Covenant House New Orleans

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

June 30, 2018

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

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, 2018, 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.

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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, 2018, 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, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 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 21 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 22 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 29, 2018 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

November 29, 2018

Covenant House New Orleans

Consolidated Statement of Financial Position
June 30, 2018
(with comparative amounts at June 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 958,815	$ 650,342
Grants receivable	414,928	333,114
Contributions receivable, net	42,653	253,728
Other receivables, net	130,358	346,086
Due from Parent	-	34,390
Other assets	85,154	87,383
Investments	2,721,112	2,148,685
Property and equipment, net	2,757,511	2,745,095
Beneficial interest in assets held by others	382,175	352,013
	$ 7,492,706	$ 6,950,836
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	$ 593,878	$ 564,483
Due to Parent	13,172	-
Total Liabilities	607,050	564,483
Net Assets		
Unrestricted		
Undesignated	721,500	700,730
Investment in property and equipment	2,757,511	2,745,095
Designated for endowment purposes	3,070,597	2,494,967
Total Unrestricted	6,549,608	5,940,792
Temporarily restricted	336,048	445,561
Total Net Assets	6,885,656	6,386,353
	$ 7,492,706	$ 6,950,836

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Activities
Year Ended June 30, 2018
(with summarized totals for year ended June 30, 2017)

	2018			
	Unrestricted	Temporarily Restricted	Total	Total 2017
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions from individuals, foundations and corporations, including legacies and bequests	$ 1,711,343	$ 277,664	$ 1,989,007	$ 1,985,229
Contributed services and merchandise	760,322	-	760,322	704,177
Government grants and contracts	1,310,762	-	1,310,762	1,203,508
Support from Parent	1,607,000	-	1,607,000	1,627,000
Support from Parent related to National Sleep Out Event	236,781	-	236,781	251,102
Special events revenue, net of direct benefits to donors of $29,375 and $11,378	267,184	-	267,184	208,891
Total Contributions, Revenue and Other Support	5,893,392	277,664	6,171,056	5,979,907
INVESTMENT AND OTHER INCOME				
Investment Income				
Interest and dividends	28,677	-	28,677	23,786
Net unrealized gain on investments	136,726	-	136,726	188,045
Net realized gains	9,794	-	9,794	4,245
Job-training program revenue, net of costs of $78,911 and $288,602	82,327	-	82,327	178,681
Other income	556,232	-	556,232	58,789
Total Investment and Other Income	813,756	-	813,756	453,546
Total Contributions, Revenue and Other Support and Investment and Other Income	6,707,148	277,664	6,984,812	6,433,453
Net assets released from restrictions	387,177	(387,177)	-	-
Total Contributions, Revenue and Other Support and Investment and Other Income and Releases from Restrictions	7,094,325	(109,513)	6,984,812	6,433,453
EXPENSES				
Program services	5,386,503	-	5,386,503	5,058,864
Supporting Services				
Management and general	683,455	-	683,455	679,296
Fundraising	415,551	-	415,551	262,329
Total Supporting Services	1,099,006	-	1,099,006	941,625
Total Expenses	6,485,509	-	6,485,509	6,000,489
Change in Net Assets	608,816	(109,513)	499,303	432,964
NET ASSETS				
Beginning of year	5,940,792	445,561	6,386,353	5,953,389
End of year	$ 6,549,608	$ 336,048	$ 6,885,656	$ 6,386,353

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized totals for year ended June 30, 2017)

