Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2015

Covenant House and Affiliates

Consolidated Financial Statements
Together With Independent Auditors' Report

June 30, 2015 and 2014

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Covenant House and Affiliates

We have audited the accompanying consolidated financial statements of Covenant House and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Covenant House Toronto and Covenant House Vancouver, controlled affiliated organizations, which statements reflect total assets constituting 12.77% of consolidated total assets as of June 30, 2015, and total revenues of 17.91% of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with Canadian accounting standards for not-for-profit organizations were audited by other auditors in accordance with Canadian generally accepted auditing standards, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of Covenant House Toronto and Covenant House Vancouver, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for Covenant House Toronto and Covenant House Vancouver, prior to these conversion adjustments, is based solely on the 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 audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the reports of, and additional audit procedures performed by, the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House and Affiliates as of June 30, 2015, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Prior Period Financial Statements

The consolidated financial statements of Covenant House and Affiliates as of June 30, 2014, were audited by other auditors whose report dated June 10, 2015, expressed an unmodified opinion on those statements.

PKF O'Connor Davies, LLP

April 6, 2016

Covenant House and Affiliates

Consolidated Statements of Financial Position

	June 30 2015	June 30 2014
ASSETS		
Cash and cash equivalents	$ 21,093,362	$ 22,715,621
Restricted cash	514,526	1,060,111
Contributions receivable, net (note 3)	8,911,731	7,124,874
Grants receivable (note 4)	4,294,690	4,971,895
Notes receivable (note 5)	12,813,000	12,865,400
Prepaid expenses and other assets (note 6)	6,871,596	6,633,314
Investments, other (note 7)	3,952,076	3,656,850
Investments (note 7)	50,964,914	50,086,223
Property, plant and equipment, net (note 8)	130,307,844	137,481,064
Property held for sale (note 8)	1,414,427	2,508,923
Beneficial interests in trusts (note 11)	3,708,441	3,939,731
Total Assets	$ 244,846,607	$ 253,044,006
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 13,205,108	$ 11,452,334
Deferred revenue (note 10)	2,565,600	1,923,896
Line of credit and other debt obligations, capital leases (note 9)	32,737,305	31,094,767
Deferred rent	1,936,956	2,177,389
Obligations due under split-interest agreements (note 11)	4,603,957	4,831,187
Conditional asset retirement obligation (note 2)	403,352	392,637
Pension benefits liability (note 12)	16,186,536	11,869,303
Other liabilities	264,224	537,198
Total Liabilities	71,903,038	64,278,711
Net Assets		
Unrestricted	154,180,409	171,162,132
Temporarily restricted (note 13)	11,654,964	10,508,473
Permanently restricted (note 14)	7,108,196	7,094,690
Total Net Assets	172,943,569	188,765,295
Total Liabilities and Net Assets	$ 244,846,607	$ 253,044,006

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTIONS AND OTHER REVENUE				
Contributions from individuals, foundations and corporations, including legacies and bequests of $11,860,997	$ 95,371,299	$ 3,491,685	$ -	$ 98,862,984
Government grants and contracts	26,841,224	313,124	-	27,154,348
Contributed services	3,070,244	15,710	-	3,085,954
Special events revenue, net of costs of direct benefits to donors of $2,183,499	13,135,037	-	-	13,135,037
Total Contributions and Other Revenue	138,417,804	3,820,519		142,238,323
INVESTMENT INCOME (LOSS)				
Interest and dividends	891,470	140,073	6,639	1,038,182
Net unrealized (loss) gain	(545,258)	9,023	-	(536,235)
Net realized gain	220,866	-	-	220,866
School management fees	9,148,273	-	-	9,148,273
Change in value of split-interest agreements	(101,831)	40,973	-	(60,858)
Change in value of beneficial interest in trusts	-	(141,372)	(61,165)	(202,537)
Other income	2,680,098	-	-	2,680,098
Total Investment Income (Loss)	12,293,618	48,697	(54,526)	12,287,789
	150,711,422	3,869,216	(54,526)	154,526,112
Net assets released from restrictions and other reclassifications	2,423,166	(2,491,198)	68,032	-
Total Contributions, Other Revenue and Investment Income (Loss)	153,134,588	1,378,018	13,506	154,526,112
EXPENSES				
Program services	122,943,424	-	-	122,943,424
Supporting Services				
Management and general	16,367,904	-	-	16,367,904
Fundraising	21,573,268	-	-	21,573,268
Total Expenses	160,884,596	-	-	160,884,596
Change in Net Assets from Operations	(7,750,008)	1,378,018	13,506	(6,358,484)
Foreign currency translation adjustment	(5,363,793)	(231,527)	-	(5,595,320)
Pension related activity, other than net periodic pension cost	(3,867,922)	-	-	(3,867,922)
Change in Net Assets	(16,981,723)	1,146,491	13,506	(15,821,726)
NET ASSETS				
Beginning of year	171,162,132	10,508,473	7,094,690	188,765,295
End of year	$ 154,180,409	$ 11,654,964	$ 7,108,196	$ 172,943,569

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CONTRIBUTIONS AND OTHER REVENUE				
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
Government grants and contracts	27,934,405	-	-	27,934,405
Contributed services	3,066,359	-	-	3,066,359
Special events revenue, net of costs of direct benefits to donors of $2,757,081	11,210,068	-	-	11,210,068
Total Contributions and Other Revenue	138,363,603	2,806,240	54,359	141,224,202
INVESTMENT INCOME				
Interest and dividends	1,120,173	126,567	451	1,247,191
Net unrealized gain	2,303,178	546,002	-	2,849,180
Net realized gain	1,015,614	438,781	-	1,454,395
School management fees	8,401,625	-	-	8,401,625
Change in value of split-interest agreements	66,557	174,635	-	241,192
Change in value of beneficial interest in trusts	-	188,642	107,979	296,621
Other income	2,426,883	-	-	2,426,883
Total Investment Income	15,334,030	1,474,627	108,430	16,917,087
	153,697,633	4,280,867	162,789	158,141,289
Net assets released from restrictions	5,082,232	(5,064,178)	(18,054)	-
Total Contributions, Other Revenue and Investment Income	158,779,865	(783,311)	144,735	158,141,289
EXPENSES				
Program services	114,675,888	-	-	114,675,888
Supporting Services				
Management and general	20,292,050	-	-	20,292,050
Fundraising	22,122,314	-	-	22,122,314
Total Expenses	157,090,252	-	-	157,090,252
Change in Net Assets from Operations	1,689,613	(783,311)	144,735	1,051,037
Foreign currency translation adjustment	(445,679)	(21,975)	(2,530)	(470,184)
Pension related activity, other than net periodic pension cost	(925,825)	-	-	(925,825)
Expected loss on disposal of property held for sale	(1,146,924)	-	-	(1,146,924)
Change 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
End of year	$ 171,162,132	$ 10,508,473	$ 7,094,690	$ 188,765,295

