Consolidated Financial Statements Together with
Report of Independent Certified Public Accountants

COVENANT HOUSE AND AFFILIATES

June 30, 2014 and 2013

COVENANT HOUSE AND AFFILIATES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Covenant House and Affiliates:

We have audited the accompanying consolidated financial statements of Covenant House and Affiliates which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Covenant House Toronto and Covenant House Vancouver, controlled affiliated organizations, which statements reflect total assets constituting 14.18% and 13.62%, respectively, of consolidated total assets as of June 30, 2014 and 2013, and total revenues of 19.57% and 18.54%, respectively, of consolidated total revenues for the years then ended. Those statements, which were prepared in accordance with Canadian accounting standards for not-for-profit organizations were audited by other auditors, in accordance with Canadian generally accepted auditing standards, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Covenant House Toronto and Covenant House Vancouver, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Covenant House Toronto and Covenant House Vancouver, prior to these conversion adjustments, is based solely on the report of, and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America performed by, the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the reports of, and additional audit procedures performed by, the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant House and Affiliates as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
June 10, 2015

COVENANT HOUSE AND AFFILIATES
Consolidated Statements of Financial Position
As of June 30, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents	$ 22,841,541	$ 20,349,606
Restricted cash	1,080,336	3,031,281
Investments (Note 4)	50,186,846	56,311,929
Investments - other (Note 4)	3,410,082	3,765,585
Contributions receivable, net (Note 3)	7,124,874	8,839,874
Grants receivable, net of allowance for doubtful accounts and disallowed costs of $32,510 and $39,608 for 2014 and 2013, respectively	5,026,453	4,524,372
Note receivables	12,865,400	12,866,400
Other receivables	2,164,194	2,365,209
Property held for sale (Note 5)	2,510,383	643,565
Prepaid expenses	1,093,896	1,578,547
Other assets	3,319,206	2,597,704
Property, plant and equipment, net (Note 5)	137,481,064	141,672,039
Beneficial interests in trusts (Note 8)	3,939,731	3,634,129
Total assets	$ 253,044,006	$ 262,180,240
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 11,449,693	$ 13,044,365
Obligations due under split-interest agreements (Note 8)	4,831,187	5,029,414
Deferred revenue (Note 7)	1,923,896	1,959,263
Lines of credit and debt obligations (Note 6)	31,094,767	38,644,482
Deferred rent	2,177,389	2,300,060
Conditional asset retirement obligations	392,637	382,219
Liability for pension benefits (Note 11)	11,871,944	10,168,690
Other liabilities	537,198	394,556
Total liabilities	64,278,711	71,923,049
Commitments and contingencies (Note 12)		
NET ASSETS		
Unrestricted	171,162,132	171,990,947
Temporarily restricted (Note 9)	10,508,473	11,313,759
Permanently restricted (Note 10)	7,094,690	6,952,485
Total net assets	188,765,295	190,257,191
Total liabilities and net assets	$ 253,044,006	$ 262,180,240

The accompanying notes are an integral part of these consolidated financial statements.

COVENANT HOUSE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2014

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTIONS AND OTHER REVENUE					
Contributions:					
Contributions from individuals, foundations and corporations, including legacies and bequests of $10,755,621		$ 96,152,771	$ 2,806,240	$ 54,359	$ 99,013,370
Contributed services and merchandise		3,066,359	-	-	3,066,359
Government grants and contracts		27,934,405	-	-	27,934,405
Special events revenue	$ 13,967,149				
Less cost of direct benefits to donors	(2,445,506)				
Net special events income		11,521,643	-	-	11,521,643
Total contributions		138,675,178	2,806,240	54,359	141,535,777
Other revenue:					
Investment income gain:					
Interest and dividends, net		1,120,173	126,567	451	1,247,191
Net unrealized gains		2,303,178	546,002	-	2,849,180
Net realized gains		1,015,614	438,781	-	1,454,395
School management fees		8,401,625	-	-	8,401,625
Change in fair value of beneficial interests in trusts		-	180,348	107,979	288,327
Change in value of annuities payable		66,557	174,635	-	241,192
Other income		2,426,883	8,294	-	2,435,177
Total other revenue		15,334,030	1,474,627	108,430	16,917,087
Total contributions and other revenue		154,009,208	4,280,867	162,789	158,452,864
Net assets released from restrictions and reclassifications (Note 9)		5,082,232	(5,064,178)	(18,054)	-
Total contributions and other revenue		159,091,440	(783,311)	144,735	158,452,864
EXPENSES					
Program services		114,771,014	-	-	114,771,014
Supporting services:					
Management and general		20,297,906	-	-	20,297,906
Fundraising		22,332,907	-	-	22,332,907
Total expenses		157,401,827	-	-	157,401,827
Foreign currency translation adjustment		445,679	21,975	2,530	470,184
Total expenses and translation adjustment		157,847,506	21,975	2,530	157,872,011
Changes in net assets before pension related activity other than net periodic pension cost and expected loss on disposal of property held for sale		1,243,934	(805,286)	142,205	580,853
Pension related activity, other than net periodic pension cost (Note 11)		(925,825)	-	-	(925,825)
Expected loss on disposal of property held for sale (Note 5)		(1,146,924)	-	-	(1,146,924)
Changes in net assets		(828,815)	(805,286)	142,205	(1,491,896)
Net assets, beginning of year		171,990,947	11,313,759	6,952,485	190,257,191
Net assets, end of year		$ 171,162,132	$ 10,508,473	$ 7,094,690	$ 188,765,295

The accompanying notes are an integral part of this consolidated financial statement.

COVENANT HOUSE AND AFFILIATES
Consolidated Statement of Activities
For the year ended June 30, 2013

		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTIONS AND OTHER REVENUE					
Contributions:					
Contributions from individuals, foundations and corporations, including legacies and bequests of $9,134,303		$ 94,181,898	$ 4,982,767	$ 204,453	$ 99,369,118
Contributed services and merchandise		3,274,668	-	-	3,274,668
Government grants and contracts		35,249,540	-	-	35,249,540
Special events revenue	$ 10,962,445				
Less cost of direct benefits to donors	(2,299,382)				
Net special events income		8,663,063	-	-	8,663,063
Total contributions		141,369,169	4,982,767	204,453	146,556,389
Other revenue:					
Investment income gain:					
Interest and dividends, net		1,232,321	132,959	6,166	1,371,446
Net unrealized gains		2,021,381	630,583	-	2,651,964
Net realized gains		328,641	107,905	-	436,546
School management fees		7,129,632	-	-	7,129,632
Change in fair value of beneficial interests in trusts		-	22,087	79,090	101,177
Change in value of annuities payable		116,721	113,835	-	230,556
Other income		3,400,739	8,483	-	3,409,222
Total other revenue		14,229,435	1,015,852	85,256	15,330,543
Total contributions and other revenue		155,598,604	5,998,619	289,709	161,886,932
Net assets released from restrictions and reclassifications (Note 9)		4,172,116	(4,151,545)	(20,571)	-
Reclassifications of net assets (Note 9)		(900,000)	1,000,000	(100,000)	-
Total contributions and other revenue		158,870,720	2,847,074	169,138	161,886,932
EXPENSES					
Program services		110,383,793	-	-	110,383,793
Supporting services:					
Management and general		19,612,114	-	-	19,612,114
Fundraising		22,138,918	-	-	22,138,918
Total expenses		152,134,825	-	-	152,134,825
Foreign currency translation adjustment		807,223	47,270	6,094	860,587
Total expenses and translation adjustment		152,942,048	47,270	6,094	152,995,412
Changes in net assets before pension related activity other than net periodic pension cost		5,928,672	2,799,804	163,044	8,891,520
Pension related activity, other than net periodic pension cost (Note 11)		(161,373)	-	-	(161,373)
Changes in net assets		5,767,299	2,799,804	163,044	8,730,147
Net assets, beginning of year		166,223,648	8,513,955	6,789,441	181,527,044
Net assets, end of year		$ 171,990,947	$ 11,313,759	$ 6,952,485	$ 190,257,191

The accompanying notes are an integral part of this consolidated financial statement.

