# Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2024

**Covenant House and Affiliates**

Consolidated Financial Statements
Together With Independent Auditors' Report

June 30, 2024

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

# Independent Auditors' Report

**Board of Directors**
**Covenant House and Affiliates**

### *Opinion*

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, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, 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, 2024 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.

We did not audit the financial statements of Covenant House Toronto, Covenant House Vancouver, Asociación La Alianza (Guatemala), Casa Alianza de Honduras, and Fundación Casa Alianza México, I.A.P., controlled international affiliated organizations, which statements reflect total assets constituting 21.20% of total consolidated assets as of June 30, 2024, and total revenue constituting 19.11% of total consolidated revenues for the year then ended. Those statements were audited by other auditors in accordance with auditing standards other than those generally accepted in the United States of America, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the controlled international affiliated organizations, 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 the controlled international affiliated organizations, 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.

### *Basis of Opinion*

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

***Responsibilities of Management for the Consolidated Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

## Report on Summarized Comparative Information

We have previously audited Covenant House and Affiliates' June 30, 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 14, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities on pages 52 and 53 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

May 7, 2025

**Covenant House and Affiliates**

Consolidated Statement of Financial Position
Year Ended June 30, 2024
(with summarized totals for the year ended June 30, 2023)

| | 2024 | 2023 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 33,363,615 | $ 41,271,240 |
| Cash held in escrow | - | 276,300 |
| Restricted cash | 374,145 | 465,301 |
| Contributions receivable, net (Note 3) | 17,804,778 | 13,234,129 |
| Grants receivable (Note 4) | 13,770,567 | 16,246,020 |
| Notes receivable (Note 5) | 11,906,642 | 11,906,642 |
| Prepaid expenses and other assets, net (Note 6) | 10,777,267 | 13,685,014 |
| Investments (Note 7) | 105,198,527 | 105,536,076 |
| Investments, other (Note 7) | 14,355,988 | 12,396,523 |
| Property, plant and equipment, net (Note 8) | 300,933,852 | 256,828,298 |
| Right of use assets - operating leases (Note 11) | 15,360,394 | 18,171,976 |
| Investment in condominium construction (Note 8) | 7,500,000 | 7,500,000 |
| Beneficial interests in trusts (Note 12) | 7,508,099 | 7,178,407 |
| | $ 538,853,874 | $ 504,695,926 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable and accrued expenses | $ 22,833,653 | $ 21,179,436 |
| Deferred revenue (Note 10) | 4,759,540 | 5,498,919 |
| Line of credit and other debt obligations (Note 9) | 51,769,850 | 44,787,904 |
| Finance lease obligations (Note 11) | 418,533 | 403,485 |
| Lease liability, operating leases (Note 11) | 15,435,397 | 18,181,863 |
| Paycheck Protection Program loans (Note 13) | 27,664 | 57,843 |
| Obligations due under split-interest agreements (Note 12) | 3,484,066 | 3,555,918 |
| Other liabilities | 162,226 | 162,226 |
| Pension benefits liability (Note 14) | 14,001,395 | 16,717,189 |
| Total Liabilities | 112,892,324 | 110,544,783 |
| Net Assets | | |
| Without donor restrictions (Note 15) | 316,831,102 | 313,468,609 |
| With donor restrictions (Notes 16 and 17) | 109,130,448 | 80,682,534 |
| Total Net Assets | 425,961,550 | 394,151,143 |
| | $ 538,853,874 | $ 504,695,926 |

See notes to consolidated financial statements

## Covenant House and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2024
(with summarized totals for the year ended June 30, 2023)

| | Without Donor Restrictions | With Donor Restrictions | 2024 Total | 2023 Total |
|---|---|---|---|---|
| **CONTRIBUTIONS AND OTHER REVENUE** | | | | |
| Contributions from individuals, foundations and corporations, including legacies and bequests of $18,272,766 and $14,430,693 for 2024 and 2023 | $ 132,258,771 | $ 38,763,220 | $ 171,021,991 | $ 154,254,273 |
| Government grants and contracts | 77,834,899 | 9,895,000 | 87,729,899 | 73,820,688 |
| Contributions of nonfinancial assets | 15,179,743 | 471,372 | 15,651,115 | 18,816,435 |
| Special events revenue, net of costs of direct benefits to donors of $2,689,320 and $2,616,800 for 2024 and 2023 | 18,039,493 | - | 18,039,493 | 19,386,652 |
| School management fees | - | - | - | 6,793,745 |
| Net assets released from restrictions | 20,834,136 | (20,834,136) | - | - |
| Total Contributions and Other Revenue | 264,147,042 | 28,295,456 | 292,442,498 | 273,071,793 |
| **INVESTMENT RETURN** | | | | |
| Interest and dividends, net | 3,966,954 | 128,814 | 4,095,768 | 3,337,277 |
| Net unrealized gain | 5,359,215 | 216,241 | 5,575,456 | 4,093,714 |
| Net realized gain | 434,399 | - | 434,399 | 42,250 |
| Change in value of split-interest agreements | 4,110 | 292,070 | 296,180 | 165,508 |
| Change in value of beneficial interest in trusts | 17,251 | 382,364 | 399,615 | 215,351 |
| Sales of customer lists and other income | 4,458,471 | 21,476 | 4,479,947 | 2,749,277 |
| Total Investment Return | 14,240,400 | 1,040,965 | 15,281,365 | 10,603,377 |
| Total Contributions and Other Revenue and Investment Return | 278,387,442 | 29,336,421 | 307,723,863 | 283,675,170 |
| **EXPENSES** | | | | |
| Program services | 216,769,623 | - | 216,769,623 | 221,060,433 |
| Supporting Services | | | | |
| Management and general | 29,903,671 | - | 29,903,671 | 29,318,718 |
| Fundraising | 28,858,533 | - | 28,858,533 | 28,282,799 |
| Total Expenses | 275,531,827 | - | 275,531,827 | 278,661,950 |
| Change in Net Assets from Operations | 2,855,615 | 29,336,421 | 32,192,036 | 5,013,220 |
| Foreign currency translation adjustment | (2,023,407) | (888,507) | (2,911,914) | (730,761) |
| Net periodic pension cost, except service cost | (1,153,472) | - | (1,153,472) | (1,496,945) |
| Pension benefits liability adjustment | 1,941,542 | - | 1,941,542 | 2,700,903 |
| Forgiveness of Paycheck Protection Program loans | - | - | - | 16,930 |
| Return of CARES Act stimulus | - | - | - | (384,219) |
| Loan forgiveness - California affiliate | 1,485,501 | - | 1,485,501 | - |
| Net gain on sale of property, plant and equipment | 256,714 | - | 256,714 | 530,760 |
| Change in Net Assets | 3,362,493 | 28,447,914 | 31,810,407 | 5,649,888 |
| **NET ASSETS** | | | | |
| Beginning of year | 313,468,609 | 80,682,534 | 394,151,143 | 388,501,255 |
| End of year | $ 316,831,102 | $ 109,130,448 | $ 425,961,550 | $ 394,151,143 |

See notes to consolidated financial statements

# Covenant House and Affiliates

## Consolidated Statement of Functional Expenses
## Year Ended June 30, 2024
## (with summarized totals for the year ended June 30, 2023)

