

Covenant House New Jersey

Financial Statements

June 30, 2022

Independent Auditors' Report

Board of Directors
Covenant House New Jersey

Opinion

We have audited the accompanying financial statements of Covenant House New Jersey (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2021 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our reported dated December 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 1, 2022

Covenant House New Jersey

Statement of Financial Position June 30, 2022 (with comparative amounts at June 30, 2021)

| | 2022 | 2021 |
|--|---------------|---------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 2,261,444 | \$ 2,675,127 |
| Investments | 5,404,149 | 4,734,959 |
| Contributions receivable, net | 643,142 | 798,169 |
| Government grants receivable | 474,070 | 637,176 |
| Other receivables | 48,093 | 68,506 |
| Prepaid expenses and other assets | 28,705 | 84,819 |
| Deposits held with trustee | 547,285 | 540,568 |
| Beneficial interest in perpetual trust | 1,166,374 | - |
| Property, plant and equipment, net | 11,936,834 | 12,768,336 |
| | \$ 22,510,096 | \$ 22,307,660 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 1,276,210 | \$ 1,126,820 |
| Refundable advances | 825,302 | 805,419 |
| Other liabilities | 46,025 | 46,025 |
| Due to Parent | 63,222 | 20,244 |
| Paycheck Protection Program loan | - | 1,456,635 |
| Mortgages payable, net | 2,982,136 | 2,968,712 |
| Total Liabilities | 5,192,895 | 6,423,855 |
| Net Assets | | |
| Without donor restrictions | 15,806,157 | 15,247,909 |
| With donor restrictions | 1,511,044 | 635,896 |
| Total Net Assets | 17,317,201 | 15,883,805 |
| | \$ 22,510,096 | \$ 22,307,660 |

See notes to financial statements

Covenant House New Jersey

Statement of Activities Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

| | Without Donor Restriction | With Donor Restriction | Total 2022 | Total 2021 |
|---|------------------------------|---------------------------|----------------------|----------------------|
| SUPPORT AND REVENUE | | | | |
| Contributions | \$ 2,647,081 | \$ 1,401,269 | \$ 4,048,350 | \$ 3,105,856 |
| In-kind contributions | 33,495 | - | 33,495 | - |
| Government and private grants | 3,437,640 | - | 3,437,640 | 3,097,651 |
| Branding dollars from Parent | 2,259,195 | - | 2,259,195 | 2,887,223 |
| Grants from Parent related to Sleep Out events | 1,631,406 | - | 1,631,406 | 1,954,621 |
| Restricted Site Investment Fund from Parent | 50,000 | - | 50,000 | - |
| Special events, net of direct expenses of \$414,952 and \$90,622 | 2,511,142 | - | 2,511,142 | 2,121,361 |
| Net assets released from restrictions | <u>291,226</u> | <u>(291,226)</u> | <u>-</u> | <u>-</u> |
| Total Support and Revenue | <u>12,861,185</u> | <u>1,110,043</u> | <u>13,971,228</u> | <u>13,166,712</u> |
| INVESTMENT AND OTHER INCOME | | | | |
| Dividends and interest | 121,699 | - | 121,699 | 67,385 |
| Unrealized (loss) gain | (464,789) | - | (464,789) | 1,204 |
| Other income | <u>37,149</u> | <u>-</u> | <u>37,149</u> | <u>88,973</u> |
| Total Investment and Other Income | <u>(305,941)</u> | <u>-</u> | <u>(305,941)</u> | <u>157,562</u> |
| Total Support and Revenue and Investment and Other Income | <u>12,555,244</u> | <u>1,110,043</u> | <u>13,665,287</u> | <u>13,324,274</u> |
| EXPENSES | | | | |
| Program services | 11,698,412 | - | 11,698,412 | 10,478,541 |
| Supporting Services | | | | |
| Management and general | 724,815 | - | 724,815 | 1,137,089 |
| Fundraising | <u>1,460,042</u> | <u>-</u> | <u>1,460,042</u> | <u>1,352,956</u> |
| Total Expenses | <u>13,883,269</u> | <u>-</u> | <u>13,883,269</u> | <u>12,968,586</u> |
| Change in Net Assets before Non-Operating Activities | (1,328,025) | 1,110,043 | (217,982) | 355,688 |
| NON-OPERATING ACTIVITIES | | | | |
| Gain of forgiveness of Paycheck Protection Program loan | 1,456,635 | - | 1,456,635 | - |
| Change in beneficial interest in perpetual trust | - | (234,895) | (234,895) | - |
| Gain on sale of property, plant and equipment | <u>429,638</u> | <u>-</u> | <u>429,638</u> | <u>-</u> |
| Change in Net Assets | 558,248 | 875,148 | 1,433,396 | 355,688 |
| NET ASSETS | | | | |
| Beginning of year | <u>15,247,909</u> | <u>635,896</u> | <u>15,883,805</u> | <u>15,528,117</u> |
| End of year | <u>\$ 15,806,157</u> | <u>\$ 1,511,044</u> | <u>\$ 17,317,201</u> | <u>\$ 15,883,805</u> |

