

# **Covenant House New Orleans**

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

June 30, 2017



# **Covenant House New Orleans**

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

June 30, 2017

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## **Independent Auditors' Report**

### **Board of Directors Covenant House New Orleans**

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, 2017, 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.

***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, 2017, 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, 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Director, on page 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. 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 21 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 November 30, 2017 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 solely 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 the effectiveness of Covenant House New Orleans' 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  
November 30, 2017

# Covenant House New Orleans

## Consolidated Statement of Financial Position June 30, 2017 (with comparative amounts at June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 650,342	\$ 1,091,994
Grants receivable	333,114	356,291
Contributions receivable, net	253,728	44,052
Other receivables, net	346,086	173,443
Due from Parent	34,390	-
Other assets	87,383	53,444
Investments	2,148,685	1,728,638
Property and equipment, net	2,745,095	2,726,594
Beneficial interest in assets held by others	<u>352,013</u>	<u>332,878</u>
	<u>\$ 6,950,836</u>	<u>\$ 6,507,334</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	\$ 564,483	\$ 520,351
Due to Parent	<u>-</u>	<u>33,594</u>
Total Liabilities	<u>564,483</u>	<u>553,945</u>
 Net Assets		
Unrestricted		
Undesignated	700,730	998,459
Investment in property and equipment	2,745,095	2,726,594
Designated for endowment purposes	<u>2,494,967</u>	<u>2,017,154</u>
Total Unrestricted	5,940,792	5,742,207
Temporarily restricted	<u>445,561</u>	<u>211,182</u>
Total Net Assets	<u>6,386,353</u>	<u>5,953,389</u>
	<u>\$ 6,950,836</u>	<u>\$ 6,507,334</u>

See notes to consolidated financial statements

**Covenant House New Orleans**

Consolidated Statement of Activities  
Year Ended June 30, 2017  
(with summarized totals for year ended June 30, 2016)

	2017			Total 2016
	Unrestricted	Temporarily Restricted	Total	
<b>CONTRIBUTIONS, REVENUE AND OTHER SUPPORT</b>				
Contributions				
Contributions from individuals, foundations and corporations, including legacies and bequests	\$ 1,561,057	\$ 424,172	\$ 1,985,229	\$ 1,572,698
Contributed services and merchandise	704,177	-	704,177	918,856
Government grants and contracts	1,203,508	-	1,203,508	1,039,207
Support from Parent	1,627,000	-	1,627,000	1,817,000
Support from Parent related to National Sleep Out Event	251,102	-	251,102	239,200
Special events revenue, net of direct benefits to donors of \$11,378 and \$8,885	208,891	-	208,891	209,125
Total Contributions, Revenue and Other Support	<u>5,555,735</u>	<u>424,172</u>	<u>5,979,907</u>	<u>5,796,086</u>
<b>INVESTMENT AND OTHER INCOME</b>				
Investment Income				
Interest and dividends	23,786	-	23,786	19,501
Net unrealized gain (loss) on investments	188,045	-	188,045	(88,875)
Net realized gains	4,245	-	4,245	7,662
Job-training program revenue, net of costs of \$288,602 and \$353,789	178,681	-	178,681	231,759
Other income	58,789	-	58,789	50,009
Total Investment and Other Income	<u>453,546</u>	<u>-</u>	<u>453,546</u>	<u>220,056</u>
Total Contributions, Revenue and Other Support and Investment and Other Income	6,009,281	424,172	6,433,453	6,016,142
Net assets released from restrictions	<u>189,793</u>	<u>(189,793)</u>	<u>-</u>	<u>-</u>
Total Contributions, Revenue and Other Support and Investment and Other Income and Releases from Restrictions	<u>6,199,074</u>	<u>234,379</u>	<u>6,433,453</u>	<u>6,016,142</u>
<b>EXPENSES</b>				
Program services	<u>5,058,864</u>	<u>-</u>	<u>5,058,864</u>	<u>4,775,494</u>
Supporting Services				
Management and general	679,296	-	679,296	592,086
Fundraising	<u>262,329</u>	<u>-</u>	<u>262,329</u>	<u>215,566</u>
Total Supporting Services	<u>941,625</u>	<u>-</u>	<u>941,625</u>	<u>807,652</u>
Total Expenses	<u>6,000,489</u>	<u>-</u>	<u>6,000,489</u>	<u>5,583,146</u>
Change in Net Assets	198,585	234,379	432,964	432,996
<b>NET ASSETS</b>				
Beginning of year	<u>5,742,207</u>	<u>211,182</u>	<u>5,953,389</u>	<u>5,520,393</u>
End of year	<u>\$ 5,940,792</u>	<u>\$ 445,561</u>	<u>\$ 6,386,353</u>	<u>\$ 5,953,389</u>