| | Program Services | | | | | | | | | | Supporting Services | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Immediate Housing | Outreach | Young Families Program | Health and Well-Being | Drop-In Services | Public Education and Prevention | Transitional Living - Rights of Passage | Schools | Permanent Supportive Housing | Total Program Services | Management and General | Fundraising | Total Supporting Services | Cost of Direct Benefit To Donors | 2024 Total Expenses | 2023 Total Expenses |
| Salaries and wages | $ 47,434,890 | $ 5,325,221 | $ 1,716,327 | $ 4,615,052 | $ 7,548,630 | $ 7,751,806 | $ 17,298,130 | $ 703,985 | $ 4,465,256 | $ 96,859,297 | $ 12,971,275 | $ 9,528,381 | $ 22,499,656 | $ - | $ 119,358,953 | $ 120,433,594 |
| Payroll taxes | 4,437,313 | 575,162 | 176,483 | 414,138 | 754,153 | 669,557 | 1,639,709 | 63,653 | 702,593 | 9,432,761 | 1,459,021 | 926,391 | 2,385,412 | - | 11,818,173 | 10,193,315 |
| Employee benefits | 7,293,903 | 845,194 | 248,614 | 976,559 | 1,328,417 | 1,684,197 | 2,823,678 | 77,463 | 596,171 | 15,874,196 | 3,331,499 | 1,498,262 | 4,829,761 | - | 20,703,957 | 21,692,638 |
| Total Salaries and Related Expenses | 59,166,106 | 6,745,577 | 2,141,424 | 6,005,749 | 9,631,200 | 10,105,560 | 21,761,517 | 845,101 | 5,764,020 | 122,166,254 | 17,761,795 | 11,953,034 | 29,714,829 | - | 151,881,083 | 152,319,547 |
| Legal services (includes contributed legal services of $604,913 and $369,654 in 2024 and 2023) | 422,587 | 17,506 | 14,033 | 55,109 | 79,699 | 18,832 | 103,076 | 3,049 | 54,625 | 768,516 | 637,717 | 15,482 | 653,199 | - | 1,421,715 | 1,178,363 |
| Contributed public service announcements | - | - | - | - | - | 10,760,102 | - | - | - | 10,760,102 | - | - | - | - | 10,760,102 | 12,916,875 |
| Professional fees | 121,410 | 6,005 | 13,456 | 29,163 | 21,961 | 2,857 | 44,121 | - | 7,623 | 246,596 | 937,714 | 3,277 | 940,991 | - | 1,187,587 | 1,817,535 |
| Medical fees | 29,701 | 521 | 1,570 | 195,625 | 3,181 | - | 37 | - | - | 230,635 | - | - | - | - | 230,635 | 249,720 |
| Consulting fees | 1,640,110 | 127,206 | 37,956 | 272,186 | 305,706 | 1,873,992 | 515,667 | 47,802 | 198,374 | 5,018,999 | 1,705,531 | 1,323,358 | 3,028,889 | 72,638 | 8,120,526 | 8,230,019 |
| Supplies | 983,299 | 130,293 | 60,418 | 164,251 | 152,838 | 46,880 | 380,481 | 12,491 | 115,132 | 2,046,083 | 308,270 | 197,946 | 506,216 | 4,252 | 2,556,551 | 3,445,786 |
| Telephone | 693,726 | 68,852 | 31,980 | 61,757 | 96,684 | 66,660 | 326,347 | 9,270 | 90,467 | 1,445,743 | 262,408 | 74,315 | 336,723 | - | 1,782,466 | 1,738,777 |
| Postage and printing | 321,486 | 660,740 | 10,176 | 27,016 | 28,759 | 7,783,212 | 86,762 | 531 | 23,714 | 8,942,396 | 475,228 | 11,533,110 | 12,008,338 | 50,708 | 21,001,442 | 21,455,947 |
| Fuel and utilities | 1,935,500 | 215,385 | 91,748 | 78,806 | 306,946 | 66,749 | 946,691 | 20,937 | 112,860 | 3,775,622 | 238,570 | 83,040 | 321,610 | - | 4,097,232 | 3,976,582 |
| Repairs and maintenance | 1,994,839 | 47,822 | 79,399 | 79,303 | 418,289 | 55,882 | 760,128 | 122,903 | 137,491 | 3,696,056 | 226,719 | 93,847 | 320,566 | - | 4,016,622 | 3,628,630 |
| Facilities (includes contributed rent of $658,780 in 2024 and 2023) | 907,904 | 8,737 | 74,831 | 17,484 | 534 | 3,609 | 59,886 | - | 1,004 | 1,073,989 | 44,523 | 11,640 | 56,163 | - | 1,130,152 | 1,749,770 |
| Rent and other | 949,874 | 415,289 | 32,503 | 140,474 | 351,594 | 8,328 | 2,254,359 | 47,863 | 222,936 | 4,423,220 | 401,641 | 33,866 | 435,507 | 67,511 | 4,926,238 | 4,268,157 |
| Equipment | 790,657 | 31,313 | 29,006 | 92,136 | 222,868 | 368,641 | 235,402 | 50,262 | 17,843 | 1,838,128 | 512,527 | 107,292 | 619,819 | - | 2,457,947 | 2,268,603 |
| Travel and transportation | 383,239 | 68,545 | 21,107 | 35,679 | 139,649 | 124,087 | 129,412 | 12,966 | 72,442 | 987,126 | 210,695 | 74,882 | 285,577 | - | 1,272,703 | 1,292,040 |
| Conference and meetings | 423,388 | 13,022 | 11,443 | 66,441 | 110,670 | 92,536 | 150,158 | 10,838 | 39,020 | 917,516 | 121,485 | 48,688 | 170,173 | - | 1,087,689 | 1,031,405 |
| Specific Assistance to Individuals | | | | | | | | | | | | | | | | |
| Food | 3,360,041 | 180,961 | 123,058 | 8,174 | 247,426 | 73,049 | 798,273 | 5,354 | 75,633 | 4,871,969 | 31,090 | 1,145 | 32,235 | 80,644 | 4,984,848 | 5,389,286 |
| Medical | 599,220 | 414 | 28,372 | 122,917 | 15,450 | - | 30,974 | - | - | 797,347 | - | - | - | - | 797,347 | 606,879 |
| Clothing, allowance and other | 2,820,785 | 175,409 | 267,547 | 98,656 | 552,708 | 150,108 | 2,706,444 | 799,895 | 4,129,772 | 11,701,324 | 22,218 | 13,823 | 36,041 | 3,222 | 11,740,587 | 9,969,663 |
| Contributed clothing and merchandise | 1,448,885 | - | 3,324 | 6,198 | 69,599 | 7,093 | 136,142 | - | 32,610 | 1,703,851 | - | 2,000 | 2,000 | 156,769 | 1,862,620 | 2,374,495 |
| Temporary help | 684,610 | 6,909 | 2,398 | 106,987 | 218,403 | 44,647 | 232,008 | 1,228 | 139,215 | 1,436,405 | 321,681 | 60,592 | 382,273 | - | 1,818,678 | 1,142,545 |
| Other purchased services | 1,838,076 | 717,545 | 102,135 | 326,142 | 428,345 | 1,567,356 | 1,013,016 | 26,577 | 602,422 | 6,621,614 | 1,399,412 | 1,031,096 | 2,430,508 | 2,159,216 | 11,211,338 | 12,932,685 |
| Dues, licenses, and permits | 71,200 | 15,469 | 2,234 | 25,385 | 14,615 | 21,768 | 35,029 | 1,644 | 10,837 | 198,181 | 121,342 | 29,003 | 150,345 | 700 | 349,226 | 373,119 |
| Subscriptions and publications | 71,871 | 9,779 | 3,165 | 6,389 | 17,467 | 13,197 | 23,109 | 743 | 6,832 | 152,552 | 111,793 | 68,591 | 180,384 | - | 332,936 | 328,173 |
| Staff recruitment | 209,434 | 8,827 | 4,131 | 20,208 | 28,075 | 5,334 | 65,835 | 2,849 | 35,474 | 380,167 | 226,479 | 32,139 | 258,618 | - | 638,785 | 826,820 |
| Insurance | 1,483,598 | 77,062 | 73,362 | 96,991 | 249,396 | 35,318 | 487,480 | 172,948 | 148,413 | 2,824,568 | 546,897 | 87,790 | 634,687 | - | 3,459,255 | 3,004,251 |
| Contributed goods and services | 583,887 | 2,424 | 1,212 | 192,093 | 3,636 | 212,519 | 16,600 | - | 3,030 | 1,015,401 | 9,089 | 80,411 | 89,500 | - | 1,104,901 | 1,017,740 |
| Miscellaneous, net | 467,032 | 123,212 | 41,552 | 43,174 | 89,046 | 321,467 | 212,741 | 1,181 | 31,054 | 1,330,459 | 809,617 | 405,051 | 1,214,668 | 93,660 | 2,638,787 | 2,299,758 |
| Bank charges and fees | 387,610 | 32,699 | 23,651 | 63,759 | 67,189 | 10,924 | 182,979 | - | 55,749 | 824,560 | 384,367 | 287,920 | 672,287 | - | 1,496,847 | 1,970,864 |
| Interest | 323,391 | 7,192 | 4,075 | 8,246 | 55,061 | 18,838 | 94,559 | 3,797 | 40,546 | 555,705 | 374,914 | 14,925 | 389,839 | - | 945,544 | 443,475 |
| Total Before Depreciation and Amortization | 85,113,466 | 9,914,715 | 3,331,266 | 8,446,498 | 13,926,994 | 33,859,545 | 33,789,233 | 2,200,229 | 12,169,138 | 202,751,084 | 28,203,722 | 27,668,263 | 55,871,985 | 2,689,320 | 261,312,389 | 264,247,509 |
| Depreciation and amortization | 4,518,990 | 667,875 | 101,885 | 258,896 | 846,220 | 4,472,851 | 2,487,689 | 119,158 | 544,975 | 14,018,539 | 1,699,949 | 1,190,270 | 2,890,219 | - | 16,908,758 | 17,031,241 |
| Total Expenses | 89,632,456 | 10,582,590 | 3,433,151 | 8,705,394 | 14,773,214 | 38,332,396 | 36,276,922 | 2,319,387 | 12,714,113 | 216,769,623 | 29,903,671 | 28,858,533 | 58,762,204 | 2,689,320 | 278,221,147 | 281,278,750 |
| Less direct benefits to donors | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,689,320) | (2,689,320) | (2,616,800) |
| Total Expenses Reported by Function on Statement of Activities | $ 89,632,456 | $ 10,582,590 | $ 3,433,151 | $ 8,705,394 | $ 14,773,214 | $ 38,332,396 | $ 36,276,922 | $ 2,319,387 | $ 12,714,113 | $ 216,769,623 | $ 29,903,671 | $ 28,858,533 | $ 58,762,204 | $ - | $ 275,531,827 | $ 278,661,950 |

See notes to consolidated financial statements

## Covenant House and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2024
(with comparative amounts for the year ended June 30, 2023)

| | 2024 | 2023 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 31,810,407 | $ 5,649,888 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Discount and reserve on contributions receivable | (83,163) | 201,821 |
| Amortization of customer lists | 5,416,514 | 5,539,069 |
| Realized and unrealized gain on investments | (6,009,855) | (4,135,964) |
| Contributed investments | (188,927) | (219,190) |
| Amortization of note receivable | - | 16,148 |
| Interest income on short-term treasury bills | (171,548) | (83,784) |
| Forgiveness of Paycheck Protection Program loan | - | (16,930) |
| Deferred gain on sale leaseback | (24,538) | (24,538) |
| Net gain on sale of property, plant and equipment | (256,714) | (530,760) |
| Disposal of property, plant and equipment | - | 56,479 |
| Donated property, plant and equipment | (11,600) | - |
| Change in value of beneficial interest in trusts | (399,615) | (215,351) |
| Amortization of deferred revenue and loan discount | (35,916) | (134,233) |
| Change in value of split interest agreements | (296,180) | (165,508) |
| Pension benefits liability adjustment | (2,715,794) | (1,119,618) |
| Amortization of right of use assets - operating leases | 4,110,146 | 3,891,774 |
| Depreciation and amortization | 11,492,244 | 11,492,172 |
| Amortization of deferred financing costs | 91,859 | 98,127 |
| Bad debt expense- contributions receivable | 99,963 | 47,516 |
| Bad debt expense- grants receivable | 3,138 | 89,171 |
| Foreign currency translation adjustment | 2,911,914 | 730,761 |
| Additions to endowment | (170,000) | - |
| Changes in operating assets and liabilities | | |
| Contributions receivable | (4,587,449) | 762,401 |
| Grants receivable | 2,472,315 | (1,750,030) |
| Prepaid expenses and other assets | 831,090 | 1,398,863 |
| Accounts payable and accrued expenses | 1,654,217 | (1,838,615) |
| Deferred revenue | (703,463) | 1,349,367 |
| Lease liabilities | (4,045,030) | (3,881,887) |
| Other liabilities | - | 162,226 |
| Net Cash from Operating Activities | 41,194,015 | 17,369,375 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Additions to beneficial interests in trusts | (32,687) | - |
| Distributions from beneficial interests in trusts | 102,610 | 48,389 |
| Purchase of customer lists | (3,339,857) | (4,276,865) |
| Purchases of investments | (30,656,917) | (37,918,795) |
| Sales of investments | 37,378,640 | 28,009,716 |
| Capital expenditures | (58,131,044) | (13,244,900) |
| Maturity of guaranteed investment certificates | 1,285,345 | 2,162,589 |
| Purchase of certificates of deposit | (3,244,810) | - |
| Maturity of certificates of deposit | - | 1,570,821 |
| Net Cash from Investing Activities | (56,638,720) | (23,649,045) |

See notes to consolidated financial statements

**Covenant House and Affiliates**

Consolidated Statement of Cash Flows
*(continued)*
Year Ended June 30, 2024
(with comparative amounts for the year ended June 30, 2023)

| | 2024 | 2023 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Borrowings under line of credit and other obligations | $ 7,675,529 | $ 4,345,290 |
| Repayments of construction loans payable | - | (866,906) |
| Repayments of line of credit and other obligations | (739,179) | (3,269,926) |
| Repayments of Paycheck Protection Program loan | (30,179) | (37,177) |
| Principal payments under finance lease obligations | (117,031) | (123,248) |
| Deposits held with trustee | (13,844) | (8,485) |
| Transfer to Youth Vision Solutions | - | (3,924,665) |
| Payment of annuity obligations | (526,457) | (554,065) |
| Additions to gift split-interest arrangements | 750,785 | 646,039 |
| Additions to endowment | 170,000 | - |
| Net Cash from Financing Activities | 7,169,624 | (3,793,143) |
| Net Change in Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash | (8,275,081) | (10,072,813) |
| **CASH AND CASH EQUIVALENTS, CASH HELD IN ESCROW AND RESTRICTED CASH** | | |
| Beginning of year | 42,012,841 | 52,085,654 |
| End of year | $ 33,737,760 | $ 42,012,841 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Cash paid for interest | $ 481,006 | $ 457,821 |
| **NON-CASH OPERATING, INVESTING AND FINANCING FINANCING ACTIVITIES** | | |
| Construction costs financed through accounts payable | 2,360,975 | - |
| Loan forgiveness - California affiliate | 1,485,501 | - |
| Assets acquired under finance lease obligations | 132,079 | 272,414 |

See notes to consolidated financial statements

## 1. Organization and Tax Status

Covenant House (Parent) is a not-for-profit organization incorporated in 1972. Covenant House (Parent) and affiliates ("related entities") (collectively, "Covenant House"), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 57,000 young people during fiscal 2024. Throughout fiscal 2024, Covenant House provided a total of more than 862,000 nights of housing and safety for, on average, 2,400 youth each night.

