

# **Covenant House and Affiliates**

Consolidated Financial Statements  
Together with Independent Auditors' Report

June 30, 2025

## **Covenant House and Affiliates**

### **Consolidated Financial Statements Together With Independent Auditors' Report**

June 30, 2025

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## **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, 2025, 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, 2025 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 22.02% of total consolidated assets as of June 30, 2025, and total revenue constituting 24.91% 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, 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 7, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 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, activities, and cash flows on pages 52 through 55 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, based on our audit and the reports of the other auditors, 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 5, 2026

## Covenant House and Affiliates

### Consolidated Statement of Financial Position

June 30, 2025

(with comparative amounts for the year ended June 30, 2024)

	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 35,549,384	\$ 33,363,615
Restricted cash	287,800	374,145
Contributions receivable, net (Note 3)	14,415,427	17,804,778
Grants receivable (Note 4)	15,029,715	13,770,567
Notes receivable (Note 5)	11,906,642	11,906,642
Other receivables	1,774,721	1,330,015
Prepaid expenses and other assets, net (Note 6)	10,379,817	9,447,252
Investments (Note 7)	123,178,826	105,198,527
Investments, other (Note 7)	14,332,526	14,355,988
Property held for sale	578,897	-
Property, plant and equipment, net (Note 8)	326,378,404	300,933,852
Right of use assets - operating leases (Note 11)	12,263,903	15,360,394
Investment in condominium construction (Note 8)	-	7,500,000
Beneficial interests in trusts (Note 12)	6,514,736	7,508,099
	\$ 572,590,798	\$ 538,853,874
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 24,579,349	\$ 22,833,653
Deferred revenue (Note 10)	7,356,668	4,759,540
Line of credit and other debt obligations (Note 9)	58,743,299	51,769,850
Finance lease obligations (Note 11)	317,185	418,533
Lease liability, operating leases (Note 11)	12,299,677	15,435,397
Paycheck Protection Program loans (Note 13)	-	27,664
Obligations due under split-interest agreements (Note 12)	4,674,614	3,484,066
Other liabilities	162,226	162,226
Pension benefits liability (Note 14)	10,701,673	14,001,395
Total Liabilities	118,834,691	112,892,324
<b>Net Assets</b>		
Without donor restrictions (Note 15)	375,433,616	316,831,102
With donor restrictions (Notes 16 and 17)	78,322,491	109,130,448
Total Net Assets	453,756,107	425,961,550
	\$ 572,590,798	\$ 538,853,874

See notes to consolidated financial statements

## Covenant House and Affiliates

### Consolidated Statement of Activities Year Ended June 30, 2025 (with summarized totals for the year ended June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
<b>CONTRIBUTIONS AND OTHER REVENUE</b>				
Contributions from individuals, foundations and corporations, including legacies and bequests of \$20,767,166 and \$18,272,766 for 2025 and 2024	\$ 147,199,532	\$ 25,500,586	\$ 172,700,118	\$ 171,021,991
Government grants and contracts	75,170,684	8,352,000	83,522,684	87,729,899
Contributions of nonfinancial assets	7,727,175	471,372	8,198,547	15,651,115
Special events revenue, net of costs of direct benefits to donors of \$1,689,504 and \$2,689,320 for 2025 and 2024	19,614,339	-	19,614,339	18,039,493
Net assets released from restrictions	<u>66,555,953</u>	<u>(66,555,953)</u>	<u>-</u>	<u>-</u>
Total Contributions and Other Revenue	<u>316,267,683</u>	<u>(32,231,995)</u>	<u>284,035,688</u>	<u>292,442,498</u>
<b>INVESTMENT RETURN</b>				
Interest and dividends, net	3,480,620	190,025	3,670,645	4,095,768
Net unrealized gain	6,864,051	402,192	7,266,243	5,575,456
Net realized gain	176,075	-	176,075	434,399
Change in value of split-interest agreements	(543,134)	429,730	(113,404)	296,180
Change in value of beneficial interest in trusts	83,482	284,193	367,675	399,615
Sales of customer lists and other income	<u>4,554,192</u>	<u>20,864</u>	<u>4,575,056</u>	<u>4,479,947</u>
Total Investment Return	<u>14,615,286</u>	<u>1,327,004</u>	<u>15,942,290</u>	<u>15,281,365</u>
Total Contributions and Other Revenue and Investment Return	<u>330,882,969</u>	<u>(30,904,991)</u>	<u>299,977,978</u>	<u>307,723,863</u>
<b>EXPENSES</b>				
Program services	211,356,459	-	211,356,459	216,769,623
Supporting Services				
Management and general	31,732,880	-	31,732,880	29,903,671
Fundraising	<u>30,151,443</u>	<u>-</u>	<u>30,151,443</u>	<u>28,858,533</u>
Total Expenses	<u>273,240,782</u>	<u>-</u>	<u>273,240,782</u>	<u>275,531,827</u>
Change in Net Assets from Operations	57,642,187	(30,904,991)	26,737,196	32,192,036
Foreign currency translation adjustment	(127,624)	97,034	(30,590)	(2,911,914)
Net periodic pension cost, except service cost	(935,635)	-	(935,635)	(1,153,472)
Pension benefits liability adjustment	2,091,669	-	2,091,669	1,941,542
Abandoned project costs - Florida affiliate	(417,685)	-	(417,685)	-
Loan forgiveness - California affiliate	222,000	-	222,000	1,485,501
Net gain on sale of property, plant and equipment	<u>127,602</u>	<u>-</u>	<u>127,602</u>	<u>256,714</u>
Change in Net Assets	<u>58,602,514</u>	<u>(30,807,957)</u>	<u>27,794,557</u>	<u>31,810,407</u>
<b>NET ASSETS</b>				
Beginning of year	<u>316,831,102</u>	<u>109,130,448</u>	<u>425,961,550</u>	<u>394,151,143</u>
End of year	<u>\$ 375,433,616</u>	<u>\$ 78,322,491</u>	<u>\$ 453,756,107</u>	<u>\$ 425,961,550</u>

See notes to consolidated financial statements

## Covenant House and Affiliates

### Consolidated Statement of Functional Expenses Year Ended June 30, 2025 (with summarized totals for the year ended June 30, 2024)