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2015

	Program Services									Supporting Services				
	Shelter and Crisis Care	Outreach	Mother / Child	Medical	Community Service Center	Public Education	Rights of Passage	Schools	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits To Donors	2015 Total
Salaries and wages	$ 25,515,276	$ 2,415,209	$ 3,169,976	$ 3,430,979	$ 5,113,474	$ 3,892,427	$ 11,510,432	$ 4,363,991	$ 59,411,764	$ 7,019,549	$ 4,340,431	$ 11,359,980	$ -	$ 70,771,744
Payroll taxes	2,537,404	244,366	297,266	342,392	534,920	366,623	1,135,444	367,665	5,826,080	773,901	475,887	1,249,788	-	7,075,868
Employee benefits	4,780,225	516,733	669,882	684,398	936,411	730,275	2,331,980	721,415	11,371,319	1,564,780	736,625	2,301,405	-	13,672,724
Total Salaries and Related Expenses	32,832,905	3,176,308	4,137,124	4,457,769	6,584,805	4,989,325	14,977,856	5,453,071	76,609,163	9,358,230	5,552,943	14,911,173	-	91,520,336
Faith Community costs	109,156	2,218	25,508	5,544	20,581	-	16,882	-	179,889	-	-	-	-	179,889
Contributed legal services	84,077	11,015	-	8,058	43,527	2,957	43,245	-	192,879	136,342	-	136,342	-	329,221
Contributed public service announcements	-	-	-	-	-	29,700	-	43,296	72,996	77,257	9,900	87,157	-	160,153
Accounting fees	67,460	17,216	14,452	27,428	33,792	11,676	67,781	36,601	276,406	744,981	1,036	746,017	-	1,022,423
Legal fees	102,315	19,792	24,381	16,883	34,221	4,169	50,312	66,946	319,019	159,592	11,528	171,120	-	490,139
Medical fees	35,539	187	6,350	214,958	3,776	9,870	41,734	-	312,414	12,429	7	12,436	-	324,850
Consulting fees	442,567	49,483	37,310	134,746	138,324	417,463	155,083	346,309	1,721,285	370,347	432,411	802,758	-	2,524,043
Supplies	588,837	27,470	65,990	282,604	106,950	25,705	223,106	325,515	1,646,177	149,573	124,228	273,801	18,365	1,938,343
Telephone	342,714	43,909	33,933	61,430	77,431	82,309	184,489	44,543	870,758	257,151	50,221	307,372	-	1,178,130
Postage and printing	280,387	27,513	45,384	19,355	51,027	5,806,181	106,709	270	6,336,826	376,463	11,917,233	12,293,696	25,657	18,656,179
Fuel and utilities	1,283,317	105,640	155,111	67,990	281,559	60,683	642,452	231,200	2,827,952	165,179	58,347	223,526	-	3,051,478
Repairs and maintenance	881,518	71,782	150,911	49,511	116,165	15,005	329,069	276,038	1,889,999	93,958	27,403	121,361	-	2,011,360
Rent and other	478,493	43,143	81,041	44,779	104,025	353,958	701,885	280	1,807,604	510,749	102,878	613,627	-	2,421,231
Equipment	529,144	29,528	41,939	53,691	106,521	62,074	240,128	45,295	1,108,320	196,632	55,346	251,978	-	1,360,298
Travel and transportation	397,250	75,113	53,241	33,243	157,391	46,017	158,780	56,330	977,365	135,073	57,608	192,681	142	1,170,188
Specific Assistance to Individuals														
Food	2,318,941	112,473	348,882	32,648	183,998	14,139	710,202	7,457	3,728,740	28,751	2,767	31,518	55,379	3,815,637
Medical	42,085	2,653	6,334	295,523	11,997	-	7,693	-	366,285	53		53	-	366,338
Contributed medical	-	-	-	4,207	18,580	-	2,103	-	24,890	-	-	-	-	24,890
Clothing, allowance and other	1,144,352	107,186	193,594	40,751	473,689	65,488	1,333,969	3,114	3,362,143	11,751	2,071	13,822	5,010	3,380,975
Contributed clothing and merchandise	539,821	31,216	92,626	74,903	95,215	1,455	169,788	2,708	1,007,732	19,866	11,060	30,926	263,394	1,302,052
Temporary help	473,057	28,335	77,359	42,966	93,637	458	131,854	968	848,634	50,862	70,247	121,109	-	969,743
Other purchased services	1,712,100	136,505	175,847	168,670	373,536	1,469,761	728,124	213,080	4,977,623	1,050,385	2,353,076	3,403,461	1,641,234	10,022,318
Dues, licenses, and permits	59,831	10,104	12,021	21,644	10,983	5,605	32,377	185,680	338,245	66,464	33,646	100,110	-	438,355
Subscriptions and publications	12,224	616	1,275	1,046	2,455	1,199	4,231	57	23,103	11,392	13,046	24,438	-	47,541
Staff recruitment	48,162	9,043	695	2,412	7,164	8,742	33,418	486	110,122	82,999	5,571	88,570	-	198,692
Insurance	651,256	53,245	90,310	74,400	119,642	13,785	309,644	156,278	1,468,560	222,226	48,033	270,259	-	1,738,819
Contributed services	313,696	159,814	14,249	190,935	696,530	4,681	183,124	499	1,563,528	2,383	32,216	34,599	-	1,598,127
Miscellaneous, net	348,619	52,831	34,082	48,690	86,025	81,470	93,262	71,700	816,679	584,044	183,868	767,912	172,737	1,757,328
Bank charges and fees	219,390	12,674	39,760	11,928	36,484	12,149	68,301	67	400,753	216,839	111,208	328,047	1,581	730,381
Interest	142,782	5,335	10,609	7,842	16,691	5,336	36,548	22,591	247,734	241,950	25,019	266,969	-	514,703
Loss on foreign currency exchange	18,143	1,771	-	2,332	233	-	-	1,212	23,691	6,381	1,793	8,174	-	31,865
Total Before Depreciation and Amortization	46,500,138	4,424,118	5,970,318	6,498,886	10,086,954	13,601,360	21,784,149	7,591,591	116,457,514	15,340,302	21,294,710	36,635,012	2,183,499	155,276,025
Depreciation and amortization	2,892,873	243,267	419,513	124,218	694,749	610,823	1,356,604	143,863	6,485,910	1,027,602	278,558	1,306,160	-	7,792,070
Total Functional Expenses	49,393,011	4,667,385	6,389,831	6,623,104	10,781,703	14,212,183	23,140,753	7,735,454	122,943,424	16,367,904	21,573,268	37,941,172	2,183,499	163,068,095
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	2,183,499	2,183,499
Total Expenses Reported by Function on Statement of Activities	$ 49,393,011	$ 4,667,385	$ 6,389,831	$ 6,623,104	$ 10,781,703	$ 14,212,183	$ 23,140,753	$ 7,735,454	$ 122,943,424	$ 16,367,904	$ 21,573,268	$ 37,941,172	$ -	$ 160,884,596