COVENANT HOUSE AND AFFILIATES
Consolidated Statement of Functional Expenses
For the year ended June 30, 2014

	Program Services									Supporting Services				
	Shelter and Crisis Care	Outreach	Mother/Child	Medical	Community Service Center	Public Education	Rights of Passage	Schools	Total	Management and General	Fundraising	Total	Cost of Direct Benefits to Donors	2014 Total
Salaries and wages	$ 24,750,613	$ 2,401,215	$ 2,695,796	$ 2,992,630	$ 5,396,658	$ 3,192,590	$ 10,792,771	$ 3,789,760	$ 56,012,033	$ 8,159,412	$ 4,385,959	$ 12,545,371	$ -	$ 68,557,404
Payroll taxes	2,578,190	255,554	269,155	291,753	591,667	308,828	1,109,508	334,695	5,739,350	840,678	477,853	1,318,531	-	7,057,881
Employee benefits	4,251,591	512,581	575,153	554,943	966,009	684,889	2,182,055	640,163	10,367,384	1,947,450	888,662	2,836,112	-	13,203,496
Total salaries and related expenses	31,580,394	3,169,350	3,540,104	3,839,326	6,954,334	4,186,307	14,084,334	4,764,618	72,118,767	10,947,540	5,752,474	16,700,014	-	88,818,781
Faith community costs	274,173	-	21,810	-	32,141	-	-	-	328,124	18	-	18	-	328,142
Contributed legal and other services	78,083	9,754	28	9,732	38,940	33	48,683	-	185,253	492,854	-	492,854	-	678,107
Contributed public service announcements	3,750	3,750	-	-	3,750	32,400	3,750	43,200	90,600	558	10,800	11,358	-	101,958
Accounting fees	68,028	14,541	11,781	24,715	25,504	5,503	74,425	13,780	238,277	797,475	1,378	798,853	-	1,037,130
Legal fees	35,401	3,975	3,421	1,732	23,822	12,344	12,540	53,624	146,859	72,965	4,706	77,671	-	224,530
Medical fees	3,216	235	-	261,732	3,690	55	29,655	-	298,583	115	27	142	-	298,725
Consulting fees	400,512	60,990	18,893	26,903	108,238	441,394	155,289	599,542	1,811,761	373,065	491,437	864,502	-	2,676,263
Supplies	641,720	30,456	61,917	72,602	116,527	50,877	240,580	205,641	1,420,320	274,351	80,199	354,550	295,169	2,070,039
Telephone	307,314	49,903	43,262	48,156	72,678	77,302	164,684	40,111	803,410	223,072	42,006	265,078	-	1,068,488
Postage and printing	109,951	37,740	4,398	6,058	40,446	5,296,430	55,706	18,182	5,568,911	475,259	12,279,272	12,754,531	72,995	18,396,437
Occupancy:														
Fuel and utilities	1,211,736	86,414	146,116	95,150	267,388	87,547	636,047	274,955	2,805,353	208,445	50,437	258,882	-	3,064,235
Repairs and maintenance	833,007	76,805	109,246	37,487	129,734	13,249	440,366	141,858	1,781,752	136,731	30,434	167,165	-	1,948,917
Rent and other	74,134	51,356	8,758	2,446	21,600	5,874	615,254	-	779,422	1,506,163	5,105	1,511,268	-	2,290,690
Equipment	472,695	32,832	35,675	32,874	118,359	78,869	181,078	203,502	1,155,884	144,716	129,234	273,950	-	1,429,834
Transportation	377,967	84,443	48,578	20,002	150,563	46,390	153,035	16,827	897,805	194,389	58,665	253,054	756	1,151,615
Specific assistance to individuals:														
Food	2,172,359	94,905	241,770	29,444	206,312	10,685	557,143	10,600	3,323,218	22,710	1,010	23,720	65,427	3,412,365
Medical	104,632	3,218	9,880	373,746	13,318	-	8,051	-	512,845	-	-	-	-	512,845
Contributed medical	25,715	169	4,100	61,009	21,825	-	11,231	232	124,281	438	470	908	-	125,189
Clothing, allowance and other	1,216,469	119,734	169,367	43,348	468,033	64,772	997,619	130,080	3,209,422	16,048	8,762	24,810	-	3,234,232
Contributed clothing and merchandise	600,724	31,744	63,331	56,703	74,865	2,235	197,280	5,225	1,032,107	23,972	41,907	65,879	-	1,097,986
Temporary help	446,053	7,797	78,620	68,356	84,982	28,536	273,092	1,119	988,555	72,865	86,400	159,265	-	1,147,820
Other purchased services	1,343,852	100,663	182,080	155,164	324,283	1,759,160	761,480	203,030	4,829,712	1,521,439	2,315,200	3,836,639	1,910,785	10,577,136
Dues, licenses and permits	48,294	4,914	12,232	11,614	10,332	33,806	23,736	211,759	356,687	59,256	39,917	99,173	-	455,860
Subscriptions and publications	22,819	852	1,013	1,359	3,208	5,801	6,646	47	41,745	15,016	13,004	28,020	-	69,765
Staff recruitment	35,150	6,051	301	3,549	5,791	655	57,840	-	109,337	68,818	3,735	72,553	-	181,890
Insurance	667,020	54,608	79,264	70,179	133,270	10,561	287,818	62,883	1,365,603	175,028	35,884	210,912	-	1,576,515
Contributed services	92,042	7,321	827	125,871	527,418	2,060	104,778	198	860,515	5,659	12,792	18,451	-	878,966
Miscellaneous	353,476	70,224	30,266	34,674	101,728	82,748	119,443	149,045	941,604	614,641	446,529	1,061,170	94,948	2,097,722
Bank charges and fees	408	393	10	10	370	2,819	431	4,660	9,101	525,692	103,389	629,081	5,426	643,608
Interest	116,517	6,970	-	1,268	8,775	5,404	31,589	15	170,538	336,065	25,596	361,661	-	532,199
Loss on foreign currency translation	-	-	-	-	-	-	-	-	-	176	-	176	-	176
Total functional expenses before depreciation and amortization	43,717,611	4,222,107	4,927,048	5,515,209	10,092,224	12,343,816	20,333,603	7,154,733	108,306,351	19,305,539	22,070,769	41,376,308	2,445,506	152,128,165
Depreciation and amortization	3,390,318	263,192	581,673	103,823	723,141	43,324	1,238,259	120,933	6,464,663	992,367	262,138	1,254,505	-	7,719,168
Total functional expenses	47,107,929	4,485,299	5,508,721	5,619,032	10,815,365	12,387,140	21,571,862	7,275,666	114,771,014	20,297,906	22,332,907	42,630,813	2,445,506	159,847,333
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	2,445,506	2,445,506
Total expenses reported by function on the consolidated statement of activities	$ 47,107,929	$ 4,485,299	$ 5,508,721	$ 5,619,032	$ 10,815,365	$ 12,387,140	$ 21,571,862	$ 7,275,666	$ 114,771,014	$ 20,297,906	$ 22,332,907	$ 42,630,813	$ -	$ 157,401,827

The accompanying notes are an integral part of this consolidated financial statement.

COVENANT HOUSE AND AFFILIATES
Consolidated Statement of Functional Expenses
For the year ended June 30, 2013