Covenant House (Parent) is the sole member of the following not-for-profit operating and real estate holding "U.S. Affiliates":

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

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 "International Affiliates":

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

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

In 2018, 460 West 41st Street, LLC (the "LLC") filed its certificate of formation with the state of Delaware. Covenant House (Parent) has both 100% membership interest and the exclusive right to manage and control the affairs of the LLC. In fiscal 2019, CH Housing Development Fund Corporation ("HDFC") was incorporated in the state of New York as a separate Not-for-Profit Corporation.

## 1. Organization and Tax Status *(continued)*

Both the LLC and HDFC were formed for the purpose of acquiring, operating and developing a transitional housing facility located at 538-550 Tenth Avenue and 552-554 Tenth Avenue in New York, New York (collectively, the “Property”). HDFC, as nominee of the LLC, acquired the legal interest in the Property and then through a Declaration of Interest and Nominee Agreement, the LLC acquired the beneficial interest in the Property. The LLC entered into a master lease agreement with the New York affiliate, Under 21 Covenant House New York for the Property upon its completion.

In October 2020, CHGA CHI Leverage Lender, LLC (the “Georgia LLC”) a Covenant House Georgia, Inc. (the “Georgia affiliate”) subsidiary, was formed as a special purpose entity for 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 (the “Code”). The Georgia LLC was financed by equity contributions from the Georgia affiliate and Covenant House (Parent). The purpose of the Georgia LLC is for the construction of a new transitional supportive housing building, the renovation of the shelter and administrative facility, and a community service center, including acquisition of equipment for the use therein, located at 1559 Johnson Road, Blvd N.W., Atlanta, Georgia (the “Georgia Project”).

In November 2020, Covenant House Illinois QALICB LLC (the “QALICB LLC”), a Covenant House Illinois (the “Illinois affiliate”) subsidiary, was formed as a special purpose entity for participation in a NMTC financing transaction and received an allocation of NMTC funds pursuant to Section 45D of the Code. The purpose of the QALICB LLC is to acquire, develop, improve, lease, operate, finance, and manage certain real property located at 2934 West Lake Street in Chicago, Illinois (the “Illinois Project”).

In 2019, Covenant House California (the “California affiliate”) acquired the DreamCatcher Youth Services (“DreamCatcher”) program which included a property acquisition, from its’ parent agency, Alameda Family Services (AFS). 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.

In December 2022, Covenant House Michigan (the “Michigan affiliate”) and Youth Vision Solution (“YVS”), agreed that the two entities will legally separate and sever their corporate relationship. Accordingly, the Michigan affiliate is no longer the sole member of YVS. The Board of Directors of each entity voted and approved the separation (the “Separation”) and filed the appropriate separation documents with the State of Michigan. The Separation of the two entities was finalized on April 30, 2023.

In 2023, the Board of Directors of Casa Alianza Nicaragua (the “Nicaragua Affiliate”) agreed to the voluntary dissolution which was approved by Covenant House’s Board of Directors. During fiscal 2024, the Nicaraguan affiliate ceased operations and assets were transferred in accordance with the Nicaragua’s affiliate’s bylaws and local law.

## 1. Organization and Tax Status *(continued)*

Covenant House Toronto and Covenant House Vancouver, both located in Canada and International affiliates of Covenant House (Parent), 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, the Nicaragua affiliate, 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.

Covenant House (Parent) is qualified as a tax-exempt organization as described in Section 501(c)(3) of 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.

### *Components of Program and Supporting Services*

### *Program Services*

The Immediate and Short-Term Housing program focuses on crisis care and provides emergency services: temporary, immediate housing; nutritious meals; clothing; medical care; mental health services; and legal aid to young people ages 16-24 in the U.S. and Canada and ages 12-18 in Guatemala, Honduras, and Mexico who are experiencing homelessness or human trafficking. Covenant House's high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. Covenant House is expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, youth who are pregnant or parenting, and young people facing mental health challenges from their time unhoused. Covenant House's shelter doors are open, 24/7, and Covenant House has provided uninterrupted service to children and youth for more than 50 years.

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

## 1. Organization and Tax Status *(continued)*

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

### *Program Services (continued)*

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

Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. This is even more the case for young people of color and those who identify as LGBTQ+, as they face unique challenges associated with racism and prejudice, and for survivors of human trafficking. More than half (53%) of all Covenant House youth are dealing with a mental health challenge, and Covenant House's data shows that LGBTQ+ youth are more likely to face these challenges than their peers. Covenant House welcomes all young people with unconditional love and absolute respect. Covenant House's trauma-informed Health and Well-being services range from medical care at Covenant House's on-site health centers at certain Covenant House affiliates, to yoga classes, art and music therapy, one-on-one and group counseling, religious and spiritual services, and physical fitness. Through these activities and the stability and care they receive at Covenant House, young people begin to heal from the harm they experienced while living unhoused, taking control of their lives, building on their strengths, and nourishing their self-confidence.

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

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

## 1. Organization and Tax Status *(continued)*

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

### *Program Services (continued)*

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

The Permanent Supportive Housing program provides permanent housing to youth and young families through scattered-site apartments, where they receive ongoing case management and behavioral health services. Covenant House helps youth by covering a portion of their rent, a portion that dwindles as their capacity for independence increases. Covenant House seeks to promote different models of affordable-for-youth housing, that is, housing that youth can afford on their limited, entry-level salaries. To that end, Covenant House has also built, owns, and operates units that have rent requirements but no time restrictions, so young people can remain safely housed while they build their capacity for the home to which they aspire. Community apartments and rapid rehousing programs are an increasingly important part of Covenant House's housing services.

The Michigan affiliate initiated and oversaw the creation of three public school academies within the Metropolitan Detroit area. The academies are governed by a public board appointed by the authorizing body, Grand Valley State University ("GVSU"). The academies operate pursuant to a charter contract issued by GVSU and operate as independent public schools under the state law. The academies provide education, for homeless and at-risk children and those who have dropped out of school while in grades nine through twelve, and assists students in earning their high school diplomas.

The three schools merged and were renamed Covenant Academy-Detroit ("CA-Detroit") and are referred to as Central, East, and Southwest campus. After the Separation, YVS continues to manage CA-Detroit and in its role, provides all labor, material, equipment and supervision required by the schools, subject to the approval by the independent charter school's board of directors.

Covenant Academy-Grand Rapids ("CA-GR") has a governing public board appointed by GVSU. CA-GR operates pursuant to a charter contract issued by GVSU and operates as an independent public school under the state law. YVS was hired by the charter school's board of directors to manage CA-GR and in its role, provides all labor, material, equipment and supervision required by the schools, subject to approval by the board of directors.

## 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.

*Costs of Direct Benefits to Donors*
Costs 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 Presentation***

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

> *Without donor restrictions* – consist of resources available for the general support of Covenant House's operations and that may be used at the discretion of Covenant House's management and Board of Directors.

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

### *Net Asset Presentation (continued)*

*With donor restrictions* – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities, including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the consolidated statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as support without donor restrictions.

### *Contributions*

Contributions, including unconditional promises to give, are reported as revenues in the period received. 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 with donor restrictions. Covenant House reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions 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 allowance is based upon several factors including, but not limited to, historical collection experience and the creditworthiness of the respective donor. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management’s expected collectability.

### *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.

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

### *Contributions of Nonfinancial Assets*

Contributions of nonfinancial assets for fiscal 2024 and 2023 consisted of the following:

| | 2024 | 2023 | Utilization in Programs/Activities | Donor Restrictions | Valuation Techniques and Inputs |
|---|---|---|---|---|---|
| Public Service Announcements | $ 10,760,102 | $ 12,916,875 | Program and Administration | No associated donor restrictions | (a) |
| Food | 470 | 822 | Program and Administration | No associated donor restrictions | (b) |
| Supplies | 17,420 | 6,619 | Program and Administration | No associated donor restrictions | (b) |
| Clothing | 17,667 | 16,839 | Program and Administration | No associated donor restrictions | (b) |
| Contributed goods/merchandise | 2,291,711 | 2,829,251 | Program and Administration | No associated donor restrictions | (b) |
| Services | 1,288,452 | 2,017,595 | Program and Administration | No associated donor restrictions | (c) |
| Legal | 604,913 | 369,654 | Program and Administration | No associated donor restrictions | (c) |
| Property and equipment | 11,600 | - | Program and Administration | No associated donor restrictions | (d) |
| Rent | 658,780 | 658,780 | Program and Administration | No associated donor restrictions | (e) |
| | $ 15,651,115 | $ 18,816,435 | | | |

(a) Public service announcements are valued at the estimated fair value based on current rates for similar services.

(b) Covenant House estimated the fair value on the basis of wholesale values that would be received for selling similar products in the United States.

(c) Contributed services are valued at the estimated fair value of the services based on current rates for similar services.

(d) Fair value is estimated on the basis of recent comparable prices in the real estate market.

(e) Fair value is determined by using the local appraised market rent value.

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

### *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.

For the year ended June 30, 2023, the management fee income was based on the pupil membership counts taken in October 2022 and February 2023 and it was funded through payments from October 2022 to August 2023. For the year ended June 30, 2024, there was no management fee income due to the separation of the Michigan affiliate and YVS during fiscal year 2023.

### *Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash*

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. Cash held in escrow consists of timing of deposits and drawdowns related to the construction costs. Restricted cash consists principally of cash held for both the Georgia and Illinois Projects. The following is a reconciliation of the cash and cash equivalents, cash held in escrow and restricted cash reported on the consolidated statement of financial position and the consolidated statement of cash flows at June 30:

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 33,363,615 | $ 41,271,240 |
| Cash held in escrow | - | 276,300 |
| Restricted cash | 374,145 | 465,301 |
| | $ 33,737,760 | $ 42,012,841 |

## 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 Parent follows guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the NAV per share as a "Practical Expedient." 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.

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 without donor restrictions, 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 cost, which approximates fair value. In addition, investments - other, consists of guaranteed investment certificates, with a maturity at the purchase date of greater than three months but not more than one year and are carried at cost, which approximates fair value.

### *Other Assets, Customer Lists*

The costs of customer lists purchased by Covenant House (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.

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

### *Impairment of Long-Lived Assets*

Property, plant and equipment and intangible assets are reviewed for impairment if the use of the asset significantly changes, or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for the years ended June 30, 2024 and 2023.

### *Split-Interest Agreements and Beneficial Interests in Trusts*

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 over the life of the trust. Covenant House does not control the assets held by the outside 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 interests in trusts on the consolidated statement of activities.

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 general 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.

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

### *Functional Expense Allocation*

The majority of expenses are 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, salaries, the support to affiliates prorated program percentage allocation and other bases determined by Covenant House's management. Expenses of shared services or non-program services are allocated based on the number of full-time employees and the percentage of their time spent on certain programs, fundraising and administrative duties. Allocated expenses among program services, management and general, and fundraising include salaries and related expenses, professional fees, consulting fees, postage and printing, rent and other, food, clothing, allowance and other, other purchased services, depreciation and amortization, and other expenses, which are allocated based on time and costs where efforts are made.

### *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 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.

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

### *Fair Value of Financial Instruments (continued)*

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

*Common stocks, mutual funds, exchange-traded funds, U.S. and foreign government securities and corporate debt securities:* The reported fair value of common stocks, mutual funds, exchange-traded funds, and U.S. and foreign government securities is based on quoted market prices. The reported fair value of corporate debt securities is based on pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. 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 determined by Covenant House's share of the fair value of the assets held by the trust.

*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.

*Alternative Investments:* Pursuant to U.S. GAAP guidance, the fair value of alternative investments is measured using Net Asset Value ("NAV") as a practical expedient and are excluded from the fair value hierarchy.

### *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 has 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, 2021.

### *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.

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

### *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 maintains its cash with established commercial banks. At times, the cash balances exceeded federally insured limits.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing Covenant House'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.