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Functional Expenses
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 Program Services	Management and General	Fundraising	Total Supporting Services	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	2,589,312	256,094	269,155	298,359	591,667	308,828	1,119,168	334,695	5,767,278	840,678	481,076	1,321,754	-	7,089,032
Employee benefits	4,240,468	512,042	575,153	548,337	966,009	684,889	2,172,395	640,163	10,339,456	1,947,450	885,438	2,832,888	-	13,172,344
Total Salaries and Related Expenses	31,580,393	3,169,351	3,540,104	3,839,326	6,954,334	4,186,307	14,084,334	4,764,618	72,118,767	10,947,540	5,752,473	16,700,013	-	88,818,780
Faith Community costs	274,173	-	21,810	-	32,141	-	-	-	328,124	18	-	18	-	328,142
Contributed legal 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	400,513	60,990	18,893	26,903	108,238	441,394	155,289	599,542	1,811,762	373,065	491,437	864,502	-	2,676,264
Supplies	641,720	30,456	61,917	72,602	116,527	50,877	240,598	205,623	1,420,320	273,681	80,199	353,880	295,169	2,069,369
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	90,470	18,845	4,398	6,058	21,536	5,277,520	36,776	18,182	5,473,785	469,403	12,205,888	12,675,291	194,368	18,343,444
Fuel and utilities	1,210,563	86,414	146,116	95,150	267,388	87,547	636,047	274,955	2,804,180	208,072	50,437	258,509	-	3,062,689
Repairs and maintenance	833,007	76,805	109,246	37,487	129,734	13,249	440,366	141,858	1,781,752	137,400	30,434	167,834	-	1,949,586
Rent and other	74,134	51,356	8,758	2,446	21,600	5,874	615,254	-	779,422	1,507,063	5,105	1,512,168	-	2,291,590
Equipment	472,697	32,832	35,675	32,874	118,359	78,869	181,079	203,502	1,155,887	144,716	129,234	273,950	-	1,429,837
Travel and transportation	413,473	85,443	50,521	24,307	151,407	46,586	161,805	16,827	950,369	236,185	68,135	304,320	756	1,255,445
Specific Assistance to Individuals														
Food	2,172,359	94,906	241,770	29,444	206,312	10,685	557,143	10,600	3,323,219	22,710	1,010	23,720	65,427	3,412,366
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	1,216,468	119,734	169,367	43,348	468,033	64,772	997,619	130,080	3,209,421	16,048	8,762	24,810	-	3,234,231
Contributed clothing and merchandise	600,725	31,743	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	446,054	7,797	78,620	68,356	84,982	28,536	273,092	1,119	988,556	72,865	86,400	159,265	-	1,147,821
Other purchased services	1,343,852	100,663	182,080	155,164	324,282	1,759,160	761,480	203,030	4,829,711	1,520,539	2,315,200	3,835,739	1,963,778	10,629,228
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	799	3,208	5,801	6,646	47	41,185	14,813	13,004	27,817	-	69,002
Staff recruitment	35,151	6,051	301	3,549	5,791	655	57,840	-	109,338	68,818	3,735	72,553	-	181,891
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	92,872	7,321	827	125,871	527,418	2,060	104,778	198	861,345	5,659	12,792	18,451	-	879,796
Miscellaneous, net	318,315	69,222	28,323	30,929	100,883	82,552	110,670	149,045	889,939	573,361	283,951	857,312	232,157	1,979,408
Bank charges and fees	505	398	10	10	370	2,829	528	4,675	9,325	525,758	119,294	645,052	5,426	659,803
Interest	116,420	6,964	-	1,268	8,775	5,394	31,492	-	170,313	336,060	25,591	361,651	-	531,964
Loss on foreign currency exchange	-	-	-	-	-	-	-	-	-	176	-	176	-	176
Total Before Depreciation and Amortization	43,698,136	4,203,210	4,927,048	5,515,209	10,073,312	12,324,906	20,314,689	7,154,715	108,211,225	19,299,683	21,860,176	41,159,859	2,757,081	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	47,088,454	4,466,402	5,508,721	5,619,032	10,796,453	12,368,230	21,552,948	7,275,648	114,675,888	20,292,050	22,122,314	42,414,364	2,757,081	159,847,333
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	2,757,081	2,757,081
Total Expenses Reported by Function on Statement of Activities	$ 47,088,454	$ 4,466,402	$ 5,508,721	$ 5,619,032	$ 10,796,453	$ 12,368,230	$ 21,552,948	$ 7,275,648	$ 114,675,888	$ 20,292,050	$ 22,122,314	$ 42,414,364	$ -	$ 157,090,252

