Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2018

Covenant House and Affiliates

Consolidated Financial Statements
Together With Independent Auditors' Report

June 30, 2018

TABLE OF CONTENTS **Page**

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Covenant House and Affiliates

We have audited the accompanying consolidated financial statements of Covenant House and Affiliates, 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 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 did not audit the financial statements of Covenant House Toronto and Covenant House Vancouver, controlled affiliated organizations, which statements reflect total assets constituting 18.99% of consolidated total assets as of June 30, 2018, and total revenues of 19.85% of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with Canadian accounting standards for not-for-profit organizations, were audited by other auditors in accordance with Canadian generally accepted auditing standards, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Covenant House Toronto and Covenant House Vancouver, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Covenant House Toronto and Covenant House Vancouver, prior to these conversion adjustments, is based solely on the reports of the other auditors and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, and the additional audit procedures performed, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House and Affiliates as of June 30, 2018, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited Covenant House and Affiliates' June 30, 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 26, 2018. 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.

PKF O'Connor Davies, LLP

April 24, 2019

Covenant House and Affiliates

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

	2018	2017
ASSETS		
Cash and cash equivalents	$ 23,797,917	$ 19,551,182
Restricted cash	391,291	360,373
Contributions receivable, net (note 3)	16,004,723	12,318,771
Grants receivable (note 4)	6,553,310	5,260,654
Notes receivable (note 5)	12,813,000	12,813,000
Prepaid expenses and other assets (note 6)	7,310,764	8,254,556
Investments (note 7)	56,603,933	56,915,635
Investments, other (note 7)	17,455,756	8,484,357
Property, plant and equipment, net (note 8)	134,011,675	127,540,199
Property held for sale (note 8)	31,423	271,423
Beneficial interests in trusts (note 11)	6,104,507	6,062,329
Total Assets	$ 281,078,299	$ 257,832,479
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 15,359,903	$ 14,657,891
Deferred revenue (note 10)	2,619,627	2,593,097
Line of credit, other debt obligations and capital leases (note 9)	27,878,176	39,850,648
Deferred rent	1,196,027	1,456,089
Obligations due under split-interest agreements (note 11)	5,939,337	5,342,755
Conditional asset retirement obligation (note 2)	414,374	414,374
Construction escrow deposits	2,650,538	-
Pension benefits liability (note 12)	17,294,768	20,819,819
Other liabilities	162,226	220,406
Total Liabilities	73,514,976	85,355,079
Net Assets		
Unrestricted	155,310,708	131,721,515
Temporarily restricted (note 13)	43,016,791	31,426,846
Permanently restricted (note 14)	9,235,824	9,329,039
Total Net Assets	207,563,323	172,477,400
Total Liabilities and Net Assets	$ 281,078,299	$ 257,832,479

See notes to consolidated financial statements

Covenant House and Affiliates

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
CONTRIBUTIONS AND OTHER REVENUE					
Contributions from individuals, foundations and corporations, including legacies and bequests of $11,228,664 and $10,052,300 for 2018 and 2017	$ 99,634,310	$ 23,414,287	$ 19,650	$ 123,068,247	$ 110,621,038
Government grants and contracts	36,771,843	761,209	-	37,533,052	31,958,723
Contributed goods and services	3,978,827	-	-	3,978,827	4,272,419
Special events revenue, net of costs of direct benefits to donors of $2,385,613 and $2,175,248 for 2018 and 2017	18,827,936	-	-	18,827,936	16,399,804
School management fees	8,170,718	-	-	8,170,718	8,414,286
Total Contributions and Other Revenue	167,383,634	24,175,496	19,650	191,578,780	171,666,270
INVESTMENT RETURN					
Interest and dividends, net	1,496,186	137,030	-	1,633,216	1,203,166
Net unrealized gain	483,802	4,118	-	487,920	2,771,036
Net realized gain	566,543	759,050	-	1,325,593	722,709
Change in value of split-interest agreements	127,771	237,659	-	365,430	309,125
Change in value of beneficial interest in trusts	7,757	85,110	16,038	108,905	315,047
Sales of customer lists and other income	3,346,658	10,312	-	3,356,970	2,559,624
Total Investment Return	6,028,717	1,233,279	16,038	7,278,034	7,880,707
	173,412,351	25,408,775	35,688	198,856,814	179,546,977
Net assets released from restrictions	13,558,130	(13,429,227)	(128,903)	-	-
Total Contributions and Other Revenue and Investment Return	186,970,481	11,979,548	(93,215)	198,856,814	179,546,977
EXPENSES					
Program services	142,627,228	-	-	142,627,228	132,103,247
Supporting Services					
Management and general	17,049,931	-	-	17,049,931	18,602,492
Fundraising	22,948,053	-	-	22,948,053	21,054,075
Total Expenses	182,625,212	-	-	182,625,212	171,759,814
Change in Net Assets from Operations	4,345,269	11,979,548	(93,215)	16,231,602	7,787,163
Foreign currency translation adjustment	(837,177)	(389,603)	-	(1,226,780)	124,937
Pension related activity, other than net periodic pension cost	4,673,634	-	-	4,673,634	4,188,720
Realized gain on sale of property	15,407,467	-	-	15,407,467	-
Change in Net Assets	23,589,193	11,589,945	(93,215)	35,085,923	12,100,820
NET ASSETS					
Beginning of year	131,721,515	31,426,846	9,329,039	172,477,400	160,376,580
End of year	$ 155,310,708	$ 43,016,791	$ 9,235,824	$ 207,563,323	$ 172,477,400