See notes to financial statements

Covenant House New Jersey

Statement of Functional Expenses Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

| | Program Services | | | | | | | | Supporting Services | | | | Cost of Direct Benefits to Donors | Total Expenses | Total 2021 | |
|--|-------------------|------------|-----------------------------------|----------------|------------------|---------------------|---------------|---|------------------------------|------------------------|------------------------|--------------|-----------------------------------|----------------|---------------|---------------------------|
| | Immediate Housing | Outreach | Behavioral Health/Health Services | Young Families | Drop-In Services | Program Development | Nancy's Place | Transitional Living - Rights of Passage (ROP) | Permanent Supportive Housing | Total Program Services | Management and General | Fundraising | | | | Total Supporting Services |
| Salaries | \$ 1,912,504 | \$ 427,840 | \$ 93,347 | \$ 422,954 | \$ 956,108 | \$ 785,179 | \$ 311,900 | \$ 1,051,673 | \$ - | \$ 5,961,505 | \$ 388,002 | \$ 963,316 | \$ 1,351,318 | \$ - | \$ 7,312,823 | \$ 6,771,915 |
| Payroll taxes | 163,181 | 36,505 | 7,965 | 36,088 | 81,578 | 66,994 | 26,612 | 89,732 | - | 508,655 | 33,106 | 82,193 | 115,299 | - | 623,954 | 515,725 |
| Employee benefits | 459,186 | 102,723 | 22,412 | 101,550 | 229,559 | 188,519 | 74,886 | 252,503 | - | 1,431,338 | 93,158 | 231,289 | 324,447 | - | 1,755,785 | 1,616,679 |
| Total Salaries and Related Expenses | 2,534,871 | 567,068 | 123,724 | 560,592 | 1,267,245 | 1,040,692 | 413,398 | 1,393,908 | - | 7,901,498 | 514,266 | 1,276,798 | 1,791,064 | - | 9,692,562 | 8,904,319 |
| Professional fees | 10,205 | - | - | 10,715 | 5,102 | 6,132 | 14,215 | 25,369 | 7,000 | 78,738 | 16,471 | - | 16,471 | - | 95,209 | 76,060 |
| Consulting | - | 91,280 | - | 1,500 | - | - | 1,500 | - | - | 94,280 | 980 | - | 980 | - | 95,260 | 53,819 |
| Supplies | 62,715 | 5,400 | - | 3,860 | 31,353 | 7,225 | 2,807 | 26,367 | 432 | 140,159 | 16,050 | 6,042 | 22,092 | - | 162,251 | 146,884 |
| Telephone | 19,245 | 1,711 | 127 | 8,555 | 9,621 | 808 | 11,594 | 23,956 | - | 75,617 | 29,110 | 1,885 | 30,995 | - | 106,612 | 94,541 |
| Postage and printing | 588 | 41 | - | 779 | 284 | 2,162 | 632 | 1,340 | - | 5,806 | 4,447 | 17,327 | 21,774 | - | 27,580 | 31,686 |
| In-kind contribution | 22,331 | - | - | - | 11,164 | - | - | - | - | 33,495 | - | - | - | - | 33,495 | - |
| Occupancy | | | | | | | | | | | | | | | | |
| Fuel and utilities | 97,746 | - | - | 29,637 | 48,866 | - | 11,027 | 50,808 | 24,962 | 263,046 | - | - | - | - | 263,046 | 235,221 |
| Repairs and maintenance | 74,772 | 1,200 | - | 19,448 | 37,381 | 19 | 9,210 | 25,711 | 18,451 | 186,192 | - | - | - | - | 186,192 | 294,547 |
| Rent and other | 16,081 | - | - | - | 8,039 | - | - | 24,000 | - | 48,120 | - | - | - | - | 48,120 | 47,170 |
| Equipment | 57,359 | - | - | 3,191 | 28,675 | - | 495 | 3,229 | - | 92,949 | 885 | - | 885 | - | 93,834 | 124,253 |
| Specific Assistance to Individuals | | | | | | | | | | | | | | | | |
| Food | 86,293 | 535 | - | 4,723 | 43,140 | 3,171 | 7,047 | 8,837 | - | 153,746 | 15 | 68 | 83 | - | 153,829 | 141,710 |
| Clothing, allowance, other | 28,785 | 22,480 | 17,211 | 9,626 | 14,390 | 94,278 | 2,363 | 720,579 | - | 909,712 | - | 9,432 | 9,432 | - | 919,144 | 926,257 |
| Other purchased services | 61,774 | 3,607 | - | 15,718 | 30,883 | 77,059 | 11,585 | 26,899 | 4,696 | 232,221 | 63,440 | 137,108 | 200,548 | 414,952 | 847,721 | 545,256 |
| Dues, licenses and permits | 5,733 | 626 | 9,145 | 731 | 2,866 | 4,986 | 3,391 | 9,226 | 1,550 | 38,254 | 867 | 393 | 1,260 | - | 39,514 | 49,495 |
| Insurance | 130,808 | 2,875 | - | 18,624 | 65,394 | - | 8,763 | 53,700 | 14,227 | 294,391 | - | - | - | - | 294,391 | 242,764 |
| Miscellaneous | 73,634 | 12,363 | 500 | 34,741 | 36,812 | 6,279 | 26,607 | 72,114 | 936 | 263,986 | 58,915 | 10,989 | 69,904 | - | 333,890 | 326,680 |
| Total Functional Expenses Before Depreciation and Amortization | 3,282,920 | 709,186 | 150,707 | 722,440 | 1,641,215 | 1,242,811 | 524,634 | 2,466,043 | 72,254 | 10,812,210 | 705,446 | 1,460,042 | 2,165,488 | 414,952 | 13,392,650 | 12,240,662 |
| Depreciation and amortization | 319,547 | - | - | 78,270 | 159,750 | - | 90,765 | 198,770 | 39,100 | 886,202 | 19,369 | - | 19,369 | - | 905,571 | 818,546 |
| Total Functional Expenses | 3,602,467 | 709,186 | 150,707 | 800,710 | 1,800,965 | 1,242,811 | 615,399 | 2,664,813 | 111,354 | 11,698,412 | 724,815 | 1,460,042 | 2,184,857 | 414,952 | 14,298,221 | 13,059,208 |
| Less direct benefit to donors | - | - | - | - | - | - | - | - | - | - | - | - | - | (414,952) | (414,952) | (90,622) |
| Total Expenses Reported by Function on the Statement of Activities | \$ 3,602,467 | \$ 709,186 | \$ 150,707 | \$ 800,710 | \$ 1,800,965 | \$ 1,242,811 | \$ 615,399 | \$ 2,664,813 | \$ 111,354 | \$ 11,698,412 | \$ 724,815 | \$ 1,460,042 | \$ 2,184,857 | \$ - | \$ 13,883,269 | \$ 12,968,586 |

