

**Covenant House New Jersey, Inc.**

Financial Statements

June 30, 2025

## **Independent Auditors' Report**

**Board of Directors**  
**Covenant House New Jersey, Inc.**

### **Opinion**

We have audited the accompanying financial statements of Covenant House New Jersey, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2025, 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, 2025, 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 judgment 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, 2024 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

December 5, 2025

**Covenant House New Jersey, Inc.**

Statement of Financial Position  
June 30, 2025  
(with comparative amounts at June 30, 2024)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,244,198	\$ 692,669
Investments	3,449,629	4,102,850
Contributions receivable, net	652,579	454,721
Government grants receivable	803,329	861,292
Other receivables	40,732	-
Due from Parent	3,657	134,885
Prepaid expenses and other assets	68,871	49,936
Deposits held with trustee	583,526	569,614
Beneficial interest in perpetual trust	1,472,611	1,410,192
Property, plant and equipment, net	<u>13,019,770</u>	<u>12,909,946</u>
	<u>\$ 21,338,902</u>	<u>\$ 21,186,105</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,078,266	\$ 1,436,853
Refundable advances	682,584	719,473
Other liabilities	46,025	46,025
Mortgages payable, net	<u>2,997,230</u>	<u>2,996,569</u>
Total Liabilities	<u>4,804,105</u>	<u>5,198,920</u>
 Net Assets		
Without donor restrictions	14,560,781	14,394,250
With donor restrictions	<u>1,974,016</u>	<u>1,592,935</u>
Total Net Assets	<u>16,534,797</u>	<u>15,987,185</u>
	<u>\$ 21,338,902</u>	<u>\$ 21,186,105</u>

See notes to financial statements

# Covenant House New Jersey, Inc.

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

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 4,429,404	\$ 341,326	\$ 4,770,730	\$ 3,924,983
In-kind contributions	30,296	-	30,296	25,453
Government and private grants	4,875,188	-	4,875,188	4,454,055
Branding dollars from Parent	2,385,313	-	2,385,313	2,275,476
Grants from Parent related to Sleep Out events	1,846,740	-	1,846,740	1,666,390
Special events, net of direct expenses of \$342,858 and \$493,464	2,863,720	-	2,863,720	2,275,701
Net assets released from restrictions	22,664	(22,664)	-	-
Total Support and Revenue	<u>16,453,325</u>	<u>318,662</u>	<u>16,771,987</u>	<u>14,622,058</u>
<b>INVESTMENT RETURN AND OTHER INCOME</b>				
Dividends and interest	137,262	-	137,262	163,793
Realized (loss) gain	(109)	-	(109)	327
Other income	191,710	-	191,710	87,847
Total Investment Return and Other Income	<u>328,863</u>	<u>-</u>	<u>328,863</u>	<u>251,967</u>
Total Support and Revenue and Investment Return and Other Income	<u>16,782,188</u>	<u>318,662</u>	<u>17,100,850</u>	<u>14,874,025</u>
<b>EXPENSES</b>				
Program services	13,314,683	-	13,314,683	13,372,733
Supporting Services				
Management and general	708,976	-	708,976	905,147
Fundraising	1,854,526	-	1,854,526	1,763,269
Total Expenses	<u>15,878,185</u>	<u>-</u>	<u>15,878,185</u>	<u>16,041,149</u>
Income (Loss) from Operations Before Depreciation and Amortization	904,003	318,662	1,222,665	(1,167,124)
Depreciation and amortization	919,896	-	919,896	890,500
Change in Net Assets before Non-Operating Activities	<u>(15,893)</u>	<u>318,662</u>	<u>302,769</u>	<u>(2,057,624)</u>
<b>NON-OPERATING ACTIVITIES</b>				
Contribution to fund acquisition of land	-	-	-	1,000,000
Unrealized gain on investments	182,424	-	182,424	166,996
Change in beneficial interest in perpetual trust	-	62,419	62,419	130,169
Change in Net Assets	<u>166,531</u>	<u>381,081</u>	<u>547,612</u>	<u>(760,459)</u>
<b>NET ASSETS</b>				
Beginning of year	<u>14,394,250</u>	<u>1,592,935</u>	<u>15,987,185</u>	<u>16,747,644</u>
End of year	<u>\$ 14,560,781</u>	<u>\$ 1,974,016</u>	<u>\$ 16,534,797</u>	<u>\$ 15,987,185</u>