See notes to consolidated financial statements

Covenant House and Affiliates

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

	Program Services									Supporting Services					
	Shelter and Crisis Care	Outreach	Mother / Child	Medical	Community Service Center	Public Education	Rights of Passage	Schools	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits To Donors	2018 Total Expenses	2017 Total Expenses
Salaries and wages	$ 31,685,018	$ 3,395,114	$ 3,903,875	$ 3,541,949	$ 6,785,455	$ 5,201,516	$ 12,306,713	$ 4,374,043	$ 71,193,683	$ 8,340,402	$ 5,589,640	$ 13,930,042	$ -	$ 85,123,725	$ 79,753,574
Payroll taxes	2,817,480	299,533	285,392	362,783	569,543	430,388	1,106,628	265,358	6,137,105	694,979	466,586	1,161,565	-	7,298,670	7,062,536
Employee benefits	6,300,509	668,826	787,430	813,760	1,092,807	907,755	2,544,283	880,033	13,995,403	1,391,460	806,250	2,197,710	-	16,193,113	15,625,330
Total Salaries and Related Expenses	40,803,007	4,363,473	4,976,697	4,718,492	8,447,805	6,539,659	15,957,624	5,519,434	91,326,191	10,426,841	6,862,476	17,289,317	-	108,615,508	102,441,440
Faith Community costs	187,695	3,853	38,967	8,471	49,110	-	26,808	-	314,904	-	-	-	-	314,904	210,958
Contributed legal services	204,500	34,666	-	25,519	181,623	347	127,943	-	574,598	98,740	-	98,740	-	673,338	787,303
Accounting fees	98,126	15,189	8,258	36,480	35,251	7,967	76,639	53,875	331,785	608,161	9,765	617,926	-	949,711	928,171
Legal fees	84,855	5,890	9,686	15,603	24,646	16,204	51,871	20,419	229,174	92,881	26,124	119,005	-	348,179	118,260
Medical fees	61,400	824	5,102	187,777	10,369	521	47,734	-	313,727	1,305	10	1,315	-	315,042	342,661
Consulting fees	928,098	43,464	63,536	62,505	464,784	883,226	187,551	20	2,633,184	601,770	1,672,152	2,273,922	-	4,907,106	3,735,024
Supplies	611,408	37,130	42,186	225,075	132,574	43,614	220,481	163,101	1,475,569	165,410	137,706	303,116	46,194	1,824,879	1,823,926
Telephone	320,795	48,164	48,428	33,706	89,547	60,489	182,379	83,031	866,539	248,178	84,647	332,825	-	1,199,364	1,075,898
Postage and printing	269,251	20,769	35,524	15,820	62,782	4,347,416	89,037	3,779	4,844,378	329,216	10,379,187	10,708,403	12,999	15,565,780	14,982,752
Fuel and utilities	1,419,001	125,083	148,834	69,918	262,427	145,198	701,525	171,018	3,043,004	184,299	48,560	232,859	-	3,275,863	3,111,532
Repairs and maintenance	1,048,041	48,675	116,065	48,286	193,828	27,944	431,685	123,589	2,038,113	104,896	40,375	145,271	-	2,183,384	1,996,502
Rent and other	651,007	59,851	68,914	42,855	283,517	430,149	925,349	-	2,461,642	549,538	176,325	725,863	-	3,187,505	2,929,802
Equipment	569,565	35,170	36,795	42,806	172,710	70,929	203,976	8,305	1,140,256	157,713	56,684	214,397	188	1,354,841	1,446,965
Travel and transportation	559,777	92,848	41,302	29,854	227,150	101,179	168,332	89,505	1,309,947	195,534	95,233	290,767	-	1,600,714	1,585,646
Specific Assistance to Individuals															
Food	1,867,099	131,767	112,872	21,429	174,994	53,480	497,733	-	2,859,374	32,003	25,225	57,228	189,081	3,105,683	3,042,044
Medical	537,269	15,343	204,652	176,037	30,241	93	242,232	-	1,205,867	5,280	1,458	6,738	4,679	1,217,284	386,364
Contributed medical	-	-	-	93,057	8,092	-	1,069	-	102,218	-	-	-	-	102,218	104,467
Clothing, allowance and other	1,279,728	143,304	96,386	43,626	484,244	130,241	1,676,053	4,505	3,858,087	73,256	17,994	91,250	167,367	4,116,704	3,934,953
Contributed clothing and merchandise	961,990	86,460	61,510	54,472	146,531	16,645	255,087	-	1,582,695	23,681	118,835	142,516	-	1,725,211	2,412,997
Temporary help	442,750	15,507	149,646	32,002	123,438	5,265	92,045	578	861,231	85,063	54,749	139,812	-	1,001,043	943,820
Other purchased services	2,122,602	122,152	195,121	227,407	351,393	1,946,952	746,711	469,960	6,182,298	891,832	2,156,661	3,048,493	1,782,883	11,013,674	10,305,253
Dues, licenses, and permits	104,192	10,006	34,616	28,592	19,902	17,757	54,865	5,300	275,230	91,803	20,093	111,896	1,594	388,720	290,768
Subscriptions and publications	29,496	2,560	1,000	2,951	9,787	6,065	13,395	6	65,260	13,073	40,696	53,769	-	119,029	80,306
Staff recruitment	97,134	6,314	630	4,866	15,869	5,003	34,755	1,299	165,870	166,630	26,802	193,432	-	359,302	306,383
Insurance	761,863	74,490	98,876	67,612	139,872	21,294	367,454	89,336	1,620,797	266,582	34,151	300,733	-	1,921,530	1,826,209
Contributed services	201,275	4,523	15,972	161,550	537,767	2,003	184,792	-	1,107,882	56,593	94,035	150,628	107,807	1,366,317	1,075,117
Contributed goods	115,350	38,303	-	-	33,707	11,375	73,159	-	271,894	57,736	71,588	129,324	41,174	442,392	39,851
Miscellaneous, net	587,406	50,670	83,147	56,381	124,108	67,578	182,479	47,643	1,199,412	205,468	179,547	385,015	29,375	1,613,802	2,032,762
Bank charges and fees	469,384	25,014	70,631	28,511	77,218	19,772	141,959	2,319	834,808	242,434	135,929	378,363	2,272	1,215,443	1,063,875
Interest	529,079	34,149	43,652	17,258	112,463	9,396	87,648	18,297	851,942	98,380	796	99,176	-	951,118	736,463
Loss on foreign currency exchange	3,365	106	-	219	18	-	-	-	3,708	560	292	852	-	4,560	-
Total Before Depreciation and Amortization	57,926,508	5,695,717	6,809,005	6,579,137	13,027,767	14,987,761	24,050,370	6,875,319	135,951,584	16,074,856	22,568,095	38,642,951	2,385,613	176,980,148	166,098,472
Depreciation and amortization	3,139,999	337,804	183,530	110,529	824,266	709,763	1,163,946	205,807	6,675,644	975,075	379,958	1,355,033	-	8,030,677	7,836,590
Total Functional Expenses	61,066,507	6,033,521	6,992,535	6,689,666	13,852,033	15,697,524	25,214,316	7,081,126	142,627,228	17,049,931	22,948,053	39,997,984	2,385,613	185,010,825	173,935,062
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	2,385,613	2,385,613	2,175,248
Total Expenses Reported by Function on Statement of Activities	$ 61,066,507	$ 6,033,521	$ 6,992,535	$ 6,689,666	$ 13,852,033	$ 15,697,524	$ 25,214,316	$ 7,081,126	$ 142,627,228	$ 17,049,931	$ 22,948,053	$ 39,997,984	$ -	$ 182,625,212	$ 171,759,814

See notes to consolidated financial statements

Covenant House and Affiliates

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 35,085,923	$ 12,100,820
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount on contributions receivable	63,754	98,493
Amortization of customer lists	1,120,972	1,153,114
Realized and unrealized gains on investments	(1,813,513)	(3,493,745)
Contributed investments	(121,970)	(76,429)
Gain on sale of property	(15,467,467)	-
Loss (gain) on disposal and sale of property, plant and equipment	71,572	(2,980)
Contributed property, plant, and equipment	(818,257)	(107,225)
Change in value of beneficial interest in trusts	(108,905)	(315,047)
Amortization of deferred revenue and loan discount	(189,920)	(163,820)
Deferred rent	(260,062)	(240,434)
Change in value of split interest agreements	(365,430)	(309,125)
Pension benefits liability adjustment	(3,525,051)	(2,072,680)
Depreciation and amortization	6,909,705	6,683,476
Amortization of deferred financing costs	78,787	78,787
Bad debt expense	1,236,060	1,204,483
Foreign currency translation adjustment	1,226,780	(124,937)
Changes in operating assets and liabilities		
Contributions receivable	(4,985,766)	(2,706,527)
Grants receivable	(1,292,656)	272,611
Prepaid expenses and other assets	321,640	(994,203)
Accounts payable and accrued expenses	702,012	(742,724)
Deferred revenue	216,450	228,496
Other liabilities	(58,180)	1,992
Net Cash from Operating Activities	18,026,478	10,111,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	(30,918)	46,913
Transfer of net assets from YEAH!, net of cash received	-	3,747
Beneficial interests in trusts	66,727	87,248
Purchase of customer lists	(498,820)	(1,441,735)
Purchases of investments	(36,530,557)	(23,225,674)
Sales of investments	29,806,343	16,378,766
Capital expenditures	(13,892,882)	(6,740,836)
Construction escrow deposits	2,650,538	-
Proceeds from sale of property	15,893,267	11,863
Net Cash from Investing Activities	(2,536,302)	(14,879,708)

See notes to consolidated financial statements

Covenant House and Affiliates

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

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit and other debt obligations	$ 6,882,035	$ 5,236,663
Repayments of line of credit and other debt obligations	(18,891,580)	(2,569,207)
Principal payments under capital lease obligations	(195,908)	(221,014)
Payment of annuity obligations	(646,247)	(634,708)
Additions to gift annuity arrangements	1,608,259	705,076
Deferred gain on sale leaseback of the building	-	(18,404)
Net Cash from Financing Activities	(11,243,441)	2,498,406
Net Change in Cash and Cash Equivalents	4,246,735	(2,269,448)
CASH AND CASH EQUIVALENTS		
Beginning of year	19,551,182	21,820,630
End of year	$ 23,797,917	$ 19,551,182
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 647,028	$ 600,833
Assets acquired under capital lease obligations	154,194	51,470

See notes to consolidated financial statements

1. Organization and Tax Status

Covenant House (Parent), is a not-for-profit organization founded in 1968 and incorporated in 1972. Covenant House (Parent) and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical attention, crisis intervention, public education, prevention, and other services that reached approximately 89,000 and 80,000 young people during fiscal 2018 and 2017.

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

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

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 international not-for-profit affiliates:

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

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

Covenant House (Parent) is qualified as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, it is not subject to federal income taxes under Section 501(a) of the Code. Covenant House (Parent), as a not-for-profit organization, is also exempt from state and local income taxes and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors. The U.S. affiliates of Covenant House (Parent) are also classified as tax-exempt organizations and are not subject to federal income taxes under Section 501(a) of the Code, and as not-for-profit organizations, are also exempt from state and local income taxes.

1. Organization and Tax Status *(continued)*

On June 15, 2017, the California Affiliate's Board of Directors authorized the affiliate to enter into a Letter of Intent to acquire the DreamCatcher Youth Services ("DreamCatcher') program, from its' parent agency, Alameda Family Services. DreamCatcher's mission is consistent with that of the California Affiliate, providing support and housing for homeless and trafficked youth, in Oakland, CA. DreamCatcher specializes in working with youth ages 13-18 and has been a long-time access point for youth to transition from homelessness into the California Affiliate's Oakland program. The California Affiliate would be the surviving entity after the asset acquisition, which includes a property acquisition. The acquisition was finalized on March 21, 2019.