### *Leases*

Covenant House has various leases. Operating leases are included in right of use asset ("ROU") – operating leases and lease liability, operating leases on the accompanying consolidated statement of financial position. Finance leases are included in property, plant and equipment and finance lease obligations on the accompanying consolidated statement of financial position.

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

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

Covenant House has lease agreements with lease and non-lease components, which are generally accounted for separately.

### *Operating Measure*

The consolidated statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to program and supporting activities.

## 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 the related debt. 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.

### *Prior Year 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 Covenant House's consolidated financial statements as of and for the year ended June 30, 2023, from which the summarized information was derived.

### *Subsequent Events Evaluation by Management*

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 May 7, 2025.

## 3. Contributions Receivable

Contributions receivable from donors that are due within one year are considered current. Contributions receivable that are due in more than one year have been discounted to their present value using interest rates ranging from 1.23% to 5.40% in 2024 and 1.23% to 6.75% in 2023. The interest rates have been determined using discount factors that approximate the risk and expected timing of future contribution payments. The receivables are due as follows at June 30:

| | 2024 | 2023 |
|---|---|---|
| Unconditional promises expected to be collected in: | | |
| Less than one year | $ 14,465,916 | $ 9,412,620 |
| Within five years | 3,818,242 | 4,337,711 |
| Thereafter | 200,923 | 347,227 |
| | 18,485,081 | 14,097,558 |
| Less: Discount to present value | (428,368) | (511,531) |
| Reserve for uncollectible accounts | (251,935) | (351,898) |
| | $ 17,804,778 | $ 13,234,129 |

During fiscal 2024 and 2023, 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 $13,770,567 and $16,246,020 at June 30, 2024 and 2023 are expected to be collected within one year. As of June 30, 2024 and 2023, no allowance for doubtful accounts was determined by management to be necessary.

## 5. Notes Receivable

In connection with the Georgia affiliate's NMTC transaction, in December 2020, the Georgia LLC loaned Chase CHG Atlanta Investment Fund, LLC, ("Investment Fund 1"), an unrelated entity, $5,829,510. Investment Fund 1 also received equity from a tax credit investor and then made a Qualified Equity Investment ("QEI") in Empowerment Reinvestment Fund XXXVIII ("ERF") (Suballocatee), as a Community Development Entity ("CDE"). The CDE then made two loans in the amount of $5,829,510 (Note A) and $2,027,430 (Note B) to the Georgia affiliate. (See Note 9)

In connection with the Illinois affiliate's NMTC transaction, in January 2021, the Illinois affiliate loaned Covenant House Investment Fund, LLC, ("Investment Fund 2"), an unrelated entity, $6,046,900. As of June 30, 2024 and 2023, the loan accrued $30,232 of interest income. Investment Fund 2 also received equity from a tax credit investor and then made a QEI in Chicago Development Fund ("CDF") Suballocatee XLI, LLC, as a CDE. The CDE then made two loans in the amount of $6,046,900 (Note C) and $2,283,100 (Note D) to the QALICB LLC. (See Note 9)

## 6. Other Assets, Customer Lists

Included in prepaid expenses and other assets on the consolidated statement of financial position are customer lists that Covenant House (Parent) purchased for purposes of generating fundraising contributions. At June 30, 2024 and 2023, the cost of the customer lists amounted to $30,721,680 and $27,356,823. Accumulated amortization at June 30, 2024 and 2023 amounted to $24,211,287 and $18,794,773. Amortization expense for fiscal years 2024 and 2023 amounted to $5,416,514 and $5,539,069.

Future amortization for Covenant House (Parent's) customer lists is as follows for the years ending June 30:

| | Amount |
|---|---|
| 2025 | $ 3,928,218 |
| 2026 | 1,874,215 |
| 2027 | 707,960 |
| | $ 6,510,393 |

## 7. Investments

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

| | 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Investments Measured at NAV* | Total |
| Investments: | | | | |
| Common stocks | $ 3,128,376 | $ - | $ - | $ 3,128,376 |
| U.S. government securities | 5,811,118 | - | - | 5,811,118 |
| Foreign government securities | 323,796 | - | - | 323,796 |
| Corporate debt securities | 666,536 | 1,167,004 | - | 1,833,540 |
| Exchange-traded funds | 2,356,587 | - | - | 2,356,587 |
| Mutual Funds: | | | | |
| Stocks | 17,523,147 | - | - | 17,523,147 |
| Bonds | 14,161,715 | - | - | 14,161,715 |
| Combined | 29,742,163 | 2,873,863 | - | 32,616,026 |
| Hedge fund | - | - | 3,315,848 | 3,315,848 |
| Total Investments at Fair Value | $ 73,713,438 | $ 4,040,867 | $ 3,315,848 | 81,070,153 |
| Cash and cash equivalents, at cost | | | | 24,128,374 |
| Total Investments | | | | $ 105,198,527 |

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Investments Measured at NAV* | Total |
| Investments: | | | | |
| Common stocks | $ 3,520,090 | $ - | $ - | $ 3,520,090 |
| U.S. government securities | 10,649,407 | - | - | 10,649,407 |
| Foreign government securities | 585,861 | - | - | 585,861 |
| Corporate debt securities | 630,833 | 2,112,658 | - | 2,743,491 |
| Exchange-traded funds | 2,373,883 | - | - | 2,373,883 |
| Mutual Funds: | | | | |
| Stocks | 16,029,448 | - | - | 16,029,448 |
| Bonds | 15,004,081 | - | - | 15,004,081 |
| Combined | 26,738,026 | 3,258,678 | - | 29,996,704 |
| Hedge fund | - | - | 3,062,104 | 3,062,104 |
| Total Investments at Fair Value | $ 75,531,629 | $ 5,371,336 | $ 3,062,104 | 83,965,069 |
| Cash and cash equivalents, at cost | | | | 21,571,007 |
| Total Investments | | | | $ 105,536,076 |

(*) As discussed in Note 2, certain investments that are measured at fair value using NAV value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy.

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.

## 7. Investments *(continued)*

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 2024 and 2023.

Investment management fees of approximately $154,000 and $145,000 are netted with interest and dividend income in the accompanying consolidated statement of activities for the years ended June 30, 2024 and 2023.

Covenant House's certificates of deposit of $3,661,685 and $416,875 and guaranteed investment certificates of $10,694,303 and $11,979,648 as of June 30, 2024 and 2023, are classified as investments, other, in 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 required.

Information regarding alternative investment valued using NAV as the practical expedient at June 30, 2024 and 2023 are as follows:

| | | 2024 | | | |
|---|---|---|---|---|---|
| Type | Investment Strategy | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Hedge Fund | Multi-strategy hedge fund with low volatility and event driven emphasis on utilizing fundamental bottom-up method of investing in primarily distressed investments and merger arbitrage | $ 3,315,848 | $ - | Quarterly | 65 days |

| | | 2023 | | | |
|---|---|---|---|---|---|
| Type | Investment Strategy | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Hedge Fund | Multi-strategy hedge fund with low volatility and event driven emphasis on utilizing fundamental bottom-up method of investing in primarily distressed investments and merger arbitrage | $ 3,062,104 | $ - | Quarterly | 65 days |

## 8. Property, Plant and Equipment

Property, plant and equipment consist of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| Buildings | $ 253,479,898 | $ 219,436,209 |
| Building improvements | 45,714,618 | 58,750,468 |
| Equipment, furniture and vehicles | 33,935,808 | 34,421,954 |
| Equipment acquired under finance lease obligations | 1,069,916 | 1,188,409 |
| Leasehold improvements | 5,377,157 | 5,654,204 |
| | 339,577,397 | 319,451,244 |
| Less: Accumulated depreciation and amortization | (114,114,616) | (107,444,751) |
| | 225,462,781 | 212,006,493 |
| Land | 35,663,863 | 34,988,403 |
| Construction in progress | 39,807,208 | 9,833,402 |
| Property, Plant and Equipment, net | $ 300,933,852 | $ 256,828,298 |

Accumulated depreciation and amortization on equipment acquired under finance lease obligations amounted to $775,399 and $788,694 at June 30, 2024 and 2023.

Depreciation and amortization expense amounted to $11,492,244 and $11,492,172 for the years ended June 30, 2024 and 2023.

On January 13, 2020, the Illinois affiliate finalized the acquisition of a building and land at 2934 West Lake Street in Chicago. The acquisition was partially funded by a loan from Covenant House (Parent). The Illinois affiliate acquired the building and land for a purchase price of $2,900,000. In 2021, the property underwent significant renovations in order to bring it to its intended use. Additional renovation costs incurred have been capitalized as construction in progress and will be reclassified to building improvements and depreciated upon completion of renovations and placement into service. The building was put into use in October 2021. In 2021, the Illinois affiliate transferred the land, building and construction in progress costs to the QALICB LLC, in connection with the NMTC. A net asset transfer was made totaling $738,099 for costs incurred for the land, building and construction in progress costs for the Illinois Project incurred by the Illinois affiliate, net of the CDE loans.

In fiscal 2011, Covenant House (Parent) sold a building it owned to the Texas affiliate. Subsequent to the sale of the building, the Parent entered into a 99-year lease, for a nominal value, with the Texas affiliate which allows them to use the land on which the purchased building is situated. In fiscal 2022, the Parent and its Texas Affiliate agreed to transfer the Parent's remainder interest for the use of land so that the Texas affiliate would be the sole owner of the property. During fiscal 2023, the deed to the land was fully executed and transferred to the Texas Affiliate.

## 8. Property, Plant and Equipment *(continued)*

On July 22, 2019, the Texas affiliate acquired real property for a purchase price of $3,750,000, of which $1,975,000 was allocated to land and $1,775,000 was allocated to building at the estimated fair value of the assets. At closing, the Texas affiliate made a cash payment of $1,950,000 and obtained a loan totaling $1,800,000 held by Allegiance Bank for the balance (see Note 9).

In connection with the Texas affiliate capital campaign for the campus redevelopment (the "Project"), the affiliate signed a funding agreement with Harris County (the "County"), the City of Houston (the "City") (collectively, the "Public Funders"), and Cadence Bank (the "Senior Lender") to develop the Project. During fiscal 2023, Texas affiliate signed an advancing term loan (the "loan") with the Senior Lender for a maximum principal amount of $25,000,000. The proceeds of the loan shall be used to pay the cost and related expenses of the Texas Project. The loan holds an interest rate of 4.85% and matures in 2032. No funds were borrowed against the loan during fiscal 2023. The grant agreement between the County and the affiliate is a reimbursable award for construction costs related to the Texas Project, up to a maximum of $4,146,250. During fiscal 2024 and 2023, the affiliate incurred and recognized $3,622,462 and $537,468 worth of construction costs towards this grant. The City and the affiliate executed a forgivable loan (the "City Loan") up to a maximum of $6,700,000 for construction costs on the Texas Project. The affordability period of the City Loan commences fifteen years after the Texas Project is completed.

During fiscal 2024 and 2023, the Texas affiliate incurred $8,692,994 and $1,483,281 worth of construction costs which are recognized under government grants and contracts on the accompanying statement of activities and grants receivables on the accompanying consolidated statement of financial position. The affiliate also capitalized these costs incurred as construction in progress, leasehold improvements and recognized the cost incurred under accounts payable and accrued expenses on the accompanying consolidated statement of financial position. Subsequent to fiscal year end 2024, the affiliate received payment for $1,779,019 of construction costs incurred during the fiscal year from the County.

In fiscal 2024, Covenant House California (the "California affiliate") acquired property at West Pico Boulevard, Los Angeles, California for a purchase price of $2,940,000. The purchase was financed through both a grant of $1,340,000 and a $1,600,000 loan from a separate third party.