See notes to financial statements

Covenant House New Jersey

Statement of Cash Flows Year Ended June 30, 2022 (with comparative amounts for the year ended June 30, 2021)

| | 2022 | 2021 |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,433,396 | \$ 355,688 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Unrealized loss (gain) on investments | 464,789 | (1,204) |
| Amortization of debt issuance costs | 13,424 | 13,424 |
| Gain of sales of property, plant and equipment | (429,638) | - |
| Addition to beneficial interest in perpetual trust | (1,401,269) | - |
| Change in beneficial interest in perpetual trust | 234,895 | - |
| Depreciation and amortization | 905,571 | 818,546 |
| Forgiveness of Paycheck Protection Program loan | (1,456,635) | - |
| Changes in operating assets and liabilities | | |
| Contributions receivable | 155,027 | 654,263 |
| Government grants receivable | 163,106 | (142,386) |
| Other receivables | 20,413 | (33,320) |
| Prepaid expenses and other assets | 56,114 | (57,728) |
| Accounts payable and accrued expenses | 149,390 | 40,728 |
| Refundable advances | 19,883 | (44,899) |
| Due to Parent | 42,978 | (7,292) |
| Net Cash from Operating Activities | 371,444 | 1,595,820 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (461,069) | (559,448) |
| Proceeds from sale of property, plant and equipment | 816,638 | - |
| Proceeds from sale of investments | 54,111 | 230,143 |
| Purchase of investments | (1,188,090) | (2,060,817) |
| Net Cash from Investing Activities | (778,410) | (2,390,122) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Deposits held with trustee | (6,717) | (9,781) |
| Net Change in Cash and Cash Equivalents | (413,683) | (804,083) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 2,675,127 | 3,479,210 |
| End of year | \$ 2,261,444 | \$ 2,675,127 |

