

Covenant House New Orleans

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

June 30, 2023

Covenant House New Orleans

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June 30, 2023

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Independent Auditors' Report

Board of Directors
Covenant House New Orleans

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, 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, 2023, 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.

Basis for Opinion

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

Change in Accounting Policy

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer on page 26 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 27, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 February 22, 2024, on our consideration of the Organization's 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 the Organization's 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 the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

February 22, 2024

Covenant House New Orleans

Consolidated Statement of Financial Position
June 30, 2023
(with comparative amounts at June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 740,817	\$ 2,930,676
Grants receivable	954,181	744,654
Contributions receivable, net	279,170	140,558
Other receivables	44,922	1,683
Due from Parent	84,812	-
Other assets	132,167	130,359
Investments	3,188,362	3,358,957
Property and equipment, net	3,130,816	3,224,281
Right of use assets - operating leases	184,896	-
Right of use assets - finance leases	48,762	-
Beneficial interest in assets held by others	425,752	404,241
	\$ 9,214,657	\$ 10,935,409
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	\$ 829,929	\$ 1,267,048
Finance lease obligations	49,048	-
Lease liability, operating leases	186,940	-
Due to Parent	-	27,426
Total Liabilities	1,065,917	1,294,474
Net Assets		
Without donor restrictions	7,278,199	8,615,189
With donor restrictions	870,541	1,025,746
Total Net Assets	8,148,740	9,640,935
	\$ 9,214,657	\$ 10,935,409

See notes to consolidated financial statements

Covenant House New Orleans

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

	2023			Total 2022
	Without Donor Restrictions	With Donor Restrictions	Total	
CONTRIBUTIONS, REVENUE AND OTHER SUPPORT				
Contributions from individuals, foundations and corporations, including legacies and bequests	\$ 1,412,574	\$ 467,161	\$ 1,879,735	\$ 2,261,283
Contributions of nonfinancial assets	413,096	-	413,096	282,545
Government grants and contracts	2,474,421	-	2,474,421	2,086,321
Support from Parent	1,323,756	-	1,323,756	1,218,796
Support from Parent related to National Sleep Out Event	366,759	-	366,759	383,927
Restricted Site Investment Fund from Parent	-	-	-	70,000
Special events revenue, net of direct benefits to donors of \$78,971 and \$87,928 in 2023 and 2022	640,570	-	640,570	748,849
Total Contributions, Revenue and Other Support	6,631,176	467,161	7,098,337	7,051,721
INVESTMENT INCOME (LOSS) AND OTHER INCOME				
Investment Income (Loss)				
Interest and dividends	89,470	-	89,470	98,393
Net unrealized gain (loss) on investments	330,263	-	330,263	(710,764)
Net realized gains on investments	44,499	-	44,499	58,253
Other income	-	-	-	6,686
Total Investment Income (Loss) and Other Income	464,232	-	464,232	(547,432)
Total Contributions, Revenue and Other Support and Investment Income (Loss) and Other Income	7,095,408	467,161	7,562,569	6,504,289
Net assets released from restrictions	622,366	(622,366)	-	-
Total Contributions, Revenue and Other Support and Investment Income (Loss) and Other Income and Net Assets Released from Restrictions	7,717,774	(155,205)	7,562,569	6,504,289
EXPENSES				
Program services	7,554,836	-	7,554,836	6,377,865
Supporting Services				
Management and general	1,004,129	-	1,004,129	973,248
Fundraising	495,799	-	495,799	467,756
Total Supporting Services	1,499,928	-	1,499,928	1,441,004
Total Expenses	9,054,764	-	9,054,764	7,818,869
Change in Net Assets	(1,336,990)	(155,205)	(1,492,195)	(1,314,580)
NET ASSETS				
Beginning of year	8,615,189	1,025,746	9,640,935	10,955,515
End of year	\$ 7,278,199	\$ 870,541	\$ 8,148,740	\$ 9,640,935

