Covenant House New Orleans

Consolidated Financial Statements and
Uniform Guidance Financial Report
Together With Independent Auditors' Report

June 30, 2016

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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Covenant House New Orleans (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

PKF O'CONNOR DAVIES, LLP
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House New Orleans as of June 30, 2016, and the consolidated changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Covenant House New Orleans' June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent in all material respects, with the audited 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 accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on page 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Director, on page 28 is presented for purposes of additional analysis and is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016 on our consideration of Covenant House New Orleans' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Covenant House New Orleans' internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Harrison, New York
December 19, 2016

Covenant House New Orleans

Consolidated Statement of Financial Position
June 30, 2016
(with comparative amounts at June 30, 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,091,994	$ 1,014,487
Grants receivable	356,291	262,458
Contributions receivable, net	44,052	38,730
Other receivables, net	173,443	102,170
Other assets	53,444	44,780
Investments	1,728,638	1,457,954
Property and equipment, net	2,726,594	2,709,163
Beneficial interest in assets held by others	332,878	348,165
	$ 6,507,334	$ 5,977,907
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	$ 520,351	$ 449,127
Due to Parent	33,594	8,387
Total Liabilities	553,945	457,514
Net Assets		
Unrestricted		
Undesignated	998,459	863,645
Investment in property and equipment	2,726,594	2,709,163
Designated for endowment purposes	2,017,154	1,793,143
Total Unrestricted	5,742,207	5,365,951
Temporarily restricted	211,182	154,442
Total Net Assets	5,953,389	5,520,393
	$ 6,507,334	$ 5,977,907

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Activities
Year Ended June 30, 2016
(with summarized totals for year ended June 30, 2015)

	2016			
	Unrestricted	Temporarily Restricted	Total	Total 2015
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions				
Contributions from individuals, foundations and corporations, including legacies and bequests	$ 1,289,206	$ 283,492	$ 1,572,698	$ 1,826,810
Contributed services and merchandise	918,856	-	918,856	784,268
Government grants and contracts	1,039,207	-	1,039,207	798,173
Support from Parent	1,817,000	-	1,817,000	1,817,000
Support from Parent related to National Sleep Out Event	239,200	-	239,200	209,655
Special events revenue, net of direct benefits to donors of $8,885 and $22,836	209,125	-	209,125	206,407
Total Contributions, Revenue and Other Support	5,512,594	283,492	5,796,086	5,642,313
INVESTMENT AND OTHER INCOME				
Investment Income				
Interest and dividends	19,501	-	19,501	17,797
Net unrealized loss on investments	(88,875)	-	(88,875)	(12,870)
Net realized gains	7,662	-	7,662	14,388
Job-training program revenue, net of costs of $353,789 and $219,421	231,759	-	231,759	198,848
Other income	50,009	-	50,009	68,361
Total Investment and Other Income	220,056	-	220,056	286,524
Total Contributions, Revenue and Other Support and Investment and Other Income	5,732,650	283,492	6,016,142	5,928,837
Net assets released from restrictions	226,752	(226,752)	-	-
Total Contributions, Revenue and Other Support and Investment and Other Income and Releases from Restrictions	5,959,402	56,740	6,016,142	5,928,837
EXPENSES				
Program services	4,775,494	-	4,775,494	4,300,956
Supporting Services				
Management and general	592,086	-	592,086	610,815
Fundraising	215,566	-	215,566	235,655
Total Supporting Services	807,652	-	807,652	846,470
Total Expenses	5,583,146	-	5,583,146	5,147,426
Change in Net Assets	376,256	56,740	432,996	781,411
NET ASSETS				
Beginning of year	5,365,951	154,442	5,520,393	4,738,982
End of year	$ 5,742,207	$ 211,182	$ 5,953,389	$ 5,520,393

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Functional Expenses
Year Ended June 30, 2016
(With summarized totals for the year ended June 30, 2015)