	Program Services									Supporting Services			Cost of Direct Benefit To Donors	2025 Total Expenses	2024 Total Expenses	
	Immediate and Short-Term 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
Salaries and wages	\$ 48,014,230	\$ 6,374,993	\$ 1,712,485	\$ 5,715,961	\$ 6,981,687	\$ 7,417,103	\$ 15,543,758	\$ 35,125	\$ 6,424,427	\$ 98,219,769	\$ 13,222,528	\$ 10,311,676	\$ 23,534,204	\$ -	\$ 121,753,973	\$ 119,358,953
Payroll taxes	4,175,182	573,734	137,144	515,950	590,358	602,054	1,355,307	2,820	510,902	8,463,451	1,215,642	918,896	2,134,538	-	10,597,989	11,818,173
Employee benefits	8,036,412	915,144	234,617	1,080,864	1,219,166	1,708,052	2,809,852	5,485	967,684	16,975,276	3,841,858	1,652,082	5,493,940	-	22,469,216	20,703,957
<b>Total Salaries and Related Expenses</b>	<b>60,225,824</b>	<b>7,863,871</b>	<b>2,084,246</b>	<b>7,312,775</b>	<b>8,791,211</b>	<b>9,725,209</b>	<b>19,708,917</b>	<b>43,430</b>	<b>7,903,013</b>	<b>123,658,496</b>	<b>18,280,028</b>	<b>12,882,654</b>	<b>31,162,682</b>	<b>-</b>	<b>154,821,178</b>	<b>151,881,083</b>
Contributed services	44,371	3,874	1,053	3,517	5,667	1,548	14,558	-	7,346	81,934	85,773	-	85,773	-	167,707	1,421,715
Contributed public service announcements	-	-	-	-	-	1,154,514	-	-	-	1,154,514	-	-	-	-	1,154,514	10,760,102
Professional fees	730,839	60,400	47,227	116,057	103,555	68,466	465,222	-	101,896	1,693,662	2,129,377	90,897	2,220,274	-	3,913,936	1,187,587
Medical fees	26,351	1,885	530	206,462	5,044	-	-	-	-	240,272	-	-	-	-	240,272	230,635
Consulting fees	2,208,574	253,981	50,947	312,663	458,215	2,341,796	602,255	-	1,103,133	7,331,564	1,822,368	1,696,226	3,518,594	-	10,850,158	8,120,526
Supplies	980,277	173,337	42,968	189,676	168,420	45,735	436,622	960	125,190	2,163,205	321,472	159,794	481,266	13,856	2,658,327	2,566,551
Telephone	655,895	109,580	28,332	67,037	108,304	55,761	286,383	348	132,318	1,443,958	238,865	71,526	310,391	-	1,754,349	1,782,466
Postage and printing	462,201	513,682	8,593	27,448	26,960	8,149,023	195,678	-	222,783	9,606,368	169,909	10,341,251	10,511,160	44,184	20,161,712	21,001,442
Fuel and utilities	2,140,644	314,533	117,284	122,981	305,403	54,281	939,908	13,138	245,493	4,253,665	518,536	99,794	618,330	-	4,871,995	4,097,232
Repairs and maintenance	1,461,136	76,384	57,873	42,955	195,791	17,842	485,267	1,957	285,920	2,625,125	140,479	36,764	177,243	-	2,802,368	4,016,622
Facilities	910,646	8,955	74,831	17,410	375	74	60,246	-	863	1,073,400	45,109	11,640	56,749	-	1,130,149	1,130,152
Rent and other	1,045,539	352,591	355,487	25,161	124,144	64,210	2,229,006	-	301,699	4,497,837	688,499	34,623	723,122	-	5,220,959	4,926,238
Equipment	473,763	22,844	13,558	118,807	117,306	404,440	265,005	171	86,719	1,502,613	510,771	75,762	586,533	-	2,089,146	2,457,947
Travel and transportation	802,178	90,456	28,889	49,908	118,095	183,221	176,262	484	85,829	1,535,322	322,998	91,532	414,530	5,336	1,955,188	1,272,703
Conference and meetings	402,431	26,877	13,340	70,475	98,312	110,191	144,442	-	70,272	936,340	142,382	55,954	198,336	-	1,134,676	1,087,689
Specific Assistance to Individuals																
Food	3,313,857	280,045	62,269	56,196	295,688	110,058	606,292	21	361,917	5,086,343	12,906	8,108	21,014	86,539	5,193,896	4,984,848
Medical	368,548	2,393	4,062	128,588	9,417	504	2,359	-	-	515,871	-	-	-	-	515,871	797,347
Clothing, allowance and other	2,354,299	313,306	243,431	89,546	461,188	46,934	3,169,295	-	3,742,211	10,420,200	25,901	17,975	43,876	-	10,464,076	11,740,587
Contributed clothing and merchandise	945,313	142,143	5,018	30,160	64,723	122,462	1,228,562	-	104,082	2,642,463	165	28,266	26,421	143,507	2,812,391	1,862,620
Temporary help	805,475	97,926	2,207	248,417	41,587	78,804	164,770	-	172,562	1,609,748	795,136	116,624	911,760	-	2,521,508	1,818,678
Other purchased services	2,235,890	516,738	82,967	361,480	393,032	1,443,172	886,465	5,153	316,081	6,240,978	798,235	1,881,328	2,679,563	1,329,187	10,249,728	11,211,338
Dues, licenses, and permits	77,828	7,237	2,172	25,397	9,241	35,586	55,713	-	14,598	228,048	122,424	31,344	153,768	-	381,816	349,226
Subscriptions and publications	354,510	11,853	1,624	11,420	15,816	7,883	38,648	276	17,252	459,006	92,379	122,423	214,802	-	673,808	332,936
Staff recruitment	241,301	13,368	6,245	18,754	45,098	5,762	83,806	-	52,533	466,867	478,388	36,598	514,986	-	981,853	638,785
Insurance	1,528,105	218,888	55,330	108,090	332,711	41,970	543,907	165,642	277,236	3,271,879	571,397	107,818	679,215	-	3,951,904	3,459,255
Contributed goods and services	178,491	3,200	1,600	102,208	4,800	528,131	14,400	-	17,785	850,615	12,200	87,009	99,209	-	949,824	1,104,901
Miscellaneous, net	582,127	123,716	45,601	129,022	100,064	278,436	319,581	642	123,650	1,702,840	809,376	633,702	1,443,078	66,895	3,212,813	2,638,787
Bank charges and fees	445,331	36,292	25,982	70,546	84,241	20,630	203,945	-	67,425	954,392	689,101	222,276	911,377	-	1,865,769	1,496,847
Interest	238,324	45,106	2,331	4,136	46,982	17,306	69,500	773	21,816	446,274	372,347	14,490	386,837	-	833,111	945,544
<b>Total Before Depreciation and Amortization</b>	<b>86,240,088</b>	<b>11,685,461</b>	<b>3,465,997</b>	<b>10,067,292</b>	<b>12,531,390</b>	<b>25,111,949</b>	<b>33,397,004</b>	<b>232,995</b>	<b>15,961,622</b>	<b>198,693,799</b>	<b>30,196,521</b>	<b>28,954,368</b>	<b>59,150,889</b>	<b>1,689,504</b>	<b>259,534,192</b>	<b>261,312,389</b>
Depreciation and amortization	4,547,264	334,474	86,503	306,057	847,459	3,414,958	2,626,286	84,417	415,243	12,662,660	1,536,359	1,197,075	2,733,434	-	15,996,094	16,908,758
<b>Total Expenses</b>	<b>90,787,352</b>	<b>12,019,935</b>	<b>3,552,500</b>	<b>10,373,349</b>	<b>13,378,849</b>	<b>28,526,907</b>	<b>36,023,290</b>	<b>317,412</b>	<b>16,376,865</b>	<b>211,356,459</b>	<b>31,732,880</b>	<b>30,151,443</b>	<b>61,884,323</b>	<b>1,689,504</b>	<b>274,930,286</b>	<b>278,221,147</b>
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,689,504)	(1,689,504)	(2,689,320)
<b>Total Expenses Reported by</b>																
<b>Function on Statement of Activities</b>	<b>\$ 90,787,352</b>	<b>\$ 12,019,935</b>	<b>\$ 3,552,500</b>	<b>\$ 10,373,349</b>	<b>\$ 13,378,849</b>	<b>\$ 28,526,907</b>	<b>\$ 36,023,290</b>	<b>\$ 317,412</b>	<b>\$ 16,376,865</b>	<b>\$ 211,356,459</b>	<b>\$ 31,732,880</b>	<b>\$ 30,151,443</b>	<b>\$ 61,884,323</b>	<b>\$ -</b>	<b>\$ 273,240,782</b>	<b>\$ 275,531,827</b>

See notes to consolidated financial statements

## Covenant House and Affiliates

### Consolidated Statement of Cash Flows Year Ended June 30, 2025

(with comparative amounts for the year ended June 30, 2024)

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 27,794,557	\$ 31,810,407
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount and reserve on contributions receivable	(18,677)	(83,163)
Amortization of customer lists	4,273,953	5,416,514
Realized and unrealized gain on investments	(7,442,318)	(6,009,855)
Contributed investments	(90,550)	(188,927)
Interest income on short-term treasury bills	(16,779)	(171,548)
Deferred gain on sale leaseback	(24,538)	(24,538)
Net gain on sale of property, plant and equipment	(127,602)	(256,714)
Donated property, plant and equipment	(2,837,637)	(11,600)
Change in value of beneficial interest in trusts	(367,675)	(399,615)
Amortization of deferred revenue and loan discount	(83,680)	(35,916)
Change in value of split interest agreements	113,404	(296,180)
Pension benefits liability adjustment	(3,299,722)	(2,715,794)
Amortization of right of use assets - operating leases	4,053,314	4,110,146
Depreciation and amortization	11,122,141	11,492,244
Amortization of deferred financing costs	88,437	91,859
Loan forgiveness	261,472	1,485,501
Bad debt expense- contributions receivable	38,632	99,963
Bad debt expense- grants receivable	150,000	3,138
Foreign currency translation adjustment	30,590	2,911,914
Additions to endowment	-	(170,000)
Changes in operating assets and liabilities		
Contributions receivable	3,369,396	(4,587,449)
Grants receivable	(1,409,148)	2,472,315
Other receivables	(1,774,721)	-
Prepaid expenses and other assets	64,389	831,090
Accounts payable and accrued expenses	1,714,141	1,654,217
Deferred revenue	2,680,808	(703,463)
Lease liabilities	(4,092,543)	(4,045,030)
Net Cash from Operating Activities	34,169,644	42,679,516
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to beneficial interests in trusts	(7,892)	(32,687)
Distributions from beneficial interests in trusts	1,368,930	102,610
Purchase of customer lists	(3,940,892)	(3,339,857)
Purchases of investments	(48,219,028)	(30,656,917)
Sales of investments	37,802,288	37,378,640
Capital expenditures	(26,686,403)	(58,131,044)
Maturity of guaranteed investment certificates	(2,637,549)	1,285,345
Purchase of certificates of deposit	(1,000,674)	(3,244,810)
Maturity of certificates of deposit	3,661,685	-
Net Cash from Investing Activities	(39,659,535)	(56,638,720)