	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	2018	2017
Salaries and wages	$ 1,267,772	$ 104,723	$ 3,190	$ 63,740	$ 140,937	$ 17,394	$ 537,526	$ 2,135,282	$ 344,051	$ 149,905	$ 493,956	$ -	$ 2,629,238	$ 2,477,405
Payroll taxes	102,692	8,260	255	5,054	10,823	1,234	43,143	171,461	23,545	11,858	35,403	-	206,864	226,105
Employee benefits	256,053	37,654	795	12,982	29,903	3,155	90,439	430,981	82,758	23,563	106,321	-	537,302	629,094
Total Salaries and Related Expenses	1,626,517	150,637	4,240	81,776	181,663	21,783	671,108	2,737,724	450,354	185,326	635,680	-	3,373,404	3,332,604
Accounting fees	-	-	-	-	-	-	-	-	40,000	-	40,000	-	40,000	40,000
Legal fees	38,863	-	-	5,851	5,851	10,450	24,657	85,672	15,675	15,675	31,350	-	117,022	3,400
Medical fees	-	-	-	24,782	4,130	-	12,391	41,303	-	-	-	-	41,303	30,204
Consulting fees	37,753	-	-	3,136	147,665	3,720	18,579	210,853	6,170	160,045	166,215	-	377,068	211,481
Supplies	47,654	1,396	426	8,850	5,383	58	20,158	83,925	5,608	1,627	7,235	-	91,160	74,069
Telephone	18,144	1,856	41	1,372	4,591	121	11,790	37,915	10,502	2,237	12,739	-	50,654	44,613
Postage and printing	3,349	-	-	176	210	2,022	734	6,491	3,487	12,726	16,213	-	22,704	16,712
Occupancy:														
Fuel and utilities	91,878	-	-	2,581	10,254	-	39,617	144,330	13,461	2,603	16,064	-	160,394	148,624
Repairs and maintenance	48,263	-	3,081	18	5,769	-	25,655	82,786	10,158	1,323	11,481	-	94,267	96,543
Rent and other	1,301	-	49	65	176	-	33,811	35,402	1,762	343	2,105	-	37,507	44,087
Equipment	42,622	320	150	1,835	5,456	529	16,843	67,755	34,412	7,395	41,807	-	109,562	81,828
Transportation	23,452	7,730	82	1,069	5,143	686	16,228	54,390	2,987	3,834	6,821	-	61,211	58,455
Conferences, conventions and meetings	9,307	66	-	769	1,178	501	5,021	16,842	1,189	1,077	2,266	-	19,108	-
Specific Assistance to Individuals:														
Food	158,057	14,756	-	3	3,483	-	34,456	210,755	-	-	-	-	210,755	211,406
Medical	-	-	-	-	-	-	-	-	-	-	-	-	-	43,963
Contributed medical	-	-	-	2,195	8,092	-	1,069	11,356	-	-	-	-	11,356	12,280
Clothing, allowance and other	101,501	44,427	60	2,716	198,187	80	219,197	566,168	-	-	-	-	566,168	539,039
Contributed clothing and merchandise	4,608	-	-	-	84	-	280	4,972	1,560	280	1,840	-	6,812	4,371
Other purchased services	40,680	1,594	1,201	814	3,443	516	14,945	63,193	33,170	3,288	36,458	-	99,651	75,984
Dues, licenses and permits	1,983	-	27	128	220	1	963	3,322	474	1,908	2,382	-	5,704	11,231
Subscriptions and publications	907	37	-	560	105	587	603	2,799	216	496	712	-	3,511	2,079
Staff recruitment	1,120	115	-	37	337	-	748	2,357	532	332	864	-	3,221	2,485
Insurance	34,384	5,538	137	1,101	8,301	108	17,460	67,029	-	1,403	1,403	-	68,432	64,914
Contributed services	-	-	-	145,186	521,972	2,000	72,593	741,751	125	375	500	-	742,251	688,285
Miscellaneous	7,376	830	-	176	880	28	5,940	15,230	3,176	924	4,100	29,375	48,705	26,839
Bank charges and fees	1,797	-	-	719	-	-	1,078	3,594	8,895	10,142	19,037	-	22,631	15,966
Interest	-	-	-	-	-	-	-	-	131	-	131	-	131	-
Total Functional Expenses Before Depreciation and Amortization	2,341,516	229,302	9,494	285,915	1,122,573	43,190	1,265,924	5,297,914	644,044	413,359	1,057,403	29,375	6,384,692	5,881,462
Depreciation and amortization	54,640	7,881	278	659	4,974	15	20,142	88,589	39,411	2,192	41,603	-	130,192	130,405
Total Functional Expenses	2,396,156	237,183	9,772	286,574	1,127,547	43,205	1,286,066	5,386,503	683,455	415,551	1,099,006		6,514,884	6,011,867
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(29,375)	(29,375)	(11,378)
Total Expenses Reported by Function on the Statement of Activities	$ 2,396,156	$ 237,183	$ 9,772	$ 286,574	$ 1,127,547	$ 43,205	$ 1,286,066	$ 5,386,503	$ 683,455	$ 415,551	$ 1,099,006	$ -	$ 6,485,509	$ 6,000,489