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (15,821,726)	$ (1,491,896)
Adjustments to reconcile change in net assets to net cash from operating activities		
Contributions restricted for the construction and acquisition of fixed assets	-	(65,142)
Discount on contributions receivable	(4,367)	(7,012)
Amortization of customer lists	823,035	519,158
Contributed inventory, net	134	705
Realized and unrealized losses (gains) on investments	305,432	(4,303,575)
Contributed investments	(27,893)	(470,490)
Expected loss on disposal of property held for sale	-	1,146,924
Loss on disposal of property, plant and equipment	2,150,899	146,927
Contributed property, plant, and equipment	(41,057)	(42,599)
Change in value of beneficial interest in trusts	202,537	(296,621)
Amortization of deferred revenue and loan discount	758,723	(352,163)
Deferred rent	(240,433)	(122,671)
Change in value of split interest agreements	60,858	(241,192)
Accretion of interest on conditional asset retirement obligation	10,715	10,418
Pension benefits liability adjustment	4,317,233	1,703,254
Depreciation and amortization	6,969,035	7,200,010
Bad debt expense	368,068	181,098
Foreign currency translation adjustment	5,595,320	470,184
Changes in operating assets and liabilities		
Contributions receivable	(2,150,558)	705,520
Grants receivable	677,205	(502,081)
Prepaid expenses and other assets	50,931	694,047
Beneficial interests in trusts	28,753	(8,981)
Accounts payable and accrued expenses	1,752,774	(881,171)
Deferred revenue	(117,019)	316,796
Other liabilities	(272,974)	142,642
Net Cash from Operating Activities	5,395,625	4,452,089
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in restricted cash	545,585	1,950,945
Repayment of note receivable	52,400	1,000
Purchase of customer lists	(1,103,263)	(1,254,069)
Purchases of investments	(21,133,377)	(16,996,827)
Sales of investments	19,681,921	28,125,558
Capital expenditures	(6,187,762)	(7,311,974)
Proceeds from sale of property	-	106,006
Net Cash from Investing Activities	(8,144,496)	4,620,639

See notes to consdolidated financial statements

Covenant House and Affiliates

Consolidated Statements of Cash Flows
(continued)

	Year Ended June 30	
	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in deposits held with bond trustee	$ (9,120)	$ (9,101)
Contributions restricted for the construction and acquisition of fixed assets	-	900,536
Borrowings under line of credit and other obligations	7,550,000	6,798,903
Repayments of line of credit and other obligations	(5,962,092)	(14,245,091)
Principal payments under capital lease obligations	(164,088)	(194,925)
Payment of annuity obligations	(572,277)	(236,149)
Additions to gift annuity arrangements	284,189	279,114
Net Cash from Financing Activities	1,126,612	(6,706,713)
Net Change in Cash and Cash Equivalents	(1,622,259)	2,366,015
CASH AND CASH EQUIVALENTS		
Beginning of year	22,715,621	20,349,606
End of year	$ 21,093,362	$ 22,715,621
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 506,155	$ 482,123
Assets acquired under capital lease obligations	218,718	91,398

See notes to consolidated financial statements

1. Organization and Tax Status

Covenant House (Parent), is a not-for-profit organization founded in 1968 and incorporated in 1972. Covenant House (Parent) and affiliates (collectively "Covenant House"), provided shelter, food, clothing, counseling, medical attention, crisis intervention, public education and other services to approximately 51,000 and 57,000 runaway and homeless youths during fiscal 2015 and 2014.

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

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

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

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

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

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

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.

1. Organization and Tax Status *(continued)*

Fundación Casa Alianza México, I.A.P. is not subject to income taxes in accordance with (Mexican) Income Tax Law, except for nondeductible expenses incurred. 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 Alianza de Honduras are also not-for-profit organizations and are not subject to income taxes under their respective country's income tax laws.

Components of Program and Supporting Services

Program Services

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

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

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

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

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

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

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

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

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

Supporting Services

Management and General
Management and general services include administration, finance and general support activities. Certain administrative costs that relate to specific programs have been allocated to such programs.

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

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

2. Summary of Significant Accounting Policies

Basis of Consolidation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

Contributions

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

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

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

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

Government Contracts and Grants

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

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

Contributed Services, Public Service Announcements and Materials

Covenant House recognizes contributions of public service announcements and materials at their estimated fair value at the date of the donation.

Covenant House recognizes contributions of services received if the services create or enhance nonfinancial assets, or 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.

School Management Fees

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

Cash and Cash Equivalents

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

Investments

Marketable equity securities and debt obligations are carried at fair value based on quoted market values. 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.

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

Investments (continued)

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

Investments – Other

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

Allowance for Loan Losses

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 management 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. As of June 30, 2015 and 2014, no allowance for loan losses was determined to be necessary.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost if purchased or, if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 3 to 33 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the term of the lease or their estimated useful lives. Property held for sale is recorded at the lower of cost or fair value and is not depreciated.

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. There is no such impairment for the year ended June 30, 2015, however for the year ended June 30, 2014, there was an impairment of $1,146,924 recognized for property located in Anchorage, Alaska.

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

Deferred Rent

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

Split-Interest Agreements

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

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.

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

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 $403,352 and $392,637 at June 30, 2015 and 2014, and primarily relate to required future asbestos remediation expected to occur in the next 3 to 5 years. For the years ended June 30, 2015 and 2014, depreciation expense recorded on the related asset totaled $2,362 for both years. Accretion of interest related to these obligations in fiscal 2015 and 2014 totaled $10,715 and $10,418. Covenant House did not incur any payments for asbestos remediation in fiscal 2015 and 2014.

Functional Expense Allocation

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

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 approximate their carrying value since the interest rates charged, as disclosed in Note 7, 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.

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

Fair Value of Financial Instruments (continued)

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 includes investments for which quoted prices are available but traded less frequently and investments that are valued using other securities, the parameters of which can be directly observed. 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 NAV, 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 a gate or lockup period.

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

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.

Accounting for Uncertainty in Income Taxes

Covenant House recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Covenant House had no uncertain tax positions that would require financial statement recognition and/or disclosure. Covenant House is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2012.

Concentration of Credit Risk

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

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

Reclassifications

Certain accounts in the 2014 consolidated financial statements have been reclassified to conform to the current year financial statement presentation.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 6, 2016.

3. Contributions Receivable

Contributions receivable that are due in more than one year have been discounted to their present value using discount rates ranging from 1.79% to 6.75% in 2015 and 2014, respectively. At June 30, 2015 and 2014, net receivables are expected to be collected as follows:

	2015	2014
Unconditional Promises Expected to be Collected in:		
Less than one year	$ 8,719,927	$ 6,198,307
Within five years	45,225	472,231
Thereafter	335,000	618,351
	9,100,152	7,288,889
Less: discount to present value	(59,468)	(82,879)
Less: reserve for uncollectible accounts	(128,953)	(81,136)
	$ 8,911,731	$ 7,124,874

During fiscal 2015, Covenant House received notification of certain promises to give. However, due to their conditional nature, these gifts have not been reflected in the accompanying consolidated financial statements.