See notes to consolidated financial statements

## Covenant House and Affiliates

### Consolidated Statement of Cash Flows

*(continued)*

Year Ended June 30, 2025

(with comparative amounts for the year ended June 30, 2024)

	2025	2024
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings under line of credit and other obligations	\$ 12,952,087	\$ 7,675,529
Repayments of line of credit and other obligations	(6,296,992)	(2,224,680)
Repayments of Paycheck Protection Program loan	(27,664)	(30,179)
Principal payments under finance lease obligations	(101,348)	(117,031)
Deposits held with trustee	(13,912)	(13,844)
Payment of annuity obligations	(845,625)	(526,457)
Additions to gift split-interest arrangements	1,922,769	750,785
Additions to endowment	-	170,000
Net Cash from Financing Activities	7,589,315	5,684,123
Net Change in Cash and Cash Equivalents, and Restricted Cash	2,099,424	(8,275,081)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning of year	33,737,760	42,012,841
End of year	\$ 35,837,184	\$ 33,737,760
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 677,580	\$ 481,006
<b>NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES</b>		
Construction costs financed through accounts payable	-	2,360,975
Assets acquired under finance lease obligations	248,790	132,079

Covenant House (Parent) transferred the \$7,500,000 investment in condominium construction to construction in progress during 2025.

See notes to consolidated financial statements

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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 63,000 young people during fiscal 2025. Throughout fiscal 2025, Covenant House provided a total of more than 896,000 nights of housing and safety for, on average, 2,500 youth each night.

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

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

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

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

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

Covenant House Innovation Center LLC (“CHIC”) filed its certificate of formation with the state of Delaware during fiscal 2024. Covenant House (Parent) has both 100% membership interest and the exclusive right to manage and control the affairs of CHIC.

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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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 Under 21 Covenant House New York (the "New York affiliate") 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 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.

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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

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

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. 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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

### **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.

The Health and Well-Being program provides services to homeless youth. 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+ and for survivors of human trafficking. More than half (56%) of all Covenant House youth tell us they are dealing with a mental health challenge, and our 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. Our trauma-informed health and well-being services range from medical care at our 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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

### **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 Schools program collaborates with Covenant Schools Detroit ("CS"), located on the Michigan affiliate's residential campus, to provide comprehensive educational support for its residents through enrollment at CS. The Michigan affiliate maintains and oversees the facilities that house CS's operations. CS delivers accredited educational programs for homeless and at-risk youth, including students who have previously discontinued their schooling, serving those in grades nine through twelve. Through this collaboration, CS empowers students to complete their high school education and build the foundation for long-term academic and personal success.

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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

### **2. Summary of Significant Accounting Policies**

#### ***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.

#### ***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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

### **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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

#### **Contributions of Nonfinancial Assets**

Contributions of nonfinancial assets for fiscal 2025 and 2024 consisted of the following:

	2025	2024	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Public service announcements	\$ 1,154,514	\$ 10,760,102	Program and Administration	No associated donor restrictions	(a)
Food	1,623	470	Program and Administration	No associated donor restrictions	(b)
Supplies	8,404	17,420	Program and Administration	No associated donor restrictions	(b)
Clothing	26,252	17,667	Program and Administration	No associated donor restrictions	(b)
Contributed goods/merchandise	2,356,443	2,291,711	Program and Administration	No associated donor restrictions	(b)
Services	1,154,894	1,893,365	Program and Administration	No associated donor restrictions	(c)
Property and equipment	2,837,637	11,600	Program and Administration	No associated donor restrictions	(d)
Rent	658,780	658,780	Program and Administration	No associated donor restrictions	(e)
	<u>\$ 8,198,547</u>	<u>\$ 15,651,115</u>			

- (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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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.

#### ***Cash and Cash Equivalents 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. 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 and restricted cash reported on the consolidated statement of financial position and the consolidated statement of cash flows at June 30:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 35,549,384	\$ 33,363,615
Restricted cash	<u>287,800</u>	<u>374,145</u>
	<u>\$ 35,837,184</u>	<u>\$ 33,737,760</u>

#### ***Investments***

Investments are carried at fair value. Marketable equity securities and debt obligations are carried at fair value based on quoted market values. Covenant House follows guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the NAV per share as a "Practical Expedient." The fair value of the non-exchange-traded alternative investments have 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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

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

#### ***Investments – Other***

Investments – other, consists of certificates of deposit held for investment with maturities greater than three months at the 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.

#### ***Held for Sale Assets***

Assets are classified as held for sale when their carrying amount is expected to be recovered principally through a sale rather than continued use, and the sale is highly probable within twelve months. Such assets are measured at the lower of carrying amount or fair value, and depreciation ceases from the date of classification. The asset and applicable liability are presented separately in the consolidated statement of financial position.

#### ***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, 2025 and 2024.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

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

#### ***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 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.

#### ***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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

#### ***Fair Value of Financial Instruments***

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

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

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

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

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

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

*Common stocks, mutual funds, 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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

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

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

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

*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 is 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, 2022.

#### ***Foreign Currency Translation***

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

#### ***Concentration of Credit Risk***

Financial instruments that potentially subject Covenant House to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation (“FDIC”) limit. Covenant House 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.

## **Covenant House and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2025

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

#### ***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.

#### ***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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

#### ***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, 2024, 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 5, 2026.

### 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 6.75% in 2025 and 1.23% to 5.40% in 2024. 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:

	2025	2024
Unconditional promises expected to be collected in:		
Less than one year	\$ 11,156,391	\$ 14,465,916
Within five years	3,282,823	3,818,242
Thereafter	675,193	200,923
	<u>15,114,407</u>	<u>18,485,081</u>
Less: Discount to present value	(423,146)	(428,368)
Reserve on contributions receivable	(275,834)	(251,935)
	<u>\$ 14,415,427</u>	<u>\$ 17,804,778</u>

During fiscal 2025 and 2024, 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.

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 4. Grants Receivable

Grants receivable of \$15,029,715 and \$13,770,567 at June 30, 2025 and 2024 are expected to be collected within one year. As of June 30, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, the cost of the customer lists amounted to \$34,662,572 and \$30,721,680. Accumulated amortization at June 30, 2025 and 2024 amounted to \$28,485,243 and \$24,211,287. Amortization expense for fiscal years 2025 and 2024 amounted to \$4,273,953 and \$5,416,514.