See notes to consolidated financial statements

Covenant House New Orleans

Consolidated Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 499,303	$ 432,964
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	130,192	130,405
Net unrealized and realized gain on investments	(146,520)	(192,290)
Bad debt expense	559	559
Loss (gain) on sale of property and equipment	15,240	(2,980)
Net change in operating assets and liabilities		
Grants receivable	(81,814)	23,177
Other receivables	215,169	(173,202)
Contributions receivable	211,075	(209,676)
Other assets	2,229	(33,939)
Accounts payable, accrued expenses and refundable advances	29,395	44,132
Due from/to Parent	47,562	(67,984)
Net Cash from Operating Activities	922,390	(48,834)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	27,539	96,464
Purchases of investments	(477,782)	(351,644)
Proceeds from sale of beneficial interest	2,984	12,460
Purchases of beneficial interest	(8,810)	(4,172)
Purchase of property and equipment	(157,848)	(157,789)
Proceeds from sale of property and equipment	-	11,863
Net Cash from Investing Activities	(613,917)	(392,818)
Change in Cash and Cash Equivalents	308,473	(441,652)
CASH AND CASH EQUIVALENTS		
Beginning of year	650,342	1,091,994
End of year	$ 958,815	$ 650,342

See notes to consolidated financial statements

1. Organization and Nature of Activities

Covenant House New Orleans (the “Organization”) is a not-for-profit organization which was incorporated on January 20, 1984. Covenant House (Parent) and affiliates (collectively “Covenant House”), provided shelter, food, clothing, medical attention, crisis intervention, public education, prevention, and other services that reached approximately 89,000 and 80,000 young people during fiscal 2018 and 2017

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

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:

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

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.

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

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 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/In-School
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.

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, 2018 and 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.

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 recognized 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 net present value and is included in contributions receivable in the accompanying consolidated statement of financial position. The cash surrender value of approximately $24,000 and $22,200 at June 30, 2018 and 2017 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.

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, 2018 and 2017.

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, 2015.

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 29, 2018.

3. Receivables

Grants Receivable

All grants receivable as of June 30, 2018 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 6.75%. Contributions receivable as of June 30, are due as follows:

	2018	2017
Within one year	$ 20,819	$ 233,316
More than five years	75,000	75,000
	95,819	308,316
Discount to present value	(53,166)	(54,588)
	$ 42,653	$ 253,728

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:

	2018	2017
White Dove Landscaping	$ 127,624	$ 344,656
Other	4,799	1,989
	132,423	346,645
Allowance for doubtful accounts	(2,065)	(559)
	$ 130,358	$ 346,086

For the years ended June 30, 2018 and 2017, 91% and 96% of other receivables are from one customer.

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:

	2018			
	Level 1	Level 2	Level 3	Total
Affiliated pooled investments	$ -	$ 2,688,422	$ -	$ 2,688,422
Investment cash				32,690
Total Investments				2,721,112
Beneficial Interest in Assets Held by Others				
Greater New Orleans Foundation	-	-	256,092	256,092
Jewish New Orleans Foundation	-	-	44,586	44,586
The Catholic Foundation	-	-	47,034	47,034
Baton Rouge Area Foundation	-	-	34,463	34,463
Total Beneficial Interest in Assets Held by Others	-	-	382,175	382,175
Total Investments and Beneficial Interest in Assets Held by Others	$ -	$ 2,688,422	$ 382,175	$ 3,103,287

	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

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:

	2018	2017
Balance, beginning of year	$ 352,013	$ 332,878
Purchases	8,810	4,172
Sales	(2,984)	(12,460)
Realized gain	9,783	4,581
Unrealized gain	14,553	22,842
Balance, end of year	$ 382,175	$ 352,013

5. Property and Equipment

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

	2018	2017
Land	$ 1,543,752	$ 1,568,752
Buildings	992,262	992,262
Building improvements	646,067	555,225
Equipment	1,826,632	1,750,226
	5,008,713	4,866,465
Accumulated depreciation and amortization	(2,251,202)	(2,121,370)
	$ 2,757,511	$ 2,745,095

6. Commitments and Contingencies

Leases

The Organization has entered into various noncancelable operating leases used in the daily operations of the business. These leases expire at various dates through October 2028. Rental expenses under all operating leases amounted to $18,523 and $16,290 for the years ended June 30, 2018 and 2017.

6. Commitments and Contingencies *(continued)*

Leases (continued)

Future minimum annual lease payments at June 30, 2018 for the years ending June 30 are payable as follows:

2019	$ 16,226
2020	16,226
2021	16,226
2022	11,082
2023	989
Thereafter	15,336
	$ 76,085

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 $1,287,685 and $1,203,508 for the years ended June 30, 2018 and 2017.