In March 2016, the California Affiliate's Board of Directors authorized the affiliate to enter into a Letter of Intent to merge the California Affiliate with another not-for-profit organization, YEAH!. YEAH!'s mission is consistent with that of the California Affiliate; providing support to homeless young adults (18-25) in Berkeley, CA. YEAH! is a lower barrier access point for youth to transition from the street into the California Affiliate's Oakland program. In June 2017, the merger was finalized and all of YEAH!'s assets were transferred to the California Affiliate.

In September 2012, Covenant House Holdings, LLC ("CHH") was formed as a special purpose entity for the purpose of participation in a New Markets Tax Credit ("NMTC") financing transaction, and received an allocation of NMTC funds pursuant to Section 45D of the Internal Revenue Code to fund the opening of the crisis center at 755 A Street, Anchorage, Alaska ("Center"). Covenant House Alaska is the sole member of CHH.

Covenant House Toronto and Covenant House Vancouver, both located in Canada and international affiliates of Covenant House, are charitable organizations registered under the Income Tax Act (Canada). Covenant House Toronto was incorporated without share capital under the Corporations Act (Ontario) and Covenant House Vancouver was incorporated under the British Columbia Act.

Fundación Casa Alianza México, I.A.P. is not subject to income taxes in accordance with (Mexican) Income Tax Law, except for nondeductible expenses incurred. Based on Nicaragua's applicable fiscal equity law, Asociación Casa Alianza Nicaragua as a nonprofit organization is exempt from income taxes. Asociación La Alianza (Guatemala) and Casa Alianza de Honduras are also not-for-profit organizations and are not subject to income taxes under their respective country's income tax laws.

Components of Program and Supporting Services

Program Services

Shelter and Crisis Care

The shelter and crisis care program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths through Covenant House programs in North and Central America.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

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

Mother/Child Program
The mother/child program provides emergency shelter, food and counseling to homeless mothers under the age of 21 and their children.

Medical
Medical services include clinics maintained by certain affiliates to provide youths in the programs with needed medical attention.

Community Service Center
The community service center program provides comprehensive services to youths who have left affiliated crisis centers, and other youths in the community who need support to maintain themselves in stable living situations.

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 the home environment.

Rights of Passage
Rights of passage provides transitional home services for up to 18 months to youths, including individual counseling and help with completing their education and finding jobs and housing.

Schools
The Schools/In-School program provides services to youths who need support to complete their education and obtain employment. If they are suspended from school, the program provides general educational development classes, job training and a reduction in the length of the suspension.

1. Organization and Tax Status *(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 such programs.

Fundraising
Fundraising services relate to the activities of Covenant House's development department in raising general and specific contributions.

Cost of Direct Benefits to Donors
Cost of direct benefits to donors are those costs incurred in connection with special events related to items benefiting attendees of such events, such as meals and entertainment.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Covenant House (Parent) and its affiliates. All significant intercompany transactions and balances have been eliminated in consolidation.

Net Asset Classification

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - consist of resources available for the general support of Covenant House's operations. Unrestricted net assets may be used at the discretion of Covenant House's management and Board of Directors.

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

Net Asset Classification (continued)

Temporarily restricted - represent amounts restricted by donors for specific activities of Covenant House or to be used at some future date. Covenant House records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same reporting period, such amounts are reported as part of unrestricted net assets.

Permanently restricted - consist of funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations imposed by the donors.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Contributions are considered available for unrestricted use, unless the donors restrict their use. Unconditional promises to give that are greater than one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted. Covenant House reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Covenant House maintains an allowance for doubtful accounts for estimated losses that may result from the inability of donors to make required payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and the creditworthiness of the respective donor.

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

Government Contracts and Grants

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered.

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the consolidated statement of financial position and are being amortized over the period of the respective grant/loan agreements.

Contributed Goods and Services

Covenant House recognizes the fair value of contributed 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 in the accompanying consolidated financial statements.

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of costs of direct benefits to donors.

School Management Fees

School management fee revenue is reported at the gross amount billed as the principal or primary obligor for the operation of certain individual charter schools. Costs of operating the schools include salaries of school staff, facility costs, and other amounts which are recognized on the accrual basis when incurred.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and highly liquid investments with maturities of three months or less from the date of purchase, except for those cash equivalents which are included in Covenant House's investment portfolio and are held for long-term investment purposes.

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

Investments

Investments are carried at fair value. Marketable equity securities and debt obligations are carried at fair value based on quoted market values. The fair value of the non-exchange traded alternative investments have been estimated using the net asset value (NAV) as reported by the respective external investment manager or general partner. U.S. GAAP guidance provides for the use of NAV as a “Practical Expedient” for estimating fair value of alternative investments. Because such alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could potentially be material.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on the first-in, first-out method and are recorded in the consolidated statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned. Income earned from investments, including realized and unrealized gains and losses, is recorded as unrestricted, except where the instructions of the donor specify otherwise.

Investments – Other

Investments – other, consist of certificates of deposit held for investment with maturities greater than three months at time of purchase that are not debt securities and are carried at amortized cost.

Other Assets, Customer Lists

The costs of customer lists purchased by the Parent for generating fundraising contributions are capitalized and amortized from the date of purchase using the straight-line method over an estimated useful life of three to five years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost if purchased or, if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. 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 a straight-line basis over the lesser of the term of the lease or their estimated useful lives. As of June 30, 2018 and 2017, property held for sale is recorded at the lower of cost or fair value, less costs to sell at $31,423 and $271,423 and is not depreciated.

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

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including undiscounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary. There were no asset impairments for the years ended June 30, 2018 and 2017.

Deferred Rent

U.S. GAAP requires that rent is expensed on a straight-line basis over the lifetime of the lease, notwithstanding the actual cash payments required under the lease, with the difference between the straight-line expense and the actual rent payments shown as deferred rent on the consolidated statement of financial position.

Split-Interest Agreements

Covenant House is a beneficiary of various perpetual trusts and trusts with a defined time frame (“term trusts”) that are held by others. Under the terms of these trusts, Covenant House has an irrevocable right to receive all or a portion of the income earned on the trust assets for the life of the trust. Covenant House does not control the assets held by these trusts. Covenant House measures its beneficial interest in trusts held by others based upon its beneficial interest in the fair value of the underlying investments held by the trusts. The fair value of Covenant House’s beneficial interest is adjusted during the term of the trusts for changes in fair value of the underlying investments or the changes to Covenant House’s beneficial interest. Such adjustments are reported as change in value of beneficial interest in trusts on the consolidated statement of activities.

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

Split-Interest Agreements (continued)

In addition, Covenant House holds assets under split-interest agreements consisting of charitable remainder trusts and charitable gift annuities for which Covenant House serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are included in investments. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor. Under Covenant House's charitable gift annuities and charitable remainder trust programs where Covenant House is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the unrestricted use of Covenant House, unless as otherwise stipulated by the donor. The liabilities are adjusted during the term of the trust or annuity contract for changes in the life expectancy of the donor or beneficiary, discount rate, and other changes in the estimates of future payments. Such adjustments are reported as change in value of split-interest agreements on the consolidated statement of activities.

Asset Retirement Obligations

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. The remaining liability related to such obligations totaled $414,374 at June 30, 2018 and 2017, and primarily relates to required future asbestos remediation expected to occur in the next 2 to 4 years. For the years ended June 30, 2018 and 2017, depreciation expense recorded on the related asset totaled $0 and $2,362. Covenant House did not incur any payments for asbestos remediation in fiscal 2018 and 2017.

Functional Expense Allocation

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of square footage of office space occupied and other bases as determined by management of Covenant House to be appropriate.

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

Fair Value of Financial Instruments

The three levels of the fair value hierarchy used by Covenant House are described below:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable in the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently and investments that are valued using other similar securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which Covenant House's investments have been classified, Covenant House has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions such as a gate or lockup period.

The following methods and assumptions were used by Covenant House in estimating the fair value of its financial instruments:

Common stocks, mutual funds, corporate debt securities and alternative investments: The reported fair value of common stocks, mutual funds and debt securities is based on quoted market prices. The fair values assigned to non-exchange traded alternative investments are based on valuations provided by the respective external investment manager or general partner. Covenant House believes such values are reasonable and appropriate.

Beneficial interests in trusts: The fair value of beneficial interests in trusts is approximated by Covenant House's share of the fair value of the assets held by the trust.

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

Fair Value of Financial Instruments (continued)

Obligations due under split-interest agreements: The fair value of obligations due under split-interest agreements is based upon actuarial assumptions utilizing the required rate of return as of the measurement date.

Investments are carried at fair value. Marketable equity securities and debt obligations are carried at fair value based on quoted market values. Covenant House follows guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using NAV. The fair value of the non-exchange traded alternative investments has been estimated using NAV as reported by the respective external investment manager or general partner. Because such alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could potentially be material.

