Covenant House New Jersey

Financial Statements

June 30, 2020

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Covenant House New Jersey

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House New Jersey as of June 30, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 4, 2020

Covenant House New Jersey

Statement of Financial Position
June 30, 2020
(with comparative amounts at June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 3,479,210	$ 1,752,978
Investments	2,903,081	2,125,602
Contributions receivable, net	1,452,432	2,917,066
Government grants receivable	494,790	228,509
Other receivables	35,186	-
Prepaid expenses and other assets	27,091	77,639
Deposits held with trustee	530,787	515,980
Property, plant and equipment, net	13,027,434	13,370,801
	$ 21,950,011	$ 20,988,575
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 1,086,092	$ 1,071,276
Refundable advances	850,318	895,216
Other liabilities	46,025	46,025
Due to Parent	27,536	9,607
Line of credit	-	620,000
Paycheck Protection Program loan	1,456,635	-
Mortgages payable, net	2,955,288	2,941,883
Total Liabilities	6,421,894	5,584,007
Net Assets		
Without donor restriction	14,113,498	13,120,584
With donor restriction	1,414,619	2,283,984
Total Net Assets	15,528,117	15,404,568
	$ 21,950,011	$ 20,988,575

See notes to financial statements

Covenant House New Jersey

Statement of Activities
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Without donor Restriction	With Donor Restriction	Total 2020	Total 2019
SUPPORT AND REVENUE				
Contributions	$ 2,913,499	$ 50,000	$ 2,963,499	$ 2,699,307
Government and private grants	2,574,253	-	2,574,253	2,516,889
Branding dollars from Parent	2,673,000	-	2,673,000	2,673,488
Grants from Parent related to Sleep Out events	1,522,026	-	1,522,026	1,450,858
Special events, net of direct expenses of $161,586 and $369,885	2,224,549	-	2,224,549	1,985,646
Net assets released from restrictions	919,365	(919,365)	-	-
Total Support and Revenue	12,826,692	(869,365)	11,957,327	11,326,188
INVESTMENT AND OTHER INCOME				
Dividends and interest	76,155	-	76,155	34,741
Unrealized gain	53,777	-	53,777	550
Other income	170,096	-	170,096	173,324
Total Investment and Other Income	300,028	-	300,028	208,615
Total Support and Revenue and Investment and Other Income	13,126,720	(869,365)	12,257,355	11,534,803
EXPENSES				
Program expenses	9,997,635	-	9,997,635	10,428,338
Supporting Services				
Management and general	1,176,670	-	1,176,670	1,039,317
Fundraising	959,501	-	959,501	1,047,422
Total Expenses	12,133,806	-	12,133,806	12,515,077
Change in Net Assets	992,914	(869,365)	123,549	(980,274)
NET ASSETS				
Beginning of year	13,120,584	2,283,984	15,404,568	16,384,842
End of year	$ 14,113,498	$ 1,414,619	$ 15,528,117	$ 15,404,568