See notes to financial statements

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

1. Organization and Tax Status

Covenant House New Jersey (the "Organization"), is a not-for-profit organization, which was incorporated in 1989, providing shelter and crisis care and outreach services to youth in the New Jersey area. Covenant House (Parent) and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 43,000 young people during fiscal year 2022. During fiscal year 2022, the worldwide COVID-19 pandemic continued to impact the number of youth Covenant House reached, as affiliates prolonged measures to ensure social distancing, set aside isolation rooms for symptomatic youth, and modified street outreach. Nevertheless, Covenant House provided a total of nearly 730,000 nights of housing and safety for, on average, 1,991 youth each night.

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

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

- Asociacion La Alianza (Guatemala)
- Casa Alianza de Honduras
- Casa Alianza Internacional
- Casa Alianza Nicaragua
- Covenant House Vancouver
- Covenant House Toronto
- Fundacion Casa Alianza Mexico, I.A.P.

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

The Organization has been determined to be an organization exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Organization is also exempt from New Jersey income and sales taxes.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services

Program Services

Immediate Housing (formerly Short-term Housing and Crisis Care)

The Immediate and Short-term Housing program focuses on Crisis Care and provides emergency services; temporary, immediate housing; nutritious food; clothing; medical care; mental health services; and legal aid to young people ages 16-22 who are experiencing homelessness or human trafficking. Our high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. We are expertly equipped to respond to the unique needs of young survivors of human trafficking, those who identify as LGBTQ+, and those who are pregnant or parenting.

Outreach

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

Behavioral Health/Health Services

The Organization provides youths in the program with in-house counseling and outside referrals, however, all medical services are referred outside of the Organization.

Young Families (formerly Mother/Child)

The Young Families program provides emergency services, short- and long-term housing, nourishing food, and medical and mental health care to pregnant and parenting youth and their children. We also offer young families access to free childcare services, parenting support, and a full range of educational, vocational, and job placement services. This holistic plan provides young parents with the support they need to grow into responsible

Drop-In Services (formerly Community Service Center)

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

Program Development

Development services are the costs related to developing and sustaining new and existing programs, including related funding sources.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

Nancy's Place

The Nancy's Place program provides supportive housing for youths with mental health disorders.

Transitional Living - Rights of Passage (ROP)

The Organization's Transitional Living programs, often referred to as "Rights of Passage" or ROP, are where young people take their boldest steps toward independence. Youth live in ROP for up to 24 months, where they tap their potential and plan for the future. Here they build basic life skills and financial literacy, participate in educational and vocational programs, seek employment with long-term advancement and career prospects, and work toward moving into their own safe and stable housing. Covenant House staff support each young person on their journey toward sustainable independence and a hope-filled future.

Permanent Supportive Housing

The Permanent Supportive Housing program provides housing to youth and young families through scattered-site apartments, where they receive ongoing case management and behavioral health services. The Organization helps youth by covering a portion of their rent, a portion that dwindles as their capacity for independence increases. Community apartments and rapid rehousing programs are emerging as an increasingly important part of the Organization's continuum of care.

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 those programs.

Fundraising

Fundraising relates to the activities of the development department in raising general and specific contributions.

Direct Benefit-to-Donor Costs

Direct benefit-to-donor costs are costs incurred in conjunction with items such as meals and entertainment benefitting attendees of special events.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the allowance for uncollectible accounts, economic useful lives of property, plant and equipment, and functional allocation of expenses. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Net assets without donor restrictions are those currently available for use at the discretion of the board and management for use in the Organization's operations. Net assets with donor restrictions are those which are subject to donor-imposed restrictions that the Organization expects will be met either by actions of the Organization or the passage of time and may include net assets to be held in perpetuity. The Organization had no perpetually restricted net assets at June 30, 2022 and 2021.

Revenue Recognition

The Organization records earned revenues on an accrual basis. In addition, the Organization records as revenue the following types of contributions, when they are received unconditionally at their fair value: cash, promises to give (contributions receivable), certain contributed services and gifts of other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The Organization also raises funds through special events. Event revenues, net of related costs with a direct-benefit to donors, are recorded as contributions without donor restriction since such funds can be used for general operations unless there are donor-imposed restrictions. Costs to generate donations, with and without donor restriction, are expensed as incurred.