See notes to financial statements

# Covenant House New Jersey, Inc.

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

	Program Services										Supporting Services			Cost of Direct Benefits to Donors	Total Expenses	Total 2024
	Immediate and Short-term 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	\$ 1,983,474	\$ 525,228	\$ 98,758	\$ 422,134	\$ 991,588	\$ 1,250,442	\$ 381,195	\$ 1,210,460	\$ -	\$ 6,863,279	\$ 383,331	\$ 1,135,483	\$ 1,518,814	\$ -	\$ 8,382,093	\$ 8,441,345
Payroll taxes	171,685	45,462	8,548	36,539	85,829	108,235	32,995	104,774	-	594,067	33,180	98,285	131,465	-	725,532	758,916
Employee benefits	560,018	148,294	27,884	119,186	279,967	353,053	107,628	341,764	-	1,937,794	108,230	320,595	428,825	-	2,366,619	2,217,403
Total Salaries and Related Expenses	2,715,177	718,984	135,190	577,859	1,357,384	1,711,730	521,818	1,656,998	-	9,395,140	524,741	1,554,363	2,079,104	-	11,474,244	11,417,664
Professional fees	28,640	-	-	30,070	14,318	-	30,070	51,549	-	154,647	20,709	-	20,709	-	175,356	120,058
Consulting	1,167	97,298	-	-	583	39,988	-	-	-	139,036	-	22,400	22,400	-	161,436	120,704
Supplies	53,295	3,716	-	4,598	26,644	1,338	2,626	16,792	919	109,928	7,799	7,187	14,986	-	124,914	152,852
Telephone	4,024	2,820	46	7,540	2,012	3,182	10,975	29,649	1,425	61,673	38,618	2,255	40,873	-	102,546	112,510
Postage and printing	522	958	-	479	261	977	479	1,228	-	4,904	3,884	7,069	10,953	-	15,857	35,823
In-kind contribution	-	-	-	-	-	-	-	-	-	-	-	30,296	30,296	-	30,296	25,453
Occupancy																
Fuel and utilities	119,375	-	-	34,032	59,679	-	11,088	78,006	17,039	319,219	-	-	-	-	319,219	302,625
Repairs and maintenance	55,596	200	-	18,102	27,794	-	8,189	46,677	9,943	166,501	-	-	-	-	166,501	283,177
Rent and other	-	-	-	-	-	-	-	24,000	-	24,000	-	-	-	-	24,000	49,256
Equipment	22,537	797	-	6,680	11,267	1,931	3,499	20,346	-	67,057	-	-	-	-	67,057	389,000
Specific Assistance to Individuals																
Food	258,062	17,755	-	2,956	129,012	15,260	17,017	9,599	-	449,661	20	1,497	1,517	-	451,178	353,191
Clothing, allowance, other	40,459	53,905	19,031	5,018	20,227	118,538	5,268	1,160,597	-	1,423,043	165	10,559	10,724	-	1,433,767	1,364,176
Other purchased services	109,631	5,020	-	13,020	54,807	76,545	17,092	55,670	5,674	337,459	71,721	144,204	215,925	342,858	896,242	1,016,014
Dues, licenses and permits	1,900	300	3,453	1,382	950	8,892	4,801	25,099	2,305	49,082	260	410	670	-	49,752	42,524
Insurance	146,901	55	-	23,614	73,440	-	12,050	66,795	16,014	338,869	192	-	192	-	339,061	324,158
Miscellaneous	41,908	21,433	535	32,901	20,951	42,305	30,494	83,364	573	274,464	40,867	74,286	115,153	-	389,617	425,428
Total Functional Expenses Before Depreciation and Amortization	3,599,194	923,241	158,255	758,251	1,799,329	2,020,686	675,466	3,326,369	53,892	13,314,683	708,976	1,854,526	2,563,502	342,858	16,221,043	16,534,613
Depreciation and amortization	334,887	-	-	67,664	167,418	-	108,084	192,394	38,039	908,486	11,410	-	11,410	-	919,896	890,500
Total Functional Expenses	3,934,081	923,241	158,255	825,915	1,966,747	2,020,686	783,550	3,518,763	91,931	14,223,169	720,386	1,854,526	2,574,912	342,858	17,140,939	17,425,113
Less direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	(342,858)	(342,858)	(493,464)
Total Expenses Reported by Function on the Statement of Activities	\$ 3,934,081	\$ 923,241	\$ 158,255	\$ 825,915	\$ 1,966,747	\$ 2,020,686	\$ 783,550	\$ 3,518,763	\$ 91,931	\$ 14,223,169	\$ 720,386	\$ 1,854,526	\$ 2,574,912	\$ -	\$ 16,798,081	\$ 16,931,649