Accounting for Uncertainty in Income Taxes

Covenant House recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Covenant House had no uncertain tax positions that would require financial statement recognition and/or disclosure. Covenant House is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2015.

Foreign Currency Translation

Covenant House has determined that its functional currency is the United States dollar. Accordingly, for those affiliates that do not use the United States dollar as their functional currency, assets and liabilities are translated using the current exchange rate in effect at the consolidated statement of financial position date. Operations are translated using the weighted-average exchange rate in effect during the fiscal year. The resulting foreign exchange gains and/or losses are recorded on the consolidated statement of activities.

Concentration of Credit Risk

Financial instruments that potentially subject Covenant House to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. Covenant House does not believe that a significant risk of loss, due to the failure of a financial institution, presently exists.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing the Parent’s donor base.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

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

Deferred Financing Costs

Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from line of credit, other debt obligations and capital leases. Amortization of these costs is provided using the straight line method, which does not differ materially from the effective interest method, over the life of the related debt. Covenant House reflects amortization of deferred financing costs within interest expense.

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the current year presentation.

Summarized Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Covenant House's consolidated financial statements as of and for the year ended June 30, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is April 24, 2019.

3. Contributions Receivable

Contributions receivable that are due in more than one year have been discounted to their present value using discount rates ranging from 1.37% to 6.75% in 2018 and 2017. At June 30, 2018 and 2017, net receivables are expected to be collected as follows:

	2018	2017
Unconditional Promises Expected to be Collected in:		
Less than one year	$11,473,261	$ 7,668,865
Within five years	4,211,170	4,278,233
Thereafter	617,284	620,685
	16,301,715	12,567,783
Less: discount to present value	(220,049)	(156,295)
Less: reserve for uncollectible accounts	(76,943)	(92,717)
	$16,004,723	$12,318,771

3. Contributions Receivable *(continued)*

During fiscal 2018 and 2017, Covenant House received notification of certain promises to give. However, due to their conditional nature, these gifts have not been reflected in the accompanying consolidated financial statements.

4. Grants Receivable

Grants receivable of $6,553,310 and $5,260,654 at June 30, 2018 and 2017 are expected to be collected within one year. As of June 30, 2018 and 2017, no allowance for doubtful accounts was determined to be necessary.

5. Notes Receivable

In connection with the New Markets Tax Credit (“NMTC”) transaction (Note 9) in September 2012, the Alaska Affiliate loaned Covenant House Investment Fund, LLC, ("Investment Fund"), an unrelated entity, $12,813,000. The Investment Fund also received equity from a tax credit investor and then made a Qualified Equity Investment (“QEI”) in Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC ("Wells Fargo"), Brownfield Revitalization XXIV, LLC ("Brownfield") and Consortium America XXXI, LLC ("Consortium"), (collectively, the "CDEs").

The notes require interest to be paid monthly to the Alaska Affiliate at a rate of 1% per annum, commencing in October 1, 2012. The full amount of unpaid principal is required to be paid on June 10, 2020. As security, the Investment Fund pledged its membership interest in the CDEs to the Alaska Affiliate.

6. Other Assets, Customer Lists

Included in prepaid expenses and other assets on the consolidated statement of financial position are customer lists that the Parent purchased for purposes of generating fundraising contributions. At June 30, 2018 and 2017 the cost of the customer lists amounted to $7,703,904 and $7,205,084. Accumulated amortization at June 30, 2018 and 2017 amounted to $5,047,692 and $3,926,720. Amortization expense for fiscal year 2018 and 2017 amounted to $1,120,972 and $1,153,114.

Future amortization for Covenant House’s customer lists are as follows at June 30:

2019	$ 987,393
2020	794,811
2021	565,414
2022	261,716
2023	46,879
	$ 2,656,213

7. Investments

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's investments at June 30:

	2018			
	Level 1	Level 2	Investments valued using NAV (*)	Total
Investments:				
Common stocks	$ 2,207,161	$ -	$ -	$ 2,207,161
U.S. government securities	846,748	-	-	846,748
Foreign government securities	847,155	-	-	847,155
Corporate debt securities	1,331,990	2,824,256	-	4,156,246
Mutual Funds:				
Stocks	25,717,816	-	-	25,717,816
Bonds	9,586,219	-	-	9,586,219
Combined	6,630,482	-	-	6,630,482
Fund of funds	-	-	164,083	164,083
Total Investments at Fair Value	$47,167,571	$ 2,824,256	$ 164,083	50,155,910
Cash and cash equivalents, at cost				6,448,023
Total Investments				$56,603,933

	2017			
	Level 1	Level 2	Investments valued using NAV (*)	Total
Investments:				
Common stocks	$ 2,274,264	$ -	$ -	$ 2,274,264
U.S. government securities	1,296,470	-	-	1,296,470
Foreign government securities	1,293,081	-	-	1,293,081
Corporate debt securities	2,004,904	3,373,634	-	5,378,538
Mutual Funds:				
Stocks	32,676,390	-	-	32,676,390
Bonds	3,394,875	-	-	3,394,875
Combined	5,353,801	-	-	5,353,801
Fund of funds	-	-	206,363	206,363
Total Investments at Fair Value	$48,293,785	$ 3,373,634	$ 206,363	51,873,782
Cash and cash equivalents, at cost				5,041,853
Total Investments				$56,915,635

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

7. Investments *(continued)*

The categorization of the investments within the fair value hierarchy presented above is based solely on the pricing transparency of the respective instrument and does not necessarily correspond to Covenant House's perceived risk associated with the investment security.

Covenant House's policy is to recognize transfers in and transfers out at the end of the reporting period. There were no transfers between levels during fiscal 2018 and 2017.

Investment management fees of approximately $57,000 and $73,000 are netted with interest and dividends income in the accompanying consolidated statement of activities for the years ended June 30, 2018 and 2017.

Covenant House's certificates of deposit of $17,455,756 and $8,484,357 as of June 30, 2018 and 2017, are classified as investments, other, on the accompanying consolidated statement of financial position. These do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not provided.

Covenant House (Parent) invests in an alternative investment classified as "fund of funds" which is in the process of liquidating its interest. The proceeds will be reinvested according to a revised investment strategy adopted by the Covenant House (Parents') Board of Directors. Through this investment, Covenant House (Parent) is indirectly invested in hedge funds, limited partnerships and similar interests that invest in public and private securities and follow a variety of investment strategies.

The following table lists such investments by major category:

2018

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Fund of funds	Invests in partnerships, derivatives, private investment companies, and hedge funds	$ 164,083	1	The fund is currently in the process of an orderly liquidation	$ -	Quarterly with 90 days notice	The fund has suspended redemptions upon approval of an orderly liquidation

2017

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Fund of funds	Invests in partnerships, derivatives, private investment companies, and hedge funds	$ 206,363	1	The fund is currently in the process of an orderly liquidation	$ -	Quarterly with 90 days notice	The fund has suspended redemptions upon approval of an orderly liquidation

8. Property, Plant and Equipment and Property Held for Sale

Property, plant and equipment and property held for sale consists of the following at June 30:

	2018	2017
Buildings	$ 110,075,140	$ 108,737,278
Building improvements	45,050,769	44,201,073
Equipment, furniture and vehicles	24,864,607	26,704,103
Equipment acquired under capital lease obligations	1,413,635	1,258,289
Leasehold improvements	10,774,710	15,892,922
	192,178,861	196,793,665
Less: accumulated depreciation and amortization	(96,406,486)	(97,440,000)
	95,772,375	99,353,665
Land	26,489,478	24,887,038
Construction in progress	11,749,822	3,299,496
Property, plant and equipment, net	$ 134,011,675	$ 127,540,199
Property held for sale	$ 31,423	$ 271,423

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $806,948 and $766,833 at June 30, 2018 and 2017.

Depreciation and amortization expense amounted to $6,909,705 and $6,683,476 for the years ended June 30, 2018 and 2017.

During December 2017, the Georgia Affiliate sold property for total net proceeds of $300,000. The realized gain on the sale of the property was $60,000 for the year ended June 30, 2018.

During June 2018, Covenant House (Parent) sold a building located in Manhattan, New York City for total net proceeds of $15,582,467. The realized gain on the sale of the building was $15,407,467 for the year ended June 30, 2018.