4. Government Grants Receivable

Government grants receivable of $4,294,690 and $4,971,895 at June 30, 2015 and 2014 are expected to be collected within one year. As of June 30, 2015 and 2014, no allowance for doubtful discounts was determined to be necessary.

5. Notes Receivable

In connection with the New Market Tax Credit (“NMTC”) transaction (note 9), in September 2012, the Alaska affiliate loaned Covenant House Investment Fund, LLC, ("Investment Fund") an unrelated entity, $12,813,000. The Investment Fund also received equity from a tax credit investor and then made a Qualified Equity Investment (“QEI”) in Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC ("Wells Fargo"), Brownfield Revitalization XXIV, LLC ("Brownfield") and Consortium America XXXI, LLC ("Consortium"), (collectively, the "CDEs"). The CDEs then made two loans in the amount of $12,813,000 (Loan A) and $4,487,000 (Loan B) to Covenant House Holdings, LLC (“CHH”).

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

6. Other Assets, Customer Lists

Included in prepaid expenses and other assets on the consolidated statements of financial position are customer lists that Covenant House purchased for purposes of generating fundraising contributions. At June 30, 2015 and 2014 the cost of the customer lists amounted to $4,244,811 and $3,141,548. Accumulated amortization at June 30, 2015 and 2014 amounted to $1,818,488 and $1,069,896.

Future amortization for Covenant House's customer lists are as follows of June 30:

2016	$ 824,552
2017	698,193
2018	482,193
2019	304,575
2020	116,810
	$ 2,426,323

7. Investments

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

	2015	2014
Cash and cash equivalents	$ 4,316,388	$ 5,281,336
Common stocks	3,467,195	1,113,402
U.S. government securities	1,699,319	2,054,772
Foreign government securities	2,020,903	1,903,255
Corporate debt securities	5,972,186	4,483,410
Mutual funds	32,914,751	34,567,121
Funds of funds	574,172	682,927
Total Investments	$ 50,964,914	$ 50,086,223

Investment management fees of approximately $85,000 and $90,000 are netted with interest and dividends income in the accompanying consolidated statements of activities for the years ended June 30, 2015 and 2014.

Covenant House's certificates of deposit of $3,952,076 and $3,656,850 as of June 30, 2015 and 2014, are classified as investments, other in the accompanying consolidated statements of financial position. These do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not provided.

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

7. Investments (*continued*)

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

	2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Common stocks	$ 3,467,195	$ -	$ -	$ 3,467,195
U.S. government securities	1,699,319	-	-	1,699,319
Foreign government securities	2,020,903	-	-	2,020,903
Corporate debt securities	2,124,992	3,847,194	-	5,972,186
Mutual Funds:				
Stocks	25,082,507	-	-	25,082,507
Bonds	2,617,472	-	-	2,617,472
Combined	5,214,772	-	-	5,214,772
Funds of funds	-	-	574,172	574,172
Total Investments at Fair Value	$42,227,160	$ 3,847,194	$ 574,172	46,648,526
Cash and cash equivalents				4,316,388
Total Investments				$50,964,914

	2014			
Investments:				
Common stocks	$ 1,113,402	$ -	$ -	$ 1,113,402
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	19,192,175	-	-	19,192,175
Bonds	8,682,145	-	-	8,682,145
Combined	6,692,801	-	-	6,692,801
Funds of funds	-	-	682,927	682,927
Total Investments at Fair Value	$40,149,116	$ 3,972,844	$ 682,927	44,804,887
Cash and cash equivalents				5,281,336
Total Investments				$50,086,223

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

7. Investments (*continued)*

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

	2015			
	Beginning Balance at July 1, 2014	Net Realized and Unrealized Gains	Redemptions throughout Fiscal 2015	Ending Balance at June 30, 2015
Funds of funds	$ 682,927	$ 42,203	$ (150,958)	$ 574,172

	2014			
	Beginning Balance at July 1, 2013	Net Realized and Unrealized Gains	Redemptions throughout Fiscal 2014	Ending Balance at June 30, 2014
Funds of funds	$ 963,773	$ 66,256	$ (347,102)	$ 682,927

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

Covenant House is in the process of liquidating its interests in its funds of funds. The proceeds 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 by Covenant House pertaining to these funds of funds during fiscal 2016 amounted to $84,409.

Covenant House uses the NAV per share or its equivalent to determine and report the fair value of all the underlying investments which do not have a readily determinable fair value.

The following table lists such investments by major category:

2015

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Fund of funds	Invests in partnerships, derivatives, private investment companies, and hedge funds	$ 574,172	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 upon approval of an orderly liquidation

2014

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Fund of funds	Invests in partnerships, derivatives, private investment companies, and hedge funds	$ 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 upon approval of an orderly liquidation

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

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

	2015	2014
Buildings	$ 131,346,229	$ 134,772,997
Building improvements	19,071,731	18,971,329
Equipment, furniture and vehicles	23,370,103	22,467,870
Equipment acquired under capital lease obligations	1,023,757	1,008,687
Leasehold improvements	15,180,674	15,350,146
Construction in progress	624,153	78,818
	190,616,647	192,649,847
Less: accumulated depreciation and amortization	(85,259,413)	(81,505,977)
	105,357,234	111,143,870
Land	24,950,610	26,337,194
Property, plant and equipment, net	$ 130,307,844	$ 137,481,064
Property held for sale	$ 1,414,427	$ 2,508,923

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $755,394 and $725,297 at June 30, 2015 and 2014.

Depreciation and amortization expense amounted to $6,969,035 and $7,200,010 for the years ended June 30, 2015 and 2014.

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 impairment loss was recorded in the accompanying consolidated statement of activities for the year ended June 30, 2014.