	Program Services								Supporting Services				Total	
	Shelter and Crisis Care	Outreach	Mother/ Child	Medical	Community Service Center	Public Education	Rights of Passage/ in-school	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits to Donors	2016	2015
Salaries and wages	$ 955,089	$ 123,560	$ 187,384	$ 44,688	$ 90,471	$ 14,350	$ 482,569	$ 1,898,111	$ 319,083	$ 124,549	$ 443,632	$ -	$ 2,341,743	$ 2,141,262
Payroll taxes	102,929	13,521	20,203	4,465	9,512	967	51,494	203,091	24,515	10,016	34,531	-	237,622	212,771
Employee benefits	176,811	25,344	34,677	9,125	17,472	2,707	94,629	360,765	69,163	19,019	88,182	-	448,947	425,804
Total Salaries and Related Expenses	1,234,829	162,425	242,264	58,278	117,455	18,024	628,692	2,461,967	412,761	153,584	566,345	-	3,028,312	2,779,837
Accounting fees	-	-	-	-	-	-	-	-	40,000	-	40,000	-	40,000	50,031
Legal fees	23	-	4	5	5	9	18	64	6,159	14	6,173	-	6,237	15,092
Medical fees	251	-	49	22,206	3,701	-	11,102	37,309	-	-	-	-	37,309	33,697
Consulting fees	3,664	-	707	364	23,159	-	2,186	30,080	-	20,000	20,000	-	50,080	32,133
Supplies	38,852	836	7,843	1,059	4,934	49	14,531	68,104	5,873	1,502	7,375	-	75,479	73,240
Telephone	10,683	1,274	2,080	885	3,163	117	8,844	27,046	7,796	1,697	9,493	-	36,539	37,508
Postage and printing	1,290	74	249	134	192	12	604	2,555	2,728	13,722	16,450	-	19,005	22,191
Occupancy:														
Fuel and utilities	56,161	-	10,843	1,888	7,301	-	24,856	101,049	9,990	1,935	11,925	-	112,974	112,408
Repairs and maintenance	40,133	-	11,161	240	5,605	-	21,612	78,751	10,772	1,462	12,234	-	90,985	97,763
Rent and other	863	-	192	62	134	-	41,239	42,490	1,635	322	1,957	-	44,447	45,119
Equipment	24,200	552	4,787	973	17,234	7	9,943	57,696	31,894	6,353	38,247	-	95,943	80,996
Transportation	22,448	9,431	4,475	541	7,775	302	12,936	57,908	2,497	870	3,367	-	61,275	67,695
Specific assistance to individuals:														
Food	118,817	11,652	22,940	-	6,910	-	32,202	192,521	-	-	-	-	192,521	182,591
Medical	364	-	70	13,695	2,399	-	6,921	23,449	-	-	-	-	23,449	19,253
Contributed medical	-	-	-	6,165	37,572	-	3,083	46,820	-	-	-	-	46,820	24,890
Clothing, allowance and other	82,799	27,525	16,006	508	136,029	-	182,082	444,949	-	-	-	-	444,949	396,136
Contributed clothing and merchandise	3,857	-	745	-	-	-	-	4,602	192	-	192	-	4,794	3,057
Temporary help	-	-	-	-	-	-	-	-	-	-	-	-	-	1,395
Other purchased services	23,678	839	5,947	237	3,237	308	11,292	45,538	28,264	3,360	31,624	-	77,162	69,039
Subscriptions and publications	434	22	84	7	7	1	187	742	103	794	897	-	1,639	1,135
Staff recruitment	557	195	107	5	72	-	559	1,495	185	379	564	-	2,059	979
Insurance	26,665	1,250	5,388	1,054	7,675	84	15,265	57,381	14,840	1,394	16,234	-	73,615	80,740
Contributed services	168	-	32	119,702	686,633	-	59,851	866,386	-	-	-	-	866,386	756,321
Miscellaneous	4,691	405	928	7	907	61	4,593	11,592	2,959	862	3,821	8,885	24,298	72,503
Bank charges and fees	1,264	-	244	603	-	-	905	3,016	4,980	5,552	10,532	-	13,548	13,539
Interest	-	-	-	-	-	-	-	-	446	-	446	-	446	57
Total Functional Expenses Before Depreciation and Amortization	1,696,691	216,480	337,145	228,618	1,072,099	18,974	1,093,503	4,663,510	584,074	213,802	797,876	8,885	5,470,271	5,069,345
Depreciation and amortization	55,292	4,147	10,701	568	7,732	15	33,529	111,984	8,012	1,764	9,776	-	121,760	100,917
Total functional expenses	1,751,983	220,627	347,846	229,186	1,079,831	18,989	1,127,032	4,775,494	592,086	215,566	807,652	8,885	5,592,031	5,170,262
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(8,885)	(8,885)	(22,836)
Total Expenses Reported by Function on the Statement of Activities	$ 1,751,983	$ 220,627	$ 347,846	$ 229,186	$ 1,079,831	$ 18,989	$ 1,127,032	$ 4,775,494	$ 592,086	$ 215,566	$ 807,652	$ -	$ 5,583,146	$ 5,147,426