See notes to consolidated financial statements



**Covenant House New Orleans**

**Consolidated Statement of Functional Expenses**

Year Ended June 30, 2017

(With summarized totals for the year ended June 30, 2016)

	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	Total	
													2017	2016
Salaries and wages	\$ 1,016,937	\$ 113,578	\$ 196,810	\$ 54,113	\$ 86,306	\$ 16,908	\$ 513,347	\$ 1,997,999	\$ 345,769	\$ 133,637	\$ 479,406	\$ -	\$ 2,477,405	\$ 2,341,743
Payroll taxes	97,392	10,948	18,850	4,884	8,128	1,181	48,927	190,310	25,208	10,587	35,795	-	226,105	237,622
Employee benefits	249,703	24,148	48,414	12,765	26,960	5,824	126,570	494,384	109,228	25,482	134,710	-	629,094	448,947
<b>Total Salaries and Related Expenses</b>	<b>1,364,032</b>	<b>148,674</b>	<b>264,074</b>	<b>71,762</b>	<b>121,394</b>	<b>23,913</b>	<b>688,844</b>	<b>2,682,693</b>	<b>480,205</b>	<b>169,706</b>	<b>649,911</b>	<b>-</b>	<b>3,332,604</b>	<b>3,028,312</b>
Accounting fees	-	-	-	-	-	-	-	-	40,000	-	40,000	-	40,000	40,000
Legal fees	857	-	163	170	170	340	680	2,380	510	510	1,020	-	3,400	6,237
Medical fees	-	-	-	18,123	3,020	-	9,061	30,204	-	-	-	-	30,204	37,309
Consulting fees	5,225	-	995	518	149,144	3,000	3,110	161,992	188	49,301	49,489	-	211,481	50,080
Supplies	38,473	1,569	7,608	839	3,556	24	14,359	66,428	5,492	2,149	7,641	-	74,069	75,479
Telephone	12,777	1,906	2,475	1,040	3,868	129	11,151	33,346	9,196	2,071	11,267	-	44,613	36,539
Postage and printing	1,165	505	222	114	156	11	661	2,834	2,231	11,647	13,878	-	16,712	19,005
Occupancy:														
Fuel and utilities	72,389	-	13,788	2,425	9,333	-	35,527	133,462	12,705	2,457	15,162	-	148,624	112,974
Repairs and maintenance	38,118	-	10,299	576	11,842	75	24,930	85,840	9,377	1,326	10,703	-	96,543	90,985
Rent and other	1,005	-	233	63	160	-	40,603	42,064	1,693	330	2,023	-	44,087	44,447
Equipment	22,173	777	4,345	793	2,810	37	12,031	42,966	34,212	4,650	38,862	-	81,828	95,943
Transportation	21,373	7,998	4,218	713	6,779	461	14,451	55,993	1,167	1,295	2,462	-	58,455	61,275
Specific Assistance to Individuals:														
Food	125,144	18,345	23,836	-	7,466	-	36,615	211,406	-	-	-	-	211,406	192,521
Medical	76	484	15	25,941	4,324	-	13,123	43,963	-	-	-	-	43,963	23,449
Contributed medical	-	-	-	2,156	9,045	-	1,079	12,280	-	-	-	-	12,280	46,820
Clothing, allowance and other	73,702	64,895	14,096	1,640	168,328	26	216,352	539,039	-	-	-	-	539,039	444,949
Contributed clothing and merchandise	3,134	-	597	-	-	-	-	3,731	155	485	640	-	4,371	4,794
Other purchased services	23,259	1,427	5,536	432	2,392	299	11,308	44,653	27,487	3,844	31,331	-	75,984	77,162
Subscriptions and publications	4,763	815	935	433	545	170	2,835	10,496	1,241	1,573	2,814	-	13,310	1,639
Staff recruitment	979	345	186	51	97	-	350	2,008	247	230	477	-	2,485	2,059
Insurance	26,026	1,726	5,198	1,088	7,425	78	15,343	56,884	6,714	1,316	8,030	-	64,914	73,615