See notes to financial statements

Covenant House New Jersey

Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Program Services										Supporting Services					
	Shelter and Crisis Care	Outreach	Behavioral Health/Health Services	RLH Mother/Child	Community Service Center	Program Development	Nancy's Place	Rights of Passage	Supportive Apartment Living	Total Program Services	Management and General	Fundraising	Total Supporting Services	Cost of Direct Benefits to Donors	Total Expenses	Total 2019
Salaries	$ 1,704,046	$ 154,206	$ 228,422	$ 330,864	$ 851,896	$ 681,196	$ 237,680	$ 933,520	$ -	$ 5,121,830	$ 617,994	$ 579,592	$ 1,197,586	$ -	$ 6,319,416	$ 6,663,467
Payroll taxes	138,416	12,526	18,554	26,875	69,198	55,332	19,306	75,828	-	416,035	50,198	47,079	97,277	-	513,312	558,582
Employee benefits	421,372	38,132	56,484	81,815	210,655	168,444	58,773	230,838	-	1,266,513	152,816	143,320	296,136	-	1,562,649	1,440,022
Total Salaries and Related Expenses	2,263,834	204,864	303,460	439,554	1,131,749	904,972	315,759	1,240,186	-	6,804,378	821,008	769,991	1,590,999	-	8,395,377	8,662,071
Faith community	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,046
Professional fees	22,314	-	-	22,313	11,155	-	25,813	40,469	7,000	129,064	81,022	-	81,022		210,086	75,625
Consulting	-	-	-	-	-	20,435	-	-	-	20,435	35,196	7,925	43,121	-	63,556	102,611
Supplies	46,545	727	338	2,350	23,269	2,498	3,279	10,813	1,668	91,487	30,116	2,042	32,158	-	123,645	114,635
Telephone	6,171	3,366	1,293	6,555	3,085	265	4,921	11,777	1,626	39,059	48,544	1,925	50,469	-	89,528	105,845
Postage and printing	295	260	-	720	147	10,218	280	690	-	12,610	6,377	5,950	12,327	-	24,937	32,136
Occupancy																
Fuel and utilities	110,430	(1,761)	1,455	26,895	55,207	-	9,668	40,212	28,479	270,585	-	-	-	-	270,585	254,649
Repairs and maintenance	82,527	1,789	641	19,436	41,258	-	2,339	12,866	12,442	173,298	-	-	-	-	173,298	164,288
Rent and other	12,252	22,500	9,000	-	6,125	-	-	13,000	1,663	64,540	5,420	-	5,420	-	69,960	85,972
Equipment	26,141	-	-	25,268	13,068	2,561	2,037	19,524	-	88,599	-	3,622	3,622	-	92,221	148,717
Specific Assistance to Individuals																
Food	74,215	1,584	10	2,115	37,102	1,247	4,955	8,016	-	129,244	604	545	1,149	-	130,393	142,093
Clothing, allowance, other	41,859	85,969	5,756	16,121	20,926	31,216	4,432	522,563	-	728,842	-	616	616	-	729,458	771,992
Other purchased services	74,053	7,090	5,705	25,629	37,022	13,085	16,019	31,843	7,771	218,217	69,846	120,982	190,828	161,586	570,631	772,472
Dues, licenses and permits	9,894	1,001	950	7,521	4,946	2,822	8,383	12,863	-	48,380	15,625	470	16,095	-	64,475	71,772
Insurance	77,976	12,992	2,595	17,687	38,982	-	8,574	41,809	9,195	209,810	-	-	-	-	209,810	223,918
Miscellaneous	26,787	6,157	4,567	10,263	13,392	13,449	7,723	19,391	-	101,729	59,628	45,433	105,061	-	206,790	344,042
Total Functional Expenses Before Depreciation and Amortization	2,875,293	346,538	335,770	622,427	1,437,433	1,002,768	414,182	2,026,022	69,844	9,130,277	1,173,386	959,501	2,132,887	161,586	11,424,750	12,082,884
Depreciation and amortization	336,397	4,973	-	37,386	168,198	-	6,866	313,538	-	867,358	3,284	-	3,284	-	870,642	802,078
Total Functional Expenses	3,211,690	351,511	335,770	659,813	1,605,631	1,002,768	421,048	2,339,560	69,844	9,997,635	1,176,670	959,501	2,136,171	161,586	12,295,392	12,884,962
Less direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	(161,586)	(161,586)	(369,885)
Total Expenses Reported by Function on the Statement of Activities	$ 3,211,690	$ 351,511	$ 335,770	$ 659,813	$ 1,605,631	$ 1,002,768	$ 421,048	$ 2,339,560	$ 69,844	$ 9,997,635	$ 1,176,670	$ 959,501	$ 2,136,171	$ -	$ 12,133,806	$ 12,515,077

See notes to financial statements

Covenant House New Jersey

Statement of Cash Flows
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 123,549	$ (980,274)
Adjustments to reconcile change in net assets to net cash from operating activities		
Unrealized gain	(53,777)	(550)
Amortization of refundable advances	(44,898)	(44,899)
Amortization of debt issuance costs	13,405	13,424
Depreciation and amortization	857,237	802,078
Changes in operating assets and liabilities		
Contributions receivable	1,464,634	263,970
Government grants receivable	(266,281)	(119,885)
Other receivables	(35,186)	353
Due to Parent	17,929	406,246
Prepaid expenses and other assets	50,548	(1,801)
Accounts payable and accrued expenses	14,816	25,404
Net Cash from Operating Activities	2,141,976	364,066
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(513,870)	(337,421)
Sale of investments	434,032	173,692
Purchase of investments	(1,157,734)	(1,303,068)
Net Cash from Investing Activities	(1,237,572)	(1,466,797)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits held with trustee	(14,807)	25,881
Proceeds from Paycheck Protection Program loan	1,456,635	-
Proceeds from line of credit	755,000	1,375,000
Payments of line of credit	(1,375,000)	(755,000)
Net Cash from Financing Activities	821,828	645,881
Net Change in Cash and Cash Equivalents	1,726,232	(456,850)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,752,978	2,209,828
End of year	$ 3,479,210	$ 1,752,978
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 19,440	$ 20,147