The Organization recognizes government and private grant revenue in the statement of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period. Funds received in advance are reported as refundable advances in the statement of financial position.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program services, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. All other expenses are allocated to functional categories based on estimates of time and effort, except for food and a portion of other purchased service costs, which are based on direct costs.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Fair Value Measurements

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable and are used to the extent that observable inputs do not exist.

Investment Valuation and Income Recognition

Investments are valued at fair value in the statement of financial position. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or fair value if donated. Depreciation is provided on the straight-line method, using half year convention, over the estimated useful lives of the assets, which range from 3 to 33 years. Leasehold improvements are amortized over the lesser of the estimated useful life or term of the lease inclusive of expected renewals. The Organization follows the practice of capitalizing and depreciating all expenditures for property, equipment and leasehold improvements costing \$5,000 or more and a useful life in excess of one year.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

Long lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including undiscounted cash flow models, quoted fair values, and third-party independent appraisals, as considered necessary. There is no such impairment for the years ended June 30, 2022 and 2021.

Contributions Receivable

Contributions to the Organization are recorded as revenue upon the receipt of an unconditional pledge or of cash or other assets. Contributions are considered available for general use, unless the donors restrict their use. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. An allowance for uncollectible pledges receivable is provided, using management's judgment of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fundraising activity. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

In-kind Contributions

In-kind contributions are recognized in the accompanying financial statements based on their fair value and recorded as income as expenses at the time the items are received, which is also the time they are placed into service.

Deposits Held with Trustee

The New Jersey Housing and Mortgage Finance Agency ("NJHMFA") and New Jersey Department of Community Affairs ("NJDC") require the Organization to establish certain escrow funds (See Note 8). At June 30, 2022 and 2021, the Organization's deposits held with trustee consist of cash held in interest-bearing savings accounts at Bank of America, N.A.

Debt Issuance Costs

Debt issuance costs are presented as a direct deduction from the mortgages payable and are being amortized on a method which approximates the effective interest method over the term of the mortgages payable. Amortization of debt issuance costs amounted to \$13,424 in both fiscal 2022 and 2021 and is included in miscellaneous expenses (which includes interest expense) in the statement of functional expenses.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

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

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2019.

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

Subsequent Events Evaluation by Management

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 December 1, 2022.

3. Investments

Investments at June 30, 2022 and 2021 consisted of the following measured at fair value on a recurring basis and classified with level 1 inputs using the fair value hierarchy.

Major categories of investments are as follows at June 30:

| | <u>2022</u> | <u>2021</u> |
|----------------------------|---------------------|---------------------|
| Fixed income mutual fund | \$ 5,401,264 | \$ 4,729,119 |
| Equities | - | 5,740 |
| Money market fund, at cost | <u>2,885</u> | <u>100</u> |
| | <u>\$ 5,404,149</u> | <u>\$ 4,734,959</u> |

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

4. Contributions Receivable

Contributions receivable, net, are scheduled to be collected as follows:

| | 2022 | 2021 |
|---------------------------------|------------|------------|
| Due within one year | \$ 694,367 | \$ 862,363 |
| Due within two to three years | 44,119 | 31,187 |
| | 738,486 | 893,550 |
| Allowance for doubtful accounts | (94,504) | (94,769) |
| Discount to present value | (840) | (612) |
| | \$ 643,142 | \$ 798,169 |

The discounts rate used for contributions outstanding through June 30, 2022, range from 1.38% to 2.52%.

5. Beneficial Interest in Perpetual Trust

During fiscal 2022, the Organization became the sole beneficiary of a trust administered by a third party. This trust is perpetual in nature and was valued at \$1,166,374 at June 30, 2022. The beneficial interest in perpetual trust is measured at fair value and classified with Level 3 inputs using the fair value hierarchy.

The following table summarized the changes in fair value associated the Organization's beneficial interest in perpetual trust for the year ended June 30, 2022:

| | Balance at July 1, 2021 | Fiscal 2022 Addition | Change in Fair Value | Balance at June 30, 2022 |
|--|----------------------------|-------------------------|-------------------------|-----------------------------|
| Beneficial interest in perpetual trust | \$ - | \$ 1,401,269 | \$ (234,895) | \$ 1,166,374 |

6. Property, Plant and Equipment

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

| | 2022 | 2021 |
|---|---------------|---------------|
| Land | \$ 2,000,830 | \$ 2,387,830 |
| Building and improvements | 21,844,926 | 21,546,857 |
| Furniture and equipment | 1,663,947 | 1,500,947 |
| Vehicles | 542,014 | 542,014 |
| Leasehold improvements | 9,415 | 9,415 |
| | 26,061,132 | 25,987,063 |
| Accumulated depreciation and amortization | (14,124,298) | (13,218,727) |
| | \$ 11,936,834 | \$ 12,768,336 |