In fiscal 2024, the California affiliate acquired property at 5601 Hollywood Boulevard, Los Angeles, California for a purchase price of $9,400,000, of which $9,125,380 was allocated to building and $274,620 was allocated to land at the estimated fair value of the assets. The purchase was financed through a federal awarding agency, which is included within government grants and contracts on the accompanying consolidated statement of activities.

## 8. Property, Plant and Equipment *(continued)*

The Vancouver affiliate undertook a multi-year three phase project that involved the redevelopment of 1302 Seymour Street, that was completed in fiscal 2019, the redevelopment of 1280 Seymour Street that was completed in fiscal 2023, and the renovation of 326 West Pender Street that was completed in fiscal 2024.

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 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.

### *Investment in Condominium Construction*

Covenant House (Parent) entered into an agreement with GO Covenant, LLC for an office condominium unit to be constructed within a residential building on the parcel adjoining the Property for an amount of $7,500,000.

## 9. Line of Credit and Other Debt Obligations

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

| Covenant House ("CH") Affiliate | Lender | Debt Obligation at June 30, 2024 | Maturity Date | Interest Rate (per annum) at June 30, 2024 | Debt Obligation at June 30, 2023 |
|---|---|---|---|---|---|
| CH Parent | Goldman Sachs | $ 4,350,000 | 2/14/2026 | SOFR + 1.63% | $ 3,000,000 |
| CH California | Department of Housing and Community Development | 222,000 | 7/19/2025 | 3.00% | 296,000 |
| CH California | Bank of America | 1,049,460 | 1/28/2028 | 4.25% | 1,110,348 |
| CH California | Bank of America | - | 3/1/2024 | 8.55% | 500,000 |
| CH California | Bank of America | 1,399,294 | 1/15/2031 | 3.45% | 1,455,521 |
| CH California | PRI Loan (3rd Party Foundation) | 2,000,000 | 6/18/2031 | 2.00% | - |
| CH Georgia | Investment Fund 1 (Note A) | 5,829,570 | 12/22/2050 | 1.41% | 5,829,570 |
| CH Georgia | Investment Fund 1 (Note B) | 2,027,430 | 12/22/2050 | 1.41% | 2,027,430 |
| CH Illinois | Investment Fund 2 (Note C and D) | 8,375,231 | 12/31/2057 | 1.09% | 8,375,231 |
| CH Missouri | Affordable Housing Commission | 110,828 | 11/16/2037 | 0.00% | 118,744 |
| 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 (a) | 0.00% | 648,346 |
| CH New Jersey | NJHMFA | 700,000 | 3/31/2024 (a) | 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 Pennsylvania | Philadelphia Housing Development Corp ("PHDC") | 316,273 | 6/2/2065 | 0.00% | - |
| CH Pennsylvania | Federal Home Loan Bank of Pittsburgh ("FHLB") | 750,000 | (b) | 0.00% | - |
| CH Pennsylvania | Federal Home Loan Bank of New York | 250,000 | (b) | 0.00% | - |
| CH Toronto | City of Toronto | 452,856 | 2040 | 0.00% | 500,920 |
| CH Vancouver | BC Housing/Proposal Development Funding | 4,118,233 | 4/1/2029 | 0.00% | 4,251,633 |
| CH Vancouver | BC Housing Management Commission | 3,655,015 | Payable on | 0.00% | 3,773,410 |
| CH Vancouver | Canada Mortgage and Housing Corporation | 3,720,243 | 2040 | 0.00% | 3,840,752 |
| CH Vancouver | Canada Mortgage and Housing Corporation | 5,733,861 | 2041 | 0.00% | 5,620,964 |
| CH Vancouver | BC Housing Management Commission | 1,827,506 | 2032 | 0.00% | 1,886,705 |
| CH Vancouver | BC Housing Management Commission | 3,289,515 | 2034 | 0.00% | - |
| | | 52,474,546 | | | 45,584,459 |
| | Less: Deferred financing costs | (704,696) | | | (796,555) |
| | | $ 51,769,850 | | | $ 44,787,904 |

(a) The New Jersey affiliate is in the process of applying for full forgiveness.
(b) Payable 15 years after the date of project completion.

Covenant House (Parent) entered into an unsecured line of credit agreement with a financial institution to borrow up to an aggregate amount of $15 million on February 14, 2019. Interest on outstanding borrowings is payable at the 30-day SOFR rate, plus additional percentage points as defined in the agreement, which totaled 6.90% and 5.25% at June 30, 2024 and 2023. The agreement was extended to February 14, 2026.

Drawdowns under the unsecured line of credit agreement with the financial institution totaled $3,615,000 and $4,650,000 during the years ended June 30, 2024 and 2023. Total repayments on the line of credit were $2,265,000 and $2,000,000 during fiscal 2024 and 2023.

## 9. Line of Credit and Other Debt Obligations *(continued)*

On December 20, 2020, the Georgia LLC received two loans from the CDE. The loans were comprised of Note A totaling $5,829,570 and Note B totaling $2,027,430 from Investment Fund 1. Each of the loans are secured by the mortgage with respect to the Georgia Project. Both Note A and B have an interest rate equal to a fixed rate of 1.4123% per annum. Interest only payments are due quarterly starting March 15, 2021, and through September 15, 2027. Commencing on December 15, 2027, payments of interest and principal will be made quarterly over the remaining term of the loans, which mature September 15, 2050. In connection with the NMTC financing, the Tax Credit Investor, and sole member of the Investment Fund for the NMTC financing, entered into an Investment Fund Put and Call Agreement (the “Put and Call Agreement 1”) with the Georgia LLC, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC financing, to sell or “put” its membership interest in Investment Fund 1 to the Georgia LLC.

The NMTC financing was arranged on behalf of the Georgia LLC, a commonly controlled affiliate of the Georgia affiliate.

On January 13, 2021, the QALICB LLC received two mortgage loans from the CDE. The loans were comprised of Note C totaling $6,046,900 from Investment Fund 2 and Note D totaling $2,283,100 from Investment Fund 2 (the “Tax Credit Investor”). Each of the loans are secured by the mortgage with respect to the Illinois Project. Both Note C and D have an interest rate equal to a fixed rate of 1.086% per annum. Interest only payments are due annually starting December 1, 2021 and through January 13, 2028. Any accrued but unpaid interest and unpaid principal on the loans are due in full on December 31, 2057. In connection with the NMTC financing, the Tax Credit Investor, and sole member of Investment Fund 2 for the NMTC financing, entered into an Investment Fund Put and Call Agreement (the “Put and Call Agreement 2”) with the QALICB LLC, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC financing, to sell or “put” its membership interest in Investment Fund 2 to the QALICB LLC. For the QALICB LLC, the total amount of capitalized interest related to the credit arrangement described above totaled $45,231 for both the years ended June 30, 2024 and 2023. The NMTC financing was arranged on behalf of the QALICB LLC, a commonly controlled affiliate of the Illinois affiliate.

Both the Georgia and QALICB LLCs served as the qualified active low-income community business (the “QALICB”) for the NMTC financing.

On June 18, 2024, the California affiliate entered into a program-related investment loan (the “PRI loan”) with a third-party foundation for $2,000,000. The PRI loan’s proceeds will be used to retire a portion of existing loans payable to the Parent and fund deferred maintenance for the California affiliate's asset portfolio. The PRI loan is unsecured and does not require any collateral. Interest will accrue at 2% annually and will be due and payable at the end of each quarter commencing September 30, 2024. The California affiliate will pay a principal amount of $1,000,000 on December 31, 2027. Payment of the outstanding balance and all unpaid interest will be and payable on June 18, 2031.

## 9. Line of Credit and Other Debt Obligations *(continued)*

On July 21, 2023, the California affiliate entered into a loan agreement (the "Loan Agreement") with a separate nonprofit corporation (the "Lender") for $1,600,000 to assist the California affiliate in the acquisition and rehabilitation of the Pico Property (see Note 8). During fiscal 2024, the California affiliate repaid $114,499 towards the loan agreement. On June 1, 2024, the lender forgave the remaining amount of $1,485,501 which is recorded as loan forgiveness on the accompanying consolidated statement of activities.

On March 21, 2023, the California affiliate entered into a Master Credit Agreement with Bank of America, with Bank of America's prime interest rate plus 0.3% and maturity date of March 1, 2024. As of June 30, 2023, the California affiliate drew down $500,000 on the Master Credit Agreement. During fiscal 2024, this borrowed amount was fully repaid.

On January 15, 2021, the California affiliate entered into a $1,600,000 term loan with Bank of America, with an interest rate of 3.45% and maturity date of January 15, 2031. The total amount of principal repayments relating to this loan totaled $50,147 and $52,213 for the years ended June 30, 2024 and 2023.

During 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. The total amount of principal repayments relating to this loan totaled $46,796 and $49,113 for the years ended June 30, 2024 and 2023.

In fiscal year 2019, the California affiliate was awarded an Emergency Housing and Assistance Program Operating Facility ("EHAP") grant through Department of Housing and Community Development of $740,000 in order to secure funding on the purchase of the DreamCatcher property. The grant is structured as a loan to the affiliate, to be forgiven at the end of the grant period and secured by a deed of trust on the DreamCatcher property and bears interest at the rate of 3% simple interest per annum. The forgiveness is amortized over the grant period. At June 30, 2024 and 2023, the total unamortized balance of the remaining forgivable loan was $222,000 and $296,000. The EHAP grant is expected to mature and be forgiven in full on July 19, 2025.

In 2008, the Missouri affiliate obtained a non-interest-bearing forgivable loan totaling $237,500 from the Affordable Housing Commission for the construction of 36 residential dwelling units located at 2727 N. Kings Highway (the "Missouri Project"). The loan is secured by the assets of the Missouri Project. The Affordable Housing Commission forgives $7,917 of the liability annually, with final forgiveness occurring on November 16, 2037, the maturity date. The entire unpaid principal and interest amount of this loan shall become immediately due and payable upon the first to occur of the following: (i) the sale of the Missouri Project; (ii) failure of the borrower to maintain the Missouri Project as a rental property, (iii) failure of occupancy requirements. Forgivable loan balances amounted to $110,828 and $118,745 as of June 30, 2024 and 2023.

## 9. Line of Credit and Other Debt Obligations *(continued)*

On October 6, 2009, the New Jersey affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from New Jersey Housing and Mortgage Finance Agency ("NJHMFA"), aggregating $829,306 at June 30, 2024 and 2023. Of this amount, $538,000 was used to repay the existing debt obligation to Covenant House (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, 2024 and 2023, the escrow amount held with the trustee totaled $119,332 and $115,731. 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 2024 and 2023, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

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 Corporation for Supportive Housing ("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. On 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 adjacent properties. 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, 2024 and 2023, the escrow amount held with the trustee totaled $152,843 and $149,500. 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 2024 and 2023, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

## 9. Line of Credit and Other Debt Obligations *(continued)*

In May 2006, the New Jersey affiliate secured a long-term loan from 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 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% 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, 2024 and 2023, the escrow amount held with the trustee totaled $271,759 and $266,015. 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 2024 and 2023, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the loan.

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, 2024 and 2023, the escrow amount held with the trustee totaled $25,680 and $24,524. 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 2024 and 2023, 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, 2024 and 2023. Of this amount $600,000 was received at the closing with the balance due as expenses related to the occupancy of the building were 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 2024 and 2023, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage.