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Cash Flows
Year Ended June 30, 2016
(with comparative amounts for year ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 432,996	$ 781,411
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	121,760	100,917
Net unrealized and realized (loss) gain on investments	81,213	(1,518)
Bad debt (recovery) expense	(18,512)	20,394
Gain on sale of property and equipment	(2,506)	(500)
Net change in operating assets and liabilities		
Grants receivable	(93,833)	(18,312)
Other receivables	(52,761)	(54,904)
Contributions receivable	(5,322)	46,959
Other assets	(8,664)	6,362
Accounts payable, accrued expenses and refundable advances	71,224	(17,573)
Due to Parent	25,207	9,778
Net Cash from Operating Activities	550,802	873,014
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	36,627	14,677
Purchases of investments	(371,386)	(725,652)
Proceeds from sale of beneficial interest	9,441	9,077
Purchases of beneficial interest	(11,292)	(12,748)
Purchase of property and equipment	(140,835)	(109,047)
Proceeds from sale of property and equipment	4,150	500
Net Cash from Investing Activities	(473,295)	(823,193)
Change in Cash and Cash Equivalents	77,507	49,821
CASH AND CASH EQUIVALENTS		
Beginning of year	1,014,487	964,666
End of year	$ 1,091,994	$ 1,014,487
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 446	$ 57

See notes to consolidated financial statements

1. Organization and Nature of Activities

Covenant House New Orleans (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 New Orleans area. The Parent is the sole member of the Organization and is itself a private not-for-profit organization which, through its affiliates, provided shelter, food, clothing, counseling, medical attention, crisis intervention, public education, and other services to more than 46,991 (unaudited) and 51,173 (unaudited) runaway and homeless youths during the years ended June 30, 2016 and 2015.

In February 2004, Covenant Landscaping, LLC was formed to limit liability under the Organization's White Dove Landscaping program. Covenant House New Orleans is the sole member of Covenant Landscaping, LLC, which is considered a disregarded entity for tax purposes. Covenant Landscaping, LLC, otherwise known as White Dove Landscaping, provides the Organization with a landscaping and lawn maintenance business that serves as a job training program for at-risk youth.

The Organization is affiliated with the following not-for-profit organizations through common control.