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

7. Refundable Advances

Refundable advances consist of the following at June 30:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| State of New Jersey Department of Human Services (Crisis Center) | \$ 4,335 | \$ 5,419 |
| Funds received for fiscal 2023 special event | 20,967 | - |
| U.S. Department of Housing and Urban Development | <u>800,000</u> | <u>800,000</u> |
| | <u>\$ 825,302</u> | <u>\$ 805,419</u> |

State of New Jersey Department of Human Services (NJ DHS) (Crisis Center)

During fiscal 2006, the Organization was awarded a grant/loan of \$21,675 from NJ DHS in order to finance the renovation/improvement of its Newark Crisis Center. Pursuant to the terms of the capital funding agreement, the amount of the note is to be reduced by 5% annually one year after the anniversary date. Accordingly, the grant/loan has been recorded as a refundable grant and is being amortized on a straight-line basis into government and private grants revenue over the term of the related mortgage.

U.S. Department of Housing and Urban Development (“HUD”)

In fiscal 2010, the Organization was awarded a special-purpose grant of \$1,123,500 from HUD, for the acquisition and operation of two (2) facilities to be used to start a new program, Supportive Apartment Living (“SAL”) which will represent the next step in the continuum of care between Rights of Passage and aftercare. In June 2012, the Organization received the initial disbursement of \$800,000. In July and November 2012, the Organization closed on properties in Montclair, NJ and Newark, NJ for which \$650,000 and \$150,000 of the proceeds from the grant were applied, consistent with the terms of the grant award.

Pursuant to the facility restriction clause, the Organization must continue to use the facilities acquired for their intended program activities for a period of no less than twenty (20) years or be liable to refund the acquisition proceeds in part or in whole. Commencing in year eleven (11) and through year twenty (20), the amount of the grant which would become refundable would be reduced by 10% annually. The amortization of the grant will commence in fiscal 2023. The Organization has not expressed nor does it have any present intention of using the facilities referred to above for any purposes other than for their intended program activities for the foreseeable future.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

8. Mortgages Payable

Mortgages payable consist of the following at June 30:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Loan for Atlantic City Capital Project | \$ 700,000 | \$ 700,000 |
| Montclair (Nancy's Place) and Newark Capital Projects | 648,346 | 648,346 |
| Montclair (Nancy's Place) Permanent Financing | 829,305 | 829,305 |
| Montclair (Supportive Apartment Living) Permanent Financing | 654,400 | 654,400 |
| Newark (Supportive Apartment Living) Permanent Financing | <u>165,179</u> | <u>165,179</u> |
| | 2,997,230 | 2,997,230 |
| Debt issuance costs, net | <u>(15,094)</u> | <u>(28,518)</u> |
| | <u>\$ 2,982,136</u> | <u>\$ 2,968,712</u> |

Loan for Atlantic City Capital Project

In May 2006, the Organization 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 Organization entered into an agreement to buy the related real estate on August 9, 2005. The loan was refinanced as part of new funding received from the NJHMFA which totaled approximately \$4,000,000, of which \$3,300,000 was received via a grant and \$700,000 was received via a loan entered into on March 17, 2008. The initial mortgage term for the \$700,000 loan was 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. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled \$262,830 and \$259,647. 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 2022 and 2021, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

Montclair (Nancy's Place) and Newark Capital Projects

The Organization acquired a residential property in Montclair, NJ for a transitional living program, to serve youths with mental disabilities. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark for the transitional living program were covered by temporary financing of \$1,015,500 obtained through 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 Organization from HUD.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

8. Mortgages Payable (continued)

Montclair (Nancy's Place) and Newark Capital Projects (continued)

On June 8, 2009, the remaining balance of \$240,034 was refinanced by the NJHMFA into a new permanent mortgage aggregating \$648,346, including additional loan proceeds for the acquisition of two adjacent properties. This mortgage is payable without interest over a period of 15 years. Repayment will be made from 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. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled \$147,596 and \$145,694. 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 2022 and 2021, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

Montclair (Nancy's Place) Permanent Financing

On October 6, 2009, the Organization obtained permanent financing for the transitional living program facility in Montclair, NJ from NJHMFA aggregating \$829,306. Of this amount, \$538,000 was used to repay the existing debt obligation to the Parent, \$109,729 was applied to fund required escrow balances, \$30,187 was applied to financing expenses and capitalized as deferred financing costs in the accompanying statement of financial position and the rest was received by the Organization 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 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. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled \$113,251 and \$110,773. 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 2022 and 2021, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