See notes to consolidated financial statements

Covenant House New Orleans

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

	Program Services								Supporting Services				Cost of Direct Benefits to Donors	Total				
	Immediate Housing	Young Families Program	Outreach	Health and Well-Being	Transitional Living - Rights of Passage		Drop - in Services	Public Education and Prevention	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising		Total Supporting Services	2023		2022	
					2023	2022									2023	2022		
Salaries and wages	\$ 1,250,382	\$ 487,429	\$ 154,609	\$ 213,816	\$ 580,053	\$ 76,272	\$ 39,642	\$ 217,491	\$ 3,019,694	\$ 512,506	\$ 301,457	\$ 813,963	\$ -	\$ 3,833,657	\$ 3,570,290			
Payroll taxes	98,021	38,762	12,147	16,544	45,633	5,834	2,896	17,045	236,882	39,281	22,483	61,764	-	298,646	276,621			
Employee benefits	306,784	106,785	42,497	42,569	122,800	17,360	5,815	34,440	679,050	92,062	64,604	156,666	-	835,716	877,013			
Total Salaries and Related Expenses	1,655,186	632,977	209,253	272,929	748,486	99,466	48,353	268,976	3,935,626	643,849	388,544	1,032,393	-	4,968,019	4,723,924			
Accounting fees	-	-	-	-	-	-	-	-	-	73,353	-	73,353	-	73,353	90,848			
Medical fees	-	-	-	26,513	13,256	4,419	-	-	44,188	-	-	-	-	44,188	21,322			
Consulting fees	30,200	14,084	-	4,902	24,066	4,902	7,345	56,589	142,088	11,038	11,018	22,056	-	164,144	194,429			
Supplies	33,146	18,110	1,257	4,465	16,974	2,273	482	1,823	78,530	4,494	2,160	6,654	-	85,184	77,599			
Telephone	28,525	7,146	2,200	4,334	22,733	3,810	5,012	8,217	81,977	7,871	9,478	17,349	-	99,326	53,275			
Postage and printing	3,173	4,196	615	377	1,342	299	3,999	-	14,001	1,078	26,918	27,996	-	41,997	22,472			
Occupancy																		
Fuel and utilities	83,475	19,580	-	3,991	45,057	2,337	2,736	-	157,176	4,495	4,105	8,600	-	165,776	121,799			
Repairs and maintenance	49,954	40,065	-	-	26,309	6,775	-	-	123,103	12,910	1,694	14,604	-	137,707	118,207			
Rent and other	1,285	111,357	-	180	923	261	361	3,640	118,007	693	561	1,254	-	119,261	50,050			
Equipment	31,885	16,348	2	3,283	17,894	3,273	5,130	2,230	80,045	31,141	14,178	45,319	-	125,364	97,360			
Transportation	17,980	10,005	9,273	1,617	10,918	2,083	733	18,689	71,298	1,839	1,146	2,985	-	74,283	47,256			
Conferences, conventions and meetings	10,600	9,972	194	3,230	7,674	1,508	557	2,453	36,188	1,840	1,265	3,105	-	39,293	33,794			
Specific Assistance to Individuals																		
Food	217,139	58,034	630	125	49,557	125	-	2,119	327,729	-	-	-	-	327,729	249,056			
Contributed medical	-	-	-	2,839	1,420	473	-	-	4,732	-	-	-	-	4,732	4,584			
Clothing, allowance and other	200,191	130,461	17,807	18,319	118,005	13,925	5	919,043	1,417,756	-	-	-	-	1,417,756	1,065,386			
Contributed clothing and merchandise	1,488	349	-	-	-	-	-	-	1,837	77	500	577	-	2,414	2,203			
Temporary help	-	-	-	-	-	-	-	-	-	123,544	5,574	129,118	-	129,118	13,822			
Other purchased services	80,975	30,510	860	1,688	22,862	4,661	1,339	1,855	144,750	24,797	4,520	29,317	-	174,067	112,492			
Dues, licenses and permits	1,320	593	-	125	728	141	61	152	3,120	442	2,345	2,787	-	5,907	5,446			
Subscriptions and publications	683	766	29	22	325	22	-	-	1,847	159	3,502	3,661	-	5,508	8,831			
Staff recruitment	2,069	816	4	152	794	88	-	1,155	5,078	1,270	220	1,490	-	6,568	7,072			
Insurance	62,182	17,582	5,607	6,450	34,394	3,942	3,077	10,357	143,591	5,927	4,760	10,687	-	154,278	130,961			
Contributed services	-	-	-	243,570	121,785	40,595	-	-	405,950	-	-	-	-	405,950	275,757			
Miscellaneous	29,284	1,727	655	200	5,139	135	333	10	37,483	2,945	656	3,601	78,971	120,055	103,965			
Bank charges and fees	1,008	237	-	500	750	-	-	-	2,495	8,304	7,141	15,445	-	17,940	31,908			
Interest and loan closing cost	-	-	-	-	-	-	-	-	-	208	-	208	-	208	-			
Total Functional Expenses Before Depreciation and Amortization	2,541,746	1,124,917	248,386	599,811	1,291,391	195,513	79,523	1,297,308	7,378,595	962,274	490,285	1,452,559	78,971	8,910,125	7,663,818			
Depreciation and amortization	71,771	33,747	299	3,698	55,927	6,748	2,028	2,023	176,241	41,855	5,514	47,369	-	223,610	242,979			
Total Functional Expenses	2,613,517	1,158,664	248,685	603,509	1,347,318	202,261	81,551	1,299,331	7,554,836	1,004,129	495,799	1,499,928	78,971	9,133,735	7,906,797			
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	(78,971)	(78,971)	(87,928)			
Total Expenses Reported by Function on the Statement of Activities	\$ 2,613,517	\$ 1,158,664	\$ 248,685	\$ 603,509	\$ 1,347,318	\$ 202,261	\$ 81,551	\$ 1,299,331	\$ 7,554,836	\$ 1,004,129	\$ 495,799	\$ 1,499,928	\$ -	\$ 9,054,764	\$ 7,818,869			