9. Line Of Credit and Other Debt Obligations

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

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2015	Maturity Date	Interest Rate (per annum) at June 30, 2015	Debt Obligation at June 30, 2014
CH Parent Entity	CIT/Avaya Financial Services	$ 49,155	4/24/2020	1.35%	$ -
CH Parent Entity	IBM	-	6/30/2015	2.14%	42,494
CH Parent Entity	JPMorgan Chase Bank	7,500,000	8/30/2016	1.35%	5,150,000
CH Parent Entity	Production Mail Solutions Financing Lease	99,186	3/31/2018	3.41%	133,012
CH Parent Entity	GE Capital Corp	8,240	4/30/2016	1.33%	18,008
CH Alaska/CH Holdings LLC	Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC (Loan A)	5,277,000	6/6/2020	0.74%	5,277,000
CH Alaska/CH Holdings LLC	Brownfield Revitalization (Loan A)	4,521,600	6/6/2020	0.74%	4,521,600
CH Alaska/CH Holdings LLC	Consortium America (Loan A)	3,014,400	6/6/2020	0.74%	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	0.74%	2,223,000
CH Alaska/CH Holdings LLC	Brownfield Revitalization (Loan B)	1,358,400	10/1/2042	0.74%	1,358,400
CH Alaska/CH Holdings LLC	Consortium America (Loan B)	905,600	10/1/2042	0.74%	905,600
CH California	Bank of the West	1,426,930	9/23/2023	4.77%	1,459,425
CH California	Sharp (De Lage Landen), Dell and Toyota	-	6/30/2015	Prime	19,548
CH California	De Lage Financial Services	56,606	4/30/2019	6.00%	-
CH California	Pride Laundry	25,495	2/28/2018	3.00%	34,542
CH California	Mail Finance	3,596	10/19/2017	4.00%	-
CH Florida	Great American Leasing Co.	68,144	3/9/2019	6.00%	83,878
CH Georgia	Private Bank of Buckhead	278,960	7/20/2017	5.63%	946,369
CH Michigan	Ricoh American Corp	-	10/1/2014	3.25%	3,049
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/Avaya Financial Services	7,439	12/9/2015	8.00%	47,918
CH New York/Under 21	Konica Minolta Business Solutions	1,818	2/6/2016	2.87%	-
CH New York/Under 21	Pitney Bowes Global Financial Services LLC	13,575	11/17/2017	2.90%	-
CH New York/Under 21	Konica Minolta Business Solutions	109,257	6/7/2020	2.87%	-
CH Pennsylvania/Under 21	Citizens Bank	2,440,000	4/1/2016	1.94%	2,490,400
CH Washington, D.C.	PNC Bank	351,673	1/27/2030	6.00%	368,893
		$ 32,737,305			$31,094,767

9. Line Of Credit and Debt Obligations (*continued*)

Covenant House (Parent) has an unsecured line of credit agreement with JPMorgan Chase Bank to borrow up to an aggregate amount of $15 million. This agreement matures on August 30, 2016. Interest on outstanding borrowings is payable at the one-month LIBOR rate plus additional percentage points as defined in the agreement, which were 1.35% and 1.33% at June 30, 2015 and 2014. Amounts drawn down from this credit facility are payable on or before August 30, 2016.

Total drawdowns under the unsecured line of credit agreement with Chase totaled $7.55 million and $6.75 million during the years ended June 30, 2015 and 2014. Total repayments on the line of credit were $5.2 million and $13.1 million in fiscal 2015 and 2014.

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

	2015	2014
The Parent	$6,727,809	$4,210,000
Under 21 Covenant House New York	522,191	690,000
Covenant House Georgia	250,000	250,000
	$7,500,000	$5,150,000

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

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 and Loan B amounts totaling $4,487,000. Per NMTC regulations, upon completion of a required seven-year period, the issuer of the NMTC loans is anticipated to liquidate 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 in 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 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.

The California affiliate has a $1,483,000 term loan with the Bank of the West maturing on September 23, 2023.

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. From July 20, 2015 through June 20, 2017, a monthly payment of principal and interest of $12,516 is due. In the year ended June 30, 2015, the Georgia affiliate made two lump sum principal reduction payments totaling $551,747.

9. Line Of Credit and Debt Obligations (*continued)*

The monthly payment of principal and interest was adjusted so that the payment will be equal to monthly installments of principal and interest computed on the revised outstanding principal balance. 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. There were no borrowings during fiscal years 2015 and 2014.

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 $259,319 and $255,804 at June 30, 2015 and 2014. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2015 and 2014, the project ran a deficit; as such 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, 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 $144,970 and $142,882 at June 30, 2015 and 2014. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2015 and 2014, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

9. Line Of Credit and Debt Obligations (*continued)*

On October 6, 2009, the New Jersey affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from NJHMFA, aggregating $829,306 at June 30, 2015 and 2014. 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. At June 30, 2015 and 2014, the escrow amount held with the trustee totaled $93,395 and $90,811. To the extent that principal payments are not covered by cash flows, the payment of principal is deferred until the end of the mortgage term. In fiscal 2015 and 2014, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

On July 27, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Montclair, NJ from New Jersey Department of Community Affairs ("NJDCA"), aggregating $654,400 at June 30, 2015 and 2014. 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 2015 and fiscal 2014 and the balance of $52,400 was fully received as of June 30, 2015. 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. In fiscal 2015 and 2014, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage.

On November 20, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from New Jersey Housing and Mortgage Finance Agency ("NJHMFA"), aggregating $165,179 at June 30, 2015 and 2014. 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 $16,711 and $15,777 at June 30, 2015 and 2014. To the extent that payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2015 and 2014, the project ran a deficit: as such no principal payments were made. If it is determined at the maturity of the mortgage that the New Jersey affiliate cannot repay and if all mortgage terms and conditions have been met, NJMFA may extend or refinance the mortgage. The property serves as collateral for the mortgage.

9. Line Of Credit and Debt Obligations (*continued)*

The New Jersey affiliate has an available $1 million dollar 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, 2015 and 2014, there are no outstanding borrowings on this 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, 1.9% at June 30, 2015 and 2014). Interest is payable monthly with a principal payment due in the amount of $4,200, with a final balloon payment due at maturity. Covenant House (Parent) has fully cash-collateralized the outstanding loan amount with the financial institution. The outstanding loan balance at June 30, 2015 and 2014 was $2,440,000 and $2,490,400.

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $500,000. Interest is payable at the bank's prime rate. During fiscal years 2015 and 2014, there were no drawings against this line of credit.

The Washington, D.C. affiliate has a term loan with a current principal amount of $397,742, which is secured by a Deed of Trust on the underlying property located at New York Avenue, Washington, D.C. The outstanding balance was $351,673 and $368,893 as of June 30, 2015 and 2014.

Covenant House is a lessee of certain equipment acquired under capital leases expiring in various years through fiscal year 2020. 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, 2015 and 2014 amounted to approximately $ 443,000 and $348,000.