	Program Services										Supporting Services				
	Shelter and Crisis Care	Outreach	Mother/Child	Nineline	Medical	Community Service Center	Public Education	Rights of Passage	Schools	Total	Management and General	Fundraising	Total	Cost of Direct Benefits to Donors	2013 Total
Salaries and wages	$ 25,495,322	$ 2,255,061	$ 2,961,978	$ 404,688	$ 3,275,985	$ 5,216,315	$ 2,993,109	$ 10,452,064	$ 2,924,581	$ 55,979,103	$ 8,021,367	$ 4,215,577	$ 12,236,944	$ -	$ 68,216,047
Payroll taxes	2,683,471	247,289	283,178	35,501	335,034	583,062	309,747	1,089,200	252,078	5,818,560	849,023	467,019	1,316,042	-	7,134,602
Employee benefits	4,246,347	443,463	539,721	73,725	555,958	889,919	527,527	1,902,970	441,766	9,621,396	1,676,064	686,811	2,362,875	-	11,984,271
Total salaries and related expenses	32,425,140	2,945,813	3,784,877	513,914	4,166,977	6,689,296	3,830,383	13,444,234	3,618,425	71,419,059	10,546,454	5,369,407	15,915,861	-	87,334,920
Faith community costs	288,395	-	23,080	-	-	31,584	-	-	-	343,059	234	-	234	-	343,293
Contributed merchandise	-	-	-	-	-	-	-	-	-	-	5,584	-	5,584		5,584
Contributed legal and other services	242,427	24,326	18,954	3,791	10,217	43,178	3,791	68,880	-	415,564	29,297	1,054	30,351	-	445,915
Contributed public service announcements	41,276	9,850	-	-	469	19,231	263,000	39,869	-	373,695	52,156	1,876	54,032	-	427,727
Accounting fees	49,257	8,664	3,704	-	14,591	15,589	5,011	56,516	13,598	166,930	868,138	1,034	869,172	-	1,036,102
Legal fees	50,860	2,827	1,210	52	3,518	11,376	7,301	13,562	118,028	208,734	40,610	10,893	51,503	-	260,237
Medical fees	2,242	271	-	-	367,710	3,613	71	32,792	46	406,745	113	36	149	-	406,894
Consulting fees	308,342	31,542	8,737	9,574	34,421	79,221	115,972	77,815	529,063	1,194,687	205,796	822,881	1,028,677	-	2,223,364
Supplies	684,528	22,914	63,692	5,420	112,316	86,116	21,712	169,228	227,012	1,392,938	199,685	81,864	281,549	297,896	1,972,383
Telephone	350,653	49,282	44,230	56,982	56,594	67,126	25,360	114,019	20,629	784,875	195,980	57,278	253,258	-	1,038,133
Postage and printing	95,117	29,770	2,846	41,246	7,856	25,484	4,909,530	45,241	784	5,157,874	291,852	13,061,599	13,353,451	93,538	18,604,863
Occupancy:															
Fuel and utilities	1,234,861	77,981	136,207	63,214	88,206	270,140	36,594	567,609	224,679	2,699,491	205,671	74,167	279,838	-	2,979,329
Repairs and maintenance	794,651	40,395	106,126	-	33,177	108,515	11,977	288,484	124,030	1,507,355	107,648	32,334	139,982	-	1,647,337
Rent and other	100,820	46,193	6,305	416,722	2,939	33,359	34,564	621,699	1,251	1,263,852	670,856	388,647	1,059,503	-	2,323,355
Equipment	435,051	24,600	46,120	35,996	31,115	94,241	17,214	180,940	52,719	917,996	178,509	95,713	274,222	-	1,192,218
Transportation	341,748	97,127	41,154	2,077	17,842	82,308	50,713	149,132	24,220	806,321	117,432	73,400	190,832	30,064	1,027,217
Specific assistance to individuals:															
Food	2,011,610	99,462	246,833	-	27,109	191,598	15,800	550,759	5,586	3,148,757	16,107	1,223	17,330	55,997	3,222,084
Medical	128,983	1,631	10,915	-	400,411	7,286	-	5,782	-	555,008	17	65	82	-	555,090
Contributed medical	33,054	152	3,700	-	112,427	28,779	-	13,251	92	191,455	486	306	792	-	192,247
Clothing, allowance and other	1,142,580	141,920	185,001	-	45,627	380,883	115,480	705,292	45,243	2,762,026	8,049	658	8,707	200,651	2,971,384
Contributed clothing and merchandise	549,507	31,450	53,759	-	49,574	76,702	902	157,515	2,841	922,250	16,837	16,349	33,186	-	955,436
Temporary help	192,644	27,581	115	13	98,032	90,949	49,500	174,492	196	633,522	102,450	107,090	209,540	-	843,062
Other purchased services	1,264,886	72,377	255,983	63,541	129,652	340,900	286,340	564,293	165,317	3,143,289	3,468,225	786,978	4,255,203	1,445,011	8,843,503
Dues, licenses and permits	47,515	4,625	8,273	1,037	8,812	7,491	26,147	17,501	194,677	316,078	49,871	55,868	105,739	1,626	423,443
Subscriptions and publications	12,835	651	1,170	309	1,056	2,804	4,396	9,345	271	32,837	17,828	12,426	30,254	-	63,091
Staff recruitment	65,650	7,542	609	46	3,954	15,344	350	30,799	2,119	126,413	44,584	3,214	47,798	-	174,211
Insurance	644,166	52,779	67,615	-	66,324	136,341	15,817	228,489	45,385	1,256,916	200,411	35,789	236,200	-	1,493,116
Contributed services	144,275	3,890	12,546	-	123,981	505,766	1,677	89,971	110	882,216	13,008	1,617	14,625	-	896,841
Miscellaneous	267,619	52,711	35,568	4,252	36,379	62,999	447,918	120,354	63,711	1,091,511	226,544	447,856	674,400	150,474	1,916,385
Bank charges and fees	326	333	-	-	-	291	4,007	291	279	5,527	513,513	96,013	609,526	24,125	639,178
Interest	158,937	9,759	-	-	3,337	11,777	1,785	51,424	13,018	250,037	575,622	21,511	597,133	-	847,170
Loss on foreign currency translation	-	-	-	-	-	-	-	-	-	-	10,748	-	10,748	-	10,748
Total functional expenses before depreciation and amortization	44,109,955	3,918,418	5,169,329	1,218,186	6,054,623	9,520,287	10,303,312	18,589,578	5,493,329	104,377,017	18,980,315	21,659,146	40,639,461	2,299,382	147,315,860
Depreciation and amortization	3,096,933	207,868	625,001	49,748	156,671	606,180	79,886	1,085,988	98,501	6,006,776	631,799	479,772	1,111,571	-	7,118,347
Total functional expenses	47,206,888	4,126,286	5,794,330	1,267,934	6,211,294	10,126,467	10,383,198	19,675,566	5,591,830	110,383,793	19,612,114	22,138,918	41,751,032	2,299,382	154,434,207
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	2,299,382	2,299,382
Total expenses reported by function on the consolidated statement of activities	$ 47,206,888	$ 4,126,286	$ 5,794,330	$ 1,267,934	$ 6,211,294	$ 10,126,467	$ 10,383,198	$ 19,675,566	$ 5,591,830	$ 110,383,793	$ 19,612,114	$ 22,138,918	$ 41,751,032	$ -	$ 152,134,825

The accompanying notes are an integral part of this consolidated financial statement.

COVENANT HOUSE AND AFFILIATES
Consolidated Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (1,491,896)	$ 8,730,147
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Contributed investments	(470,490)	(443,745)
Loss on extinguishment of debt	-	55,390
Contributed property, plant and equipment	(42,599)	(100,084)
Provision for doubtful accounts	181,098	91,575
Contributions restricted for the construction and acquisition of fixed assets	(65,142)	(11,501,365)
Discount on contributions receivable	(7,012)	(3,117)
Net unrealized and realized gains on investments	(4,303,575)	(3,088,510)
Net loss (gain) on disposal of property, plant and equipment	146,927	(1,364,635)
Expected loss on disposal of property held for sale	1,146,924	630,165
Change in fair value of beneficial interests in trusts	(296,621)	(101,177)
Change in value of annuities payable	(241,192)	(230,556)
Depreciation and amortization	7,200,010	6,745,562
Amortization of customer lists	519,158	372,785
Amortization of deferred revenue and loan discount	(352,163)	(668,472)
Amortization of deferred rent	(122,671)	(83,417)
Accretion expense on conditional asset retirement obligations	10,418	10,128
Use of contributed inventory	705	1,016
Changes in operating assets and liabilities:		
Contributions receivable	705,520	1,076,529
Grants receivable	(502,081)	52,614
Other receivables	201,015	(231,349)
Beneficial interests in trusts	(8,981)	162,518
Prepaid expenses and other assets	493,032	(379,474)
Accounts payable, accrued expenses and other liabilities	(738,529)	70,799
Deferred revenue	316,796	151,238
Liability for pension benefits	1,703,254	555,427
Net cash provided by operating activities	3,981,905	509,992
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(16,870,907)	(25,611,944)
Sales of investments	28,125,558	28,008,772
Capital expenditures	(7,311,974)	(19,822,430)
Purchase of customer lists	(1,254,069)	(771,679)
Proceeds from sale of property, plant and equipment	106,006	3,791,537
Change in restricted cash	1,950,945	(2,805,436)
Repayment (issuance) of notes receivable	1,000	(12,866,400)
Net cash provided by (used in) investing activities	4,746,559	(30,077,580)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of annuity obligations	(236,149)	(162,771)
Additions to gift annuity arrangements	279,114	407,169
Contributions restricted for the construction and acquisition of fixed assets	900,536	11,501,365
Amounts borrowed under debt obligation/proceeds from loans	6,798,903	22,617,079
Payment of debt obligations	(14,245,091)	(4,995,714)
Change in deposits held with bond trustee	(9,101)	(23,597)
Principal payments under capital lease obligations	(194,925)	(139,286)
Net cash (used in) provided by financing activities	(6,706,713)	29,204,245
Foreign currency translation adjustment	470,184	860,587
Net increase in cash and cash equivalents	2,491,935	497,244
Cash and cash equivalents, beginning of year	20,349,606	19,852,362
Cash and cash equivalents, end of year	$ 22,841,541	$ 20,349,606
Supplementary Information:		
Cash paid for interest	$ 482,123	$ 394,659
Assets acquired under capital leases	$ 91,398	$ 266,459
Accounts payable pertaining to capital expenditures	$ -	$ 713,501

The accompanying notes are an integral part of these consolidated financial statements.