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

	<u>Amount</u>
2026	\$ 3,187,854
2027	2,024,844
2028	<u>964,631</u>
	<u>\$ 6,177,329</u>

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 7. Investments

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

	2025			Total
	Level 1	Level 2	Investments Measured at NAV*	
Investments:				
Common stocks	\$ 2,797,856	\$ -	\$ -	\$ 2,797,856
U.S. government securities	2,429,610	-	-	2,429,610
Foreign government securities	297,796	-	-	297,796
Corporate debt securities	-	779,561	-	779,561
Exchange-traded funds	2,678,899	-	-	2,678,899
Mutual Funds:				
Stocks	20,788,929	-	-	20,788,929
Bonds	14,752,624	-	-	14,752,624
Combined	46,488,433	2,121,953	-	48,610,386
Hedge fund	-	-	3,684,624	3,684,624
Total Investments at Fair Value	<u>\$ 90,234,147</u>	<u>\$ 2,901,514</u>	<u>\$ 3,684,624</u>	96,820,285
Cash and cash equivalents, at cost				<u>26,358,541</u>
Total Investments				<u>\$ 123,178,826</u>
	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	<u>\$ 73,713,438</u>	<u>\$ 4,040,867</u>	<u>\$ 3,315,848</u>	81,070,153
Cash and cash equivalents, at cost				<u>24,128,374</u>
Total Investments				<u>\$ 105,198,527</u>

(\*) As discussed in Note 2, certain investments that are measured at fair value using NAV 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.

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 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 2025 and 2024.

Investment management fees of approximately \$189,000 and \$154,000 are netted with interest and dividend income in the accompanying consolidated statement of activities for the years ended June 30, 2025 and 2024.

Covenant House's certificates of deposit of \$1,000,674 and \$3,661,685 and guaranteed investment certificates of \$13,331,852 and \$10,694,303 as of June 30, 2025 and 2024, 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 investments valued using NAV as the practical expedient at June 30, 2025 and 2024 is as follows:

2025					
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	<u>\$ 3,684,624</u>	<u>\$ -</u>	Quarterly	65 days

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	<u>\$ 3,315,848</u>	<u>\$ -</u>	Quarterly	65 days

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 8. Property, Plant and Equipment

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

	2025	2024
Buildings	\$ 305,350,648	\$ 253,479,898
Building improvements	47,525,153	45,714,618
Equipment, furniture and vehicles	34,810,082	33,935,808
Equipment acquired under finance lease obligations	1,138,358	1,069,916
Capitalized interest	146,495	-
Leasehold improvements	7,032,910	5,377,157
	396,003,646	339,577,397
Less: Accumulated depreciation and amortization	(125,236,757)	(114,114,616)
	270,766,889	225,462,781
Land	35,814,798	35,663,863
Construction in progress	19,796,717	39,807,208
Property, Plant and Equipment, net	\$ 326,378,404	\$ 300,933,852

Accumulated depreciation and amortization on equipment acquired under finance lease obligations amounted to \$954,633 and \$775,399 at June 30, 2025 and 2024.

Depreciation and amortization expense amounted to \$11,122,141 and \$11,492,244 for the years ended June 30, 2025 and 2024.

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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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 "Texas 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 Texas 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. During fiscal 2025, funds were borrowed against the loan totaling \$9,909,172. During fiscal 2025, the Texas affiliate made principal payments of \$2,775,000. There were no borrowings or payments made during fiscal 2024. (See Note 9) In 2025, the Texas affiliate capitalized \$146,495 of interest related to the loan and building construction. 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 2025 there were no construction costs incurred and during 2024, the affiliate incurred and recognized \$3,622,462 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 2025 and 2024, the Texas affiliate incurred \$670,000 and \$8,692,994 worth of construction costs which are recognized under government grants and contracts on the accompanying statement of activities and grants receivable 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.

During fiscal year 2025, the Texas affiliate received a direct subsidy of \$750,000 from the Federal Home Loan Bank of Dallas ("FHLB"), through Texas Capital Bank, N.A., pursuant to the Affordable Housing Program Agreement (the "Texas Agreement") among FHLB, Texas Capital Bank, and the Texas affiliate. Under the Agreement, the subsidy is structured as a conditional grant to support the development of an affordable housing project. The Texas affiliate is required to complete the project in accordance with the approved AHP application and to maintain the project's affordability for a 15-year retention period following completion. The 15-year-retention period commences upon receipt of the certificate of occupancy.

The subsidy is subject to repayment only if the Texas affiliate fails to comply with the requirements of the Texas Agreement or if the property is sold, transferred, refinanced, or otherwise ceases to meet AHP affordability restrictions during the retention period. Otherwise, the funding does not bear interest and is not required to be repaid.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

In accordance with ASC 958-605, amounts received under the Texas Agreement are recorded as a refundable advance until the conditions for recognition have been substantially met.

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.

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.

During the year ended June 30, 2025, Covenant House Florida (the "Florida affiliate") expensed \$417,685 of abandoned project costs related to a discontinued new building project, which are included in the accompanying statement of activities. These costs primarily consisted of architectural design, and owner's representative fees incurred prior to the decision to abandon the project. Management evaluated the nature of these costs and determined that certain expenditures continued to provide future benefit through retained institutional knowledge, design continuity, and reduced transition costs associated with future development efforts. Based on an independent assessment, approximately \$95,000 of these costs were determined to be recoverable through such leveraged benefits, while the remaining costs were determined to have no future economic value and were expensed.

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

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

##### *Investment in Condominium Construction and Construction in Progress*

The 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. In March 2025, the Parent assigned its rights to the purchase of the condominium to CHIC which, in turn, closed on the purchase of the condominium for approximately \$7,800,000, of which \$7,500,000, previously held in escrow, was applied at settlement. In connection with the purchase, \$9,523,064 of construction in progress were transferred to CHIC from the Parent and the LLC during fiscal 2025. Condominium improvements to the space commenced after closing and are expected to be completed by June 2026. CHIC has commitments totaling \$7,497,700 in connection with the condominium construction, of which \$2,408,244 has been incurred through June 30, 2025.

#### 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, 2025	Maturity Date	Interest Rate (per annum) at June 30, 2025	Debt Obligation at June 30, 2024
CH Parent	Goldman Sachs	\$ 1,858,883	2/14/2027	SOFR + 1.63%	\$ 4,350,000
CH Alaska	Rasmusson Foundation	1,000,000	3/31/2032	.50% per annum	-
CH California	Department of Housing and Community Development	-	7/19/2025	3.00%	222,000
CH California	Bank of America	993,883	1/28/2028	4.25%	1,049,460
CH California	Bank of America	1,332,856	1/15/2031	3.45%	1,399,294
CH California	PRI Loan (3rd Party Foundation)	2,000,000	6/18/2031	2.00%	2,000,000
CH Georgia	Investment Fund 1 (Note A)	5,829,570	9/15/2050	1.41%	5,829,570
CH Georgia	Investment Fund 1 (Note B)	2,027,430	9/15/2050	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	102,911	11/16/2037	0.00%	110,828
CH New Jersey	New Jersey Housing and Mortgage Finance Agency ("NJHMFA")	829,306	10/6/2024 (a)	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")	1,899,439	6/2/2065	0.00%	316,273
CH Pennsylvania	Federal Home Loan Bank of Pittsburgh ("FHLB")	750,000	(b)	0.00%	750,000
CH Pennsylvania	Federal Home Loan Bank of New York	250,000	(b)	0.00%	250,000
CH Texas	Cadence Bank (see Note 8)	7,134,172	12/31/2032	4.85%	-
CH Toronto	City of Toronto	421,301	2040	0.00%	452,856
CH Vancouver	BC Housing/Proposal Development Funding	4,126,025	4/1/2029	0.00%	4,118,233
CH Vancouver	BC Housing Management Commission	3,661,930	Payable on demand	0.00%	3,655,015
CH Vancouver	Canada Mortgage and Housing Corporation	3,727,282	2040	0.00%	3,720,243
CH Vancouver	Canada Mortgage and Housing Corporation	5,744,709	2041	0.00%	5,733,861
CH Vancouver	BC Housing Management Commission	1,830,965	2032	0.00%	1,827,506
CH Vancouver	BC Housing Management Commission	3,295,740	2034	0.00%	3,289,515
		59,359,558			52,474,546
	Less: Deferred financing costs	(616,259)			(704,696)
		<u>\$ 58,743,299</u>			<u>\$ 51,769,850</u>

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

- (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 6.32% and 6.90% at June 30, 2025 and 2024. The agreement was extended to February 14, 2027.

Drawdowns under the unsecured line of credit agreement with the financial institution totaled \$1,100,000 and \$3,615,000 during the years ended June 30, 2025 and 2024. Total repayments on the line of credit were \$3,591,117 and \$2,265,000 during fiscal 2025 and 2024.