- Covenant House Alaska
- Covenant House California
- Covenant House Chicago
- Covenant House Connecticut
- Covenant House Florida
- Covenant House Georgia
- Covenant House Michigan
- Covenant House Missouri
- Covenant House New Jersey
- Covenant House Pennsylvania/Under 21
- Covenant House Texas
- Covenant House Washington, D.C.
- Under 21 Boston, Inc.
- Covenant House Western Avenue
- Covenant House Testamentum
- Covenant House New York/Under 21
- Covenant International Foundation
- Covenant House Holdings, LLC
- Covenant House Toronto
- Covenant House Vancouver
- Associacion La Alianza (Guatemala)
- Casa Alianza de Honduras
- Casa Alianza Nicaragua
- Casa Alianza Internacional
- Rights of Passage, Inc.
- 268 West 44th Corporation
- Fundacion Casa Alianza Mexico, I.A.P

The Organization has been determined to be a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

Components of Program and Supporting Services

Program Services

Shelter and Crisis Care
The Shelter and Crisis Care program provides shelter, food, clothing, counseling, cash management, physical and behavioral health, job readiness and placement to runaway homeless and at-risk youth, 22 and under.

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

Components of Program and Supporting Services (continued)

Program Services (continued)

Outreach
The Outreach program is an effort to reach youths who would otherwise not find their way to the Crisis Center. Outreach teams cruise the city streets, searching for these youths and providing them with food, a trained counselor and a safe ride to our shelter.

Mother/Child
The Mother/Child program provides emergency shelter, food and counseling to homeless mothers (22 and under) and their children.

Medical
Medical services include basic medical services, referrals, HIV testing, mental health and counseling.

Community Service Center
The Community Service Center provides comprehensive services to former Covenant House youth, and other youths in the community who need support to maintain themselves in stable living situations. Within this program, the Organization also provides counseling and intervention services, and work-related instruction and experience through the White Dove Landscaping program. The Organization's partners in service include Tulane Medical Center's Adolescent drop-in clinic, and Total Community Action's Head Start Program.

Public Education
The Public Education program informs and educates the public on how to identify potential "runaway" and "throwaway" adolescents, the public and private resources available to help such adolescents before they leave home and the public support services available to these families to improve their home environment.

Rights of Passage
The Rights of Passage program provides transitional living services to youths for up to 24 months, including individual counseling and help with their education and finding jobs and ultimately long term housing.

Supporting Services

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

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

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

Components of Program and Supporting Services (continued)

Supporting Services (continued)

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Covenant House New Orleans and Covenant Landscaping, LLC. All significant intercompany transactions and balances have been eliminated in consolidation.

Net Asset Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Permanently restricted net assets represent those resources that have been designated by the donor to be held and invested in perpetuity. There were no permanently restricted net assets as of June 30, 2016 and 2015.

Revenue Recognition

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

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Cash and Cash Equivalents

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

Fair Value of Financial Instruments

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investment Valuation and Income Recognition

Investments are carried at fair value in the consolidated statement of financial position. Interest, dividends, realized and unrealized gains and losses on the sale of investments are included in the consolidated statement of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Beneficial Interest in Assets Held by Others

During fiscal year 2005, the Organization transferred $250,000 of its cash reserves to four foundations to establish endowment funds. The agreement with each foundation designated the Organization as beneficiary and states that the transfer is irrevocable and that transferred assets will not be returned. The Organization values these investments based on quarterly statements received from the respective foundations. In addition, the foundations will make annual distributions of the income earned on the endowment funds, subject to their respective spending policies. The agreements also grant variance power, that is, permit each foundation to substitute another beneficiary, if the Organization ceases to exist, or the foundation's governing board votes that supporting the Organization is no longer necessary or is inconsistent with the needs of the community. The Organization recognizes the transfer as reciprocal, and therefore not a contribution, but as a beneficial interest in assets held by others and a component of its board designated endowment.

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 $500. Property and equipment are reported at cost at the date of acquisition or at fair value at the date of donation. Building improvements are capitalized, whereas minor costs of repairs and maintenance are expensed as incurred.

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 the straight-line basis over the lesser of the term of the lease or their estimated useful lives.

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 unrestricted 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 fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

The Organization has been named the beneficiary and owner of a $75,000 life insurance policy which has a cash surrender value. The policy is recognized at fair value and is included in contributions receivable in the accompanying consolidated statement of financial position. The cash surrender value of approximately $16,600 and $16,200 at June 30, 2016 and 2015 is included in other assets.