## 9. Line of Credit and Other Debt Obligations *(continued)*

The New Jersey affiliate has an available $1,000,000 line of credit agreement with Bank of America, N.A. (the "Bank") which was renewed and has a maturity date of February 28, 2026. Interest on amounts borrowed accrues at the Bank's prime rate plus 0.4 percentage points. There were no outstanding borrowings on this line of credit facility at June 30, 2024 and 2023. As such, there was no interest expense for fiscal 2024 and 2023.

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $3,000,000 (US $2,193,009). Interest is payable at the bank's prime rate. During fiscal 2024 and 2023, there were no drawings against this line of credit.

During fiscal 2019, the Toronto affiliate received CAD $885,000 (USD $686,407) in funding in the form of a forgivable loan from the City of Toronto towards the cost of the building purchased in 2018 for a new housing program. This amount is secured by a mortgage, which is non-interest bearing and there are no principal payments due unless the building is sold or there is a change in use without prior agreement. The mortgage will be reduced at a rate of 5% per year until fully forgiven in 20 years. As of June 30, 2024 and 2023, the outstanding balance of the forgivable loan was CAD $619,500 (USD $452,856) and CAD $663,750 (USD $500,920).

The Vancouver affiliate was provided with financial assistance in the amount of CAD $5,000,000 (US $3,878,005) in the form of a forgivable mortgage, registered on July 26, 2017. The Vancouver affiliate is required to continue developing and operating the property at 1302 Seymour Street, for the specific purpose under the mortgage. As long as the Vancouver affiliate is using the property 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, 2024 and 2023, the outstanding balance of the forgivable mortgage was CAD $5,000,000 (US $3,655,015) and CAD $5,000,000 (US $3,773,410).

In fiscal 2019, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,633,675 (US $4,369,484) in the form of a forgivable mortgage with a maturity date of April 2029. The mortgage is non-interest bearing, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to April 2029, if the mortgage is not fully forgiven, it bears interest at the prime interest rate plus 2% per annum. As of June 30, 2024 and 2023, the outstanding balance of the forgivable mortgage was CAD $5,633,675 (US $4,118,233) and CAD $5,633,675 (US $4,251,633).

In fiscal 2020, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,089,232 (US $3,947,213) in the form of a forgivable mortgage with a maturity date of January 2040. The mortgage is non-interest bearing, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to January 2040, if the mortgage is not fully forgiven, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2024 and 2023, the outstanding balance of the forgivable mortgage was CAD $5,089,232 (US $3,720,243) and CAD $5,089,232 (US $3,840,752).

## 9. Line of Credit and Other Debt Obligations *(continued)*

In fiscal 2022, the Vancouver affiliate was provided with financial assistance in the amount of CAD $7,448,122 (US $5,776,771) in the form of a forgivable mortgage with a maturity date of July 2041. The mortgage is non-interest bearing, and the property at 1280 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to July 2041, if the mortgage is not fully forgiven, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2024 and 2023, the outstanding balance of the forgivable mortgage was CAD $7,843,827 (US $5,733,861) and CAD $7,448,122 (US $5,620,964).

In fiscal 2022, the Vancouver affiliate was provided with financial assistance in the amount of CAD $2,500,000 (US $1,939,003) in the form of a forgivable mortgage with a maturity date of August 2056. The mortgage is non-interest bearing, and the property at 1280 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to August 2056, if the mortgage is not fully forgiven, it bears interest at the Royal Bank of Canada's prime interest rate plus 2% per annum. As of June 30, 2024 and 2023, the outstanding balance of the forgivable mortgage was CAD $2,500,000 (US $1,827,508) and CAD $2,500,000 (US $1,886,705).

In fiscal 2024, the Vancouver affiliate was provided with financial assistance in the amount of CAD $4,500,000 (US $3,289,515) in the form of a forgivable mortgage with a maturity date of April 2034. The mortgage is non-interest bearing, and the property at 326 West Pender Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to April 2034, if the mortgage is not fully forgiven, it bears interest at the Royal Bank of Canada's prime interest rate plus 2% per annum. As of June 30, 2024, the outstanding balance of the forgivable mortgage was CAD $4,500,000 (US $3,289,515).

The Georgia affiliate maintains a $500,000 line of credit agreement with South State Bank which expired on August 8, 2024. The line is renewed annually and is due on demand. The line bears a variable interest rate based on the Wall Street Journal U.S. Prime Rate (the "Index"). The Index as of June 30, 2024 is 8.75%. There were no outstanding borrowings as of June 30, 2024 and 2023. Under terms of the line of credit, the Georgia affiliate is required to provide the lender with a copy of the audited consolidated financial statements without modification of the independent auditors' report within 120 days of the fiscal year end. The Georgia affiliate is in the process of renewing the line of credit with the bank.

## 9. Line of Credit and Other Debt Obligations *(continued)*

On June 2, 2023, Covenant House Pennsylvania/Under 21 (the “Pennsylvania Affiliate”) entered an open-end mortgage with Philadelphia Housing Development Corporation (“PHDC”) with a maximum principal amount of $2,195,660. Mortgage payable pertains to loans obtained to fund development of the Germantown Project (the “PA Project”). An initial draw down amounting to $316,273 was received on February 15, 2024. Except in the event of default as outlined in the mortgage agreement, the loan shall bear no interest. Upon the occurrence of an event of default, any amount due will accrue interest at the rate of 12% per annum from the date of the occurrence of the event of default, until the event of the default has been cured, or in the event the principal balance of the loan has been paid in full. The entire principal balance of the loan together with any accrued interest thereon, shall be due and payable forty-two (42) years from June 2, 2023. The loan is collateralized by the assets of the PA Project and has the first right to collection.

During fiscal 2024, the Pennsylvania Affiliate received loan proceeds of $750,000 from Federal Home Loan Bank of Pittsburgh (“FHLB”), through Fulton Bank of Pennsylvania (“FBPA”), pursuant to the affordable housing program direct subsidy agreement (the “Agreement”) between FHLB, FBPA and the affiliate. Except in the event of default as outlined in the agreement, the loan shall bear no interest and is payable fifteen (15) years from the completion date of the PA Project. In the event of default, the affiliate shall pay the entire principal balance within thirty (30) calendar days of such event of default. The loan is collateralized by the assets of the PA Project and has the second right to collection.

On January 12, 2024, the Pennsylvania Affiliate received loan proceeds of $250,000 from the Federal Home Loan Bank of New York (“FHLBNY”), through Fulton Bank of New Jersey (“FBNJ”), pursuant to the affordable housing program direct subsidy agreement (the “Agreement”) between FHLBNY, FBNJ and the affiliate. Except in the event of default as outlined in the Agreement, the loan shall bear no interest and is payable fifteen (15) years from the completion date of the PA Project. In the event of default, the affiliate shall pay the entire principal balance within thirty (30) calendar days of such event of default. The loan is collateralized by the assets of the PA Project and has the third right to collection.

The following summarizes the scheduled line of credit and other debt obligations for the years ending June 30:

| | |
|---|---|
| 2025 | $ 4,701,733 |
| 2026 | 134,554 |
| 2027 | 139,568 |
| 2028 | 2,402,540 |
| 2029 | 4,199,058 |
| Thereafter | 40,897,093 |
| | 52,474,546 |
| Less: Deferred financing costs | (704,696) |
| | $ 51,769,850 |

## 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, 2024 | Unamortized Balance at June 30, 2023 |
|---|---|---|---|
| CH New Jersey | U.S. Department of Housing and Urban Development | $ 645,000 | $ 725,000 |
| CH New Jersey | State of New Jersey | 59,805 | - |
| CH New Jersey | State of New Jersey Department of Human Services (Crisis Center) | 2,168 | 3,252 |
| CH Alaska | Indian Housing Block Grant under the Native American Housing Assistance of Self Determination Act of 1996 from Cook Inlet Housing Authority | 1,740,185 | 1,740,185 |
| CH Alaska | Cook Inlet Tribal Council | 325,129 | 325,129 |
| CH Alaska | Bridge to Success Affordable Housing | 985,000 | 985,000 |
| CH Alaska | Block Foundation | - | 150,000 |
| CH Alaska | Alaska Housing Finance Corporation | - | 7,574 |
| CH Alaska | Alaska Community Foundation | - | 10,000 |
| CH Toronto | City of Toronto | 480,297 | 679,963 |
| Various | Various | 521,956 | 872,816 |
| | | $ 4,759,540 | $ 5,498,919 |

## 11. Lease Commitments

### *Operating Lease*

Covenant House has entered into various operating leases for office space, youth apartments, copiers, etc. expiring through fiscal 2038.

Covenant House amortizes these operating leases over the remaining life of the lease agreements. Right-of-use assets consist of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| ROU asset | $ 23,463,629 | $ 22,063,750 |
| Less: accumulated amortization | (8,103,235) | (3,891,774) |
| | $ 15,360,394 | $ 18,171,976 |

ROU assets recognized during the years ended June 30, 2024 and 2023 were $1,399,879 and $22,063,750.

## 11. Lease Commitments *(continued)*

### *Operating Lease (continued)*

Information associated with the measurement of Covenant House's operating lease obligations as of June 30 is as follows*:*

| | 2024 | 2023 |
|---|---|---|
| Weighted-average remaining lease term in years for operating leases | 3.86 | 4.60 |
| Weighted-average discount rate for operating leases | 3.55% | 3.19% |

Operating lease expense for the years ended June 30, 2024 and 2023 totaled $5,150,792 and $5,105,899. Cash paid for the amounts included in the measurement of operating lease liabilities for the years ended June 30, 2024 and 2023 totaled $5,034,080 and $4,057,331.

### *Finance Lease*

Covenant House is a lessee of various equipment acquired finance leases expiring in various years through 2030.

Covenant House amortized these finance leases over the remaining life of the lease agreements. Right of use assets (included in property, plant and equipment on the accompanying consolidated statement of financial position) consist of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| ROU asset - finance lease | $ 1,069,916 | $ 1,188,409 |
| Less: accumulated amortization | (775,399) | (788,694) |
| | $ 294,517 | $ 399,715 |

Information associated with the measurement of Covenant House's finance lease obligations as of June 30 is as follows*:*

| | 2024 | 2023 |
|---|---|---|
| Weighted-average remaining lease term in years for finance leases | 1.95 | 4.61 |
| Weighted-average discount rate for finance leases | 5.32% | 9.35% |

## 11. Lease Commitments *(continued)*

As of June 30, 2024, the future minimum lease payments under the lease agreements above are as follows:

| | Finance | Operating | Total |
|---|---|---|---|
| 2025 | $ 127,993 | $ 4,497,839 | $ 4,625,832 |
| 2026 | 115,104 | 3,397,536 | 3,512,640 |
| 2027 | 115,104 | 1,814,911 | 1,930,015 |
| 2028 | 85,022 | 1,668,718 | 1,753,740 |
| 2029 | 37,272 | 1,538,880 | 1,576,152 |
| Thereafter | 5,030 | 3,923,505 | 3,928,535 |
| Total undiscounted lease payments | 485,525 | 16,841,389 | 17,326,914 |
| Less: imputed interest | (66,992) | (1,405,992) | (1,472,984) |
| Present value of lease liabilities | $ 418,533 | $ 15,435,397 | $ 15,853,930 |

## 12. 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 available 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 under ASC 825, 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 beneficiary 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 rate used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2024 was 5.6% and in 2023 was 4.2%. At June 30, 2024, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,601,000 and $1,883,000. At June 30, 2023, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,548,000 and $2,008,000. As of June 30, 2024 and 2023, $8,205,468 and $7,302,892 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 $5,304,000 and $5,076,000 at June 30, 2024 and 2023. Other trusts with a defined time frame (term trusts) were valued at approximately $2,204,000 and $2,103,000 at June 30, 2024 and 2023. 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.