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 1.41% 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 1.09% 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 at June 30, 2025 and 2024. The NMTC financing was arranged on behalf of the QALICB LLC, a commonly controlled affiliate of the Illinois affiliate.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

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 due and payable on June 18, 2031. The total amount of interest expense relating to this loan totaled \$41,315 for the year ended June 30, 2025.

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 toward 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 April 8, 2025, the California affiliate entered into a loan agreement with a municipal corporation for \$1,200,000 with 3% interest related to a project site expansion. There were no outstanding borrowings at June 30, 2025 related to this loan.

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 \$47,939 and \$50,147 for the years ended June 30, 2025 and 2024.

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 \$44,303 and \$46,796 for the years ended June 30, 2025 and 2024.

In 2019, the California affiliate was awarded an Emergency Housing and Assistance Program Operating Facility ("EHAP") grant through the Department of Housing and Community Development ("DHCD") of \$740,000 in order to secure funding for the purchase of the DreamCatcher property. The grant is structured as a loan to the California 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. The loan was fully forgiven on June 30, 2025 and recorded as loan forgiveness on the accompanying consolidated statement of activities. At June 30, 2024, the total unamortized balance of the remaining forgivable loan was \$222,000, which is included in line of credit and other debt obligations in the accompanying 2024 consolidated statement of financial position.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

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 \$102,911 and \$110,828 as of June 30, 2025 and 2024.

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, 2025 and 2024. 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, 2025 and 2024, the escrow amount held with the trustee totaled \$122,952 and \$119,332. 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 2025 and 2024, 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 the 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, 2025 and 2024, the escrow amount held with the trustee totaled \$156,201 and \$152,843. 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 2025 and 2024, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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, 2025 and 2024, the escrow amount held with the trustee totaled \$277,529 and \$271,759. 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 2025 and 2024, 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, 2025 and 2024, the escrow amount held with the trustee totaled \$26,844 and \$25,680. 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 2025 and 2024, 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, 2025 and 2024. Of this amount \$600,000 was received at the closing with the balance becoming 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 \$53,400 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 2025 and 2024, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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") with a maturity date of February 28, 2027. 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, 2025 and 2024. As such, there was no interest expense for fiscal 2025 and 20234

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 2025 and 2024, 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 toward 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, 2025 and 2024, the outstanding balance of the forgivable loan was CAD \$575,250 (USD \$421,301) and CAD \$619,500 (USD \$452,856).

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, 2025 and 2024, the outstanding balance of the forgivable mortgage was CAD \$5,000,000 (US \$3,661,930) and CAD \$5,000,000 (US \$3,655,015).

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, 2025 and 2024, the outstanding balance of the forgivable mortgage was CAD \$5,633,675 (US \$4,126,025) and CAD \$5,633,675 (US \$4,118,233).

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, 2025 and 2024, the outstanding balance of the forgivable mortgage was CAD \$5,089,232 (US \$3,645,688) and CAD \$5,089,232 (US \$3,720,243).

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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, 2025 and 2024, the outstanding balance of the forgivable mortgage was CAD \$7,843,827 (US \$5,744,709) and CAD \$7,843,827 (US \$5,733,861).

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, 2025 and 2024, the outstanding balance of the forgivable mortgage was CAD \$2,500,000 (US \$1,830,965) and CAD \$2,500,000 (US \$1,827,506).

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, 2025 and 2024, the outstanding balance of the forgivable mortgage was CAD \$4,500,000 (US \$3,295,740) and CAD \$4,500,000 (US \$3,289,515).

The Georgia affiliate maintains a \$500,000 line of credit agreement with South State Bank which expires on April 27, 2027. 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, 2025 is 7.5%. There were no outstanding borrowings as of June 30, 2025 and 2024.

On June 2, 2023, 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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

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

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 “Pennsylvania Agreement 1”) 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 “Pennsylvania Agreement 2”) between FHLBNY, FBNJ and the affiliate. Except in the event of default as outlined in the Pennsylvania Agreement 2, 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.

On July 3, 2024, the Pennsylvania affiliate obtained a \$400,000 bridge loan from Covenant House (Parent) to cover construction costs at the Germantown project of Holdings. The loan bears 0% interest if paid within one year and 2% interest if paid within two years. The loan is unsecured and matures on July 3, 2026.

On March 24, 2025, the Alaska affiliate entered into a program-related investment loan agreement with the Rasmuson Foundation. Under the terms of the agreement, the Alaska affiliate received an unsecured loan in the amount of \$1,000,000, which bears interest at a fixed rate of 1.50% per annum. Interest payments of \$7,500 are due semi-annually, with the first payment scheduled for September 30, 2025. The loan requires payment of the full principal balance upon its maturity on March 31, 2032. Interest expense related to this loan for the year ended June 30, 2025 totaled \$3,750. The outstanding principal balance on the loan was \$1,000,000 as of June 30, 2025.

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

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

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

2026	\$	1,993,439
2027		139,569
2028		1,947,458
2029		80,825
2030		4,209,440
Thereafter		<u>50,988,827</u>
		59,359,558
Less: Deferred financing costs		<u>(616,259)</u>
		<u>\$ 58,743,299</u>

#### 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, 2025	Unamortized Balance at June 30, 2024
CH New Jersey	U.S. Department of Housing and Urban Development	\$ 565,000	\$ 645,000
CH New Jersey	State of New Jersey	59,805	59,805
CH New Jersey	Department of Community Affairs	40,995	-
CH New Jersey	State of New Jersey Department of Human Services (Crisis Center)	1,084	2,168
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
CH Alaska	Bridge to Success Affordable Housing	985,000	985,000
CH California	County of Los Angeles	1,512,000	-
CH Toronto	City of Toronto	-	480,297
Various	Various	<u>2,452,599</u>	<u>521,956</u>
		<u>\$ 7,356,668</u>	<u>\$ 4,759,540</u>

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 11. Lease Commitments *(continued)*

#### **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:

	2025	2024
ROU asset	\$ 24,420,452	\$ 23,463,629
Less: accumulated amortization	<u>(12,156,549)</u>	<u>(8,103,235)</u>
	<u>\$ 12,263,903</u>	<u>\$ 15,360,394</u>

ROU assets recognized during the years ended June 30, 2025 and 2024 were \$1,372,868 and \$1,399,879.

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

	2025	2024
Weighted-average remaining lease term in years for operating leases	4.42	3.86
Weighted-average discount rate for operating leases	3.59%	3.55%

Operating lease expense for the years ended June 30, 2025 and 2024 totaled \$5,481,576 and \$5,150,792. Cash paid for the amounts included in the measurement of operating lease liabilities for the years ended June 30, 2025 and 2024 totaled \$5,387,429 and \$5,034,080.

#### **Finance Lease**

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

Covenant House amortizes 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:

	2025	2024
ROU asset - finance lease	\$ 1,138,358	\$ 1,069,916
Less: accumulated amortization	<u>(876,747)</u>	<u>(775,399)</u>
	<u>\$ 261,611</u>	<u>\$ 294,517</u>

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 11. Lease Commitments *(continued)*

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

	2025	2024
Weighted-average remaining lease term in years for finance leases	2.15	1.95
Weighted-average discount rate for finance leases	5.70%	5.32%

As of June 30, 2025, the future minimum lease payments under the lease agreements above are as follows:

	Finance	Operating	Total
2026	\$ 177,496	\$ 4,176,830	\$ 4,354,326
2027	172,038	1,916,149	2,088,187
2028	85,956	1,749,532	1,835,488
2029	37,272	1,565,805	1,603,077
2030	5,041	1,460,740	1,465,781
Thereafter	-	2,441,613	2,441,613
Total undiscounted lease payments	477,803	13,310,669	13,788,472
Less: imputed interest	(160,618)	(1,010,992)	(1,171,610)
Present value of lease liabilities	\$ 317,185	\$ 12,299,677	\$ 12,616,862

#### 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 trusts 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, 2025 was 5.0% and in 2024 was 5.6%. At June 30, 2025, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately \$3,135,000 and \$1,540,000. 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. As of June 30, 2025 and 2024, \$10,724,614 and \$8,205,468 of investments relate to such agreements. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

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

Covenant House further maintains beneficial interests in certain trusts administered by third parties. Those trusts of a perpetual nature were valued at approximately \$5,485,000 and \$5,304,000 at June 30, 2025 and 2024. Other trusts with a defined time frame (term trusts) were valued at approximately \$1,030,000 and \$2,204,000 at June 30, 2025 and 2024. As these trusts are controlled and invested by independent third parties, Covenant House records a beneficial interest and contribution revenue for its ratable share of the assets based on the fair value of the trusts' underlying assets.