See notes to financial statements

**Covenant House New Jersey, Inc.**

Statement of Cash Flows  
Year Ended June 30, 2025  
(with comparative amounts for the year ended June 30, 2024)

	<u>2025</u>	<u>2024</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 547,612	\$ (760,459)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized loss (gain) on investments	109	(327)
Unrealized gain on investments	(182,424)	(166,996)
Amortization of debt issuance costs	661	4,083
Change in beneficial interest in perpetual trust	(62,419)	(130,169)
Depreciation and amortization	919,896	890,500
Changes in operating assets and liabilities		
Contributions receivable	(197,858)	92,752
Government grants receivable	57,963	348,472
Other receivables	(40,732)	-
Due from Parent	131,228	60,563
Prepaid expenses and other assets	(18,935)	13,699
Accounts payable and accrued expenses	(358,587)	301,591
Refundable advances	<u>(36,889)</u>	<u>(45,596)</u>
Net Cash from Operating Activities	<u>759,625</u>	<u>608,113</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,029,720)	(2,144,039)
Proceeds from sale of investments	1,466,973	2,744,131
Purchase of investments	<u>(631,437)</u>	<u>(1,652,448)</u>
Net Cash from Investing Activities	<u>(194,184)</u>	<u>(1,052,356)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deposits held with trustee	<u>(13,912)</u>	<u>(13,844)</u>
Net Change in Cash and Cash Equivalents	551,529	(458,087)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>692,669</u>	<u>1,150,756</u>
End of year	<u>\$ 1,244,198</u>	<u>\$ 692,669</u>

See notes to financial statements



## **Covenant House New Jersey, Inc.**

### Notes to Financial Statements

June 30, 2025

#### **1. Organization and Tax Status**

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

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

- Covenant House Alaska
- Covenant House California
- Covenant House Chicago
- Covenant House Connecticut
- Covenant House Florida
- Covenant House Georgia
- Covenant House Illinois
- Covenant House Innovation Center LLC
- Covenant House Michigan
- Covenant House Missouri
- Covenant House New Jersey, Inc.
- Covenant House New Orleans
- Covenant House New York/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 Corp.
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44th Corporation
- 460 West 41st Street. LLC
- Covenant House Pennsylvania/Under 21

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
- 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, Inc.**

### **Notes to Financial Statements**

June 30, 2025

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

##### ***Components of Program and Supporting Services***

###### ***Program Services***

###### **Immediate and Short-term Housing**

The immediate and short-term housing program focuses on crisis care and provides emergency services: temporary, immediate housing; nutritious meals; clothing; medical care; mental health services; and legal aid to young people ages 16-24 in the U.S. and Canada and ages 12-18 in Guatemala, Honduras, and Mexico who are experiencing homelessness or human trafficking. These 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. The Organization is expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, youth who are pregnant or parenting, and young people facing mental health challenges from their time unhoused. The shelter doors are always open, 24/7, and have provided uninterrupted service to children and youth for more than 50 years.

###### **Outreach**

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

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

###### **Drop-In Services**

Drop-in services are another form of outreach at Covenant House affiliates. Youth in this program do not receive residential services, but do 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 education and employment programs.

## **Covenant House New Jersey, Inc.**

### Notes to Financial Statements

June 30, 2025

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

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

###### ***Program Services (continued)***

###### *Program Development*

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

###### *Nancy's Place*

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

###### *Transitional Living - Rights of Passage (ROP)*

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

###### *Permanent Supportive Housing*

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

###### ***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.

## **Covenant House New Jersey, Inc.**

### **Notes to Financial Statements**

June 30, 2025

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

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

###### ***Support Services (continued)***

###### **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 benefiting attendees of special events.

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

##### ***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's perpetually restricted net assets include the beneficial interest in perpetual trust (see Note 5).

## **Covenant House New Jersey, Inc.**

### **Notes to Financial Statements**

June 30, 2025

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

### ***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.

### ***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 such as salaries and related expenses are allocated to functional categories based on estimates of time and effort.