Montclair (Supportive Apartment Living) Permanent Financing

On July 27, 2012, the Organization obtained permanent financing for the acquisition of a supportive apartment living facility in Montclair, NJ from NJDCA, passed through from HUD, aggregating \$654,400. 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 in both fiscal 2014 and fiscal 2013 and the balance of \$53,400 was fully received as of June 30, 2015. The 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 cash flows, payment is deferred until the end of the mortgage term. In fiscal 2022 and 2021, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage. Interest expense on this mortgage amounted to \$6,540 for both fiscal years ended 2022 and 2021.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

8. Mortgages Payable (continued)

Newark (Supportive Apartment Living) Permanent Financing

On November 20, 2012, the Organization obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA aggregating \$165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 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. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled \$23,607 and \$22,691. 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 2022 and 2021, the project ran a deficit; as such no principal payments were made. If it is determined at the maturity of the mortgage that the Organization cannot repay and if all mortgage terms and conditions have been met, NJHMFA may extend or refinance the mortgage. The property serves as collateral for the mortgage.

Newark (Supportive Apartment Living) Permanent Financing

On November 20, 2012, the Organization obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA aggregating \$165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 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. At June 30, 2022 and 2021, the escrow amount held with the trustee totaled \$23,607 and \$22,691. 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 2022 and 2021, the project ran a deficit; as such no principal payments were made. If it is determined at the maturity of the mortgage that the Organization cannot repay and if all mortgage terms and conditions have been met, NJHMFA may extend or refinance the mortgage. The property serves as collateral for the mortgage.

9. Line of Credit

The Organization had an available \$1,000,000 line of credit agreement with Bank of America, N.A. which matures on February 28, 2023. Interest on amounts borrowed accrued at a rate of British Bankers Association London Inter-Bank Offering Rate plus 3.50%. There were no outstanding borrowings on this line of credit facility at June 30, 2022 and 2021. As such, there was no interest expense for fiscal 2022 and 2021.

10. Paycheck Protection Program Loan

On May 11, 2020, the Organization received loan proceeds in the amount of \$1,456,635 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. On July 31, 2021, the PPP loan was forgiven in full by the United States Small Business Administration and is included in the 2022 statement of activities as forgiveness of Paycheck Protection Program loan.

Covenant House New Jersey

Notes to Financial Statements June 30, 2022

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following at June 30:

| | 2022 | 2021 |
|--|--------------|------------|
| Time restricted contributions | \$ 344,670 | \$ 635,896 |
| Beneficial interest in perpetual trust | 1,166,374 | - |
| | \$ 1,511,044 | \$ 635,896 |

Net assets of \$291,226 and \$778,723 were released from donor restrictions during fiscal 2022 and 2021 by the passage of time.

12. In-kind Contributions

In-kind contributions consist of the following for the year ended June 30, 2022:

| | Fair Value | Usage | Donor Restriction | Fair Value Techniques |
|-------------------|------------|------------------|-------------------|--|
| Robes and clothes | \$ 9,500 | Program Services | None | The Organization estimated fair values based on wholesale values that would be received for selling similar products in the United States. |
| Laptops | 4,000 | Program Services | None | |
| Surgical gloves | 1,215 | Program Services | None | |
| K95 masks | 18,780 | Program Services | None | |
| Total | \$ 33,495 | | | |

13. Government and Private Grants

Government and private grants revenue consist of the following for the years ended June 30:

| | 2022 | 2021 |
|---|--------------|--------------|
| U.S. Department of Housing and Urban Development | \$ 837,885 | \$ 789,707 |
| U.S. Department of Health and Human Services | 486,500 | 551,216 |
| State of New Jersey Department of Children and Families | 660,530 | 750,730 |
| State of New Jersey Department of Community Affairs | 292,454 | 111,209 |
| State of New Jersey Office of the Attorney General | 530,352 | 326,849 |
| County of Essex | 290,433 | 215,950 |
| U.S. Department of Justice | 117,471 | 119,159 |
| City of Atlantic, New Jersey | 10,000 | 10,000 |
| Various NJ Counties | 155,660 | 98,175 |
| Various other grants | 56,355 | 124,656 |
| | \$ 3,437,640 | \$ 3,097,651 |

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

13. Government and Private Grants (continued)

In accordance with the terms of certain government and private grants, the records of the Organization are subject to audit after the date of final payment of the contracts. The Organization is liable for any disallowed costs; however, management of the Organization believes that the amount of costs disallowed, if any, would not be significant.