Contributed services	-	-	-	122,813	501,565	2,000	61,407	687,785	125	375	500	-	688,285	866,386
Miscellaneous	4,076	372	776	98	380	44	5,739	11,485	3,492	484	3,976	11,378	26,839	24,298
Bank charges and fees	1,382	-	263	657	-	-	986	3,288	5,723	6,955	12,678	-	15,966	13,548
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	446
<b>Total Functional Expenses Before Depreciation and Amortization</b>	<b>1,840,128</b>	<b>249,838</b>	<b>359,858</b>	<b>252,445</b>	<b>1,013,799</b>	<b>30,607</b>	<b>1,220,545</b>	<b>4,967,220</b>	<b>642,160</b>	<b>260,704</b>	<b>902,864</b>	<b>11,378</b>	<b>5,881,462</b>	<b>5,470,271</b>
Depreciation and amortization	52,761	7,884	128	473	4,938	15	25,445	91,644	37,136	1,625	38,761	-	130,405	121,760
<b>Total Functional Expenses</b>	<b>1,892,889</b>	<b>257,722</b>	<b>359,986</b>	<b>252,918</b>	<b>1,018,737</b>	<b>30,622</b>	<b>1,245,990</b>	<b>5,058,864</b>	<b>679,296</b>	<b>262,329</b>	<b>941,625</b>	<b>11,378</b>	<b>6,011,867</b>	<b>5,592,031</b>
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(11,378)	(11,378)	(8,885)
<b>Total Expenses Reported by Function on the Statement of Activities</b>	<b>\$ 1,892,889</b>	<b>\$ 257,722</b>	<b>\$ 359,986</b>	<b>\$ 252,918</b>	<b>\$ 1,018,737</b>	<b>\$ 30,622</b>	<b>\$ 1,245,990</b>	<b>\$ 5,058,864</b>	<b>\$ 679,296</b>	<b>\$ 262,329</b>	<b>\$ 941,625</b>	<b>\$ -</b>	<b>\$ 6,000,489</b>	<b>\$ 5,583,146</b>

# Covenant House New Orleans

## Consolidated Statement of Cash Flows Year Ended June 30, 2017 (with comparative amounts for year ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 432,964	\$ 432,996
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	130,405	121,760
Net unrealized and realized (gain) loss on investments	(192,290)	81,213
Bad debt expense (recovery)	559	(18,512)
Gain on sale of property and equipment	(2,980)	(2,506)
Net change in operating assets and liabilities		
Grants receivable	23,177	(93,833)
Other receivables	(173,202)	(52,761)
Contributions receivable	(209,676)	(5,322)
Other assets	(33,939)	(8,664)
Accounts payable, accrued expenses and refundable advances	44,132	71,224
Due from/to Parent	<u>(67,984)</u>	<u>25,207</u>
Net Cash from Operating Activities	<u>(48,834)</u>	<u>550,802</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	96,464	36,627
Purchases of investments	(351,644)	(371,386)
Proceeds from sale of beneficial interest	12,460	9,441
Purchases of beneficial interest	(4,172)	(11,292)
Purchase of property and equipment	(157,789)	(140,835)
Proceeds from sale of property and equipment	<u>11,863</u>	<u>4,150</u>
Net Cash from Investing Activities	<u>(392,818)</u>	<u>(473,295)</u>
Change in Cash and Cash Equivalents	(441,652)	77,507
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,091,994</u>	<u>1,014,487</u>
End of year	<u>\$ 650,342</u>	<u>\$ 1,091,994</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ -	\$ 446