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

	2025		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	\$ 4,674,614	\$ -	\$ 4,674,614
Beneficial interests in trusts	\$ -	\$ 6,514,736	\$ 6,514,736
	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

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:

	2025				
	Beginning Balance at July 1, 2024	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2025
Beneficial interests in trusts	\$ 7,508,099	\$ 7,892	\$ 367,675	\$ (1,368,930)	\$ 6,514,736
	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

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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 that 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. There was no balance of PPP loans outstanding at June 30, 2025 and the outstanding balances of PPP loans amounted to \$27,664 at June 30, 2024. For the years ended June 30, 2025 and 2024, a total of \$27,664 and \$30,179 in PPP loans were repaid. The Small Business Administration has stated it will review the needs certification on all loans over \$2 million to ensure Covenant House (Parent) and these U.S. entities were entitled to receive the funding. Covenant House (Parent) and these U.S. entities believe it was eligible to receive the PPP loan proceeds.

### 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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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.

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 14. Pension Plans *(continued)*

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

	2025	2024
Change in benefit obligation:		
Projected benefit obligation, beginning of year	\$ 38,367,520	\$ 39,730,745
Service cost	705,510	426,141
Interest cost	1,957,255	1,997,740
Actuarial (gain)	(652,180)	(961,451)
Benefits paid	<u>(2,796,185)</u>	<u>(2,825,655)</u>
Projected benefit obligation, end of year	<u>\$ 37,581,920</u>	<u>\$ 38,367,520</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ 28,789,045	\$ 27,197,800
Actual return on plan assets	2,461,109	1,824,340
Employer contributions	3,122,011	2,592,560
Benefits paid	<u>(2,796,185)</u>	<u>(2,825,655)</u>
Fair value of plan assets, end of year	<u>\$ 31,575,980</u>	<u>\$ 28,789,045</u>
Funded status, end of year	<u>\$ (6,005,940)</u>	<u>\$ (9,578,475)</u>
Accumulated benefit obligation	<u>\$ 37,581,920</u>	<u>\$ 38,367,520</u>
Amounts included in without donor restricted net assets:		
Unrecognized actuarial loss	<u>\$ 4,741,738</u>	<u>\$ 6,833,407</u>
Components of the net periodic pension cost:		
Service cost	\$ 705,510	\$ 426,141
Interest cost	1,957,255	1,997,740
Expected return on plan assets	(1,452,174)	(1,505,664)
Amortization of actuarial loss	430,554	661,415
Net periodic pension cost	<u>\$ 1,641,145</u>	<u>\$ 1,579,632</u>
Other changes recognized in without donor restrictions net assets:		
Actuarial (gain) incurred during the year	\$ (1,661,115)	\$ (1,280,127)
Amortization of actuarial loss	<u>(430,554)</u>	<u>(661,415)</u>
Pension related activity, other than net periodic pension cost	<u>\$ (2,091,669)</u>	<u>\$ (1,941,542)</u>
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	\$ 430,554	\$ 661,415
Weighted-average Assumptions:		
Discount rate - benefit obligation	5.53%	5.30%
Discount rate - net periodic pension cost	5.30%	5.22%
Expected long-term rate of return on Plan assets	6.00%	4.90%
Average rate of increase in compensation levels	N/A	N/A

## Covenant House and Affiliates

### Notes to Consolidated Financial Statements June 30, 2025

#### 14. Pension Plans *(continued)*

Employer contributions to the Plan for the years ended June 30, 2025 and 2024 were \$3,122,011 and \$2,592,560. Plan benefits expected to be paid in the following fiscal years are as follows:

2026	\$ 2,702,276
2027	2,775,877
2028	3,241,348
2029	2,524,104
2030	1,943,649
2031-2035	14,241,054

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

	2025		
	Level 1	Level 2	Total
Fixed income mutual funds	\$ 21,677,043	\$ -	\$ 21,677,043
Equity mutual funds	5,375,528	-	5,375,528
Short-term corporate bonds	-	4,523,409	4,523,409
Total Plan Assets	<u>\$ 27,052,571</u>	<u>\$ 4,523,409</u>	<u>\$ 31,575,980</u>
	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	<u>\$ 24,893,229</u>	<u>\$ 3,895,816</u>	<u>\$ 28,789,045</u>

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

	2025	2024
Equity securities	17 %	17 %
Debt securities	83 %	83 %
	<u>100 %</u>	<u>100 %</u>

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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 \$3,485,000 and \$3,314,000 for the years ended June 30, 2025 and 2024. Total employer contributions due to the 403(b) plan are approximately \$3,179,000 and \$3,077,000 at June 30, 2025 and 2024, 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 for each of the years ended June 30, 2025 and 2024. Covenant House (Parent)'s obligations under the 457(b) plan are approximately \$1,476,000 and \$1,332,000 at June 30, 2025 and 2024, 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 2025 and 2024, the expense for the RRSP totaled approximately CAD \$729,000 (US \$534,000) and CAD \$639,000 (US \$467,000). There are no employer contributions due to the Toronto affiliate's RRSP at June 30, 2025 and 2024.

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 2025 and 2024 totaled approximately CAD \$420,000 (US \$307,000) and CAD \$402,000 (US \$294,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2025 and 2024.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 14. Pension Plans *(continued)*

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 has 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 \$47,447,725 and \$41,869,511 as of June 30, 2025 and 2024.

In September 2025, the Michigan affiliate's Board of Directors designated approximately \$1,400,000 of the Michigan affiliate's long-term investment portfolio for support of capital projects. While these amounts continue to be classified as net assets without donor restrictions, the Board of Directors has earmarked the funds for capital project use.

### 16. Net Assets with Donor Restrictions

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

	2025	2024
Various donor-imposed purpose restrictions:		
Program	\$ 23,970,360	\$ 15,363,067
Capital campaign	33,346,878	72,098,978
Time Restriction:		
Beneficial interest in trusts	1,530,242	3,152,889
Other split-interest agreements	2,889,649	2,820,017
Other time restrictions	205,304	1,498,706
Unappropriated endowment earnings	5,709,528	5,099,376
Beneficial interest in perpetual trusts	5,293,465	3,720,350
Endowment held in perpetuity	5,377,065	5,377,065
	\$ 78,322,491	\$ 109,130,448

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

	2025	2024
Purpose restriction	\$ 60,161,504	\$ 17,840,160
Time restriction	6,394,449	2,993,976
	\$ 66,555,953	\$ 20,834,136

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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.

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.



## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 18. Commitments and Contingencies

On October 6, 2025, the Pennsylvania affiliate completed a new markets tax credit (“NMTC”) financing to support the development of a youth transitional shelter facility (the “Facility”) located at 5603–5605 Germantown Avenue, Philadelphia, Pennsylvania. The transaction included approximately \$6.5 million of qualified equity investment funded by federal NMTC equity and leverage loans from affiliated entities. CHPA Support Corporation, a nonprofit organization formed on August 7, 2025, was created for the sole purpose of operating the facility. Proceeds were used by CHPA Support Corporation to fund eligible project costs, repay certain prior project advances, and establish required reserve accounts. The financing structure includes multiple lease arrangements and interest-only debt during the NMTC compliance period, with customary NMTC covenants, reporting requirements, and restrictions on use of property and proceeds.

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.