## 12. Split-Interest Agreements *(continued)*

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's beneficial interests in trusts and obligations under split-interest agreements at June 30:

| | 2024 | | |
|---|---|---|---|
| | Level 2 | Level 3 | Total |
| Obligations due under split-interest agreements | $ 3,484,066 | $ - | $ 3,484,066 |
| Beneficial interests in trusts | $ - | $ 7,508,099 | $ 7,508,099 |

| | 2023 | | |
|---|---|---|---|
| | Level 2 | Level 3 | Total |
| Obligations due under split-interest agreements | $ 3,555,918 | $ - | $ 3,555,918 |
| Beneficial interests in trusts | $ - | $ 7,178,407 | $ 7,178,407 |

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:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance at July 1, 2023 | Additions of Trusts | Change in Fair Value | Distribution from Termination of Trusts | Ending Balance at June 30, 2024 |
| Beneficial interests in trusts | $ 7,178,407 | $ 32,687 | $ 399,615 | $ (102,610) | $ 7,508,099 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance at July 1, 2022 | Additions of Trusts | Change in Fair Value | Distribution from Termination of Trusts | Ending Balance at June 30, 2023 |
| Beneficial interests in trusts | $ 7,011,445 | $ - | $ 215,351 | $ (48,389) | $ 7,178,407 |

## 13. Paycheck Protection Program

During fiscal 2021 and 2020, Covenant House (Parent) and its related entities in the U.S. received both the first and second rounds of loan proceeds, under the Paycheck Protection Program (the “PPP”), in the amount of $16,014,545 during the first round and $3,451,680 during the second round, collectively, (the “PPP loans”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 or 2020 average monthly payroll expenses of the qualifying entity. The PPP loans bear an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the first round of the PPP loan, if any, is payable within two years from the date of the loan while the unforgiven portion of the second round of the PPP loan, if any, is payable within five years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If Covenant House (Parent) and its related U.S. entities do not apply for forgiveness, payments begin approximately 16 months after the loan date.

Covenant House (Parent) and certain other related U.S. entities which received PPP loans recognized the funds as debt in accordance with ASC 470, *Debt*. Covenant House (Parent) and these U.S. entities will recognize the income when full forgiveness from the SBA is received. The balances of these PPP loans amounted to $27,664 and $57,843 at June 30, 2024 and 2023. Although Covenant House (Parent) and these U.S. entities believe the loans will be substantially forgiven, there can be no guarantee that the SBA will approve the loan forgiveness. For the year ended June 30, 2023, a total of $16,930 in PPP loans has been forgiven in full and is included in the accompanying consolidated statement of activities. For the years ended June 30, 2024 and 2023, a total of $30,179 and $37,177 in PPP loans was repaid.

## 14. Pension Plans

Covenant House (Parent) has a defined benefit pension plan (the “Plan”) covering employees of Covenant House (Parent) and its U.S. affiliates only. Benefits are generally based on years of service and average salary, as defined under the Plan. Covenant House (Parent) contributes 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 Transamerica Retirement Solutions, LLC, consist primarily of mutual funds and short-term corporate bonds, and are reported at fair value based on quoted market values as of the reporting date.

## 14. Pension Plans *(continued)*

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 (Parent) considers historical returns and future expectations of returns for its fixed income securities.

Effective December 31, 2006, Covenant House (Parent) 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 (Parent) 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.

## 14. Pension Plans *(continued)*

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

| | 2024 | 2023 |
|---|---|---|
| Change in benefit obligation: | | |
| Projected benefit obligation, beginning of year | $ 39,730,745 | $ 42,124,508 |
| Service cost | 426,141 | 863,280 |
| Interest cost | 1,997,740 | 1,895,417 |
| Actuarial (gain) | (961,451) | (2,105,066) |
| Benefits paid | (2,825,655) | (3,047,394) |
| Projected benefit obligation, end of year | $ 38,367,520 | $ 39,730,745 |
| Change in plan assets: | | |
| Fair value of plan assets, beginning of year | $ 27,197,800 | $ 27,885,178 |
| Actual return on plan assets | 1,824,340 | 994,309 |
| Employer contributions | 2,592,560 | 1,365,707 |
| Benefits paid | (2,825,655) | (3,047,394) |
| Fair value of plan assets, end of year | $ 28,789,045 | $ 27,197,800 |
| Funded status, end of year | $ (9,578,475) | $ (12,532,945) |
| Accumulated benefit obligation | $ 38,367,520 | $ 39,730,745 |
| Amounts included in without donor restricted net assets: | | |
| Unrecognized actuarial loss | $ 6,833,407 | $ 8,774,949 |
| Components of the net periodic pension cost: | | |
| Service cost | $ 426,141 | $ 863,280 |
| Interest cost | 1,997,740 | 1,895,417 |
| Expected return on plan assets | (1,505,664) | (1,366,925) |
| Amortization of actuarial loss | 661,415 | 968,453 |
| Net periodic pension cost | $ 1,579,632 | $ 2,360,225 |
| Other changes recognized in without donor restrictions net assets: | | |
| Actuarial (gain) incurred during the year | $ (1,280,127) | $ (1,732,450) |
| Amortization of actuarial loss | (661,415) | (968,453) |
| Pension related activity, other than net periodic pension cost | $ (1,941,542) | $ (2,700,903) |
| Amounts in without donor restrictions net assets expected to be recognized as components of net periodic pension cost in the next fiscal year: | | |
| Amortization of actuarial loss | $ 661,415 | $ 968,453 |
| Weighted-average Assumptions: | | |
| Discount rate - benefit obligation | 5.30% | 5.22% |
| Discount rate - net periodic pension cost | 5.22% | 4.64% |
| Expected long-term rate of return on Plan assets | 4.90% | 5.50% |
| Average rate of increase in compensation levels | N/A | N/A |

## 14. Pension Plans *(continued)*

Employer contributions to the Plan for the years ended June 30, 2024 and 2023 were $2,592,560 and $1,365,707. Plan benefits expected to be paid in the following fiscal years are as follows:

| | |
|---|---|
| 2025 | $ 2,913,981 |
| 2026 | 2,807,159 |
| 2027 | 2,812,915 |
| 2028 | 3,268,901 |
| 2029 | 2,564,937 |
| 2030-2034 | 13,044,763 |

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

| | 2024 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Fixed income mutual funds | $ 19,855,863 | $ - | $ 19,855,863 |
| Equity mutual funds | 5,037,366 | - | 5,037,366 |
| Short-term corporate bonds | - | 3,895,816 | 3,895,816 |
| Total Plan Assets | $ 24,893,229 | $ 3,895,816 | $ 28,789,045 |

| | 2023 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Total |
| Fixed income mutual funds | $ 20,434,454 | $ - | $ 20,434,454 |
| Equity mutual funds | 5,195,013 | - | 5,195,013 |
| Short-term corporate bonds | - | 1,568,333 | 1,568,333 |
| Total Plan Assets | $ 25,629,467 | $ 1,568,333 | $ 27,197,800 |

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

| | 2024 | 2023 |
|---|---|---|
| Equity securities | 17 % | 19 % |
| Debt securities | 83 % | 81 % |
| | 100 % | 100 % |

## 14. Pension Plans *(continued)*

Effective January 1, 2007, Covenant House (Parent) adopted a 403(b) defined contribution pension plan for all employees with one year of service. As of January 1, 2012, Covenant House (Parent) and its U.S. affiliates, match 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 (Parent) and its U.S. affiliates' 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 $3,314,000 and $2,885,000 for the years ended June 30, 2024 and 2023. Total employer contributions due to the 403(b) plan are approximately $3,077,000 and $3,038,000 at June 30, 2024 and 2023, and are included in pension benefits liability in the accompanying consolidated statement of financial position.

Effective January 1, 2012, Covenant House (Parent) 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 $150,000 and $132,000 for the years ended June 30, 2024 and 2023. Covenant House (Parent)'s obligations under the 457(b) plan are approximately $1,332,000 and $1,134,000 at June 30, 2024 and 2023, and are included in both investments and pension benefits liability in the accompanying consolidated statement of financial position.

The Toronto affiliate maintains a Group Registered Retirement Savings Plan ("RRSP"). During fiscal years 2023 and 2022, the expense for the RRSP totaled approximately CAD $639,000 (US $467,000) and CAD $639,000 (US $477,000) There are no employer contributions due to the Toronto affiliate's RRSP at June 30, 2024 and 2023.

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 2024 and 2023 totaled approximately CAD $402,000 (US $294,000) and CAD $406,000 (US $303,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2024 and 2023.

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.

## 15. Board Designated Net Assets

Certain affiliates' Board of Directors have designated a portion of their net assets without donor restrictions to be used for strategic purposes, building renovations and/or capital expenditures. These board designated net assets totaled $41,869,511 and $37,734,674 as of June 30, 2024 and 2023.

## 16. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30:

| | 2024 | 2023 |
|---|---|---|
| Various donor-imposed purpose restrictions: | | |
| Program | $ 15,363,067 | $ 5,783,950 |
| Capital campaign | 72,098,978 | 54,979,940 |
| Time Restriction: | | |
| Beneficial interest in trusts | 3,152,889 | 2,957,479 |
| Other split-interest agreements | 2,820,017 | 2,527,947 |
| Other time restrictions | 1,498,706 | 832,877 |
| Unappropriated endowment earnings | 5,099,376 | 4,754,321 |
| Beneficial interest in perpetual trusts | 3,720,350 | 3,638,955 |
| Endowment held in perpetuity | 5,377,065 | 5,207,065 |
| | $ 109,130,448 | $ 80,682,534 |

Net assets were released from donor restrictions satisfying the following restrictions for the years ended June 30:

| | 2024 | 2023 |
|---|---|---|
| Purpose restriction | $ 17,840,160 | $ 22,751,650 |
| Time restriction | 2,993,976 | 3,888,845 |
| | $ 20,834,136 | $ 26,640,495 |

## 17. Endowments

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 donor 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.

## 17. Endowments *(continued)*

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 donor restricted endowment funds, 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 donor restricted net assets held in perpetuity is classified as donor 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.

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 (depreciation), 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.

## 17. Endowments *(continued)*

The following details endowment net asset composition, excluding third-party perpetual trusts of approximately $5,304,000 and $5,076,000, as of June 30, 2024 and 2023.

| | 2024 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | | |
| Composition of Endowment Net Assets by Type of Fund | Board Designated | Cumulative Earnings | Original Gift Amount | Total |
| Board-designated endowment fund | $ 4,581,648 | $ - | $ - | $ 4,581,648 |
| Donor-restricted endowment funds | - | 5,099,376 | 5,377,065 | 10,476,441 |
| | $ 4,581,648 | $ 5,099,376 | $ 5,377,065 | $ 15,058,089 |
| **Changes in Endowment Net Assets** | | | | |
| Endowment net assets, beginning of year | $ 5,670,785 | $ 4,754,321 | $ 5,207,065 | $ 15,632,171 |
| Investment return: | | | | |
| Investment income | 136,827 | 128,814 | - | 265,641 |
| Net appreciation (realized and unrealized) | 577,023 | 216,241 | - | 793,264 |
| Appropriation of endowment assets for expenditure | (1,800,000) | - | - | (1,800,000) |
| Contributions | - | - | 170,000 | 170,000 |
| Other changes | (2,987) | - | - | (2,987) |
| Endowment net assets, end of year | $ 4,581,648 | $ 5,099,376 | $ 5,377,065 | $ 15,058,089 |

| | 2023 | | | |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | | |
| Composition of Endowment Net Assets by Type of Fund | Board Designated | Cumulative Earnings | Original Gift Amount | Total |
| Board-designated endowment fund | $ 5,670,785 | $ - | $ - | $ 5,670,785 |
| Donor-restricted endowment funds | - | 4,754,321 | 5,207,065 | 9,961,386 |
| | $ 5,670,785 | $ 4,754,321 | $ 5,207,065 | $ 15,632,171 |
| **Changes in Endowment Net Assets** | | | | |
| Endowment net assets, beginning of year | $ 5,523,632 | $ 4,358,603 | $ 5,207,065 | $ 15,089,300 |
| Investment return: | | | | |
| Investment income | 142,815 | 204,746 | - | 347,561 |
| Net appreciation (realized and unrealized) | 528,339 | 190,972 | - | 719,311 |
| Appropriation of endowment assets for expenditure | (521,894) | - | - | (521,894) |
| Other changes | (2,107) | - | - | (2,107) |
| Endowment net assets, end of year | $ 5,670,785 | $ 4,754,321 | $ 5,207,065 | $ 15,632,171 |

## 18. Commitments and Contingencies

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 net assets with donor restrictions 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 is recorded. The Michigan affiliate uses this property for administrative purposes, the crisis center, rights of passage, charter school and future programs.