See notes to consolidated financial statements

Covenant House New Orleans

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

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,492,195)	\$ (1,314,580)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	223,610	242,979
Disposal of property and equipment	23,627	-
Amortization of right of use assets - operating leases	107,108	-
Amortization of right of use assets - finance leases	4,432	-
Discount on contributions	5,935	(1,861)
Net unrealized and realized (gain) loss on investments	(374,762)	652,511
Net change in operating assets and liabilities		
Grants receivable	(209,527)	144,629
Other receivables	(43,239)	120,044
Contributions receivable	(144,547)	58,451
Other assets	(1,808)	(14,334)
Due from Parent	(84,812)	4,387
Accounts payable, accrued expenses and refundable advances	(437,119)	263,521
Lease liabilities	(60,162)	-
Due to Parent	(27,426)	27,426
Net Cash from Operating Activities	(2,510,885)	183,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	624,076	71,521
Purchases of investments	(103,585)	(238,901)
Proceeds from sale of beneficial interest in assets held by others	10,690	10,307
Purchases of beneficial interest in assets held by others	(7,335)	(2,540)
Purchases of property and equipment	(153,772)	(166,097)
Net Cash from Investing Activities	370,074	(325,710)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under finance lease obligations	(49,048)	-
Change in Cash and Cash Equivalents	(2,189,859)	(142,537)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,930,676	3,073,213
End of year	\$ 740,817	\$ 2,930,676

See notes to consolidated financial statements

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

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 and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 58,000 young people during fiscal 2023. Throughout fiscal 2023, Covenant House provided a total of more than 790,000 nights of housing and safety for, on average, 2,165 youth each night.

In February 2004, Covenant Landscaping, LLC (the “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.

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

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

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

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

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

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

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

The Organization has been determined to be a 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

Immediate Housing (formerly Shelter and Crisis Care)

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

Outreach

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

Public Education and Prevention

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

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

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

Components of Program and Supporting Services (continued)

Program Services (continued)

Young Families Program (formerly Mother/Child)

The Young Families program provides emergency services, short- and long-term housing, nourishing food, and medical and mental health care to pregnant and parenting youth and their children. The Organization also offer young families access to free childcare services, parenting support, and a full range of educational, vocational, and job placement services. This holistic plan provides young parents with the support they need to grow into responsible and caring parents, capable of supporting their families financially and emotionally.

Health and Well-Being (formerly Medical)

Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. This is even more the case for young people of color and those who identify as LGBTQ+, as they face unique challenges associated with racism and prejudice, and for survivors of human trafficking. Half of all Covenant House youth indicate they are dealing with a mental health challenge, and data shows that LGBTQ+ youth are more likely to face these challenges than their peers. The Organization welcomes all young people with unconditional love and absolute respect.

Drop-in Services (formerly Community Service Center)

Drop-in services are another form of outreach at Covenant House affiliates. Youth in this program do not receive residential services, but do receive access to nutritious meals, hot showers, hygiene products, laundry services, and new clothing and shoes. They can request and receive medical and mental health services, case management services, transitional and permanent housing assistance, and they may take part in the Organization's education and employment programs.