The following summarizes the scheduled loan and capital lease obligation payments due in future years at June 30, 2015:

2016	$ 10,274,716
2017	321,238
2018	166,843
2019	122,280
2020	93,352
Thereafter	21,796,072
	32,774,501
Less: amount representing interest	(37,196)
	$ 32,737,305

10. Deferred Revenue

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating 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, 2015	Unamortized Balance at June 30, 2014
CH California	State of California Department of Housing and Community Development	$ 1,067,260	$ 263,638
CH New Jersey	State of New Jersey Department of Children and Families (DCF)	-	158,780
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	262,890	306,705
CH New Jersey	State of New Jersey Department of Human Services	11,921	13,005
Various	Various	423,529	381,768
		$ 2,565,600	$ 1,923,896

11. Split-Interest Agreements

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

11. Split-Interest Agreements (*continued)*

The discount rates used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2015, ranged from 1.49% to 2.00% and at June 30, 2014, ranged from 1.92% to 2.20%. At June 30, 2015, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,137,000 and $3,467,000. At June 30, 2014, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,226,000 and $3,605,000, respectively. As of June 30, 2015 and 2014, approximately $6,121,000 and $6,602,000 of investments relate to such agreements. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required levels.

Covenant House further maintains beneficial interests in certain trusts administered by third parties. Those trusts of a perpetual nature were valued at approximately $1,861,000 and $1,848,000 at June 30, 2015 and 2014. Other trusts with a defined time frame (term trusts) were valued at approximately $1,847,000 and $2,092,000 at June 30, 2015 and 2014. 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:

	2015		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$4,603,957	$ -	$4,603,957
Beneficial interests in trusts	$ -	$3,708,441	$3,708,441

	2014		
	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

11. Split-Interest Agreements *(continued)*

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

	2015				
	Beginning Balance at July 1, 2014	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2015
Beneficial interests in trusts	$ 3,939,731	$ 93,734	$ (202,537)	$ (122,487)	$ 3,708,441

	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	$ 296,621	$ (52,358)	$ 3,939,731

12. Pension Plans

Covenant House (Parent) has a defined benefit pension plan (the "Plan") covering employees of Covenant House (Parent) and 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 (Parent) considers historical returns and future expectations of returns for its fixed income securities.

Effective December 31, 2006, Covenant House (Parent) froze service credits in the 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 (Parent) further amended the Plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits would accrue under the Plan after that date.

12. Pension Plans *(continued)*

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

	2015	2014
Change in Benefit Obligation:		
Projected Benefit Obligation, Beginning of Year	$ 42,977,351	$ 40,560,192
Service cost	210,166	210,789
Interest cost	1,869,262	1,931,033
Actuarial loss	3,001,185	2,298,485
Benefits paid	(2,228,329)	(2,023,148)
Projected Benefit Obligation, End of Year	$ 45,829,635	$ 42,977,351
Change in Plan Assets:		
Fair Value of Plan Assets, Beginning of Year	$ 33,291,967	$ 32,503,702
Actual return on plan assets	668,685	2,811,413
Benefits paid	(2,228,329)	(2,023,148)
Fair Value of Plan Assets, End of Year	$ 31,732,323	$ 33,291,967
Funded status, end of year	$ (14,097,312)	$ (9,685,384)
Accumulated benefit obligation	$ 45,829,635	$ 42,977,351
Amounts included in unrestricted net assets:		
Unrecognized actuarial loss	$ 14,045,364	$ 10,177,442
Components of the Net Periodic Pension Cost (Benefit):		
Service cost	$ 210,166	$ 210,789
Interest cost	1,869,262	1,931,033
Expected return on plan assets	(2,245,947)	(2,198,548)
Amortization of actuarial loss	710,525	759,795
Net Periodic Pension Cost	$ 544,006	$ 703,069
Other Changes Recognized in Unrestricted Net Assets:		
Actuarial loss incurred during the year	$ 4,578,447	$ 1,685,620
Amortization of actuarial loss	(710,525)	(759,795)
Pension Related Activity, Other Than Net Periodic Pension Cost	$ 3,867,922	$ 925,825
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	$ 1,290,914	$ 832,820
Weighted-average Assumptions:		
Discount rate - benefit obligation	4.70%	4.56%
Discount rate - net periodic pension cost	4.56%	4.87%
Expected long-term rate of return on Plan assets	7.00%	7.00%
Average rate of increase in compensation levels	N/A	N/A

12. Pension Plans *(continued)*

Employer contributions to the Plan for the year ended June 30, 2015 were $0. Plan benefits expected to be paid in the following fiscal years are as follows:

2016	$ 2,739,000
2017	2,203,000
2018	2,033,000
2019	2,012,000
2020	2,094,000
2021-2025	16,077,000

The following table prioritizes the inputs used to measure and report the fair value of Covenant House (Parent)'s pension plan assets at June 30:

	2015		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 26,637,831	$ -	$ 26,637,831
Equity mutual funds	4,998,692		4,998,692
Pooled separate accounts	-	95,800	95,800
Total Plan Assets	$ 31,636,523	$ 95,800	$ 31,732,323

	2014		
	Level 1	Level 2	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
Total Plan Assets at Fair Value	$ 33,022,019	$ 76,587	33,098,606
Cash			193,361
Total Plan Assets			$ 33,291,967

12. Pension Plans *(continued)*

Covenant House (Parent) uses NAV per share, or its equivalent, to determine and report the fair value of all the underlying investments which do not have a readily determinable fair value. The following table lists such investments by major category:

2015

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Pooled separate accounts	Long-term growth	$95,800	1	Subject to the determination of the respective fund manager	$ -	Daily redemption, upon notice	N/A

2014

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Pooled separate accounts	Long-term growth	$76,587	1	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:

	2015	2014
Fixed income mutual funds	84 %	85 %
Equity mutual funds	15 %	14 %
Pooled separate accounts	1 %	1 %
	100 %	100 %

Effective January 1, 2007, Covenant House (Parent) adopted a 403(b) defined contribution pension plan for all employees with one year of service. Prior to January 1, 2012, Covenant House (Parent) matched 50% of employee contributions to the 403(b) plan up to the first 6% of employee contributions. As of January 1, 2012, Covenant House (Parent) matches 100% of employee contributions to the 403(b) plan up to 3% of employee contributions, except for the highly compensated employees as defined below. New hires become eligible to receive the employer match contribution once the employee has reached age 21 and completed one year of service. Along with the matching provision, there is an additional annual employer contribution to the retirement account for all employees who worked 1,000 hours in a year. Covenant House's contributions range from 1% to 9% of each eligible employee's salary based on points, provided that the respective employee worked 1,000 hours annually. Points are defined as the sum of age and years of service. The 403(b) plan is 100% vested (cliff vesting) after three years of service. Total expense related to the 403(b) plan was approximately $1,984,000 and $1,977,000 for the years ended June 30, 2015 and 2014. Total employer contributions due to the 403(b) plan are approximately $1,893,000 and $1,891,000 at June 30, 2015 and 2014, and are included in pension benefits liability in the accompanying consolidated statements of financial position.