1. ORGANIZATION

Corporate Structure

Covenant House (Parent) is a not-for-profit organization which was founded in 1968 and incorporated in 1972. Covenant House's affiliates were incorporated at various dates from 1972 through 2000. Covenant House and its affiliates provided shelter, food, clothing, counseling, medical attention, crisis intervention, public education and other services to approximately 57,000 and 56,000 runaway and homeless youths during fiscal years 2014 and 2013, respectively. In addition, Covenant House (Parent) offers a national toll-free crisis intervention hotline.

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

Covenant House Alaska	Covenant House New Orleans
Covenant House California	Covenant House Pennsylvania/Under 21
Covenant House Florida	Covenant House Texas
Covenant House Georgia	Covenant House Washington, D.C.
Covenant House Michigan	Covenant House Western Avenue
Covenant House Missouri	Covenant House Testamentum
Covenant House New Jersey	Covenant House New York/Under 21
	Covenant House Holdings, LLC

In addition, Covenant House (Parent) is the sole member of Covenant International Foundation ("CIF"), a not-for-profit corporation, and Covenant House (Parent), together with CIF, represent the controlling interest of the following international not-for-profit affiliates:

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

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

A new nonprofit organization, Covenant House Holdings, LLC, was established in Alaska during fiscal 2012 to hold title for the new Alaska Property and commenced operations in fiscal 2013.

Components of Program and Supporting Services

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

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

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

Nineline is Covenant House's toll-free number which provides immediate counseling to runaway or potential runaway adolescents and their families. This program was terminated effective June 30, 2013. Due to technological advances, this program may be introduced in the future under another format.

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

The *Community Service Center* program provides comprehensive services to youths who have left Covenant House affiliates' crisis centers, and other youths in the community who need support to maintain themselves in stable living situations.

The *Public Education* program informs and educates the public on how to identify potential "runaway" and "throwaway" adolescents, the public and private resources available to help such adolescents before they leave home and the public support services available to these families to improve the home environment.

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

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

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 services relate to the activities of the development department in raising general and specific contributions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Covenant House (Parent) and the aforementioned affiliated organizations (collectively, "Covenant House"). All significant intercompany transactions and balances have been eliminated in consolidation.

Net Asset Classification

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

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

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

Permanently restricted - consist of funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income earned from these investments is available for expenditure according to restrictions imposed by the donors and consideration of the appropriation criteria by Covenant House pursuant to the New York Prudent Management of Institutional Funds Act ("NYPMIFA").

Functional Expense Allocation

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

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give, greater than one year, are discounted to reflect the present value of future cash flows using a credit-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 or construct long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as part of temporarily restricted support. Covenant House reflects the expiration of donor-imposed restrictions when long-lived assets have been placed in service, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported on 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 its donors to make required payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and the financial condition or creditworthiness of the respective donor.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash balances held in bank accounts and highly liquid investments with original 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, which are held for long-term investment purposes.

Investments

Marketable equity securities and debt obligations are carried at fair value based on quoted market values at the reported date. Non-exchange traded alternative investments are based on valuations provided 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 on the consolidated statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned. Income earned from investments, including realized and unrealized gains and losses, is recorded as unrestricted, except where the instructions of the donor specify otherwise.

Investments - Other

Investment - other consist of certificates of deposit held for investment with original maturities greater than three months that are not debt securities and are carried at amortized cost.

Receivables

Due to the uncertainty surrounding collection, management provides an allowance for doubtful accounts based on the consideration of the type of receivable, responsible party, the known financial condition of the respective party, historical collection patterns and comparative aging. These allowances are maintained at a level Covenant House considers adequate to provide for potential uncollectible accounts. These estimates are reviewed periodically and, if the financial condition of a party changes significantly, management will evaluate the recoverability of any receivables from that organization/individual and write-off any amounts that are no longer considered to be recoverable. Any payments subsequently collected on such receivables are recorded as income in the period received.

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 a 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. Property held for sale is recorded at the lower of cost or fair value and is not depreciated.

Split-Interest Agreements

Covenant House is a beneficiary of various perpetual trusts and trusts with a defined time frame ("term trusts") that are held by others. Under the terms of these trusts, Covenant House has an irrevocable right to receive all or a portion of the income earned on the trust assets for the life of the trust. Covenant House does not control the assets held by 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 trust. The fair value of Covenant House's beneficial interest is adjusted during the term of the trusts for changes in the fair value of the underlying investments or as a result of changes to Covenant House's beneficial interest.

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

Asset Retirement Obligations

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. The remaining liability related to such obligations totaled $392,637 and $382,219 at June 30, 2014 and 2013, respectively, and primarily relates to required future asbestos remediation. For the years ended June 30, 2014 and 2013, depreciation expense recorded on the CARO totaled $2,362 for both years. Accretion of interest related to these obligations in fiscal 2014 and 2013 totaled $10,418 and $10,128, respectively. Covenant House did not incur any payments for asbestos remediation in fiscal 2014 and 2013.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary.

Government Grants and Contracts

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

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

Contributed Public Service Announcements, Services and Materials

Covenant House recognizes contributions of public service announcements and materials at their estimated fair value at the date of donation. Covenant House recognizes contributions of services received if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, and are provided by individuals possessing those skills and typically would need to be purchased if not otherwise provided by donation.

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.

Fair Value of Financial Instruments

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

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

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

Debt obligations: The fair value of debt obligations approximates their carrying value since the interest rates charged, as disclosed in Note 6, approximate Covenant House's current borrowing rate for instruments with similar credit qualities and maturity periods.

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.

Covenant House follows guidance that defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of market-based information within the measurement of fair value over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument as of the measurement date.

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 to 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 include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the statement of financial position date or in the near term, which Covenant House has determined to be within 90 days.

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. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

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 the presence of gates or lockup periods.

Foreign Currency Translation

Covenant House has determined that the functional currency of certain of its foreign affiliates is the United States dollar and the functional currency of the remaining foreign affiliates is the respective local currency. 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Tax-Exempt Status

Covenant House and its U.S. affiliates qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, they are not subject to federal income taxes under Section 501(a) of the Code. Covenant House and its U.S. affiliates, as not-for-profit organizations, are also exempt from state and local income taxes and have been classified as publicly supported charitable organizations under Section 509(a)(1) of the Code and qualify for the maximum charitable contribution deduction for donors.

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

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

Income Taxes

Covenant House follows guidance that established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. Covenant House is exempt from income tax under Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded under the Code. The tax years ending June 30, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes. As of June 30, 2014, management has determined that Covenant House has no material uncertain tax positions that would require recognition or disclosure in the accompanying consolidated financial statements.

Concentration of Credit Risk

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

Reclassifications

Certain reclassifications were made to the 2013 consolidated financial statements in order to conform to the 2014 presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2013 consolidated financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable that are due in more than one year have been discounted to their present value using discount rates ranging from 1.76% to 6.75% in both fiscal years 2014 and 2013, respectively. At June 30, 2014 and 2013, net receivables are expected to be collected as follows:

	2014	2013
Less than one year	$ 6,198,307	$ 7,900,313
One to five years	472,231	640,062
Thereafter	618,351	482,620
	7,288,889	9,022,995
Less discount to present value	(82,879)	(86,541)
Less reserve for uncollectible accounts	(81,136)	(96,580)
	$ 7,124,874	$ 8,839,874

During fiscal 2014, Covenant House received notification of certain intentions to give. However, due to their conditional nature, these gifts have not been reflected on the accompanying consolidated financial statements.