Covenant House (Parent) entered into a development agreement with The Gotham Organization, Inc. ("Gotham"), effective October 20, 2017, to redevelop Covenant House (Parents)' property located at 460 West 41st Street in New York City. In addition, Covenant House (Parent) entered into a purchase and sale agreement with GO Covenant LLC, a newly formed affiliate of Gotham. GO Covenant LLC, will advance certain pre-development and transaction costs to an escrow account ("Construction Escrow Deposits") for the purpose of designing and constructing a new facility for Covenant House (Parent) ("New CH Facility"). Through June 30, 2018, GO Covenant LLC made Construction Escrow Deposits totaling $2,650,538. This amount is included in total construction in progress of $11,749,822 at June 30, 2018. The New CH Facility, will be subdivided and a portion sold to Gotham for approximately $76,640,000. To fund the balance of the cost to develop the New CH Facility, after exhausting the Construction Escrow Deposits, Covenant House (Parent) intends to secure a construction loan.

8. Property, Plant and Equipment and Property Held for Sale *(continued)*

The proceeds of the sale to Gotham will be used to repay the construction loan. Any remaining surplus from the construction project and repayment of the construction loan will be returned to the Covenant House (Parents)' endowment.

During June 2018, Covenant House (Parent) sold a building located in Manhattan, New York City. This building provided space for the Covenant House New York Under 21's Mother and Child shelter. As a result of the sale, the affiliate wrote off $5,798,854 of leasehold improvements and equipment which resulted in a loss on disposal of $63,955.

In January 2015, the Vancouver Affiliate entered into a purchase agreement to purchase land and buildings located at 530 Drake Street (the "property") for CAD $5,550,000. A deposit of CAD $500,000 was paid on the signing of the agreement, with the balance of the purchase price to be paid on the closing date, which was expected to be in February 2016. In February 2016, the Vancouver Affiliate simultaneously entered into an assignment agreement, a lease agreement and an option to purchase the property agreement with a third party whereby the third party acquired the property and will lease it to the Vancouver Affiliate for a period of 10 years from substantial completion of the development of the property. The original deposit of CAD $550,000 was refunded to the Vancouver Affiliate in February 2016, in accordance with the terms of the assignment agreement. In addition, the third party has provided the Vancouver Affiliate with an option to purchase the property for the original purchase price of CAD $5,500,000. The option to purchase will expire 10 years after substantial completion of the development of the property. As of June 30, 2018, the Vancouver Affiliate has incurred CAD $5,293,631 (US $4,027,394).

On April 1, 2001, the VanCity Place Society assigned to the Vancouver Affiliate a land lease, free of charge, located on West Pender Street, Vancouver, which the VanCity Place Society acquired from the City of Vancouver. The lease expires on June 25, 2057. The Vancouver Affiliate purchased the building located on the leased land and uses it for its program purposes. While the value of the purchased building was capitalized and has been depreciated since the date of purchase, no value was assigned to the free use of the land under the terms of the lease. Accordingly, in accordance with U.S. GAAP, for purposes of preparing its consolidated financial statements, Covenant House has recognized a temporarily restricted contribution at fair value for the right to use the land. The contribution is being amortized on a straight-line basis over the remaining term of the lease.

9. Line Of Credit, Other Debt Obligations and Capital Leases

The following table summarizes the total amounts outstanding under the line of credit agreement and other debt obligations attributed to Parent and each affiliate as of June 30:

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2018	Maturity Date	Interest Rate (per annum) at June 30, 2018	Debt Obligation at June 30, 2017
CH Parent Entity	CIT/Avaya Financial Services	$ 19,023	4/24/2020	1.35%	$ 29,203
CH Parent Entity	JPMorgan Chase Bank	-	6/30/2018	2.21%	14,500,000
CH Parent Entity	Production Mail Solutions Financing Lease	-	3/31/2018	3.41%	28,806
CH Alaska/CH Holdings LLC	Wells Fargo (Loan A)	5,277,000	6/6/2020	0.744%	5,277,000
CH Alaska/CH Holdings LLC	Brownfield (Loan A)	4,521,600	6/6/2020	0.744%	4,521,600
CH Alaska/CH Holdings LLC	Consortium (Loan A)	3,014,400	6/6/2020	0.744%	3,014,400
CH Alaska/CH Holdings LLC	Wells Fargo (Loan B)	2,223,000	10/1/2042	0.744%	2,223,000
CH Alaska/CH Holdings LLC	Brownfield (Loan B)	1,358,400	10/1/2042	0.744%	1,358,400
CH Alaska/CH Holdings LLC	Consortium (Loan B)	905,600	10/1/2042	0.744%	905,600
CH California	NEC	39,610	2/28/2021	5.90%	48,714
CH California	Bank of the West	-	9/23/2023	4.77%	1,357,235
CH California	Bank of America	1,358,681	1/28/2028	4.25%	-
CH California	Great American Leasing Co.	181,008	6/30/2020	1.94%	214,712
CH California	De Lage Financial Services	18,672	4/30/2019	3.00%	30,037
CH California	Super Laundry	-	2/28/2018	3.00%	6,566
CH California	Mail Finance	-	10/19/2017	5.99%	2,169
CH California	Scott Boxenbaum	750,000	12/20/2018	4.00%	-
CH Florida	Great American Leasing Co.	127,553	6/1/2023	18.00%	-
CH Florida	Great American Leasing Co.	14,879	3/9/2019	6.00%	33,706
CH New Jersey	New Jersey Housing and Mortgage Finance Agency ("NJHMFA")	829,306	10/6/2024	0.00%	829,306
CH New Jersey	NJHMFA	648,346	6/7/2024	0.00%	648,346
CH New Jersey	NJHMFA	700,000	3/31/2024	0.00%	700,000
CH New Jersey	NJHMFA	165,179	11/20/2042	0.00%	165,179
CH New Jersey	New Jersey Department of Community Affairs	654,400	7/27/2042	1.00%	654,400
CH New York/Under 21	CIT/Avaya Financial Services	26,158	11/3/2019	2.90%	45,685
CH New York/Under 21	Pitney Bowes Global Financial Services LLC	-	11/17/2017	2.90%	2,248
CH New York/Under 21	Pitney Bowes -Send Pro P2000 Mailing System Lease	13,735	5/28/2022	1.93%	-
CH New York/Under 21	Konica Minolta Business Solutions	48,730	5/7/2020	2.90%	89,236
CH Pennsylvania/Under 21	Citizens Bank	2,288,800	4/1/2021	2.31%	2,339,200
CH Washington, D.C.	PNC Bank	297,083	1/27/2030	6.00%	315,209
CH Vancouver	BC Housing/Proposal Development Funding	-	Payable on demand	1.00%	915,956
CH Vancouver	BC Housing Management Commission	2,723,491	Payable on demand	0.00%	-
		28,204,654			40,255,913
Less: Deferred financing costs		(326,478)			(405,265)
		$ 27,878,176			$ 39,850,648

9. Line Of Credit, Other Debt Obligations and Capital Leases *(continued)*

Covenant House (Parent) has an unsecured line of credit agreement with JPMorgan Chase Bank ("Chase") to borrow up to an aggregate amount of $15 million. This agreement matured on June 30, 2018 and was not renewed by the Parent pursuant to the repayment of amounts outstanding, as described below. Interest on outstanding borrowings was payable at the one-month LIBOR rate plus additional percentage points as defined in the agreement, which were 2.21% and 1.35% at June 30, 2018 and 2017. Amounts drawn down from this credit facility during fiscal 2018 have been fully paid as of June 30, 2018.

Total drawdowns under the unsecured line of credit agreement with Chase totaled $800,000 and $3.75 million during the years ended June 30, 2018 and 2017. Total repayments on the line of credit were $15.3 million and $1.25 million in fiscal 2018 and 2017.

In February 2019, Covenant House (Parent) signed a new secured line of credit with Goldman Sachs Bank USA to borrow up to an aggregate amount of $15 million. This agreement matures in February 2020 and interest on outstanding borrowings is payable at the LIBOR rate plus 1.50%, as defined in the agreement.

The following table summarizes the total amounts outstanding under the line of credit agreement attributed to Covenant House as of June 30, 2017:

Parent	$13,827,809
Under 21 Covenant House New York	522,191
Covenant House Georgia	150,000
	$14,500,000

During 2018, proceeds from the sale of a building owned by Covenant House (Parent) were used to repay the total outstanding balance on the line of credit. As of June 30, 2018, the outstanding balance due on the line of credit was $0.

In September 2012, CHH was formed for the purpose of participation in a NMTC financing transaction, and received an allocation of NMTC funds pursuant to Section 45D of the Internal Revenue Code (also see note 5).