## Covenant House and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2025

### 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:

	2025	2024
Financial Assets:		
Cash and cash equivalents	\$ 35,549,384	\$ 33,363,615
Contributions receivable, net	14,415,427	17,804,778
Grants receivable	15,029,715	13,770,567
Other receivables	1,774,721	1,330,015
Investments	123,178,826	105,198,527
Investments, other	14,332,526	14,355,988
	204,280,599	185,823,490
Less amounts unavailable for general expenditure:		
Amounts restricted by donors with time or purpose restrictions and internal designations	(60,553,010)	(60,408,359)
Board designated funds	(47,447,725)	(41,869,511)
457(b) plan assets included in investments	(1,476,216)	(1,332,494)
Investments held for charitable remainder annuity trusts	(1,894,762)	(1,712,270)
Beneficial interest in perpetual trusts	(1,845,298)	(1,544,994)
Investments held in perpetuity	(5,377,065)	(5,377,065)
	(118,594,076)	(112,244,693)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	\$ 85,686,523	\$ 73,578,797

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, 2025 (with summarized totals at June 30, 2024)

	2025				2024 Total
	Covenant House	Covenant House (Parent)	Eliminations	Total	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 31,647,920	\$ 3,901,464	\$ -	\$ 35,549,384	\$ 33,363,615
Restricted cash	287,800	-	-	287,800	374,145
Contributions receivable, net	11,050,657	3,364,770	-	14,415,427	17,804,778
Grants receivable	13,787,851	1,241,864	-	15,029,715	13,770,567
Notes receivable	7,147,759	4,758,883	-	11,906,642	11,906,642
Other receivables	1,707,830	66,891	-	1,774,721	1,330,015
Due from Parent	298,868	-	(298,868)	-	-
Due from affiliates	1,685,500	1,011,019	(2,696,519)	-	-
Prepaid expenses and other assets, net	2,876,499	7,503,318	-	10,379,817	9,447,252
Investments	66,525,526	56,653,300	-	123,178,826	105,198,527
Investments, other	14,032,577	299,949	-	14,332,526	14,355,988
Property held for sale	578,897	-	-	578,897	-
Property, plant and equipment, net	245,954,419	80,423,985	-	326,378,404	300,933,852
Right of use assets - operating leases	12,095,489	168,414	-	12,263,903	15,360,394
Investments held as agent	-	329,812	(329,812)	-	-
Investment in condominium construction	-	-	-	-	7,500,000
Beneficial interests in trusts	4,356,438	2,158,298	-	6,514,736	7,508,099
	<u>\$ 414,034,030</u>	<u>\$ 161,881,967</u>	<u>\$ (3,325,199)</u>	<u>\$ 572,590,798</u>	<u>\$ 538,853,874</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 18,512,457	\$ 6,066,892	\$ -	\$ 24,579,349	\$ 22,833,653
Deferred revenue	7,356,668	-	-	7,356,668	4,759,540
Line of credit and other debt obligations	56,884,416	1,858,883	-	58,743,299	51,769,850
Finance lease obligations	317,185	-	-	317,185	418,533
Lease liability, operating leases	12,131,263	168,414	-	12,299,677	15,435,397
Paycheck Protection Program loans	-	-	-	-	27,664
Obligations due under split-interest agreements	-	4,674,614	-	4,674,614	3,484,066
Other liabilities	162,226	-	-	162,226	162,226
Investments held as agent	-	329,812	(329,812)	-	-
Due to Parent	1,011,019	-	(1,011,019)	-	-
Due to affiliates	1,685,500	298,868	(1,984,368)	-	-
Pension benefits liability	2,162,804	8,538,869	-	10,701,673	14,001,395
<b>Total Liabilities</b>	<u>100,223,538</u>	<u>21,936,352</u>	<u>(3,325,199)</u>	<u>118,834,691</u>	<u>112,892,324</u>
<b>Net Assets</b>					
Without donor restrictions	254,291,791	121,141,825	-	375,433,616	316,831,102
With donor restrictions	59,518,701	18,803,790	-	78,322,491	109,130,448
<b>Total Net Assets</b>	<u>313,810,492</u>	<u>139,945,615</u>	<u>-</u>	<u>453,756,107</u>	<u>425,961,550</u>
	<u>\$ 414,034,030</u>	<u>\$ 161,881,967</u>	<u>\$ (3,325,199)</u>	<u>\$ 572,590,798</u>	<u>\$ 538,853,874</u>

See independent auditors' report

## Covenant House and Affiliates

### Consolidating Schedule of Activities Year Ended June 30, 2025 (with summarized totals for year ended June 30, 2024)

	Covenant House			Covenant House (Parent)			Eliminations	2025 Total	2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total			
<b>CONTRIBUTIONS AND OTHER REVENUE</b>									
Contributions from individuals, foundations and corporations, including legacies and bequests of \$20,767,166 and \$18,272,766 for 2025 and 2024	\$ 72,958,922	\$ 23,493,898	\$ 96,452,820	\$ 76,049,131	\$ 2,006,688	\$ 78,055,819	\$ (1,808,521)	\$ 172,700,118	\$ 171,021,991
Government grants and contracts	74,216,057	8,352,000	82,568,057	954,627	-	954,627	-	83,522,684	87,729,899
Grant from the New York affiliate	-	-	-	2,500,000	-	2,500,000	(2,500,000)	-	-
Contributions of nonfinancial assets	5,915,494	471,372	6,386,866	1,811,681	-	1,811,681	-	8,198,547	15,651,115
Support from Covenant House (Parent)	29,383,120	-	29,383,120	-	-	-	(29,383,120)	-	-
Grants from Parent related to national sleep out events	5,238,567	-	5,238,567	-	-	-	(5,238,567)	-	-
Special events revenue, net of costs of direct benefits to donors of \$1,689,504 and \$2,689,320 for 2025 and 2024	10,717,801	-	10,717,801	8,896,538	-	8,896,538	-	19,614,339	18,039,493
Rental and other income from affiliates	-	-	-	1,365,648	-	1,365,648	(1,365,648)	-	-
Net assets released from restrictions	62,573,994	(62,573,994)	-	3,981,959	(3,981,959)	-	-	-	-
<b>Total Contributions and Other Revenue</b>	<b>261,003,955</b>	<b>(30,256,724)</b>	<b>230,747,231</b>	<b>95,559,584</b>	<b>(1,975,271)</b>	<b>93,584,313</b>	<b>(40,295,856)</b>	<b>284,035,688</b>	<b>292,442,498</b>
<b>INVESTMENT RETURN</b>									
Interest and dividends, net	2,236,396	15,724	2,252,120	1,247,284	174,301	1,421,585	(3,060)	3,670,645	4,095,768
Net unrealized gain	3,844,122	-	3,844,122	3,019,929	402,192	3,422,121	-	7,266,243	5,575,456
Net realized gain	17,510	-	17,510	158,565	-	158,565	-	176,075	434,399
Change in value of split-interest agreements	-	-	-	(543,134)	429,730	(113,404)	-	(113,404)	296,180
Change in value of beneficial interest in trusts	83,482	56,101	139,583	-	228,092	228,092	-	367,675	399,615
Sales of customer lists and other income	4,467,993	20,864	4,488,857	637,502	-	637,502	(551,303)	4,575,056	4,479,947
<b>Total Investment Return</b>	<b>10,649,503</b>	<b>92,689</b>	<b>10,742,192</b>	<b>4,520,146</b>	<b>1,234,315</b>	<b>5,754,461</b>	<b>(554,363)</b>	<b>15,942,290</b>	<b>15,281,365</b>
<b>Total Contributions and Other Revenue and Investment Return</b>	<b>271,653,458</b>	<b>(30,164,035)</b>	<b>241,489,423</b>	<b>100,079,730</b>	<b>(740,956)</b>	<b>99,338,774</b>	<b>(40,850,219)</b>	<b>299,977,978</b>	<b>307,723,863</b>
<b>EXPENSES</b>									
Program services	176,354,529	-	176,354,529	76,443,042	-	76,443,042	(41,441,108)	211,356,463	216,769,623
Supporting Services									
Management and general	21,969,029	-	21,969,029	10,613,373	-	10,613,373	(849,526)	31,732,876	29,903,671
Fundraising	20,404,989	-	20,404,989	10,457,119	-	10,457,119	(710,665)	30,151,443	28,858,533
<b>Total Expenses</b>	<b>218,728,547</b>	<b>-</b>	<b>218,728,547</b>	<b>97,513,534</b>	<b>-</b>	<b>97,513,534</b>	<b>(43,001,299)</b>	<b>273,240,782</b>	<b>275,531,827</b>
Change in Net Assets from Operations	52,924,911	(30,164,035)	22,760,876	2,566,196	(740,956)	1,825,240	2,151,080	26,737,196	32,192,036
Foreign currency translation adjustment	(127,624)	97,034	(30,590)	-	-	-	-	(30,590)	(2,911,914)
Net periodic pension cost, except service cost	-	-	-	(935,635)	-	(935,635)	-	(935,635)	(1,153,472)
Pension benefits liability adjustment	-	-	-	2,091,669	-	2,091,669	-	2,091,669	1,941,542
Pension plan contributions from affiliates	-	-	-	2,151,080	-	2,151,080	(2,151,080)	-	-
Abandoned project costs - Florida affiliate	(417,685)	-	(417,685)	-	-	-	-	(417,685)	-
Loan forgiveness - California affiliate	222,000	-	222,000	-	-	-	-	222,000	1,485,501
Net gain on sale of property, plant and equipment	127,602	-	127,602	-	-	-	-	127,602	256,714
<b>Change in Net Assets</b>	<b>52,729,204</b>	<b>(30,067,001)</b>	<b>22,662,203</b>	<b>5,873,310</b>	<b>(740,956)</b>	<b>5,132,354</b>	<b>-</b>	<b>27,794,557</b>	<b>31,810,407</b>
<b>NET ASSETS</b>									
Beginning of year	201,562,587	89,585,702	291,148,289	115,268,515	19,544,746	134,813,261	-	425,961,550	394,151,143
End of year	\$ 254,291,791	\$ 59,518,701	\$ 313,810,492	\$ 121,141,825	\$ 18,803,790	\$ 139,945,615	\$ -	\$ 453,756,107	\$ 425,961,550