4. INVESTMENTS

Investments, at fair value, at June 30, 2014 and 2013 consist of the following:

	2014	2013
Cash and cash equivalents	$ 5,281,336	$ 5,375,233
Common stocks	1,113,402	892,959
Certificates of deposit	479,974	960,484
U.S. government securities	2,054,772	2,431,791
Foreign government securities	1,903,255	3,749,094
Corporate debt securities	4,483,410	3,930,418
Mutual funds	34,187,770	38,008,177
Funds of funds	682,927	963,773
	$ 50,186,846	$ 56,311,929

Investment management fees of $90,000 and $36,000 for fiscal years 2014 and 2013, respectively, are netted with investment income on the accompanying consolidated statements of activities.

Covenant House (Parent) invests in certain alternative investments classified as “funds of funds.” Through these investments, Covenant House (Parent) indirectly invests in hedge funds, limited partnerships and similar investments that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, are different for each fund.

Certain funds of funds are not readily marketable as they are not exchange traded investments. The estimated fair value of these alternative investments is subject to uncertainty and, therefore, may differ from the value that would have been reflected had a ready market for such investments existed.

Covenant House's certificates of deposits of $3,410,082 and $3,765,585 as of June 30, 2014 and 2013, respectively, are classified as investments - other on the accompanying consolidated statements of financial position. These investments do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not provided.

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's investments at June 30, 2014 and 2013, respectively:

2014	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,281,336	$ -	$ -	$ 5,281,336
Common stocks	1,113,402	-	-	1,113,402
Certificates of deposit	-	479,974	-	479,974
U.S. government securities	2,054,772	-	-	2,054,772
Foreign government securities	1,903,255	-	-	1,903,255
Corporate debt securities	510,566	3,972,844	-	4,483,410
Mutual funds:				
Stocks	18,812,824	-	-	18,812,824
Bonds	8,682,145	-	-	8,682,145
Combined	6,692,801	-	-	6,692,801
Funds of funds	-	-	682,927	682,927
	$ 45,051,101	$ 4,452,818	$ 682,927	$ 50,186,846

2013	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,375,233	$ -	$ -	$ 5,375,233
Common stocks	892,959	-	-	892,959
Certificates of deposit	-	960,484	-	960,484
U.S. government securities	1,750,034	681,757	-	2,431,791
Foreign government securities	3,749,094	-	-	3,749,094
Corporate debt securities	811,880	3,118,538	-	3,930,418
Mutual funds:				
Stocks	18,887,117	-	-	18,887,117
Bonds	13,357,109	-	-	13,357,109
Combined	5,763,951	-	-	5,763,951
Funds of funds	-	-	963,773	963,773
	$ 50,587,377	$ 4,760,779	$ 963,773	$ 56,311,929

The categorization of 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 respective investment security.

The following tables summarize the changes in fair value associated with Covenant House's Level 3 investments for fiscal years 2014 and 2013, respectively:

	2014				
	Beginning Balance at July 1, 2013	Net (Realized and Unrealized Gain)	Redemptions Throughout Fiscal 2014	Net Transfers In (Out) of Level 3 (a)	Ending Balance at June 30, 2014
Funds of funds	$ 963,773	$ 66,256	$ (347,102)	$ -	$ 682,927

	2013				
	Beginning Balance at July 1, 2012	Net (Realized and Unrealized Gain)	Redemptions Throughout Fiscal 2013	Net Transfers In (Out) of Level 3 (a)	Ending Balance at June 30, 2013
Funds of funds	$ 1,350,824	$ 8,512	$ (395,563)	$ -	$ 963,773

(a) Covenant House's policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Covenant House is in the process of liquidating its interests in its funds of funds. These liquidations are expected to be completed in fiscal 2016 and the proceeds from which will be reinvested according to a revised investment strategy adopted by Covenant House's Board of Directors. As of the date these consolidated financial statements were available to be issued, amounts redeemed so far by Covenant House pertaining to these funds of funds during fiscal 2015 amounted to approximately $108,000.

Covenant House uses the NAV per share or its equivalent to determine and report the fair value of all the underlying investments which: (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists such investments by major category:

2014							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Funds of funds	Invests in partnerships, derivatives, private investment companies, and hedge funds.	$ 682,927	2	Both funds are currently in the process of an orderly liquidation.	$ -	Both funds are quarterly with 90 days notice.	Both funds have suspended redemptions due to approval of an orderly liquidation.

2013							
Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Funds of funds	Invests in partnerships, derivatives, private investment companies, and hedge funds.	$ 963,773	2	Both funds are currently in the process of an orderly liquidation.	$ -	Both funds are quarterly with 90 days notice.	Both funds have suspended redemptions due to approval of an orderly liquidation.

5. PROPERTY, PLANT AND EQUIPMENT, NET, AND PROPERTY HELD FOR SALE

Property, plant and equipment, net, and property held for sale at June 30, 2014 and 2013 consist of the following:

	2014	2013
Land	$ 26,337,194	$ 23,597,024
Buildings	134,772,997	119,601,455
Building improvements	18,971,329	18,387,529
Equipment, furniture and vehicles	22,467,870	22,880,469
Equipment acquired under capital leases	1,008,687	1,148,730
Leasehold improvements	15,350,146	15,451,641
Construction in progress	78,818	18,255,365
	218,987,041	219,322,213
Less accumulated depreciation and amortization (including accumulated amortization on equipment acquired under capital leases of $725,297 and $781,336 in 2014 and 2013, respectively)	(81,505,977)	(77,650,174)
Property, plant and equipment, net	$ 137,481,064	$ 141,672,039
Property held for sale	$ 2,510,383	$ 643,565

On December 4, 2012, the Mexican affiliate signed a contract of sale of its headquarters property for 45,000,000 Mexican pesos (approximately $3,500,000), resulting in a gain on sale of approximately $1,300,000, which is included as part of other income in the accompanying 2013 consolidated statement of activities. On November 29, 2013, the Mexican affiliate purchased land located in Xochimilco for 23,000,000 Mexican pesos (approximately $1,780,000), which will be used for the construction of its new headquarters.

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

During the year ended June 30, 2014, the Alaska affiliate vacated, and listed for sale, its old crisis center. The property was originally acquired in 2001 through an in-kind contribution and recorded at its estimated fair value at that time as provided by a market appraisal. This original capitalized value, plus all building improvements made since, and furniture and equipment included in the sale, less accumulated depreciation, equaled a carrying value at the time of listing of $3,284,424. This carrying value exceeds the estimated fair value, less cost to sell, by $1,146,924; therefore, an expected loss on disposal was recorded in the accompanying 2014 consolidated statement of activities.

6. LINE OF CREDIT AND DEBT OBLIGATIONS

The following table outlines the various outstanding debt obligations reflected in the accompanying consolidated statements of financial position at June 30, 2014 and 2013:

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2014	Maturity Date	Interest Rate	Debt Obligation at June 30, 2013
CH Parent Entity	CIT Technology Fin. Serv., Inc.	$ -	6/30/2014	1.49%	$ 9,487
CH Parent Entity	IBM	42,494	6/30/2015	2.14%	84,089
CH Parent Entity	JPMorgan Chase Bank	5,150,000	6/30/2015	1.33%	11,498,874
CH Parent Entity	Production Mail Solutions Financing Lease	133,012	3/31/2018	3.41%	165,706
CH Parent Entity	GE Capital Corp	18,008	4/30/2016	1.33%	-
CH Alaska/CH Holdings LLC	Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC (Loan A)	5,277,000	6/6/2020	.744% per annum	5,277,000
CH Alaska/CH Holdings LLC	Brownfield Revitalization (Loan A)	4,521,600	6/6/2020	.744% per annum	4,521,600
CH Alaska/CH Holdings LLC	Consortium America (Loan A)	3,014,400	6/6/2020	.744% per annum	3,014,400
CH Alaska/CH Holdings LLC	Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC (Loan B)	2,223,000	10/1/2042	.744% per annum	2,223,000
CH Alaska/CH Holdings LLC	Brownfield Revitalization (Loan B)	1,358,400	10/1/2042	.744% per annum	1,358,400
CH Alaska/CH Holdings LLC	Consortium America (Loan B)	905,600	10/1/2042	.744% per annum	905,600
CH California	Bank of the West	1,459,425	9/23/2023	4.77%	1,441,348
CH California	Sharp (De Lage Landen), Dell and Toyota	19,548	6/30/2015	Prime	76,947
CH California	Pride Laundry	34,542	2/28/2018	3.00%	25,624
CH Florida	Great American Leasing Co.	83,878	3/9/2019	6.00%	39,064
CH Georgia	Private Bank of Buckhead	946,369	7/20/2017	5.63%	1,997,500
CH Michigan	Ricoh American Corp	3,049	10/1/2014	3.25%	14,470
CH New Jersey	New Jersey Housing and Mortgage Finance Agency ("NJHMFA")	829,306	10/6/2024	0.00%	829,306
CH New Jersey	NJHMFA	648,346	6/7/2024	0.00%	648,346
CH New Jersey	NJHMFA	700,000	3/31/2024	0.00%	700,000
CH New Jersey	NJHMFA	165,179	11/20/2042	0.00%	165,179
CH New Jersey	New Jersey Department of Community Affairs	654,400	7/27/2042	0.00%	654,400
CH New York/Under 21	CIT Technology Fin. Serv., Inc.	47,918	11/20/2042	8.00%	70,589
CH Pennsylvania/Under 21	Citizens Bank	2,490,400	4/1/2016	1.91%	2,540,800
CH Washington, D.C.	PNC Bank	368,893	2030	6.00%	382,753
		$ 31,094,767			$ 38,644,482