Under the terms of the NMTC transaction, CHH received mortgage loans from the CDEs. The loans were comprised of Loan A amounts totaling $12,813,000 and Loan B amounts totaling $4,487,000. Per NMTC regulations, upon completion of a required seven-year period, the issuer of the NMTC loans is anticipated to liquidate its interest in the NMTC transaction, leading to the forgiveness of the loans. Due to the structure of the NMTC transaction, the Loan A balance is effectively a loan between the Alaska Affiliate and CHH; however, since no legal right of offset exists, the note receivable of $12,813,000 and the loans payable of $17,300,000 have been reported gross on the accompanying consolidated statement of financial position. Interest accrues on the Loan A and Loan B notes at 0.744% per annum and is payable monthly. Any accrued but unpaid interest and unpaid principal on the Loan A notes is due in full on June 6, 2020. For Loan B notes, interest is payable monthly through June 6, 2020, at which time monthly payments of interest and principal sufficient to amortize the notes by October 1, 2042 are required.

9. Line Of Credit, Other Debt Obligations and Capital Leases *(continued)*

On January 30, 2018, the California Affiliate refinanced its outstanding debt and entered into a $1,375,000 term loan with Bank of America, with an interest rate of 4.25% and maturing on January 28, 2028.

In May 2006, the New Jersey Affiliate secured a long-term loan from the Corporation for Supportive Housing ("CSH") for $528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The New Jersey Affiliate entered into an agreement to buy the related real estate on August 9, 2005. This loan was refinanced as part of new funding received from the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which totaled approximately $4,000,000, $3,300,000 of which was received via a grant and $700,000 was a loan, which was entered into on March 17, 2008. The initial mortgage term for the $700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from 25% percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2018 and 2017, the escrow amount held with the trustee totaled $269,905 and $266,370. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2018 and 2017, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the loan.

The New Jersey Affiliate also acquired a residential property in Montclair, NJ for a transitional living program to serve youths with mental disabilities called Nancy's Place. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark, NJ, for the transitional living program were provided for by temporary financing of $1,015,500 obtained from CSH on March 20, 2008. In accordance with terms of the agreement, partial payments aggregating $775,466 were made. These payments were made using grant funds awarded to the New Jersey Affiliate from the U.S. Department of Housing and Urban Development. At June 8, 2009, the remaining balance of $240,034 was refinanced by NJHMFA into a new permanent mortgage aggregating $648,346, including additional loan proceeds for the acquisition of two (2) adjacent properties. This mortgage is payable, without interest, over a period of 15 years. Repayment will be made from 25% percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2018 and 2017, the escrow amount held with the trustee totaled $151,258 and $149,158. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2018 and 2017, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

9. Line Of Credit, Other Debt Obligations and Capital Leases *(continued)*

On October 6, 2009, the New Jersey Affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from NJHMFA, aggregating $829,306 at June 30, 2018 and 2017. Of this amount, $538,000 was used to repay the existing debt obligation to the Parent, $109,729 was applied to fund required escrow balances, $30,187 was applied to financing expenses, capitalized as deferred financing costs on the accompanying consolidated statement of financial position, and the balance was received by the New Jersey affiliate as cost reimbursement for construction costs previously incurred. This mortgage is payable without interest over a period of 15 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2018 and 2017, the escrow amount held with the trustee totaled $101,178 and $98,578. To the extent that principal payments are not covered by cash flows, the payment of principal is deferred until the end of the mortgage term. In fiscal 2018 and 2017, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

On November 20, 2012, the New Jersey Affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA, aggregating $165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2018 and 2017, the escrow amount held with the trustee totaled $19,518 and $18,580. To the extent that payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2018 and 2017, the project ran a deficit; as such no principal payments were made. If it is determined at the maturity of the mortgage that the New Jersey Affiliate cannot repay and if all mortgage terms and conditions have been met, NJMFA may extend or refinance the mortgage. The property serves as collateral for the mortgage.

On July 27, 2012, the New Jersey Affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Montclair, NJ from New Jersey Department of Community Affairs ("NJDCA"), aggregating $654,400 at June 30, 2018 and 2017. Of this amount $600,000 was received at the closing with the balance due as expenses related to the occupancy of the building are incurred. $1,000 was received both in fiscal 2014 and fiscal 2013 and the balance of $52,400 was fully received as of June 30, 2016. This mortgage is payable over a period of 30 years with interest of 1% per annum, from the first of the month following the issuance of a final certificate of occupancy for the premises. Occupancy commenced on October 1, 2013. Repayment will be made from 50% of the project's cash flows after payment of expenses and debt service. To the extent that principal and interest payments are not covered by the project's cash flows, payment is deferred until the end of the mortgage term. In fiscal 2018 and 2017, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage. The property serves as collateral for the mortgage. Interest expense on this mortgage amounted to $6,501 and $6,540 in fiscal 2018 and 2017.

9. Line Of Credit, Other Debt Obligations and Capital Leases *(continued)*

The New Jersey Affiliate has an available $1 million dollar line of credit agreement with Bank of America, N.A. which was renewed on March 7, 2019 with a maturity date on April 30, 2020. Interest on amounts borrowed accrued at a rate of British Bankers' Association LIBOR plus 3.50%. There were no outstanding borrowings on this line of credit facility at June 30, 2018 and 2017. Interest expense for fiscal 2018 and 2017 amounted to $17,904 and $3,826

The Georgia Affiliate has a $300,000 line of credit agreement with Private Bank of Buckhead which was renewed on April 9, 2019 with a maturity date on April 5, 2020. There was no borrowing against the line as of June 30, 2018 and 2017. The line bears interest at the bank's prime lending rate, not to exceed 18%. The line is reviewed annually and is due on demand. Under terms of the line of credit, the Affiliate is required to maintain a specified debt service coverage ratio and debt to tangible net worth ratio, as those terms are defined.

In April 2016, the Pennsylvania Affiliate refinanced its loan payable with a financial institution. The new term loan is for $2,650,000 maturing in April 2021 and has an interest rate based on the 30-day LIBOR rate plus 2%. Interest is payable monthly with a principal payment due in the amount of $4,200, with a final balloon payment due at maturity. Covenant House (Parent) has fully cash-collateralized the outstanding loan amount with the financial institution. The outstanding loan balance at June 30, 2018 and 2017 was $2,288,800 and $2,339,200.

On March 31, 2017 and effective March 12, 2018, the Pennsylvania Affiliate renegotiated its loan terms with the financial institution which effectively converted the variable interest rate of 3.1% per annum to the fixed rate of 2.31% per annum. The maturity date and principal payment terms remain unchanged.

The Toronto Affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $500,000 (US $393,007). Interest is payable at the bank's prime rate. During fiscal years 2018 and 2017, there were no drawings against this line of credit.

In June 2015 and updated in April 2016, the Vancouver Affiliate entered into a Proposal Development Funding ("PDF"), whereby a loan of up to CAD $1,533,000 (US $1,204,960) will be made available to further the development of property as described in Note 6. The loan amount to be advanced will be due and bears no interest. In the event that the development of the property located 530 Drake Street is not complete, the third party has agreed to forgive the loan. As of June 30, 2018 and 2017, the outstanding balance of the loan was CAD $0 (US $0) and CAD $1,189,232 (US $915,956).

The Vancouver Affiliate was provided with financial assistance in the amount of CAD $5,000,000 (US $3,804,420) in the form of a forgivable mortgage, registered on July 26, 2017. The Vancouver Affiliate is required to continue developing and operating the land located 530 Drake Street, for the specific purpose under the mortgage. As long as the affiliate is using the mortgage for the specific purpose, the mortgage will be forgiven equally over the term of the loan in the 11th year following the project completion date of 2021. As of June 30, 2018 outstanding balance of the forgivable mortgage was CAD $3,579,398 (US $2,723,491).

9. Line Of Credit, Other Debt Obligations and Capital Leases *(continued)*

The Washington, D.C. Affiliate has a term loan with a principal amount of $397,742 that currently bears interest at 6% per annum, and is secured by a Deed of Trust on the underlying property located at New York Avenue, Washington, D.C. The outstanding balance was $297,083 and $315,209 as of June 30, 2018 and 2017. Future minimum payments are $36,804 per annum, including interest, through maturity in 2030.

Covenant House is a lessee of certain equipment acquired under capital leases expiring in various years through fiscal year 2023. Amortization of assets acquired under capital leases is included in depreciation and amortization expense on the consolidated statement of activities. Obligations under capital leases at June 30, 2018 and 2017 amounted to approximately $489,000 and $531,000.

The following summarizes the scheduled loan and capital lease obligation payments due in future years at June 30, 2018:

2019	$ 1,098,816
2020	13,102,910
2021	2,315,953
2022	2,854,261
2023	121,556
Thereafter	8,790,847
	28,284,343
Less: Amount representing interest	(79,689)
Less: Deferred financing costs	(326,478)
	$ 27,878,176

10. Deferred Revenue

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the accompanying consolidated statement of financial position and are being amortized over the period of the respective grant/loan agreements.