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

The Michigan affiliate subleases a portion of its main campus to CHA-Detroit for its Central Campus. The affiliate entered into a lease with CHA-Detroit, East Campus for a building effective June 25, 2020 through June 30, 2025. The Michigan affiliate also entered into a lease with CHA-Detroit for its Southwest Campus for a building effective June 25, 2020 through June 30, 2025. Youth Vision Solutions is responsible for payment of the leases.

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 restricted contribution and is released from restrictions over the term of the lease. The balance of the long term other asset of $261,878 and $265,279, is reported in prepaid expenses and other assets on the accompanying consolidated statement of financial position at June 30, 2024 and 2023. 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.

## 19. Liquidity and Availability of Financial Assets

The following reflects Covenant House's financial assets as of June 30, reduced by amounts not available for general use within one year. Total financial assets available to meet cash needs for general expenditures within one year at June 30, are as follows:

| | 2024 | 2023 |
|---|---|---|
| Financial Assets: | | |
| Cash and cash equivalents | $ 33,363,615 | $ 41,271,240 |
| Contributions receivable, net | 17,804,778 | 13,234,129 |
| Grants receivable | 13,770,567 | 16,246,020 |
| Other assets | 1,330,015 | 1,477,480 |
| Investments | 105,198,527 | 105,536,076 |
| Investments, other | 14,355,988 | 12,396,523 |
| | 185,823,490 | 190,161,468 |
| Less amounts unavailable for general expenditure: | | |
| Amounts restricted by donors with time or purpose restrictions and internal designations | (60,408,359) | (70,235,433) |
| Board designated funds | (41,869,511) | (37,734,674) |
| 457(b) plan assets included in investments | (1,332,494) | (1,133,724) |
| Investments held for charitable remainder annuity trusts | (1,712,270) | (1,443,545) |
| Beneficial interest in perpetual trusts | (1,544,994) | (1,489,000) |
| Investments held in perpetuity | (5,377,065) | (5,207,065) |
| | (112,244,693) | (117,243,441) |
| Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year | $ 73,578,797 | $ 72,918,027 |

As part of Covenant House's liquidity management, Covenant House monitors the status and collectability of receivables on a regular basis. Contributions and special events revenue are solicited on a regular basis to increase support and revenue. In addition, Covenant House (Parent) has a $15 million line of credit with a financial institution which can be used to finance short-term working capital needs of the affiliates. Certain affiliates also maintain lines of credit as well.

* * * * *

# Covenant House and Affiliates

Supplemental Information

## Covenant House and Affiliates

Consolidating Schedule of Financial Position
June 30, 2024
(with summarized totals at June 30, 2023)

| | 2024 | | | | 2023 |
|---|---|---|---|---|---|
| | Covenant House | CIF | Eliminations | Total | Total |
| **ASSETS** | | | | | |
| Cash and cash equivalents | $ 33,363,615 | $ - | $ - | $ 33,363,615 | $ 41,271,240 |
| Cash held in escrow | - | - | - | - | 276,300 |
| Restricted cash | 374,145 | - | - | 374,145 | 465,301 |
| Contributions receivable, net | 17,804,778 | - | - | 17,804,778 | 13,234,129 |
| Grants receivable | 13,770,567 | - | - | 13,770,567 | 16,246,020 |
| Notes receivable | 11,906,642 | - | - | 11,906,642 | 11,906,642 |
| Prepaid expenses and other assets, net | 10,777,267 | - | - | 10,777,267 | 13,685,014 |
| Investments | 105,198,527 | - | - | 105,198,527 | 105,536,076 |
| Investments, other | 14,355,988 | - | - | 14,355,988 | 12,396,523 |
| Property, plant and equipment, net | 300,043,349 | 890,503 | - | 300,933,852 | 256,828,298 |
| Right of use assets - operating leases | 15,360,394 | - | - | 15,360,394 | 18,171,976 |
| Investment in condominium construction | 7,500,000 | - | - | 7,500,000 | 7,500,000 |
| Beneficial interests in trusts | 7,508,099 | - | - | 7,508,099 | 7,178,407 |
| | $ 537,963,371 | $ 890,503 | $ - | $ 538,853,874 | $ 504,695,926 |
| **LIABILITIES AND NET ASSETS** | | | | | |
| Liabilities | | | | | |
| Accounts payable and accrued expenses | $ 22,833,653 | $ - | $ - | $ 22,833,653 | $ 21,179,436 |
| Deferred revenue | 4,759,540 | - | - | 4,759,540 | 5,498,919 |
| Line of credit and other debt obligations | 51,769,850 | - | - | 51,769,850 | 44,787,904 |
| Finance lease obligations | 418,533 | - | - | 418,533 | 403,485 |
| Lease liability, operating leases | 15,435,397 | - | - | 15,435,397 | 18,181,863 |
| Paycheck Protection Program loans | 27,664 | - | - | 27,664 | 57,843 |
| Obligations due under split-interest agreements | 3,484,066 | - | - | 3,484,066 | 3,555,918 |
| Other liabilities | 162,226 | - | - | 162,226 | 162,226 |
| Pension benefits liability | 14,001,395 | - | - | 14,001,395 | 16,717,189 |
| Total Liabilities | 112,892,324 | - | - | 112,892,324 | 110,544,783 |
| Net Assets | | | | | |
| Without donor restrictions | 315,940,599 | 890,503 | - | 316,831,102 | 313,468,609 |
| With donor restrictions | 109,130,448 | - | - | 109,130,448 | 80,682,534 |
| Total Net Assets | 425,071,047 | 890,503 | - | 425,961,550 | 394,151,143 |
| | $ 537,963,371 | $ 890,503 | $ - | $ 538,853,874 | $ 504,695,926 |

See independent auditors' report

## Covenant House and Affiliates

Consolidating Schedule of Activities
Year Ended June 30, 2024
(with summarized totals for year ended June 30, 2023)

| | Covenant House | | | | | | |
|---|---|---|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | CIF Total | Eliminations | 2024 Total | 2023 Total |
| **CONTRIBUTIONS AND OTHER REVENUE** | | | | | | | |
| Contributions from individuals, foundations and corporations, including legacies and bequests of $18,272,766 and $14,430,693 for 2024 and 2023 | $ 132,258,771 | $ 38,763,220 | $ 171,021,991 | $ - | $ - | $ 171,021,991 | $ 154,254,273 |
| Government grants and contracts | 77,834,899 | 9,895,000 | 87,729,899 | - | - | 87,729,899 | 73,820,688 |
| Contributions of nonfinancial assets | 15,179,743 | 471,372 | 15,651,115 | - | - | 15,651,115 | 18,816,435 |
| Support from Covenant House (Parent) | - | - | - | 67,530 | (67,530) | - | - |
| Special events revenue, net of costs of direct benefits to donors of $2,689,320 and $2,616,800 for 2024 and 2023 | 18,039,493 | - | 18,039,493 | - | - | 18,039,493 | 19,386,652 |
| School management fees | - | - | - | - | - | - | 6,793,745 |
| Net assets released from restrictions | 20,834,136 | (20,834,136) | - | - | - | - | - |
| Total Contributions and Other Revenue | 264,147,042 | 28,295,456 | 292,442,498 | 67,530 | (67,530) | 292,442,498 | 273,071,793 |
| **INVESTMENT RETURN** | | | | | | | |
| Interest and dividends, net | 3,966,954 | 128,814 | 4,095,768 | - | - | 4,095,768 | 3,337,277 |
| Net unrealized gain | 5,359,215 | 216,241 | 5,575,456 | - | - | 5,575,456 | 4,093,714 |
| Net realized gain | 434,399 | - | 434,399 | - | - | 434,399 | 42,250 |
| Change in value of split-interest agreements | 4,110 | 292,070 | 296,180 | - | - | 296,180 | 165,508 |
| Change in value of beneficial interest in trusts | 17,251 | 382,364 | 399,615 | - | - | 399,615 | 215,351 |
| Sales of customer lists and other income | 4,458,471 | 21,476 | 4,479,947 | - | - | 4,479,947 | 2,749,277 |
| Total Investment Return | 14,240,400 | 1,040,965 | 15,281,365 | - | - | 15,281,365 | 10,603,377 |
| Total Contributions and Other Revenue and Investment Return | 278,387,442 | 29,336,421 | 307,723,863 | 67,530 | (67,530) | 307,723,863 | 283,675,170 |
| **EXPENSES** | | | | | | | |
| Program services | 216,769,623 | - | 216,769,623 | - | - | 216,769,623 | 221,060,433 |
| Supporting Services | | | | | | | |
| Management and general | 29,872,849 | - | 29,872,849 | 98,352 | (67,530) | 29,903,671 | 29,318,718 |
| Fundraising | 28,858,533 | - | 28,858,533 | - | - | 28,858,533 | 28,282,799 |
| Total Expenses | 275,501,005 | - | 275,501,005 | 98,352 | (67,530) | 275,531,827 | 278,661,950 |
| Change in Net Assets from Operations | 2,886,437 | 29,336,421 | 32,222,858 | (30,822) | - | 32,192,036 | 5,013,220 |
| Foreign currency translation adjustment | (2,023,407) | (888,507) | (2,911,914) | - | - | (2,911,914) | (730,761) |
| Net periodic pension cost, except service cost | (1,153,472) | - | (1,153,472) | - | - | (1,153,472) | (1,496,945) |
| Pension benefits liability adjustment | 1,941,542 | - | 1,941,542 | - | - | 1,941,542 | 2,700,903 |
| Forgiveness of Paycheck Protection Program loans | - | - | - | - | - | - | 16,930 |
| Return of CARES Act stimulus | - | - | - | - | - | - | (384,219) |
| Loan forgiveness - California affiliate | 1,485,501 | - | 1,485,501 | - | - | 1,485,501 | - |
| Net gain on sale of property, plant and equipment | 256,714 | - | 256,714 | - | - | 256,714 | 530,760 |
| Change in Net Assets | 3,393,315 | 28,447,914 | 31,841,229 | (30,822) | - | 31,810,407 | 5,649,888 |
| **NET ASSETS** | | | | | | | |
| Beginning of year | 312,547,284 | 80,682,534 | 393,229,818 | 921,325 | - | 394,151,143 | 394,442,503 |
| Transfer of Net Assets | - | - | - | - | - | - | (5,941,248) |
| End of year | $ 315,940,599 | $ 109,130,448 | $ 425,071,047 | $ 890,503 | $ - | $ 425,961,550 | $ 394,151,143 |

See independent auditors' report