Allowance for Doubtful Accounts

The Organization maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its customer or donor to make required payments. Such allowances are based upon several factors including, but not limited to, historical experience and the financial condition of the customer or donor. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management's expected collectability.

Donated Goods and Services

Donated goods consist of items received by the Organization and awarded as prizes during the auctions held in relation to special events. These amounts are recorded as both revenue and expense at their estimated fair values at the date of receipt.

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

Donated Goods and Services (continued)

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

Impairment of Long-Lived Assets

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 were no such impairment for the years ended June 30, 2016 and 2015.

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, 2013.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is December 19, 2016.

3. Accounts Receivable

Grants Receivable

All grants receivable as of June 30, 2016 are expected to be collected within one year.

Contributions Receivable

Contributions receivable primarily consists of promises to give related to the Organization's Rights of Passage Program and a life insurance policy. Those receivables that are due in more than one year have been discounted to their present value using a discount rate of 4.25% - 6.75%. Contributions receivable as of June 30, are due as follows:

	2016	2015
Within one year	$ 24,968	$ 20,889
More than five years	75,000	75,000
	99,968	95,889
Discount to present value	(55,916)	(57,159)
	$ 44,052	$ 38,730

Other Receivables

Other receivables primarily include the White Dove Landscaping training program sales and / or services, net of allowances for doubtful accounts as of June 30, as follows:

	2016	2015
White Dove Landscaping	$ 172,527	$ 117,768
Other	2,798	4,796
	175,325	122,564
Allowance for doubtful accounts	(1,882)	(20,394)
	$ 173,443	$ 102,170

4. Fair Value of Investments

The following are major categories of investments and beneficial interest in assets held by others measured at fair value as of June 30, categorized by the fair value hierarchy:

	2016			
	Level 1	Level 2	Level 3	Total
Affiliated pooled investments	$ -	$ 1,659,049	$ -	$ 1,659,049
Investment cash				69,589
Total investments				1,728,638
Beneficial interest in assets held by others				
Greater New Orleans Foundation	-	-	228,689	228,689
Jewish New Orleans Foundation	-	-	37,884	37,884
The Catholic Foundation	-	-	36,144	36,144
Baton Rouge Area Foundation	-	-	30,161	30,161
Total Beneficial Interest in Assets Held by Others	-	-	332,878	332,878
Total Investments and Beneficial Interest in Assets Held by Others	$ -	$ 1,659,049	$ 332,878	$ 2,061,516

	2015			
	Level 1	Level 2	Level 3	Total
Common stock	$ 4,839	$ -	$ -	$ 4,839
Affiliated pooled investments	-	1,419,651	-	1,419,651
	4,839	1,419,651	-	1,424,490
Investment cash				33,464
Total investments				1,457,954
Beneficial interest in assets held by others				
Greater New Orleans Foundation	-	-	240,032	240,032
Jewish New Orleans Foundation	-	-	39,226	39,226
The Catholic Foundation	-	-	37,858	37,858
Baton Rouge Area Foundation	-	-	31,049	31,049
Total Beneficial Interest in Assets Held by Others	-	-	348,165	348,165
Total Investments and Beneficial Interest in Assets Held by Others	$ 4,839	$ 1,419,651	$ 348,165	$ 1,806,119

4. Fair Value of Investments *(continued)*

The following table summarizes the changes in financial assets measured on a recurring basis at fair value using Level 3 inputs for the years ended June 30:

	2016	2015
Balance, beginning of year	$ 348,165	$ 344,494
Purchases	6,274	4,566
Sales	(11,949)	(10,832)
Realized gains	7,526	12,715
Unrealized losses	(17,138)	(2,778)
Balance, end of year	$ 332,878	$ 348,165

5. Property and Equipment

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

	2016	2015
Land	$ 1,568,752	$ 1,568,752
Buildings	992,262	992,262
Building improvements	465,846	411,335
Equipment	1,732,423	1,666,694
	4,759,283	4,639,043
Accumulated depreciation and amortization	(2,032,689)	(1,929,880)
	$ 2,726,594	$ 2,709,163

6. Commitments and Contingencies

Leases

The Organization has entered into various noncancelable operating leases used in the daily operations of business. These leases expire at various dates through October 2038. Rental expenses under all operating leases amounted to $11,714 and $12,400 for the years ended June 30, 2016 and 2015.