12. Pension Plans *(continued)*

Effective January 1, 2012, Covenant House (Parent) implemented a 457(b) plan for those highly compensated employees who have reached the IRS maximum 403(b) contribution for the year. These employees have the option of continuing their contributions and will be matched by the employer 100% of up to 3% of employee contributions. All other criteria for eligibility follows the same guidelines as the 403(b) plan. Total employer expense related to the 457(b) plan approximated $21,000 and $36,000 for the years ended June 30, 2015 and 2014. Covenant House's obligations under the 457(b) plan are approximately $196,000 and $165,000 at June 30, 2015 and 2014, and are included in pension benefits liability 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 was accrued for the plan through the plan year ended December 31, 2014. For the fiscal years ended June 30, 2015 and 2014, the Michigan affiliate recorded an expense of approximately $13,000 and $71,000. As of June 30, 2015 and 2014 amounts accrued totaled approximately $102,000 and $375,000, and are included in other liabilities on the accompanying consolidated statements of financial position. Long-term investments designated for the deferred compensation plan were $102,000 and $379,000 at June 30, 2015 and 2014.

The Toronto affiliate maintains a Group Registered Retirement Savings Plan ("RRSP"). During fiscal years 2015 and 2014, the expense for the Group RRSP totaled approximately CAD $424,000 and CAD $403,000. Total employer contributions due to the Toronto affiliate's Group RRSP amounted to approximately $0 and $132,000 CAD at June 30, 2015 and 2014 and are included in pension benefits liability 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 amount of 3%, 5% or 7% of employee compensation based on the number of completed years of service. The expense related to the defined contribution plan for fiscal years 2015 and 2014 totaled approximately CAD $235,000 and CAD $242,000. There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2015 and 2014.

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

13. Temporarily Restricted Net Assets

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

	2015	2014
Purpose Restrictions:		
Program	$ 3,024,173	$ 1,344,667
Capital	158,420	135,932
Total Program Restrictions	3,182,593	1,480,599
Time Restrictions:		
Split-interest agreements	2,622,458	2,820,222
Other time restrictions	5,849,913	6,207,652
Total Time Restrictions	8,472,371	9,027,874
	$ 11,654,964	$ 10,508,473

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

	2015	2014
Purpose restrictions	$ 1,602,285	$ 3,906,047
Time restrictions	888,913	1,158,131
	$ 2,491,198	$ 5,064,178

14. Permanently Restricted Net Assets/Endowment

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

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

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

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

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

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

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

The following details endowment net asset composition, excluding third-party perpetual trusts of approximately $1,861,000 and $1,848,000 as of June 30, 2015 and 2014.

	2015			
Composition of Endowment Net Assets by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	$3,814,704	$ -	$ -	$ 3,814,704
Donor-restricted endowment funds	-	2,506,087	5,247,064	7,753,151
	$3,814,704	$2,506,087	$5,247,064	$11,567,855
Changes in Endowment Net Assets				
Endowment Net Assets, Beginning of Year	$1,829,792	$2,356,991	$5,247,064	$ 9,433,847
Investment Return:				
Investment income	34,587	140,073	-	174,660
Net appreciation (realized and unrealized)	(44,528)	9,023	-	(35,505)
Appropriation of endowment assets for expenditure	(10,993)	-	-	(10,993)
Contributions	2,005,846	-	-	2,005,846
Endowment Net Assets, End of Year	$3,814,704	$2,506,087	$5,247,064	$11,567,855

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

	2014			
Composition of Endowment Net Assets by Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment fund	$ 1,829,792	$ -	$ -	$ 1,829,792
Donor-restricted endowment funds	-	2,356,991	5,247,064	7,604,055
	$ 1,829,792	$ 2,356,991	$ 5,247,064	$ 9,433,847
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	1,250,000	-	-	1,250,000
Reclassification of net assets	-	-	-	-
Endowment net assets, end of year	$ 1,829,792	$ 2,356,991	$ 5,247,064	$ 9,433,847

15. Allocation of Joint Costs

Covenant House has allocated joint costs incurred associated with certain informational mailings that contain an appeal for funds between the public education program and fundraising expense categories on the accompanying consolidated statements of activities. Of the total joint costs of approximately $3,017,000 and $2,117,000 incurred during fiscal 2015 and 2014, approximately $2,327,000 and $1,878,000 were allocated to public education.

16. Commitments and Contingencies

Covenant House (Parent) is party to a number of operating leases for office space and equipment. Aggregate future minimum lease payments due under operating leases that have remaining terms in excess of one year as of June 30, 2015 are as follows:

2016	$ 3,065,521
2017	2,692,068
2018	1,787,747
2019	1,693,515
2020	1,667,410
Thereafter	2,895,554
	$ 13,801,815

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.

16. Commitments and Contingencies *(continued)*

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 $292,487 and $295,888, is reported in prepaid expenses and other assets on the accompanying consolidated statements of financial position at June 30, 2015 and 2014. 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 (Parent) is 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 (Parent) receives funding under grants and contracts from various federal, state and local government agencies. In accordance with the terms of certain government contracts, the records of certain affiliates are subject to audit for varying periods after the date of final payment of the contracts. Covenant House (Parent) is 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.

17. Subsequent Events

In September 2015, the Alaska affiliate entered into sale leaseback transaction for a building located at 750 West 5th Avenue, Anchorage, Alaska. The proceeds from the sale were approximately $1,500,000. The buyer will refurbish the building at its cost not to exceed $2,100,000. Any costs over $2,100,000 will be the responsibility of the Alaska affiliate. The renovations shall be completed no later than June 30, 2016. The buyer will then lease the building to the Alaska affiliate for a non-cancellable term of ten years at the rate of $2,500 per month with two five year renewal options at a rent amount to be determined at the time of each renewal. The assets related to the location are classified as property held for sale on the consolidated statement of financial position.

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