Transitional Living - Rights of Passage

The Organization's Transitional Living programs, often referred to as "Rights of Passage" or ROP, are where young people take their boldest steps toward independence. Youth live in ROP for up to 24 months, where they tap their potential and plan for the future. The Organization's research shows that the longer a young person resides with, and takes advantage of the Organization's programs, the more likely they are to experience positive outcomes, including stable housing, gainful employment, and higher education. In the Transitional Living programs, youth build basic life skills and financial literacy, participate in educational and vocational programs, seek employment with long-term advancement and career prospects, and work toward moving into their own safe and stable housing. The Organization's staff support each young person on their journey toward sustainable independence and a hope-filled future.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

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

Components of Program and Supporting Services (continued)

Program Services (continued)

Permanent Supportive Housing

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

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 costs 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.

Basis of Consolidation

The consolidated financial statement include the accounts of the Organization and White Dove Landscaping. All intercompany balances and transactions have been eliminated in consolidation.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

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

Adoption of New Accounting Policy

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

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the Organization recognized a lease liability of \$292,004, that represents the present value of the remaining operating lease payments of \$306,391, discounted at 2.87%, and a right of use asset ("ROU") of \$292,004, which represents the operating lease liability.

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

Net Asset Presentation

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. This class also includes restricted gifts whose donor-imposed restrictions were met within the same year as the donated assets were received.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization and the LLC record earned revenues on an accrual basis. In addition, the Organization records as revenue the following types of contributions, when they are received unconditionally at their fair value: cash promises to give (contributions receivable), and grants receivable (which includes governmental grants receivable). Gifts of other assets and multi-year pledges are recorded at present value based on the expected collection date using a risk-adjusted discount rate. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met. Grant revenue is recognized as services are performed or expenditures are incurred under the Organization's contracts with its clients and funders. Revenue from cost reimbursable grants is recorded to the extent expenses incurred applicable to the grant.

Contributions to the Organization are recorded as revenue upon the receipts of an unconditional pledge or of cash or other assets. Contributions are considered without donor restriction unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. The Organization records contributions as with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization also raises funds through special events, such as sleep outs. Event revenues, net of related costs with a direct-benefit to donors, are recorded as without donor restricted contributions unless there are donor-imposed restrictions. Costs to generate donations and grants are expensed as incurred.

Functional Allocation of Expenses

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

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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

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

Investment Valuation and Income Recognition

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

Beneficial Interest in Assets Held by Others

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

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

2. Summary of Significant Accounting Policies (continued)

Contributions and Pledges Receivable

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for general use, unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of 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 \$34,000 and \$33,000 at June 30, 2023 and 2022 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 customers or donors 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.

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, 2023 and 2022.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

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

Leases

As of July 1, 2022, the Organization leases a parking lot, an apartment, and various equipment, and determines if an arrangement is a lease at inception. Operating and finance leases are included in right of use asset – operating leases and finance leases (collectively, “ROU assets”) and lease liability, operating leases and finance lease obligations on the accompanying consolidated statement of financial position.

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

The Organization uses the risk-free interest rate to determine the present value of the lease payments when no rate is stated in the lease. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2022 is presented for comparative purposes only. Certain activity by net asset classification is not included in these consolidated financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s consolidated financial statements as of and for the year ended June 30, 2022, from which the summarized comparative information was derived.

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, 2020.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2023

3. Receivables

Grants Receivable

All grants receivable as of June 30, 2023 are expected to be collected within one year.

Contributions Receivable

Contributions receivable primarily consist of promises to give related to the Organization's Transitional Living - 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 discount rate ranging from 4.75% to 6.75% as of June 30, 2023 and 2022. Contributions receivable as of June 30, are due as follows:

	2023	2022
Within one year	\$ 248,600	\$ 115,923
More than five years	75,000	75,000
	323,600	190,923
Discount to present value	(44,430)	(50,365)
	\$ 279,170	\$ 140,558

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:

	2023		
	Level 2	Level 3	Total
Affiliated pooled investments	\$3,144,428	\$ -	\$3,144,428
Investment cash, at cost			43,934
Total Investments			3,188,362
Beneficial Interest in Assets Held by Others			
Greater New Orleans Foundation	-	264,191	264,191
Jewish New Orleans Foundation	-	57,378	57,378
The Catholic Foundation	-	59,707	59,707
Baton Rouge Area Foundation	-	44,476	44,476
Total Beneficial Interest in Assets Held by Others	-	425,752	425,752
Total Investments and Beneficial Interest in Assets Held by Others	\$3,144,428	\$425,752	\$3,614,114

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

4. Fair Value of Investments *(continued)*

	2022		Total
	Level 2	Level 3	
Affiliated pooled investments	\$ 3,227,371	\$ -	\$ 3,227,371
Investment cash, at cost			131,586
Total Investments			3,358,957
Beneficial Interest in Assets Held by Others			
Greater New Orleans Foundation	-	254,891	254,891
Jewish New Orleans Foundation	-	52,438	52,438
The Catholic Foundation	-	54,725	54,725
Baton Rouge Area Foundation	-	42,187	42,187
Total Beneficial Interest			
in Assets Held by Others	-	404,241	404,241
Total Investments and Beneficial			
Interest in Assets Held by Others	\$ 3,227,371	\$ 404,241	\$ 3,763,198

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:

	2023	2022
Balance, beginning of year	\$ 404,241	\$ 455,841
Purchases	7,335	2,540
Sales	(10,690)	(10,307)
Realized (loss) gain	(186)	15,324
Unrealized gain (loss)	25,052	(59,157)
Balance, end of year	\$ 425,752	\$ 404,241

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2023

5. Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Land	\$ 1,527,418	\$ 1,527,418
Buildings	993,140	993,140
Building improvements	1,492,798	1,422,683
Equipment	<u>2,349,943</u>	<u>2,289,913</u>
	6,363,299	6,233,154
Accumulated depreciation and amortization	<u>(3,232,483)</u>	<u>(3,008,873)</u>
	<u>\$ 3,130,816</u>	<u>\$ 3,224,281</u>

During the year ended June 30, 2023, the Organization disposed equipment with a net book value of \$23,627.

6. Lease Commitments

Operating Lease

The Organization has entered into three operating leases used in the daily operations of the business. These leases expire at various dates through October 2038. At July 1, 2022, the Organization recognized ROU assets of \$292,004.

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

ROU asset	\$ 292,004
Less: accumulated amortization	<u>(107,108)</u>
	<u>\$ 184,896</u>

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

Weighted-average remaining lease term in years for operating leases	2.48
Weighted-average discount rate for operating leases	2.87%

Operating lease expense for the year ended June 30, 2023 totaled \$114,098. Cash paid for the amounts included in the measurement of operating lease liabilities for the year ended June 30, 2023 totaled \$112,055. Rental expense under the operating leases amounted to \$61,595 for the year ended June 30, 2022.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2023

6. Lease Commitments *(continued)*

Finance Lease

During fiscal 2023, the Organization entered into a new lease agreement for equipment and recognized a ROU asset of \$53,194.

The Organization amortized this finance lease over the life of the lease agreement. Right-of-use assets consist of the following at June 30, 2023:

ROU asset - finance lease	\$	53,194
Less: accumulated amortization		(4,432)
		\$ 48,762

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

Weighted-average remaining lease term in years for finance leases	4.58
Weighted-average discount rate for finance leases	2.88%

Interest expense totaled \$618 while principal payments made under finance lease obligations totaled \$49,048.

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

	Finance	Operating	Total
2024	\$ 11,436	\$ 113,213	\$ 124,649
2025	11,436	67,651	79,087
2026	11,436	1,011	12,447
2027	11,436	1,011	12,447
2028	6,671	1,011	7,682
Thereafter	-	10,440	10,440
Total undiscounted lease payments	52,415	194,337	246,752
Less: imputed interest	(3,367)	(7,397)	(10,764)
Present value of lease liabilities	\$ 49,048	\$ 186,940	\$ 235,988

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2023

7. 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 and contracts totaled \$2,474,421 and \$2,086,321 for the years ended June 30, 2023 and 2022.

In fiscal 2021 the Organization was awarded a Community Development Block Grant (CDBG) of \$958,410 from the City of New Orleans, passed through from the U.S. Department of Housing and Urban Development, of which \$55,212 was received during fiscal 2023 as a 10% down payment to acquire a gas generator. Pursuant to the use restriction clause and other terms of the agreement, the grant is reflected as deferred revenue in the accompanying consolidated statement of financial position and will be amortized with subsequent receipts over a 5-year period commencing in 2025 when the generator is expected to be placed in service.