6. Commitments and Contingencies *(continued)*

Leases (continued)

Future minimum annual lease payments at June 30, 2016 for the years ending June 30 are payable as follows:

2017	$ 11,666
2018	11,666
2019	4,206
2020	500
2021	500
Thereafter	8,500
	$ 37,038

Government Grants

In accordance with the terms of certain government grants, the records of the Organization are subject to audit for varying periods after the date of final payment of the grants. The Organization is liable for any disallowed costs; however, management believes all costs to be allowable. Government grants totaled $1,039,207 and $798,173 for the years ended June 30, 2016 and 2015.

7. 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 $64.3 million and $60.8 million for the Parent in the years ended June 30, 2016 and 2015. 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 plus a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent's policy, approximated $33.6 million and $31.3 million for the years ended June 30, 2016 and 2015. For each of the years ended June 30, 2016 and 2015, the Organization received $1,817,000 in contributions from the Parent.

During May of 2016 the Organization provided the Parent with $800,000 for short term financing at an annual interest rate of 1.61%. The outstanding balance was repaid on June 29, 2016. Interest income was $1,136 for the year ended June 30, 2016.

8. Contributed Services and Merchandise

The Organization recognizes contribution revenue for certain services and merchandise received at fair value. Contributed clinical services by internists, pediatricians, nurse practitioners, registered nurses and intake staff for the years ended June 30 are as follows:

	2016	2015
Medical	$ 119,702	$ 126,411
Community Service Center	687,689	566,704
Rights of Passage	59,851	63,206
Merchandise	51,614	27,947
	$ 918,856	$ 784,268

9. Board Designated Endowment Funds

As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence or donor-imposed restrictions. The Organization's endowment funds have not been donor-restricted for specific programs and are expendable for unrestricted purposes following board appropriation subject to a standard of prudence.

During fiscal year 2014, the Organization agreed to pool a significant portion of its board designated reserves with that of Covenant House International and its investment advisor to garner greater returns through economies of scale.

During 2010 the State of Louisiana adopted its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), which governs endowment spending of charitable institutions. The Organization classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor. Board designated or permanently restricted net assets represent (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. According to UPMIFA, the ordinary income of an endowed fund may be distributed annually. While UPMIFA does not place limitations on what can be distributed when market conditions are favorable, it does limit what can be distributed if the current value is near or below the Historical Dollar Value – defined as the aggregate of original, subsequent and accumulation contributions. In utilizing the appreciation in value of the endowments for distributions, the Organization follows the provisions of the Louisiana Uniform Prudent Management of Institutional Funds Act ("LUPMIFA") of 2010.

9. Board Designated Endowment Funds *(continued)*

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

The Organization 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 its activities while seeking to maintain the purchasing power of the endowment assets. The Organization's primary investment objectives are 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, the Organization relies on a total return strategy that achieves a return through a combination of current income and capital appreciation, 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 Organization believes that the decision to pool its investments with the Parent affiliate meets its long-term investment objectives.

Changes in net assets for the Organization's board designated endowment funds for the years ended June 30, are as follows:

	2016	2015
Balance, beginning of year	$ 1,793,143	$ 1,079,792
Contributions	300,000	705,846
Investment income	17,811	17,100
Net realized and unrealized appreciation (depreciation)	(81,750)	1,398
Appropriation for expenditures	(9,441)	(9,077)
Fees	(2,609)	(1,916)
Balance, end of year	$ 2,017,154	$ 1,793,143

10. Pension Plan

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation and are determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was $91,655 and $86,168 for the years ended June 30, 2016 and 2015.