See independent auditors' report

## Covenant House and Affiliates

### Consolidating Schedule of Cash Flows Year Ended June 30, 2025 (with comparative amounts at June 30, 2024)

	Covenant House	Covenant House (Parent)	Eliminations	2025 Total	2024 Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ 22,662,203	\$ 5,132,354	\$ -	\$ 27,794,557	\$ 31,810,407
Adjustments to reconcile change in net assets to net cash from operating activities					
Discount and reserve on contributions receivable	(45,133)	26,456	-	(18,677)	(83,163)
Amortization of customer lists	4,273,953	-	-	4,273,953	5,416,514
Realized and unrealized gain on investments	(3,861,632)	(3,580,686)	-	(7,442,318)	(6,009,855)
Contributed investments	(90,550)	-	-	(90,550)	(188,927)
Interest income on short-term treasury bills	(16,779)	-	-	(16,779)	(171,548)
Deferred gain on sale leaseback	(24,538)	-	-	(24,538)	(24,538)
Net gain on sale of property, plant and equipment	(127,602)	-	-	(127,602)	(256,714)
Donated property, plant and equipment	(2,837,637)	-	-	(2,837,637)	(11,600)
Change in value of beneficial interest in trusts	(139,583)	(228,092)	-	(367,675)	(399,615)
Amortization of deferred revenue and loan discount	(83,680)	-	-	(83,680)	(35,916)
Change in value of split interest agreements	-	113,404	-	113,404	(296,180)
Pension benefits liability adjustment	80,992	(3,380,714)	-	(3,299,722)	(2,715,794)
Amortization of right of use assets - operating leases	3,816,696	236,618	-	4,053,314	4,110,146
Depreciation and amortization	3,608,996	7,513,145	-	11,122,141	11,492,244
Amortization of deferred financing costs	88,437	-	-	88,437	91,859
Loan forgiveness	261,472	-	-	261,472	1,485,501
Bad debt expense- contributions receivable	38,632	-	-	38,632	99,963
Bad debt expense- grants receivable	150,000	-	-	150,000	3,138
Foreign currency translation adjustment	30,590	-	-	30,590	2,911,914
Additions to endowment	-	-	-	-	(170,000)
Changes in operating assets and liabilities					
Contributions receivable	3,151,316	218,080	-	3,369,396	(4,587,449)
Grants receivable	(1,248,856)	(160,292)	-	(1,409,148)	2,472,315
Other receivables	(1,780,293)	5,572	-	(1,774,721)	-
Due from/to affiliates	-	(185,583)	185,583	-	-
Prepaid expenses and other assets	953,830	(889,441)	-	64,389	831,090
Accounts payable and accrued expenses	(140,477)	1,854,618	-	1,714,141	1,654,217
Deferred revenue	2,680,808	-	-	2,680,808	(703,463)
Lease liabilities, operating leases	(3,855,925)	(236,618)	-	(4,092,543)	(4,045,030)
Net Cash from Operating Activities	<u>27,545,240</u>	<u>6,438,821</u>	<u>185,583</u>	<u>34,169,644</u>	<u>42,679,516</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Additions to beneficial interests in trusts	(7,892)	-	-	(7,892)	(32,687)
Distributions from beneficial interests in trusts	-	1,368,930	-	1,368,930	102,610
Purchase of customer lists	-	(3,940,892)	-	(3,940,892)	(3,339,857)
Purchases of investments	(9,565,763)	(38,653,265)	-	(48,219,028)	(30,656,917)
Sales of investments	-	37,802,288	-	37,802,288	37,378,640
Capital expenditures	(23,486,751)	(3,199,652)	-	(26,686,403)	(58,131,044)
Repayment of loans from affiliates	-	5,653,617	(5,653,617)	-	-
Loans to affiliates	-	(3,885,469)	3,885,469	-	-
Maturity of guaranteed investment certificates	(2,637,549)	-	-	(2,637,549)	1,285,345
Purchase of certificates of deposit	(1,000,674)	-	-	(1,000,674)	(3,244,810)
Maturity of certificates of deposit	3,661,685	-	-	3,661,685	-
Net Cash from Investing Activities	<u>(33,036,944)</u>	<u>(4,854,443)</u>	<u>(1,768,148)</u>	<u>(39,659,535)</u>	<u>(56,638,720)</u>

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## Covenant House and Affiliates

### Consolidating Schedule of Cash Flows Year Ended June 30, 2025 (with comparative amounts at June 30, 2024) *(continued)*

	Covenant House	Covenant House (Parent)	Eliminations	2025 Total	2024 Total
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Borrowings under line of credit and other obligations	\$ 11,852,087	\$ 1,100,000	\$ -	\$ 12,952,087	\$ 7,675,529
Repayments of line of credit and other obligations	(2,705,875)	(3,591,117)	-	(6,296,992)	(2,224,680)
Repayments of Paycheck Protection Program loan	(27,664)	-	-	(27,664)	(30,179)
Principal payments under finance lease obligations	(101,348)	-	-	(101,348)	(117,031)
Deposits held with trustee	(13,912)	-	-	(13,912)	(13,844)
Payment of annuity obligations	-	(845,625)	-	(845,625)	(526,457)
Additions to gift split-interest arrangements	-	1,922,769	-	1,922,769	750,785
Additions to endowment	-	-	-	-	170,000
Net Cash from Financing Activities	<u>9,003,288</u>	<u>(1,413,973)</u>	<u>-</u>	<u>7,589,315</u>	<u>5,684,123</u>
Net Change in Cash and Cash Equivalents and Restricted Cash	3,511,584	170,405	(1,582,565)	2,099,424	(8,275,081)
<b>CASH AND CASH EQUIVALENTS AND RESTRICTED CASH</b>					
Beginning of year	<u>30,006,701</u>	<u>3,731,059</u>	<u>-</u>	<u>33,737,760</u>	<u>42,012,841</u>
End of year	<u>\$ 33,518,285</u>	<u>\$ 3,901,464</u>	<u>\$ (1,582,565)</u>	<u>\$ 35,837,184</u>	<u>\$ 33,737,760</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>					
Cash paid for interest	\$ 677,580	\$ -	\$ -	\$ 677,580	\$ 481,006
<b>NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES</b>					
Construction costs financed through accounts payable	-	-	-	-	2,360,975
Assets acquired under finance lease obligations	248,790	-	-	248,790	132,079

The Organization transferred the \$7,500,000 investment in condominium construction to construction in progress during 2025.

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