8. Related Party Transactions

Covenant House (Parent) provides financial support as well as management and organizational support for its affiliated organizations. Covenant House (Parent) conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give totaled approximately \$86 million and \$89 million for Covenant House (Parent) in the years ended June 30, 2023 and 2022. Contributions received from Covenant House (Parent) are generally not specifically restricted by donors to specific affiliates

Covenant House (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 Covenant House (Parent's) policy, approximated \$36 million and \$38 million for the years ended June 30, 2023 and 2022. For the years ended June 30, 2023 and 2022, the Organization received \$1,323,756 and \$1,218,796 and in contributions from Covenant House (Parent). For the years ended June 30, 2023 and 2022, Covenant House (Parent) granted funds related to Sleep Out events to the Organization totaling \$366,759 and \$383,927.

Covenant House (Parent) provided a Site Investment Fund ("SIF") to Covenant House affiliates during fiscal 2022. The SIF is to encourage innovative programming at Covenant House by implementing a new program or pilot program, build program capacity, make a material change in site-related program work, or introduce an innovative approach to current programs, support the range of site Workforce Development and Vocational Training activities, support young families in the adoption and implementation of the parenting curriculum/parenting programs and parenting skills assessment tool. Covenant House (Parent) provided the Organization a total of \$70,000 for the year ended June 30, 2022, towards the SIF.

Covenant House New Orleans

Notes to Consolidated Financial Statements June 30, 2023

9. Contributions of Nonfinancial Assets

The Organization received donated contributions and services as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>	<u>Utilization in Program/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Services	\$ 405,950	\$ 275,757	Program and Administration	None	(a)
Merchandise	<u>7,146</u>	<u>6,788</u>	Program and Administration	None	(b)
	<u>\$ 413,096</u>	<u>\$ 282,545</u>			

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

(b) The fair value of merchandise received is based on the estimated wholesale values that would have been received for selling similar products.

10. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of purpose restricted contributions as follows:

	<u>2023</u>	<u>2022</u>
Program core support	\$ 839,971	\$ 997,167
Other programs	<u>30,570</u>	<u>28,579</u>
	<u>\$ 870,541</u>	<u>\$ 1,025,746</u>

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

	<u>2023</u>	<u>2022</u>
Program core support	<u>\$ 622,366</u>	<u>\$ 747,541</u>

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

11. 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 any purpose 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 (Parent) 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 with donor restricted net assets, unless otherwise stipulated by the donor. Board designated or net assets held in perpetuity 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.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

11. Board Designated Endowment Funds *(continued)*

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 Covenant House (Parent) meets its long-term investment objectives.

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$3,631,612	\$4,195,868
Investment income	88,734	98,280
Net realized and unrealized appreciation (depreciation)	373,835	(649,402)
Appropriation for expenditures	(521,894)	(10,307)
Fees	<u>(2,107)</u>	<u>(2,827)</u>
Balance, end of year	<u>\$3,570,180</u>	<u>\$3,631,612</u>

12. Pension Plans

Effective January 1, 2007, Covenant House (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 \$156,745 and \$152,535 for the years ended June 30, 2023 and June 30, 2022.

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by Covenant House (Parent) covering substantially all of the employees of Covenant House (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 Covenant House (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), Covenant House (Parent) is responsible for maintaining an annual minimum funding requirement that is reported and paid by Covenant House (Parent). Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. For the years ended June 30, 2023 and 2022, the Organization contributed \$62,745 and \$80,024 for its allocable share of Covenant House (Parent's) minimum funding requirement, which is included in employee benefits on the consolidated statement of functional expenses.

Covenant House New Orleans

Notes to Consolidated Financial Statements
June 30, 2023

13. Concentration of Credit Risks

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables from contracts. Investments and cash are managed within guidelines established by the Board of Directors. The Organization maintains its cash with established commercial banks. At times, the cash balances exceed federally insured limits. As of June 2023, there was \$198,066 of cash held by banks that exceeded Federal Deposit Insurance Corporation limits. Concentrations of credit risk with respect to receivables are limited due to the fact that receivables are due from a number of donors and grant agencies.

14. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 740,817	\$ 2,930,676
Grants receivable	954,181	744,654
Contributions receivable, net	279,170	140,558
Other receivables, net	44,922	1,683
Due from Parent	84,812	-
Investments	3,188,362	3,358,957
Beneficial interest in assets held by others	<u>425,752</u>	<u>404,241</u>
Total Financial Assets	<u>5,718,016</u>	<u>7,580,769</u>
Less: Contractual or donor imposed restricted amounts		
Amounts restricted for purpose and time by donors	(870,541)	(1,025,746)
Board designated funds	<u>(3,570,180)</u>	<u>(3,631,612)</u>
	<u>(4,440,721)</u>	<u>(4,657,358)</u>
Financial Assets Available to Meet General		
Expenditures over the Next Twelve Months	<u>\$ 1,277,295</u>	<u>\$ 2,923,411</u>

As part of the Organization's liquidity management strategy, management structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions and grant income.

15. Subsequent Events

The Organization has evaluated events through February 22, 2024, the date these consolidated financial statements were available to be issued and has determined that, other than what is disclosed here-in, there are no subsequent events or transactions requiring recognition or disclosure in the consolidated financial statements.

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Covenant House New Orleans

Supplementary Information

Year Ended June 30, 2023

Covenant House New Orleans

Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
Year Ended June 30, 2023

Agency Head Name: Rheneisha Robertson

<u>Purpose</u>	<u>Amount</u>
Salary	\$186,011
Benefits-insurance	19,590
Benefits-retirement	6,134
Benefits-others	1,625
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$213,360</u>

Covenant House New Orleans

Uniform Guidance Schedules and Reports

Year Ended June 30, 2023

Covenant House New Orleans

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass- Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Pass-Through City of New Orleans Emergency Solutions Grant Program	14.231	ESG-034D	\$ -	\$ 265,580
Pass-Through UNITY for the Homeless, Inc.				
Continuum of Care Program	14.267	LA0273L6H032105	-	36,956
Continuum of Care Program	14.267	LA0278L6H032105	-	255,580
Continuum of Care Program	14.267	LA0319D6H032103	-	402,587
Continuum of Care Program	14.267	LA0077L6H032114	-	91,682
Continuum of Care Program	14.267	LA0086L6H032114	-	51,270
Total U.S. Department of Housing and Urban Development			-	1,103,655
<u>U.S. Department of Agriculture</u>				
Direct Program				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561		-	419,147
Total SNAP Cluster			-	419,147
Child Nutrition Cluster:				
Pass-Through Louisiana Department of Education				
School Breakfast Program	10.553	7547	-	48,764
Total Child Nutrition Cluster			-	48,764
Total U.S. Department of Agriculture			-	467,911
<u>U.S. Department of Homeland Security</u>				
Pass-Through United Way				
Emergency Food and Shelter National Board Program	97.024	38-3658-024	-	25,630
Total U.S. Department of Homeleand Security			-	25,630
<u>U.S. Department of Justice</u>				
Direct Program				
Services for Trafficking Victims	16.320		-	126,284
Pass-Through Louisiana Commission on Law Enforcement and Administration of Criminal Justice				
Crime Victim Assistance	16.575	VA-01/02/04-6734	-	116,282
Pass-Through Jefferson Parish Sheriff Office				
Services for Trafficking Victims	16.320	ISPOVC-22-GK-03655-HT	-	28,602
Total U.S. Department of Justice			-	271,168
<u>U.S. Department of Health and Human Services</u>				
Direct Programs				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		-	99,649
Transitional Living for Homeless Youth	93.550		-	258,903
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	147,668
Total U.S. Department of Health and Human Services			-	506,220
Total Expenditures of Federal Awards			\$ -	\$ 2,374,584

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, 2023

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 present 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 where available.

3. Non-Cash Awards

For the year ended June 30, 2023, the Organization did not have or receive any non-cash awards, mortgages, or loan funds that should be included in the federal expenditures presented in this Schedule.

4. Indirect Cost Rate

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

**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 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, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 22, 2024.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 consolidated financial statements. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

February 22 2024

**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

Opinion on Each Major Federal Program

We have audited Covenant House New Orleans' (the "Organization") compliance with the types of compliance requirements identified as subject to audit 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, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Report on Internal Control Over Compliance (*continued*)

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

February 22, 2024

Covenant House New Orleans

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated 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:

Federal Assistance <u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? X yes ___ no

Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

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.