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 million and $66 million for the Parent in the years ended June 30, 2018 and 2017. 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 $35 million and $36 million for the years ended June 30, 2018 and 2017. For the years ended June 30, 2018 and 2017, the Organization received $1,607,000 and $1,627,000 and in contributions from the Parent.

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:

	2018	2017
Medical	$ 147,381	$ 122,813
Community Service Center	530,148	501,565
Rights of Passage	73,942	61,407
Public Education	2,000	1,241
Management and General	1,685	125
Fundraising	558	375
Merchandise	4,608	16,651
	$ 760,322	$ 704,177

9. Temporarily Restricted Net Assets

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

	2018	2017
Program core support	$ 314,216	$ 425,150
Other programs	21,832	20,411
	$ 336,048	$ 445,561

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

	2018	2017
Program core support	$ 387,177	$ 189,793

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 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.

10. Board Designated Endowment Funds *(continued)*

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.

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:

	2018	2017
Balance, beginning of year	$ 2,494,967	$ 2,017,154
Contributions	403,561	274,629
Investment income	28,546	22,876
Net realized and unrealized appreciation	146,508	192,894
Appropriation for expenditures	-	(9,502)
Fees	(2,985)	(3,084)
Balance, end of year	$ 3,070,597	$ 2,494,967

11. Pension Plans

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation 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 $115,807 and $102,603 for the years ended June 30, 2018 and 2017.

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. Beginning in the year ended June 30, 2018, the Organization contributed $0 for its allocable share of the Parent's minimum funding requirement, due to overpayment in prior years, which is included in employee benefits on the statement of functional expense.

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.

* * * * *

Covenant House New Orleans

Supplementary Information

June 30, 2018

Covenant House New Orleans

Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2018

Agency Head Name: James R. Kelly

Purpose	Amount
Salary	$147,858
Benefits-insurance	15,515
Benefits-retirement	13,507
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	-
	$176,880

See independent auditors' report

Covenant House New Orleans

Uniform Guidance Schedules and Reports

June 30, 2018

Covenant House New Orleans

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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		$ -	$ 65,831
Pass-through City of New Orleans				
Emergency Solutions Grant Program	14.231	ESG-031D	-	59,965
Emergency Solutions Grant Program	14.231	ESG-032D	-	78,673
Pass-through UNITY for the Homeless, Inc.				
Continuum of Care Program	14.267	LA0273L6H031600	-	36,588
Continuum of Care Program	14.267	LA0278L6H031600	-	111,879
Continuum of Care Program	14.267	LA0230L6H031402	-	38,862
Continuum of Care Program	14.267	LA0230L6H031503	-	62,675
Continuum of Care Program	14.267	LA0077L6H031609	-	60,021
Continuum of Care Program	14.267	LA0077L6H031508	-	38,773
Continuum of Care Program	14.267	LA0086L6H031609	-	79,589
Total U.S. Department of Housing and Urban Development			-	632,856
U.S. Department of Agriculture				
Pass-through Louisiana Department of Education				
School Breakfast Program	10.553	7547	-	30,048
Department of Homeland Security				
Pass-through United Way				
Emergency Food and Shelter National Board Program	97.024	34-3658-024	-	19,402
U.S. Department of Justice				
Direct Program				
Services for Trafficking Victims	16.320		127,003	277,344
Pass-through Louisiana Commission on Law Enforcement and Administration of Criminal Justice				
Crime Victim Assistance	16.575	2016-VA-01-3793	-	49,710
Pass-through Jefferson Parish Sheriff Office				
Services for Trafficking Victims	16.320	2015-VT-BX-KO57	-	31,290
Total U.S. Department of Justice			127,003	358,344
U.S. Department of Health and Human Services				
Direct Program				
Transitional Living for Homeless Youth	93.550		-	107,055
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	125,972
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	37,085
Total U.S. Department of Health and Human Services			-	270,112
Total Expenditures of Federal Awards			$ 127,003	$ 1,310,762

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, 2018

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, 2018. 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, 2018, 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, 2018, 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 29, 2018.

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.

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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

November 29, 2018

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, 2018. 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, 2018.

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

November 29, 2018

Covenant House New Orleans

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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
16.320	Services for Trafficking Victims

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

Covenant House New Orleans

Schedule of Findings and Questioned Costs
(continued)
Year Ended June 30, 2018

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2018.

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.