11. Concentration of Credit Risks

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, cash equivalents and receivables from contracts. 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.

* * * * *

Covenant House New Orleans

Uniform Guidance Schedules and Reports

June 30, 2016

Covenant House New Orleans

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through/Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Program				
Continuum of Care Program	14.267		$ -	$ 228,122
Pass-through City of New Orleans				
Emergency Solutions Grant Program	14.231	ESG-029D	-	92,500
Emergency Solutions Grant Program	14.231	ESG-030D	-	79,371
Pass-through UNITY for the Homeless, Inc.				
Continuum of Care Program	14.267	LA0069L6H031407	-	24,497
Continuum of Care Program	14.267	LA0069L6H031508	-	11,142
Continuum of Care Program	14.267	LA0089L6H031407	-	63,581
Continuum of Care Program	14.267	LA0089L6H031508	-	44,791
Continuum of Care Program	14.267	LA0230L6H031300	-	40,469
Continuum of Care Program	14.267	LA0230L6H031306	-	1,298
Continuum of Care Program	14.267	LA0230L6H031402	-	79,233
Continuum of Care Program	14.267	LA0077L6H031306	-	39,159
Continuum of Care Program	14.267	LA0077L6H031407	-	55,983
Shelter Plus Care	14.238	LA0077L6H031406	-	70,807
Total U.S. Department of Housing and Urban Development			-	830,953
U.S. Department of Agriculture				
Pass-through Louisiana Department of Education				
School Breakfast Program	10.553	7547	-	26,451
Department of Homeland Security				
Pass-through United Way				
Emergency Food and Shelter National Board Program	97.024	33-3658-025	-	760
Department of Justice				
Direct Program				
Services for Trafficking Victims	16.320		24,445	78,039
Pass-through Jefferson Parish Sheriff Office				
Services for Trafficking Victims	16.320	2015-VT-BX-KO57	-	15,351
Total U.S. Department of Justice			24,445	93,390
Department of Health and Human Services				
Direct Program				
Education and Prevention to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	87,653
Total Expenditures of Federal Awards			$ 24,445	$ 1,039,207

See independent auditors' report and notes to schedule of expenditures of federal awards

Covenant House New Orleans

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Covenant House New Orleans (the "Organization") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not represent the financial position, changes in net assets or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Certain grants included on the Schedule were awarded by federal agencies prior to December 26, 2014 and such related expenditures are recognized following the cost principles contained in the pre-Uniform Guidance circulars, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Those grants awarded after December 26, 2014 follow the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

3. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Nonmonetary Assistance

For the year ended June 30, 2016, the Organization received no nonmonetary assistance.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditors' Report

Board of Directors
Covenant House New Orleans

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Covenant House New Orleans (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2016, 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, and have issued our report thereon dated December 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PKF O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Harrison, NY 10528 I Tel: 914.381.8900 I Fax: 914.381.8910 I www.pkfod.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
December 19, 2016

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Covenant House New Orleans

Report on Compliance for Each Major Federal Program

We have audited Covenant House New Orleans' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance").Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Harrison, New York
December 19, 2016

Covenant House New Orleans

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ yes	_X_ no
• Significant deficiency(ies) identified?	___ yes	_X_ none reported
Noncompliance material to financial statements noted?	___ yes	_X_ no

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	___ yes	_X_ no
• Significant deficiency(ies) identified?	___ yes	_X_ none reported
Type of auditors' report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ yes	_X_ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.267	Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	_X_ yes ____ no

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2016.

Section III - Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Section IV - Financial Statement Findings

There were no prior year findings.

Covenant House New Orleans
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2016

Agency Head Name: James R. Kelly

Purpose	Amount
Salary	$143,504
Benefits-insurance	14,229
Benefits-retirement	11,050
Benefits- others	432
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	$169,215

See independent auditors' report