Covenant House (Parent) has an unsecured line of credit agreement with Chase to borrow up to an aggregate amount of $12.5 million as of June 30, 2013. On October 31, 2013, the line of credit facility was increased to $15 million and was further extended in June 2014 to mature on June 30, 2015. Interest on outstanding borrowings is payable at the one-month LIBOR rate plus various percentage points as defined in the agreement (1.33% and 1.37% at June 30, 2014 and 2013, respectively). Amounts drawn under this credit facility during fiscal 2014 are payable on or before June 30, 2015.

Total drawdowns under the unsecured line of credit agreement with Chase totaled $6.75 million and $2.5 million in fiscal 2014 and 2013, respectively. Total repayments on the line of credit were approximately $13.1 million and $2.5 million in fiscal 2014 and 2013, respectively.

The following table summarizes the total amounts outstanding under the Chase line of credit agreement by affiliate, as of June 30, 2014 and 2013:

	2014	2013
Covenant House (Parent)	$ 4,210,000	$ 10,288,402
Covenant House New York/Under 21	690,000	790,000
Covenant House New Orleans	-	170,472
Covenant House Georgia	250,000	250,000
	$ 5,150,000	$ 11,498,874

Subsequent to June 30, 2014, Covenant House (Parent) borrowed an additional $1.35 million on its line of credit facility.

In September 2012, the Covenant House Holdings, LLC (“CHH”) was formed for the purpose of participating 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.

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

On December 15, 2010, the California affiliate entered into a $1,515,000 term loan agreement with the Bank of the West, due in monthly aggregate principal and interest payments of $9,608, with the remaining balance due on December 15, 2020. On September 23, 2013, the California affiliate refinanced its outstanding debt and entered into a $1,483,000 term loan with the Bank of the West, reducing its interest rate from 5.75% to 4.77% and extending the maturity date to September 23, 2023. The note is collateralized by a Deed of Trust on the affiliate's real property located in Los Angeles, California. As of June 30, 2014, and 2013, outstanding borrowings approximated $1,459,000 and $1,441,000, respectively.

On July 18, 2012, the Georgia affiliate purchased property that was formerly used as a residential treatment program for teenagers for $2,350,000. This property includes seven acres of land and five buildings. The purchase was financed with a $1,997,500 promissory note. The interest rate on this note is 5.625%. Interest on this note is due monthly from August 20, 2012 through July 20, 2013. From August 20, 2013 through June 20, 2017, a monthly payment of principal and interest of $12,516 is due. On July 20, 2017, the unpaid principal balance plus all accrued and unpaid interest is due. This note is collateralized by the property purchased. The full and prompt payment of this note is guaranteed by Covenant House (Parent).

The Michigan affiliate maintains a revolving line of credit with a bank, maturing on demand, to borrow up to an aggregate amount of $250,000. This debt is secured by assets of the Michigan affiliate. Interest is payable at the prime rate. There were no borrowings during fiscal years 2014 and 2013.

In May 2006, the New Jersey affiliate secured a long-term loan from the Corporation for Supportive Housing ("CSH") for $528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The New Jersey affiliate entered into an agreement to buy the related real estate on August 9, 2005. The loan bears interest at a rate of 5% per annum due at the maturity date along with the full principal balance. This loan was refinanced as part of new funding received from the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which totaled approximately $4,000,000, $3,300,000 of which was received via a grant and $700,000 was a loan, which was entered into on March 17, 2008. The initial mortgage term for the $700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled approximately $255,804 and $252,000 at June 30, 2014 and 2013, respectively. 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. The property serves as collateral for the loan.

The New Jersey affiliate also acquired a residential property in Montclair, NJ for a transitional living program to serve youths with mental disabilities called Nancy's Place. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark, NJ, for the transitional living program were provided for by temporary financing of $1,015,500 obtained from CSH on March 20, 2008. In accordance with terms of the agreement, partial payments aggregating $775,466 were made. These payments were made using grant funds awarded to the New Jersey affiliate from the U.S. Department of Housing and Urban Development. At June 8, 2009, the remaining balance of $240,034 was refinanced by NJHMFA into a new permanent mortgage aggregating $648,346 at June 30, 2014 and 2013, respectively, including additional loan proceeds for the acquisition of two (2) adjacent properties. This mortgage is payable, without interest, over a period of 15 years. Repayment will be made from 25% percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled approximately $142,882 and $141,000 at June 30, 2014 and 2013, respectively. 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. The property serves as collateral for the mortgage.

On October 6, 2009, the New Jersey affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from NJHMFA aggregating $829,306 at June 30, 2014 and 2013, respectively. 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 and capitalized as deferred financing costs on the accompanying consolidated statements of financial position, and the balance of $182,261 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% percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled approximately $90,811 and $88,000 at June 30, 2014 and 2013, respectively. 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. 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 located in Montclair, NJ from the New Jersey Department of Community Affairs ("NJDCA") aggregating $654,400 at June 30, 2014 and 2013. Of this amount, $600,000 was received at the closing with the balance due as expenses related to the occupancy of the building are incurred. $1,000 was received both in fiscal 2014 and fiscal 2013 and the balance of $52,400 and $53,400 as of June 30, 2014 and 2013, respectively, is recorded as a note receivable on the accompanying consolidated statements of financial position. 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 fifty (50%) percent 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. The property serves as collateral for the mortgage.

On November 20, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from New Jersey Housing and Mortgage Finance Agency ("NJHMFA") aggregating $165,179 at June 30, 2014 and 2013. The mortgage is payable without interest over a period of 30 years. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled $15,777 and $14,846 at June 30, 2014 and 2013, respectively. 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. 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.

The New Jersey affiliate has an available $1 million line of credit agreement with Bank of America, N.A. which matured on December 31, 2014 and was subsequently extended to February 29, 2016. Interest on amounts borrowed accrues at a rate of British Bankers' Association LIBOR plus 3.50%. As of June 30, 2014 and 2013, there are no outstanding borrowings on this line of credit facility. Subsequent to June 30, 2014, the organization borrowed $365,000 on its line of credit facility.

In October 2010, the Pennsylvania affiliate refinanced its loan payable due to Covenant House (Parent) with a term loan from Citizens Bank. The new term loan is for $2,650,000 maturing in April 2016 and has an interest rate based on the 30-day LIBOR rate plus 1.75% (effectively, 1.94% at June 30, 2014 and 2013). Interest is payable monthly along with a principal payment in the amount of $4,200, with a final balloon payment due at maturity. Covenant House (Parent) has fully cash-collateralized the outstanding loan amount with the financial institution. The outstanding loan balance at June 30, 2014 and 2013 was $2,490,400 and $2,540,800, respectively.

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to $500,000 CAD. Interest is payable at the bank's prime rate. During fiscal years 2014 and 2013, there were no drawings against this line of credit.

The Washington, D.C. affiliate has a term loan with an original amount of $472,000 and an original interest rate of 8.54% per annum, consisting of a fixed rate of 1.75% for five years plus the yield on five-year treasury bonds. During 2012, the Washington, D.C. affiliate refinanced the term loan with a then current principal amount of $397,742 that currently bears interest at 6% per annum, and is secured by a Deed of Trust on the underlying property located at New York Avenue, Washington, D.C. The outstanding balance was $368,893 and $382,753 as of June 30, 2014 and 2013, respectively.