### ***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.

## **Covenant House New Jersey, Inc.**

### **Notes to Financial Statements**

June 30, 2025

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

### ***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.

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 less costs to sell. 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, 2025 and 2024.

### ***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 and expenses at the time the items are received, which is also the time they are placed into service.

## **Covenant House New Jersey, Inc.**

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

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

##### ***Deposits Held with Trustee***

The New Jersey Housing and Mortgage Finance Agency ("NJHMFA") and New Jersey Department of Community Affairs ("NJDCA") require the Organization to establish certain escrow funds (See Note 9). At June 30, 2025 and 2024, 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 \$661 and \$4,083 in fiscal 2025 and 2024 and is included in miscellaneous expenses (which includes interest expense) in the statement of functional expenses.

##### ***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, 2022.

##### ***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, 2024, from which the summarized information was derived.

##### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is December 5, 2025.

## Covenant House New Jersey, Inc.

### Notes to Financial Statements June 30, 2025

#### 3. Investments

Investments at June 30, 2025 and 2024 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:

	2025	2024
Mutual funds	\$ 2,348,917	\$ 2,855,474
Exchange-traded funds	1,100,588	1,246,325
Money market fund, at cost	124	1,051
	<u>\$ 3,449,629</u>	<u>\$ 4,102,850</u>

#### 4. Contributions Receivable

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

	2025	2024
Due within one year	\$ 722,127	\$ 525,017
Allowance for doubtful accounts	(69,548)	(70,296)
	<u>\$ 652,579</u>	<u>\$ 454,721</u>

#### 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 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 years ended June 30:

	2025	2024
Balance, beginning of year	\$ 1,410,192	\$ 1,280,023
Change in value of beneficial interest in perpetual trust	62,419	130,169
Balance, end of year	<u>\$ 1,472,611</u>	<u>\$ 1,410,192</u>



## Covenant House New Jersey, Inc.

### Notes to Financial Statements June 30, 2025

#### 6. Property, Plant and Equipment

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

	2025	2024
Land	\$ 3,048,017	\$ 3,048,017
Building and improvements	24,163,666	23,236,359
Furniture and equipment	1,906,288	1,906,288
Vehicles	736,820	634,407
	29,854,791	28,825,071
Accumulated depreciation and amortization	(16,835,021)	(15,915,125)
	<u>\$ 13,019,770</u>	<u>\$ 12,909,946</u>

#### 7. Refundable Advances

Refundable advances consist of the following at June 30:

	2025	2024
New Jersey Department of Human Services	\$ 1,084	\$ 2,168
Funds received for future special events	15,700	12,500
New Jersey Department of Community Affairs	40,995	-
New Jersey Department of Children and Families	59,805	59,805
U.S. Department of Housing and Urban Development	565,000	645,000
	<u>\$ 682,584</u>	<u>\$ 719,473</u>

#### ***State of New Jersey Department of Human Services (NJ DHS) (Youth Engagement 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 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.

## Covenant House New Jersey, Inc.

### Notes to Financial Statements

June 30, 2025

#### 7. Refundable Advances (continued)

##### ***State of New Jersey Department of Human Services (NJDHS) (Youth Engagement U.S. Department of Housing and Urban Development ("HUD") (continued)***

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 would be reduced by 10% annually. The amortization of the grant began in fiscal 2023. Accordingly, the balance of the refundable advance was reduced by \$75,000 in fiscal 2023 and \$80,000 in fiscal 2024 and 2025 and are included in government and private grants revenue in the statement of activities. Annual amortization will continue through fiscal 2032. The Organization has not expressed nor does it have any intention of using the facilities referred to above for any purposes other than for their intended program activities for the foreseeable future.

#### 8. Other Liabilities

##### ***State of New Jersey Department of Human Services ("NJDHS")***

During fiscal 2001, the Organization was awarded a grant/loan of \$100,000 from the NJDHS to finance the renovation of the Newark Rights of Passage ("ROP") facility. An additional amount of \$18,375 was subsequently awarded during fiscal 2006 to finance additional costs at the facility. Pursuant to the terms of the grant, the amount of the note is to be reduced by 5% annually one year after the anniversary date, provided the Organization maintains the facility for the ROP program only. Accordingly, the grant/loan was recorded as a refundable advance and was amortized on a straight-line basis into government and private grants revenue over the terms of mortgage. During fiscal 2014, the facility was sold and the Organization was in discussions with NJDHS with regard to the return of the unamortized portion of the grant and accordingly, has reclassified and reported the unamortized portion of the grant of \$46,025 as other liabilities in the statement of financial position.