Government grants receivable consist of the following at June 30:

| | 2022 | 2021 |
|---|-------------------|-------------------|
| U.S. Department of Housing and Urban Development | \$ 188,145 | \$ 154,820 |
| U.S. Department of Health and Human Services | 3,178 | 130,810 |
| U.S. Department of Justice | 94,144 | 119,159 |
| State of New Jersey Office of the Attorney General | 117,471 | 99,706 |
| State of New Jersey Department of Community Affairs | - | 79,209 |
| City of Elizabeth, New Jersey | - | 17,585 |
| County of Monmouth | - | 16,250 |
| County of Essex | 22,894 | 11,652 |
| County of Union | 48,238 | 7,985 |
| | <u>\$ 474,070</u> | <u>\$ 637,176</u> |

All government grants receivable at June 30, 2022 and 2021 are expected to be collected within one year. At June 30, 2022 and 2021, no allowance for doubtful accounts was determined to be necessary.

At June 30, 2022, the Organization has been approved for a number of government cost reimbursement grants in which conditions stipulated in the grant agreements have not yet been met. Accordingly, revenue pertaining to these grants has not been recognized in the accompanying financial statements.

14. Employee Benefit Plan

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. The Organization's share amounted to \$149,256 for the years ended June 30, 2022 and 2021.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

14. Employee Benefit Plan (*continued*)

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was \$322,027 and \$300,983 for the years ended June 30, 2022 and 2021.

15. Related Party Transactions

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Total contributions, promises to give, and government grants and contracts totaled approximately \$89 million and \$84 million for the Parent in fiscal years 2022 and 2021. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total funds allocated to affiliated organizations, based on the Parent's policy, approximated \$40 million and \$36 million in fiscal years 2022 and 2021. In fiscal years 2022 and 2021, the Organization received \$2,259,195 and \$3,068,052 in support from the Parent.

Amounts due to/from the Parent at June 30, 2022 and 2021, result from timing differences between contributions collected by the Parent on the Organization's behalf and advances of support from the Parent, which do not bear interest. Amounts due to the Parent at June 30, 2022 and 2021 totaled \$63,222 and \$20,244.

16. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and investments with major financial institutions. At times, the cash balance may be in excess of the federally insured limits. Investments are concentrated in a single mutual fund, however, the Organization monitors the fund's performance routinely. The Organization has not experienced any losses in regards to these concentrations of credit risk.

Concentrations of credit risk with respect to receivables are generally diversified due to the number of entities and individuals composing the Organization's program and donor base. The Organization performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

17. Liquidity and Availability of Financial Assets

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, are comprised of the following at June 30:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 2,261,444 | \$ 2,675,127 |
| Investments | 5,404,149 | 4,734,959 |
| Contributions receivable, net | 643,142 | 798,169 |
| Government grants receivable | 474,070 | 637,176 |
| Other receivables | <u>48,093</u> | <u>68,506</u> |
| Total Financial Assets | 8,830,898 | 8,913,937 |
| Less amounts unavailable for general expenditure: | | |
| Amounts restricted by donors for time | (344,670) | (635,896) |
| Add amounts available for general expenditure: | | |
| Satisfaction of donor imposed time restrictions within one year | <u>300,551</u> | <u>617,480</u> |
| Financial Assets at Year End Available to Meet Cash | | |
| Need for General Expenditures Within One Year | <u>\$ 8,786,779</u> | <u>\$ 8,895,521</u> |

As part of its liquidity management, the Organization monitors the status and collectability of its receivables on a regular basis. Any excess funds are invested in the Organization's money market account or investment account managed by an investment company. The Organization also has a \$1,000,000 line of credit with a bank which the Organization can use to finance short-term working capital needs. In addition, the Organization receives cash from grants and contributions through its fundraising efforts and from support received from the Parent through branding dollars.

18. Commitments and Contingencies

In July 2021, the U.S. Department of Housing and Urban Development ("HUD") performed a monitoring audit of certain programs they fund. On September 27, 2021, HUD communicated to the Organization the details of their findings. Management has provided a corrective action plan and is awaiting a response from the agency. As of the date of the financial statements, the potential effects, if any, cannot be determined.

Covenant House New Jersey

Notes to Financial Statements
June 30, 2022

19. Risks and Uncertainties

Given the uncertainty around the extent and timing of the potential future spread or mitigation of the Coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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