 that bore interest at 6% per annum, and was secured by a Deed of Trust on the underlying property located at 7 New York Avenue, Washington, D.C. The balance outstanding at June 30, 2020 was \$257,396. The loan was paid in full during fiscal year 2021 after the underlying property at 7 New York Avenue was sold.

#### 8. Line of Credit

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

#### 9. Commitments and Contingencies

##### **Leases**

The Organization entered into various non-cancelable operating leases for equipment and apartments for programs; these leases expire at various dates through January 2027. Rental and other related expenses under all operating leases amounted to \$536,788 and \$558,262 for the years ended June 30, 2021 and 2020.

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

### 9. Commitments and Contingencies (*continued*)

Future minimum annual lease payments for the years ending June 30 are payable as follows:

2022	\$	329,988
2023		329,988
2024		305,528
2025		300,636
2026		100,636
Thereafter		<u>53</u>
		<u>\$ 1,366,829</u>

#### ***Community Service Center***

The Community Service Center resides on a parcel of land along Mississippi Avenue, SE, which is a part of a larger Building Bridges Across the River, Inc., (“BBAR”) development project. The Organization 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 Organization is responsible for 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 a donor restricted contribution and is being released from restrictions over the period of the lease. At June 30, 2021 and 2020, the balance of the long term receivable of \$272,081 and \$275,482 is recorded in the accompanying financial statements. The Organization built a free-standing, two-story building on the premises, referred to as the Nancy Dickerson Whitehead Community Service Center, which the Organization 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 development, and is financially capable. If the Organization sells the building, then BBAR would be entitled to 19% of the proceeds. The Organization uses the building and land to provide recreational, educational, social, cultural, and support services to homeless and at-risk youths.

### 10. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Community service center	\$ 272,081	\$ 275,482
Fiber optics equipment	20,000	20,000
COVID support	-	11,821
Preston Blue Scholarship program	1,700	1,700
Mini libraries	5,000	-
Consultant for capital campaign	31,000	-
Time restricted contributions	<u>34,167</u>	<u>-</u>
	<u>\$ 363,948</u>	<u>\$ 309,003</u>

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

### 10. Net Assets With Donor Restrictions *(continued)*

Amounts released from restrictions for years ended June 30, are as follows:

	<u>2021</u>	<u>2020</u>
Laundry equipment and supplies	\$ 5,000	\$ -
Mental health program	15,000	-
Community service center	3,401	3,401
COVID support	45,981	33,891
Career Pathways in Hospitality program	-	10,500
Time restricted contributions	69,833	-
	<u>\$ 139,215</u>	<u>\$ 47,792</u>

### 11. Related Party Transactions

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give totaled approximately \$84 million and \$88 million for the Parent in fiscal years ended June 30, 2021 and 2020. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations including a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total contributions allocated to affiliates, based on the Parent's policy, approximated \$36 million and \$38 million for the years ended June 30, 2021 and 2020. In fiscal 2021 and 2020, the Organization received \$1,464,223 and \$2,221,567 in contributions from the Parent. Additionally, in fiscal 2021 and 2020, the Organization received \$129,650 and \$171,413 from the Parent relating to national fund-raising sleep events. At June 30, 2021 and 2020, the amounts due to the Parent totaled \$11,955 and \$1,213,082.

### 12. Employee Benefit Plans

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was \$181,356 and \$270,812 for the years ended June 30, 2021 and 2020.

## **Covenant House Washington, D.C.**

Notes to Financial Statements  
June 30, 2021 and 2020

### **12. Employee Benefit Plans (continued)**

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, and is sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved a freeze of future benefit accruals for all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. For the years ended June 30, 2021 and 2020, the Organization contributed \$121,035 and \$179,355 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statements of functional expenses.

### **13. Custodial Transactions**

The Organization acts as an agent for youth receiving services through its Crisis Center and Transitional Living Program by holding their personal monies in separate bank accounts. Because these funds are not assets of the Organization, a corresponding liability, which is included in accounts payable, accrued expenses and refundable advances in the statements of financial position, has been established to the extent of the assets held by the Organization. The amounts held in these accounts were \$19,218 and \$28,579 at June 30, 2021 and 2020.

### **14. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, cash equivalents and receivables. The Organization maintains its cash in bank deposit accounts which generally exceed federally insured limits. The Organization has not experienced any losses in such accounts. Concentrations of credit risk with respect to receivables are generally diversified due to the number of entities and individuals composing the entity's program and donor base. The Organization performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

## Covenant House Washington, D.C.

Notes to Financial Statements  
June 30, 2021 and 2020

### 15. Liquidity and Availability of Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position as of June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 3,305,645	\$ 1,467,560
Grants receivable	258,044	224,658
Other receivables	52,056	1,317
Contributions receivable - land use	<u>272,081</u>	<u>275,482</u>
 Total financial assets	 3,887,826	 1,969,017
Less:		
Net Assets With Donor Restrictions	<u>(363,948)</u>	<u>(309,003)</u>
 Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	 <u>\$ 3,523,878</u>	 <u>\$ 1,660,014</u>

The Organization's working capital and cash flows are driven by contributions, grants and special event revenue. The Organization manages its financial assets to be available for its operating expenditures, liabilities and other obligations as they become due.

### 16. Sale of Building

On March 3, 2021 the Organization sold its property located at 7 New York Avenue, Washington, D.C. The sale price was \$4,600,000 resulting in a gain on the sale of \$4,012,927 after settlement and other charges. In conjunction with the sale the note payable secured by the property was paid off.

### 17. COVID-19

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

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