Covenant House and its affiliates are lessees of certain equipment acquired under capital leases expiring in various years through fiscal year 2019. Amortization of assets acquired under capital leases is included in depreciation and amortization expense on the consolidated statements of activities. Obligations under capital leases at June 30, 2014 and 2013 amounted to approximately $348,000 and $444,000, respectively.

The following summarizes the scheduled loan and capital lease obligation payments due in future years at June 30, 2014:

2015	$ 5,516,295
2016	2,687,983
2017	239,354
2018	745,892
2019	73,772
Thereafter	21,861,314
	31,124,610
Less amount representing interest	29,843
	$ 31,094,767

7. 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 certain of their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the accompanying consolidated statements 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, 2014	Unamortized Balance at June 30, 2013
CH California	State of California Department of Housing and Community Development	$ 263,638	$ 368,721
CH New Jersey	U.S. Department of Housing and Urban Development passed through the State of New Jersey Department of Community Affairs	800,000	800,000
CH New Jersey	New Jersey Department of Community Affairs Department of Human Services	306,705	350,520
CH New Jersey	State of New Jersey Department of Human Services	13,005	51,944
CH New Jersey	State of New Jersey Department of Children and Families (DCF)	158,780	-
Various	Various	381,768	388,078
		$ 1,923,896	$ 1,959,263

8. SPLIT-INTEREST AGREEMENTS

Covenant House is the beneficiary of various split-interest agreements with donors. Covenant House may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee(s)) at which time the remaining assets are generally unrestricted for Covenant House's use. Under Covenant House's charitable remainder trust and charitable gift annuities programs, where Covenant House is the trustee, Covenant House has elected the fair value reporting option under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 rates used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2014 ranged from 1.92% to 2.20% and at June 30, 2013 ranged from 1.20% to 1.92%, respectively. At June 30, 2014, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities totaled approximately $1,216,000 and $3,615,000, respectively. At June 30, 2013, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,139,000 and $3,890,000, respectively. As of June 30, 2014 and 2013, approximately $6,602,000 and $6,698,000 of investments relate to such agreements, respectively. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Covenant House further maintains beneficial interests in certain trusts administered by third parties. Those trusts of a perpetual nature were valued at approximately $1,848,000 and $1,705,000 at June 30, 2014 and 2013, respectively. Other trusts with a defined time frame (term trusts) were valued at approximately $2,092,000 and $1,929,000 at June 30, 2014 and 2013, respectively. As these trusts are controlled and invested by independent third parties, Covenant House records a beneficial interest and contribution revenue for its ratable share of the assets based on the fair value of the trusts' underlying assets.

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's beneficial interests in trusts and annuities payable at June 30, 2014 and 2013:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Obligations due under split-interest agreements	$ -	$ 4,831,187	$ -	$ 4,831,187
Beneficial interests in trusts	$ -	$ -	$ 3,939,731	$ 3,939,731

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Obligations due under split-interest agreements	$ -	$ 5,029,414	$ -	$ 5,029,414
Beneficial interests in trusts	$ -	$ -	$ 3,634,129	$ 3,634,129

The following tables summarize the changes in fair value associated with Covenant House's Level 3 beneficial interests in trusts for fiscal years 2014 and 2013:

	2014				
	Beginning Balance at July 1, 2013	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2014
Beneficial interests in trusts	$ 3,634,129	$ 61,339	$ 330,006	$ (85,743)	$ 3,939,731

	2013				
	Beginning Balance at July 1, 2012	Additions	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2013
Beneficial interests in trusts	$ 3,695,470	$ 200,968	$ 127,805	$ (390,114)	$ 3,634,129

9. TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2014 and 2013, temporarily restricted net assets are available for the following:

	2014	2013
Purpose restrictions:		
Program	$ 1,344,667	$ 1,902,817
Capital	135,932	1,640,649
Total program restrictions	1,480,599	3,543,466
Time restrictions:		
Split-interest agreements	2,820,222	2,509,117
Other time restrictions	6,207,652	5,261,176
Total time restrictions	9,027,874	7,770,293
	$ 10,508,473	$ 11,313,759

Net assets were released from temporary restrictions by incurring expenses and other costs satisfying the donor restrictions for the years ended June 30, 2014 and 2013 as follows:

	2014	2013
Purpose restrictions	$ 3,906,047	$ 3,591,629
Time restrictions	1,158,131	559,916
	$ 5,064,178	$ 4,151,545

From time to time, certain funds may be reclassified between net assets due to clarification of donor stipulations. During fiscal year 2013, Covenant House reclassified $1,000,000 from unrestricted net assets to temporarily restricted net assets and $100,000 from permanently restricted net assets to unrestricted net assets.

10. PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT

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

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

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

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

Covenant House has adopted investment management and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support Covenant House's activities while seeking to maintain the purchasing power of the endowment assets. Covenant House's primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

To satisfy its long-term rate-of-return objectives, Covenant House relies on a total return strategy, the objective of which is to achieve a return consisting of a combination of current income and capital appreciation, without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various investment classes and strategies to help reduce risk.

The following tables present a description of the endowment net assets composition, excluding third-party perpetual trusts valued at approximately $1,848,000 and $1,705,000 as of June 30, 2014 and 2013, respectively.

	2014			
Composition of Endowment Net Assets by Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment fund	$ 1,079,792	$ -	$ -	$ 1,079,792
Donor-restricted endowment funds	-	2,356,991	5,247,064	7,604,055
	$ 1,079,792	$ 2,356,991	$ 5,247,064	$ 8,683,847
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 535,518	$ 1,245,641	$ 5,247,064	$ 7,028,223
Investment return:				
Investment income	7,987	126,567	-	134,554
Net appreciation (realized and unrealized)	47,283	984,783	-	1,032,066
Appropriation of endowment assets for expenditure	(10,996)	-	-	(10,996)
Contributions	500,000	-	-	500,000
Endowment net assets, end of year	$ 1,079,792	$ 2,356,991	$ 5,247,064	$ 8,683,847

	2013			
Composition of Endowment Net Assets by Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Board-designated endowment fund	$ 535,526	$ -	$ -	$ 535,526
Donor-restricted endowment funds	(8)	1,245,641	5,247,064	6,492,697
	$ 535,518	$ 1,245,641	$ 5,247,064	$ 7,028,223
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ -	$ 374,194	$ 5,347,064	$ 5,721,258
Investment return:				
Investment income	8,082	132,959	-	141,041
Net appreciation (realized and unrealized)	23,917	738,488	-	762,405
Appropriation of endowment assets for expenditure	(11,567)	-	-	(11,567)
Contributions	415,086	-	-	415,086
Reclassification of net assets	100,000	-	(100,000)	-
Endowment net assets, end of year	$ 535,518	$ 1,245,641	$ 5,247,064	$ 7,028,223

11. PENSION PLAN AND OTHER EMPLOYEE BENEFITS

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

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

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

The following table presents the Plan's required pension disclosures for fiscal 2014 and 2013:

	2014	2013
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 40,560,192	$ 43,290,139
Service cost	210,789	210,246
Interest cost	1,931,033	1,954,241
Actuarial loss (gain)	2,298,485	(2,041,897)
Benefits paid	(2,023,148)	(2,852,537)
Projected benefit obligation, end of year	$ 42,977,351	$ 40,560,192
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 32,503,702	$ 35,443,260
Actual return on plan assets	2,811,413	(87,021)
Employer contributions	-	-
Benefits paid	(2,023,148)	(2,852,537)
Fair value of plan assets, end of year	$ 33,291,967	$ 32,503,702
Funded status, end of year	$ (9,685,384)	$ (8,056,490)
Accumulated benefit obligation	$ 42,977,351	$ 40,560,192
Amounts included in unrestricted net assets:		
Unrecognized actuarial loss	$ 10,177,442	$ 9,251,617

	2014	2013
Components of the net periodic pension cost:		
Service cost	$ 210,789	$ 210,246
Interest cost	1,931,033	1,954,241
Expected return on Plan assets	(2,198,548)	(2,779,618)
Amortization of actuarial loss	759,795	663,369
Net periodic pension cost	$ 703,069	$ 48,238
Other changes recognized in unrestricted net assets:		
Actuarial loss incurred during the year	$ 1,685,620	$ 824,742
Amortization of actuarial loss	(759,795)	(663,369)
Pension related activity, other than net periodic pension cost	$ 925,825	$ 161,373
Amounts in unrestricted net assets expected to be recognized as components of net periodic pension cost in the next fiscal year:		
Amortization of actuarial loss	$ 832,820	$ 739,061
Weighted-average assumptions:		
Discount rate - benefit obligation	4.56%	4.87%
Discount rate - net periodic pension cost	4.87%	4.60%
Expected long-term rate of return on plan assets	7.00%	7.00%

Employer contributions to the Plan for the year ending June 30, 2015 are expected to be $0.