#### 9. Mortgages Payable

Mortgages payable consist of the following at June 30:

	2025	2024
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	165,179	165,179
	<u>2,997,230</u>	<u>2,997,230</u>
Debt issuance costs, net	-	(661)
	<u>\$ 2,997,230</u>	<u>\$ 2,996,569</u>

## **Covenant House New Jersey, Inc.**

### **Notes to Financial Statements**

June 30, 2025

#### **9. Mortgages Payable (continued)**

##### ***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 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2025 and 2024, the escrow amount held with the trustee totaled \$277,529 and \$271,759. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2025 and 2024, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the 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 the terms of the agreement, partial payments aggregating \$775,466 were made. These payments were made using grant funds awarded to the Organization from HUD. 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 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2025 and 2024, the escrow amount held with the trustee totaled \$156,201 and \$152,843. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2025 and 2024, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

## **Covenant House New Jersey, Inc.**

### **Notes to Financial Statements**

June 30, 2025

#### **9. Mortgages Payable (continued)**

##### ***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 \$829,305. 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 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2025 and 2024, the escrow amount held with the trustee totaled \$122,952 and \$119,332. To the extent that principal payments are not covered by cash flows, the payment of principal is deferred until the end of the mortgage term. In fiscal 2025 and 2024, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

##### ***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 50% of the project's cash flows after payment of expenses and debt service. To the extent that principal and interest payments are not covered by cash flows, payment is deferred until the end of the mortgage term. In fiscal 2025 and 2024, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage.

## Covenant House New Jersey, Inc.

### Notes to Financial Statements

June 30, 2025

#### 9. 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 25% percent of the project's available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2025 and 2024, the escrow amount held with the trustee totaled \$26,844 and \$25,680. To the extent that payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2025 and 2024, the project ran a deficit; as such no principal payments were made. If it is determined at the maturity of the mortgage that the 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.

#### 10. Lines of Credit

The Organization has an available \$1,000,000 line of credit agreement with Bank of America, N.A. (the "Bank") which matures on February 28, 2026. Interest on amounts borrowed accrues at the Bank's prime rate plus 0.4 percentage points. There were no outstanding borrowings on this line of credit facility at June 30, 2025 and 2024. As such, there was no interest expense for fiscal 2025 and 2024.

The Organization also has an available \$1,000,000 line of credit with the Parent, payable on demand. Interest on any borrowings accrues at the 30-day Secured Overnight Financing Rate plus 1.61448%. There were no outstanding borrowings on this line of credit at June 30, 2025 and 2024.

#### 11. Board Designated Net Assets

Net assets without donor restrictions include a Board Designated Reserve Fund (the "Fund") for unidentified projects, future expansion, and other emergency and capital needs. As of June 30, 2025 and 2024, the balance of the Fund was \$900,564 and \$841,906.

#### 12. Net Assets With Donor Restrictions

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

	2025	2024
Time restricted contributions	\$ 160,079	\$ 182,743
Purpose restricted contributions	341,326	-
Beneficial interest in perpetual trust	1,472,611	1,410,192
	<u>\$ 1,974,016</u>	<u>\$ 1,592,935</u>

Net assets of \$22,664 and \$9,404 were released from donor restrictions during fiscal 2025 and 2024 by the passage of time.

# Covenant House New Jersey, Inc.

## Notes to Financial Statements June 30, 2025

### 13. In-kind Contributions

In-kind contributions consist of the following for the years ended June 30:

	<u>2025</u>	<u>2024</u>	<u>Usage</u>	<u>Donor Restriction</u>
Various prizes and merchandise to be auctioned during a special event	<u>\$ 30,296</u>	<u>\$ 25,453</u>	Fundraising	Yes

The Organization estimated the fair value of the above items based on wholesale values that would be received for selling similar products in the United States.