The following grants/loans have been awarded to various Covenant House affiliates during current and prior fiscal years:

Covenant House ("CH") Affiliate	Awarding Agency/Other	Unamortized Balance at June 30, 2018	Unamortized Balance at June 30, 2017
CH California	State of California Department of Housing and Community Development	$ 577,084	$ 722,105
CH New Jersey	U.S. Department of Housing and Urban Development	800,000	800,000
CH New Jersey	State of New Jersey Department of Community Affairs	131,445	175,260
CH New Jersey	State of New Jersey Department of Human Services	8,670	9,754
CH Alaska	Cook Inlet Tribal Council	442,818	472,356
Various	Various	659,610	413,622
		$ 2,619,627	$ 2,593,097

11. Split-Interest Agreements

Covenant House is the beneficiary of various split-interest agreements with donors. Covenant House may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee(s)) at which time the remaining assets are generally unrestricted for Covenant House's use. Under Covenant House's charitable remainder trust and charitable gift annuities programs, where Covenant House is the trustee, Covenant House has elected the fair value reporting option which requires the obligation due under split-interest agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or designee(s) and the discount rate at the date of measurement. Covenant House believes that accounting for charitable remainder trusts and charitable gift annuities at fair value appropriately reflects Covenant House's obligations due under split-interest agreements.

The discount rates used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2018 and 2017 ranged from 1.58% to 6% and 1.66% to 2.44%. At June 30, 2018, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $3,351,000 and $2,588,000. At June 30, 2017, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $2,355,000 and $2,988,000. As of June 30, 2018 and 2017, $8,161,767 and $8,320,978 of investments relate to such agreements. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Covenant House further maintains beneficial interests in certain trusts administered by third parties. Those trusts of a perpetual nature were valued at approximately $3,989,000 and $4,082,000 at June 30, 2018 and 2017. Other trusts with a defined time frame (term trusts) were valued at approximately $2,115,000 and $1,980,000 at June 30, 2018 and 2017. As these trusts are controlled and invested by independent third parties, Covenant House records a beneficial interest and contribution revenue for its ratable share of the assets based on the fair value of the trusts' underlying assets.

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's beneficial interests in trusts and annuities payable at June 30:

	2018		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 5,939,337	$ -	$ 5,939,337
Beneficial interests in trusts	$ -	$ 6,104,507	$ 6,104,507

	2017		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 5,342,755	$ -	$ 5,342,755
Beneficial interests in trusts	$ -	$ 6,062,329	$ 6,062,329

11. Split-Interest Agreements *(continued)*

The following tables summarize the changes in fair value associated with Covenant House's Level 3 beneficial interests in trusts for the years ended June 30:

	2018				
	Beginning Balance at July 1, 2017	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2018
Beneficial interests in trusts	$ 6,062,329	$ 19,650	$ 108,905	$ (86,377)	$ 6,104,507

	2017				
	Beginning Balance at July 1, 2016	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2017
Beneficial interests in trusts	$ 5,834,530	$ 136,022	$ 315,047	$ (223,270)	$ 6,062,329

12. Pension Plans

Covenant House has a defined benefit pension plan (the "Plan") covering employees of Covenant House. Benefits are generally based on years of service and average salary, as defined under the Plan. Covenant House's policy is to contribute to the Plan the amount necessary to satisfy IRS funding requirements as calculated by its actuary. The assets of the Plan, which are held by the Prudential Retirement Insurance and Annuity Company, consist primarily of mutual funds that are invested in equity and fixed income securities, which are reported at fair value based on quoted market values as of the reporting date.

The Plan's investment objectives seek to obtain the highest total rate of return in keeping with a moderate level of risk while preserving principal in real terms and focusing on long-term returns over near-term current yield. To develop the expected long-term rate of return on assets assumption, Covenant House considers historical returns and future expectations of returns for its fixed income securities.

Effective December 31, 2006, Covenant House froze service credits in the Plan. Compensation increases continued to apply within the Plan structure for those participants who exceeded certain thresholds of age and years of service to protect the benefits of older and longer tenured employees. Covenant House further amended the Plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits would accrue under the Plan after that date.

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. However, beginning in 2018, Covenant House (Parent) began charging Affiliates their pro rata share of the minimum funding requirement.

12. Pension Plans *(continued)*

The following table presents the Plan's required pension disclosures as of and for the years ended June 30:

	2018	2017
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 48,718,943	$ 51,707,441
Service cost	782,400	561,708
Interest cost	2,036,408	2,029,215
Actuarial loss	(4,733,440)	(3,257,515)
Benefits paid	(4,080,437)	(2,321,906)
Projected benefit obligation, end of year	$ 42,723,874	$ 48,718,943
Change in Plan assets:		
Fair value of plan assets, beginning of year	$ 30,397,791	$ 30,932,858
Actual return on Plan assets	621,053	1,131,851
Employer contributions	1,591,836	654,988
Benefits paid	(4,080,437)	(2,321,906)
Fair value of Plan assets, end of year	$ 28,530,243	$ 30,397,791
Funded status, end of year	$ (14,193,631)	$ (18,321,152)
Accumulated benefit obligation	$ 42,723,874	$ 48,718,943
Amounts included in unrestricted net assets:		
Unrecognized actuarial loss	$ 10,049,454	$ 14,723,088
Components of the net periodic pension cost (benefit):		
Service cost	$ 782,400	$ 561,708
Interest cost	2,036,408	2,029,215
Expected return on plan assets	(2,063,234)	(2,102,096)
Amortization of actuarial loss	1,382,375	1,901,450
Net periodic pension cost	$ 2,137,949	$ 2,390,277
Other changes recognized in unrestricted net assets:		
Actuarial (gain) incurred during the year	$ (3,291,259)	$ (2,287,270)
Amortization of actuarial loss	(1,382,375)	(1,901,450)
Pension related activity, other than net periodic pension cost	$ (4,673,634)	$ (4,188,720)
Amounts in unrestricted net assets expected to be recognized as components of net periodic pension cost in the next fiscal year:		
Amortization of actuarial loss	$ 795,739	$ 1,360,000
Weighted-average Assumptions:		
Discount rate - benefit obligation	4.97%	4.32%
Discount rate - net periodic pension cost	4.32%	4.02%
Expected long-term rate of return on Plan assets	7.00%	7.00%
Average rate of increase in compensation levels	N/A	N/A

12. Pension Plans *(continued)*

Covenant House expects to contribute $2,076,897 to the Plan in 2019.

Employer contributions to the Plan for the years ended June 30, 2018 and 2017 were $1,591,836 and $654,988. Plan benefits expected to be paid in the following fiscal years are as follows:

2019	$ 1,475,417
2020	1,943,791
2021	2,693,152
2022	2,087,644
2023	2,058,858
2024-2028	13,100,182

The following table prioritizes the inputs used to measure and report the fair value of the Plan's assets at June 30:

	2018		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 21,549,364	$ -	$ 21,549,364
Equity mutual funds	6,872,698	-	6,872,698
Pooled separate accounts	-	108,181	108,181
Total Plan Assets	$ 28,422,062	$ 108,181	$ 28,530,243

	2017		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 24,125,237	$ -	$ 24,125,237
Equity mutual funds	5,893,356	-	5,893,356
Pooled separate accounts	-	379,198	379,198
Total Plan Assets	$ 30,018,593	$ 379,198	$ 30,397,791

12. Pension Plans *(continued)*

The percentages of the fair value of total Plan assets by asset category are as follows at June 30:

	2018	2017
Fixed income mutual funds	76 %	81 %
Equity mutual funds	23 %	18 %
Pooled separate accounts	1 %	1 %
	100 %	100 %

Effective January 1, 2007, Covenant House adopted a 403(b) defined contribution pension plan for all employees with one year of service. As of January 1, 2012, Covenant House matches 100% of employee contributions to the 403(b) plan up to 3% of employee contributions, except for the highly compensated employees as defined below. New hires become eligible to receive the employer match contribution once the employee has reached age 21 and completed one year of service. Along with the matching provision, there is an additional annual employer contribution to the retirement account for all employees who worked 1,000 hours in a year. Covenant House's contributions range from 1% to 9% of each eligible employee's salary based on points, provided that the respective employee worked 1,000 hours annually. Points are defined as the sum of age and years of service. The 403(b) plan is 100% vested (cliff vesting) after three years of service. Total expense related to the 403(b) plan was approximately $2,383,000 and $2,437,000 for the years ended June 30, 2018 and 2017. Total employer contributions due to the 403(b) plan are approximately $2,657,000 and $2,206,000 at June 30, 2018 and 2017, and are included in pension benefits liability on the accompanying consolidated statement of financial position.