See notes to consolidated financial statements

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

#### **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. Covenant House (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 attention, crisis intervention, public education and prevention, and other services that reached approximately 80,000 young people during fiscal 2017.

In fiscal 2016, Covenant House provided shelter, food, clothing, medical attention, crisis intervention, and other services to approximately 47,000 runaway and homeless. The increase from 2016 to 2017 is due to the inclusion of our Public Education and Prevention programs.

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 Pennsylvania/Under 21 |
| • Covenant House California        | • Covenant House Texas                 |
| • Covenant House Chicago           | • Covenant House Washington, D.C.      |
| • Covenant House Connecticut       | • Covenant House Western Avenue        |
| • Covenant House Florida           | • Covenant House Testamentum           |
| • Covenant House Georgia           | • Covenant House Holdings, LLC         |
| • Covenant House Illinois          | • Covenant International Foundation    |
| • Covenant House Michigan          | • Rights of Passage, Inc.              |
| • Covenant House Missouri          | • Under 21 Boston, Inc.                |
| • Covenant House New Jersey        | • 268 West 44th Corporation            |
| • Covenant House New York/Under 21 |  |

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

- |                                     |  |
|-------------------------------------|--|
| • Asociacion La Alianza (Guatemala) | • Covenant House Toronto               |
| • Casa Alianza de Honduras          | • Covenant House Vancouver             |
| • Casa Alianza Internacional        | • Fundacion Casa Alianza Mexico, I.A.P |
| • Casa Alianza Nicaragua            |  |

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

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

Covenant House is the founder of Fundación Casa Alianza México, 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.

###### *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 Services*

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 Catholic Charities Archdiocese of New Orleans 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.

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

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

##### ***Components of Program and Supporting Services (continued)***

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

###### **Management and General**

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

###### **Fundraising**

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

###### **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. 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. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class activity. 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, 2017 and 2016.

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

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

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

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

##### ***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.

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

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

##### ***Beneficial Interest in Assets Held by Others (continued)***

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.

##### ***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 \$22,200 and \$16,600 at June 30, 2017 and 2016 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.

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

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

##### ***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. 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, 2017 and 2016.

##### ***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, 2014.

##### ***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 November 30, 2017.



## Covenant House New Orleans

### Notes to Consolidated Financial Statements June 30, 2017

#### 3. Receivables

##### ***Grants Receivable***

All grants receivable as of June 30, 2017 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:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 233,316	\$ 24,968
More than five years	<u>75,000</u>	<u>75,000</u>
	308,316	99,968
Discount to present value	<u>(54,588)</u>	<u>(55,916)</u>
	<u><u>\$ 253,728</u></u>	<u><u>\$ 44,052</u></u>

##### ***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:

	<u>2017</u>	<u>2016</u>
White Dove Landscaping	\$ 344,656	\$ 172,527
Other	<u>1,989</u>	<u>2,798</u>
	346,645	175,325
Allowance for doubtful accounts	<u>(559)</u>	<u>(1,882)</u>
	<u><u>\$ 346,086</u></u>	<u><u>\$ 173,443</u></u>

For the years ended June 30, 2017 and 2016, 96% and 92% of other receivables are from one customer.