### 14. Government and Private Grants

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

	<u>2025</u>	<u>2024</u>
U.S. Department of Housing and Urban Development	\$ 394,556	\$ 354,753
U.S. Department of Health and Human Services	250,000	250,000
State of New Jersey Department of Children and Families	816,765	756,960
State of New Jersey Department of Community Affairs	628,091	640,782
State of New Jersey Office of the Attorney General	551,986	507,037
County of Essex, New Jersey	458,023	368,203
U.S. Department of Justice	249,391	300,923
Atlantic City, New Jersey	324,874	106,080
County of Hudson, New Jersey	317,028	321,782
NJ Juvenile Justice Commission	-	24,257
NJ Department of Law and Public Safety	510,468	107,668
NJ Office of Management and Budget	-	250,000
Casino Reinvestment and Development Authority	-	92,813
Various NJ Counties	221,892	163,863
Various other grants	152,114	208,934
	<u>\$ 4,875,188</u>	<u>\$ 4,454,055</u>

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.

## Covenant House New Jersey, Inc.

### Notes to Financial Statements June 30, 2025

#### 14. Government and Private Grants *(continued)*

Government grants receivable consist of the following at June 30:

	2025	2024
U.S. Department of Housing and Urban Development	\$ 122,917	\$ 113,243
NJ Department of Law and Public Safety	249,086	-
U.S. Department of Justice	89,751	185,084
State of New Jersey Office of the Attorney General	131,244	96,433
State of New Jersey Department of Community Affairs	55,370	61,695
County of Hudson	17,696	28,673
County of Monmouth	28,998	25,308
County of Essex	62,072	64,524
County of Union	23,243	56,732
NJ Juvenile Justice Commission	650	5,070
RWJ Barnabas Health	22,302	17,815
NJ Chamber of Commerce Foundation	-	38,179
Atlantic City	-	10,126
Other grants	-	158,410
	<u>\$ 803,329</u>	<u>\$ 861,292</u>

All government grants receivable at June 30, 2025 and 2024 are expected to be collected within one year. At June 30, 2025 and 2024, no allowance for doubtful accounts was determined to be necessary.

At June 30, 2025, 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 for future activities. Accordingly, revenue pertaining to these grants has not been recognized in the accompanying financial statements.

#### 15. 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 \$212,298 and \$174,160 for the years ended June 30, 2025 and 2024.

## **Covenant House New Jersey, Inc.**

### **Notes to Financial Statements**

June 30, 2025

#### **15. 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 \$342,876 and \$340,260 for the years ended June 30, 2025 and 2024.

#### **16. 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 \$91 million for the Parent in fiscal years 2025 and 2024. 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 \$36 million and \$37 million in fiscal years 2025 and 2024. In fiscal years 2025 and 2024, the Organization received \$2,385,313 and \$2,275,476 in Branding dollars from the Parent and \$1,846,740 and \$1,666,390 in grants from Parent related to sleep out events.

Amounts due from/to the Parent at June 30, 2025 and 2024, 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 from the Parent totaled \$3,657 and \$134,885 at June 30, 2025 and 2024.

#### **17. Concentrations of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. At times, cash balances may exceed the balance insured by the Federal Deposit Insurance Corporation ("FDIC"). As of June 30, 2025 and 2024, approximately \$771,000 and \$1,100,000 were maintained with a bank in excess of the FDIC insured limit. Investments are concentrated in several mutual and exchange-traded funds managed by the Organization. The Organization routinely monitors the performance of each mutual fund.

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, Inc.

### Notes to Financial Statements June 30, 2025

#### 18. 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>2025</u>	<u>2024</u>
Financial Assets		
Cash and cash equivalents	\$ 1,244,198	\$ 692,669
Investments	3,449,629	4,102,850
Contributions receivable, net	652,579	454,721
Government grants receivable	803,329	861,292
Other receivables	40,732	-
Due from Parent	<u>3,657</u>	<u>134,885</u>
Total Financial Assets	6,194,124	6,246,417
Less amounts unavailable for general expenditure:		
Amounts restricted by donors for time	(160,079)	(182,743)
Amounts restricted by donors for purpose	(341,326)	-
Board designated net assets	(900,564)	(841,906)
Add amounts available for general expenditure:		
Satisfaction of donor imposed time restrictions within one year	<u>160,079</u>	<u>182,743</u>
Financial Assets at Year End Available to Meet Cash		
Need for General Expenditures Within One Year	<u>\$ 4,952,234</u>	<u>\$ 5,404,511</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 or investment accounts. The Organization also has available lines of credit totaling \$2,000,000 with a bank and the Parent 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.

\* \* \* \* \*