Effective January 1, 2012, Covenant House implemented a 457(b) plan for those highly compensated employees who have reached the IRS maximum 403(b) contribution for the year. These employees have the option of continuing their contributions and will be matched by the employer 100% of up to 3% of employee contributions. All other criteria for eligibility follows the same guidelines as the 403(b) plan. Total employer expense related to the 457(b) plan approximated $73,000 and $59,000 for the years ended June 30, 2018 and 2017. Covenant House (Parent) obligations under the 457(b) plan are approximately $444,000 and $398,000 at June 30, 2018 and 2017, and are included in pension benefits liability on the accompanying consolidated statement of financial position.

12. Pension Plans *(continued)*

The Toronto Affiliate maintains a Group Registered Retirement Savings Plan ("RRSP"). During fiscal years 2018 and 2017, the expense for the RRSP totaled approximately CAD $444,000 (US $338,000) and CAD $431,000 (US $332,000). There are no employer contributions due to the Toronto Affiliate's RRSP at June 30, 2018 and 2017.

The Vancouver Affiliate maintains a defined contribution pension plan that provides retirement benefits to its employees. Employees are eligible to join after one year of continuous service. Pension contributions vest with the employee after two years of participation in the plan. Funding contributions are made by employees and are matched by the Vancouver Affiliate in the amount of 3%, 5% or 7% of employee compensation based on the number of completed years of service. The expense related to the defined contribution plan for fiscal years 2018 and 2017 totaled approximately CAD $247,000 (US $188,000) and CAD $238,000 (US $183,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2018 and 2017.

In addition, the labor laws of affiliates in Central America provide for severance pay if an employee is dismissed without just cause. Accrued expenses related to such potential payments are determined in accordance with local statutes and are reflected in the accompanying consolidated financial statements.

13. Temporarily Restricted Net Assets

As of June 30 temporarily restricted net assets are available for the following:

	2018	2017
Purpose Restrictions:		
Program	$ 7,060,153	$ 6,315,811
Capital	23,714,176	14,195,233
Total Program Restrictions	30,774,329	20,511,044
Time Restrictions:		
Beneficial interest in trusts	1,628,689	1,711,152
Other split-interest agreements	2,581,688	2,347,743
Other time restrictions	8,032,085	6,856,907
Total Time Restrictions	12,242,462	10,915,802
	$ 43,016,791	$ 31,426,846

13. Temporarily Restricted Net Assets *(continued)*

Net assets were released from temporary restrictions by incurring expenses and other costs satisfying the donor restrictions for the years ended June 30 as follows:

	2018	2017
Purpose restrictions	$ 7,756,214	$ 6,998,056
Time restrictions	5,673,013	3,011,069
	$ 13,429,227	$ 10,009,125

14. Permanently Restricted Net Assets/Endowment

Permanently restricted net assets are restricted to investment in perpetuity. Except for changes in unrealized gains (losses) on the fair value of perpetual trusts administered by third parties, which are reflected in the permanently restricted net asset class, but not part of the endowment, the income from Covenant House's permanent endowment has not been donor-restricted for specific programs and is expendable for unrestricted purposes, following board appropriation, subject to a standard of prudence.

Covenant House's endowment includes both donor-restricted (gifted) endowment funds and funds designated by the Board of Directors to function as an endowment (quasi-endowment). Covenant House's donor-restricted endowment consists of various individual funds established principally in support of Covenant House's mission; it excludes permanently restricted beneficial interests in trusts administered by third parties. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. On September 17, 2010, the State of New York passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). All not-for-profit organizations formed in New York must apply this law. Covenant House classifies as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure by Covenant House in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established, and the standard of prudence prescribed by NYPMIFA.

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

14. Permanently Restricted Net Assets/Endowment *(continued)*

Covenant House 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 support Covenant House's activities while seeking to maintain the purchasing power of the endowment assets. Covenant House's primary investment objective is 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, Covenant House relies on a total return strategy, the objective of which is to achieve a return consisting of 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 endowment portfolio is diversified among various investment classes and strategies to help reduce risk.

The following details endowment net asset composition, excluding third-party perpetual trusts of approximately $3,989,000 and $4,082,000 as of June 30, 2018 and 2017.

	2018			
Composition of Endowment Net Assets by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	$ 4,859,044	$ -	$ -	$ 4,859,044
Donor-restricted endowment funds	-	3,528,934	5,247,064	8,775,998
	$ 4,859,044	$ 3,528,934	$ 5,247,064	$ 13,635,042
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 5,181,890	$ 2,642,425	$ 5,247,064	$ 13,071,379
Investment return:				
Investment income	84,057	129,072	-	213,129
Net appreciation (realized and unrealized)	192,531	757,437	-	949,968
Appropriation of endowment assets for expenditure	(1,002,995)	-	-	(1,002,995)
Transfers in	403,561	-	-	403,561
Endowment net assets, end of year	$ 4,859,044	$ 3,528,934	$ 5,247,064	$ 13,635,042

14. Permanently Restricted Net Assets/Endowment *(continued)*

	2017			
Composition of Endowment Net Assets by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	$ 5,181,890	$ -	$ -	$ 5,181,890
Donor-restricted endowment funds	-	2,642,425	5,247,064	7,889,489
	$ 5,181,890	$ 2,642,425	$ 5,247,064	$ 13,071,379
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 5,763,759	$ 1,978,116	$ 5,247,064	$ 12,988,939
Investment return:				
Investment income	105,483	123,946	-	229,429
Net appreciation (realized and unrealized)	313,923	540,363	-	854,286
Appropriation of endowment assets for expenditure	(1,575,904)	-	-	(1,575,904)
Transfers in	574,629	-	-	574,629
Endowment net assets, end of year	$ 5,181,890	$ 2,642,425	$ 5,247,064	$ 13,071,379

15. Allocation of Joint Costs

Covenant House has allocated joint costs incurred associated with certain informational mailings that contain an appeal for funds between the public education program and fundraising expense categories on the accompanying consolidated statement of activities. Total joint costs of approximately $620,000 and $945,000 were incurred during fiscal 2018 and 2017, and approximately $568,000 and $325,000 were allocated to public education and approximately $52,000 and $620,000 were allocated to fundraising.

16. Commitments and Contingencies

Covenant House is party to a number of operating leases for office space and equipment. Aggregate future minimum lease payments due under operating leases that have remaining terms in excess of one year as of June 30, 2018 are as follows:

2019	$ 2,763,533
2020	2,379,033
2021	2,097,345
2022	1,559,221
2023	228,573
Thereafter	159,957
	$ 9,187,662

16. Commitments and Contingencies *(continued)*

During July 1999, the Michigan Affiliate entered into a dollar-a-year lease for its main campus with the Archdiocese of Detroit for a period of 99 years. The fair value of the property at the time of the lease signing was recorded as temporarily restricted net assets and is released from restriction over the period of the lease. As the asset is amortized over the 99 year life of the lease, $1,869 of rent expense and amortization is recorded. The Affiliate uses this property for administrative purposes, the crisis center, rights of passage, charter school and future programs.

The Washington, D.C. Affiliate's Community Service Center resides on a parcel of land along Mississippi Ave., SE, in Washington, D.C., which is part of a larger Building Bridges Across the River, Inc. (BBAR) development project. The Washington, D.C. Affiliate has negotiated a ground sublease with BBAR that was finalized on November 11, 2005. Based on the sublease agreement, the lease commencement date was determined retroactively to be January 20, 2003 with a termination date of July 18, 2100. The lease has an annual rent of $25 per year and the Washington, D.C. Affiliate is responsible for all operating expenses and utilities. The fair value of the land at the time of the lease agreement signing was recorded as a contribution receivable and temporarily restricted contribution and is released from restrictions over the term of the lease. The balance of the long term other asset of $282,284 and $285,685, is reported in prepaid expenses and other assets on the accompanying consolidated statement of financial position at June 30, 2018 and 2017. The Washington, D.C. Affiliate built a free-standing, two-story building on the premises, referred to as the Nancy Dickerson Whitehead Community Service Center, which the Washington, D.C. Affiliate owns and can sell, assign, or sublet after 15 years, assuming that the purchaser, assignee, or sub-lessee agrees to certain use restrictions, will perform a needed service at the facility, and is financially capable.

If the Washington, D.C. Affiliate sells the building, then BBAR will be entitled to 19% of the proceeds. The Washington, D.C. Affiliate uses the building and land to provide recreational, educational, social, cultural and support services to homeless and at-risk youths.

Covenant House is contingently liable under various claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the consolidated financial statements of Covenant House.

Covenant House receives funding under grants and contracts from various federal, state and local government agencies. In accordance with the terms of certain government contracts, the records of certain affiliates are subject to audit for varying periods after the date of final payment of the contracts. Covenant House is liable for any disallowed costs; however, management believes that the amount of costs disallowed, if any, would not be material to its consolidated financial statements.

* * * * *