## Covenant House New Orleans

### Notes to Consolidated Financial Statements June 30, 2017

#### 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:

2017				
	Level 1	Level 2	Level 3	Total
Affiliated pooled investments	\$ -	\$ 2,142,955	\$ -	\$ 2,142,955
Investment cash				5,730
Total Investments				2,148,685
Beneficial Interest in Assets Held by Others				
Greater New Orleans Foundation	-	-	237,561	237,561
Jewish New Orleans Foundation	-	-	41,789	41,789
The Catholic Foundation	-	-	39,910	39,910
Baton Rouge Area Foundation	-	-	32,753	32,753
Total Beneficial Interest				
in Assets Held by Others	-	-	352,013	352,013
Total Investments and Beneficial Interest in Assets Held by Others	\$ -	\$ 2,142,955	\$ 352,013	\$ 2,500,698
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

## Covenant House New Orleans

### Notes to Consolidated Financial Statements June 30, 2017

#### 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:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 332,878	\$ 348,165
Purchases	4,172	6,274
Sales	(12,460)	(11,949)
Realized gain	4,581	7,526
Unrealized gain (loss)	<u>22,842</u>	<u>(17,138)</u>
Balance, end of year	<u>\$ 352,013</u>	<u>\$ 332,878</u>

#### 5. Property and Equipment

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

	<u>2017</u>	<u>2016</u>
Land	\$ 1,568,752	\$ 1,568,752
Buildings	992,262	992,262
Building improvements	555,225	465,846
Equipment	<u>1,750,226</u>	<u>1,732,423</u>
	4,866,465	4,759,283
Accumulated depreciation and amortization	<u>(2,121,370)</u>	<u>(2,032,689)</u>
	<u>\$ 2,745,095</u>	<u>\$ 2,726,594</u>

#### 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 \$16,290 and \$11,714 for the years ended June 30, 2017 and 2016.

## Covenant House New Orleans

### Notes to Consolidated Financial Statements June 30, 2017

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

##### ***Leases (continued)***

Future minimum annual lease payments at June 30, 2017 for the years ending June 30 are payable as follows:

2018	\$ 18,524
2019	16,226
2020	16,226
2021	16,226
2022	11,082
Thereafter	<u>16,324</u>
	<u>\$ 94,608</u>

##### ***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 \$1,203,508 and \$1,039,207 for the years ended June 30, 2017 and 2016.

#### 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 \$66 million and \$64.3 million for the Parent in the years ended June 30, 2017 and 2016. 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 \$36 million and \$33.6 million for the years ended June 30, 2017 and 2016. For the years ended June 30, 2017 and 2016, the Organization received \$1,627,000 and \$1,817,000 and 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.

## Covenant House New Orleans

### Notes to Consolidated Financial Statements June 30, 2017

#### 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:

	<u>2017</u>	<u>2016</u>
Medical	\$ 122,813	\$ 119,702
Community Service Center	501,565	687,689
Rights of Passage	61,407	59,851
Public Education	1,241	-
Management & General	125	-
Fundraising	375	-
Merchandise	<u>16,651</u>	<u>51,614</u>
	<u>\$ 704,177</u>	<u>\$ 918,856</u>

#### 9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of purpose restricted contributions as follows:

	<u>2017</u>	<u>2016</u>
Program core support	\$ 425,150	\$ 192,100
Other programs	<u>20,411</u>	<u>19,082</u>
	<u>\$ 445,561</u>	<u>\$ 211,182</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes during the years ended June 30, are as follows:

	<u>2017</u>	<u>2016</u>
Program core support	<u>\$ 189,793</u>	<u>\$ 226,752</u>

## **Covenant House New Orleans**

### **Notes to Consolidated Financial Statements June 30, 2017**

#### **10. 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 of 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.

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.