Plan benefits expected to be paid in the following fiscal years are as follows:

2015	$ 1,069,000
2016	1,242,000
2017	1,362,000
2018	1,456,000
2019	1,541,000
2020 - 2024	10,056,000

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's pension plan assets at June 30, 2014 and 2013:

	2014 Level 1	Level 2	Level 3	Total*
Fixed income mutual funds	$ 28,215,881	$ -	$ -	$ 28,215,881
Equity mutual funds	4,806,138	-	-	4,806,138
Pooled separate accounts	-	76,587	-	76,587
	$ 33,022,019	$ 76,587	$ -	$ 33,098,606

*Excludes $193,361 of cash held for investment.

	2013 Level 1	Level 2	Level 3	Total
Fixed income mutual funds	$ 31,730,701	$ -	$ -	$ 31,730,701
Pooled separate accounts	-	773,001	-	773,001
	$ 31,730,701	$ 773,001	$ -	$ 32,503,702

Covenant House uses NAV per share, or its equivalent, to determine and report the fair value of all the underlying investments which: (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists such investments by major category:

2014

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Pooled separate accounts	Short-term growth	$ 76,587	1	Subject to the determination of the respective fund manager.	$ -	Daily redemption, upon notice.	N/A

2013

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Pooled separate accounts	Long-term and short-term growth	$ 773,001	2	Subject to the determination of the respective fund manager.	$ -	Daily redemption, upon notice.	N/A

The percentages of the fair value of total Plan assets by asset category are as follows at June 30, 2014 and 2013:

	2014	2013
Fixed income mutual funds	85 %	98 %
Equity mutual funds	14 %	0 %
Pooled separate accounts	1 %	2 %
	100 %	100 %

Effective January 1, 2007, Covenant House adopted a 403(b) defined contribution pension plan for all domestic employees with one year of service. Covenant House matched 50% of employee contributions to the 403(b) plan up to the first 6% of employee contributions until December 31, 2011. As of January 1, 2012, Covenant House matches 100% of employee contributions to the 403(b) plan up to 3% of employee contributions, except for the highly compensated employees as defined below. New hires receive the employer match contribution once 1,000 hours of service and one year of service have been reached. During fiscal years 2014 and 2013, Covenant House (Parent) and a number of Covenant House's affiliates' Boards gave authorization to resume the employer match, which was previously suspended. Certain of the Covenant House affiliates have elected to continue to defer until 2014 or beyond.

Along with the matching provision, there is an additional annual employer contribution to the retirement account for all employees who work 1,000 hours in a year. The annual employer contribution to the 403(b) plan was not suspended and remains intact. Covenant House's contributions will range from 1% to 9% of each eligible employee's salary based on points, provided that the respective employee works 1,000 hours annually. Points are defined as the sum of age and years of service. Employer contributions to the 403(b) plan will be 100% vested (cliff vesting) after three years of service. Total expense related to the 403(b) plan was approximately $1,977,000 and $2,220,000 in fiscal years 2014 and 2013, respectively. Total employer contributions due to the 403(b) plan totaled approximately $1,891,000 and $2,105,000 at June 30, 2014 and 2013, respectively, and are included in liability for pension benefits on the accompanying consolidated statements 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 was approximately $36,000 and $52,000 for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, Covenant House's (Parent) obligations under the 457(b) plan are approximately $165,000 and $93,000, respectively, and are included in liability for pension benefits in the accompanying consolidated statements of financial position.

During the year ended June 30, 2012, a deferred compensation agreement was entered into with the Michigan affiliate's YVS current Chief Executive Officer. Under the agreement, deferred compensation of the applicable dollar amount will be accrued for the plan through the plan year ending December 31, 2014. For the fiscal year ended June 30, 2014 and 2013, the Michigan affiliate recorded an expense of approximately $71,000 and $67,000, respectively. As of June 30, 2014 and 2013 amounts accrued totaled approximately $375,000 and $204,000, respectively, and are included in other liabilities on the accompanying consolidated statements of financial position. Long-term investments designated for the deferred compensation plan totaled $379,000 and $191,000 as of June 30, 2014 and 2013, respectively.

The Toronto affiliate maintains a Group Registered Retirement Savings Plan ("RRSP"). During fiscal years 2014 and 2013, the expense for the Group RRSP totaled approximately $376,000 and $389,000, respectively. Total employer contributions due to the Toronto affiliate's Group RRSP amounted to approximately $124,000 and $7,000 at June 30, 2014 and 2013, respectively, and are included in liability for pension benefits in the accompanying consolidated statements of financial position.

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 amounts 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 2014 and 2013 totaled approximately $226,000 and $202,000, respectively. There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2014 and 2013.

In addition, the labor laws of Covenant House 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 on the accompanying consolidated financial statements.

12. COMMITMENTS AND CONTINGENCIES

Covenant House and its affiliates are parties to a number of operating leases for office space and equipment. Aggregate future minimum lease payments due under operating leases that have remaining terms in excess of one year as of June 30, 2014 are as follows:

2015	$ 1,893,367
2016	1,781,546
2017	1,684,143
2018	1,730,336
2019	1,672,926
Thereafter	4,545,958
	$ 13,308,276

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

The Washington, D.C. affiliate's Community Service Center resides on a parcel of land along Mississippi Ave., SE, in Washington, D.C., which is part of a larger Building Bridges Across the River, Inc. (BBAR) development project. The Washington, D.C. affiliate has negotiated a ground sublease with BBAR that was finalized on November 11, 2005. Based on the sublease agreement, the lease commencement date was determined retroactively to be January 20, 2003 with a termination date of July 18, 2100. The lease has an annual rent of $25 per year and the Washington, D.C. affiliate is responsible for operating expenses and utilities. The fair value of the land at the time of the lease agreement signing was recorded as a contribution receivable and temporarily restricted contribution and is released from restrictions over the term of the lease. The balance of the long term other asset of $295,888 and $299,289, respectively, is recorded as other assets on the accompanying consolidated statements of financial position at June 30, 2014 and 2013. The Washington, D.C. affiliate built a free-standing, two-story building on the premises, referred to as the Nancy Dickerson Whitehead Community Service Center, which the Washington, D.C. affiliate owns and can sell, assign, or sublet after 15 years, assuming that the purchaser, assignee, or sub-lessee agrees to certain use restrictions, will perform a needed service at the facility, and is financially capable. If the Washington, D.C. affiliate sells the building, then BBAR will be entitled to 19% of the proceeds. The Washington, D.C. affiliate uses the building and land to provide recreational, educational, social, cultural and support services to homeless and at-risk youths.

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

Covenant House and its affiliates receive 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. The affiliates are liable for any disallowed costs; however, Covenant House believes that the amount of costs disallowed, if any, would not be material to its consolidated financial statements.

13. ALLOCATION OF JOINT COSTS

Covenant House has allocated joint costs incurred associated with certain informational mailings that contain an appeal for funds between the public education program and fundraising expense categories on the accompanying consolidated statements of activities. Of the total joint costs of approximately $2,117,000 and $1,909,000 incurred in fiscal years 2014 and 2013, respectively, approximately $1,878,000 and $1,693,000 have been allocated to public education, respectively.

14. OTHER AUDITORS

The financial statements of the Toronto and Vancouver affiliates were audited by other auditors for fiscal years 2014 and 2013. The total assets of these affiliates not audited are 14.18% and 13.62% of total consolidated assets as of June 30, 2014 and 2013, respectively, and total revenues of these affiliates not audited are 19.57% and 18.54% of total consolidated revenues for the years then ended. Those statements were audited by other auditors, whose reports were furnished to Grant Thornton LLP.

15. SUBSEQUENT EVENTS

Covenant House evaluated its June 30, 2014 consolidated financial statements for subsequent events through June 10, 2015, the date the consolidated financial statements were available to be issued. Except as disclosed in Notes 4 and 6, Covenant House is not aware of any material subsequent events that would require recognition or disclosure in the accompanying consolidated financial statements.