## Covenant House New Orleans

### Notes to Consolidated Financial Statements June 30, 2017

#### 10. Board Designated Endowment Funds (*continued*)

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

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 2,017,154	\$ 1,793,143
Contributions	274,629	300,000
Investment income	22,876	17,811
Net realized and unrealized appreciation (depreciation)	192,894	(81,750)
Appropriation for expenditures	(9,502)	(9,441)
Fees	<u>(3,084)</u>	<u>(2,609)</u>
Balance, end of year	<u>\$ 2,494,967</u>	<u>\$ 2,017,154</u>

#### 11. 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 \$102,603 and \$91,655 for the years ended June 30, 2017 and 2016.

The Defined Benefit Plan (the Plan) sponsored by Covenant House International has a minimum required contribution for the 2015 Plan year, which is payable in 2017 and 2016. The Plan included employees of the Parent and participating Covenant House affiliates who met the Plan eligibility criteria prior to the closure of the Plan to new participants on December 31, 2006. The liability is related to retirement benefits earned by participants in the Plan prior to the Plan freeze on July 31, 2009. The Organization paid its allocated contribution based on its proportionate value of benefits payable for both 2017 and 2016 amounting to \$72,000 and \$64,000 during fiscal year 2017.

#### 12. 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.

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# **Covenant House New Orleans**

Supplementary Information

June 30, 2017



## Covenant House New Orleans

### Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer Year Ended June 30, 2017

**Agency Head Name:** James R. Kelly

<u>Purpose</u>	<u>Amount</u>
Salary	\$147,996
Benefits-insurance	15,325
Benefits-retirement	13,265
Benefits- others	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$176,586</u>

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## **Covenant House New Orleans**

Uniform Guidance Schedules and Reports

June 30, 2017



**Covenant House New Orleans**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

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		\$ -	\$ 81,075
Pass-through City of New Orleans				
Emergency Solutions Grant Program	14.231	ESG-030D	-	71,129
Emergency Solutions Grant Program	14.231	ESG-031D	-	115,035
Pass-through UNITY for the Homeless, Inc.				
Continuum of Care Program	14.267	LA0069L6H031508	-	25,445
Continuum of Care Program	14.267	LA0089L6H031508	-	50,881
Continuum of Care Program	14.267	LA0230L6H031402	-	48,945
Continuum of Care Program	14.267	LA0230L6H031503	-	90,802
Continuum of Care Program	14.267	LA0077L6H031407	-	45,426
Continuum of Care Program	14.267	LA0077L6H031508	-	60,053
Continuum of Care Program	14.267	LA0086L6H031507	-	86,620
Total U.S. Department of Housing and Urban Development			-	675,411
U.S. Department of Agriculture				
Pass-through Louisiana Department of Education				
School Breakfast Program	10.553	7547	-	29,812
Department of Homeland Security				
Pass-through United Way				
Emergency Food and Shelter National Board Program	97.024	33-365800-024	-	15,600
Department of Justice				
Direct Program				
Services for Trafficking Victims	16.320		154,476	277,091
Pass-through Jefferson Parish Sheriff Office				
Services for Trafficking Victims	16.320	2015-VT-BX-KO57	-	29,271
Total U.S. Department of Justice			154,476	306,362
Department of Health and Human Services				
Direct Program				
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	62,292
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	114,031
			-	176,323
Total Expenditures of Federal Awards			\$ 154,476	\$ 1,203,508

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, 2017**

#### **1. Basis of Presentation**

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Covenant House New Orleans (the "Organization") under programs of the federal government for the year ended June 30, 2017. 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. Such expenditures are recognized following 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, 2017, the Organization received no nonmonetary assistance.



**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, 2017, 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 November 30, 2017.

**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.

**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  
November 30, 2017

**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, 2017. 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, 2017.



## **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  
November 30, 2017

## Covenant House New Orleans

### Schedule of Findings and Questioned Costs Year Ended June 30, 2017

#### **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 ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

##### ***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ 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 ☒ no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
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16.320	Services for Trafficking Victims
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Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

☒ yes ☐ no

**Covenant House New Orleans**

Schedule of Findings and Questioned Costs  
(continued)  
Year Ended June 30, 2017

**Section II - Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2017.

**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.