See notes to financial statements

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 attention, crisis intervention, public education, prevention, and other services that reached approximately 50,000 and 74,000 young people during fiscal 2020 and 2019.

The Organization is affiliated with the following not-for-profit organizations through common control:

- 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 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 a non-profit 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.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services

Program Services

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

Outreach
The Outreach program is an effort to reach youths who are on the streets for various reasons. Outreach vans cruise the city streets day and night searching for these youths and provide them with food, a trained counselor, and referrals to shelters and health and other services, if needed. Youths are also referred to the Organization's Community Service Center (CSC); there they receive ongoing counseling and other 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.

The RLH Mother/Child Program
The Organization provides emergency shelter, food, and counseling to homeless mothers under the age of 23 and their children.

The Community Service Center
The CSC program provides comprehensive services to youths in the residential programs and to other youths in the community who need support in order to complete their education, obtain employment, and maintain themselves in stable living situations.

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.

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

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

Supportive Apartment Living
The Supportive Apartment Living program provides housing opportunities to youth who have demonstrated the ability to live independently and require minimal support. The Organization owns the apartments, but does not provide on-site supervision. Program youth receive case management and other supportive services throughout their tenancy.

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.

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. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, the Organization adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes grants and contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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

Adoption of New Accounting Policies (continued)

Revenue from Contracts with Customers

Effective July 1, 2019, the Organization adopted ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance.

The core principle of the new guidance is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

The new guidance requires the Organization to not recognize revenue until it is probable of collection. Based on the Organization's strong collection experience, the Organization has concluded that all revenue recognized is probable of collection.

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, 2020 and 2019.

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 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.

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. 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, 2020 and 2019.

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. As of June 30, 2020 and 2019, no allowance for doubtful accounts was determined to be necessary. Contribution revenue is recognized based on the present value of the estimated future payments to be made to the Organization.

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 8). As of June 30, 2020 and 2019, the Organization’s deposits held with trustee consist of cash held in interest-bearing savings accounts at Bank of America, N.A.

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

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 interest method over the term of the mortgages payable. Amortization of debt issuance costs amounted to $13,424 in both fiscal 2020 and 2019 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, 2017.

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, 2019, 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 4, 2020.

3. Investments

Investments at June 30, 2020 and 2019 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:

	2020	2019
Fixed income mutual fund	$ 2,902,981	$ 2,073,813
Equities	-	51,689
Money market fund, at cost	100	100
	$ 2,903,081	$ 2,125,602

4. Contributions Receivable

Contributions receivable, less discount ranging from 1.38% to 2.52% at June 30, 2020 and 2019 are scheduled to be collected as follows:

	2020	2019
Due within one year	$ 890,895	$ 1,578,363
Due within two to five years	600,149	1,428,231
	1,491,044	3,006,594
Discount to present value	(38,612)	(89,528)
	$ 1,452,432	$ 2,917,066

5. Property, Plant and Equipment

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

	2020	2019
Land	$ 2,387,830	$ 2,387,830
Building and improvements	21,058,242	20,737,217
Furniture and equipment	1,471,158	1,328,273
Vehicles	500,970	451,010
Leasehold improvements	9,415	9,415
	25,427,615	24,913,745
Accumulated depreciation and amortization	(12,400,181)	(11,542,944)
Property, Plant and Equipment, Net	$13,027,434	$13,370,801

6. Refundable Advances

Refundable advances consist of the following at June 30:

	2020	2019
State of New Jersey Department of Human Services (Crisis Center)	$ 6,503	$ 7,586
State of New Jersey Department of Community Affairs	43,815	87,630
U.S. Department of Housing and Urban Development	800,000	800,000
	$ 850,318	$ 895,216

6. Refundable Advances *(continued)*

State of New Jersey Department of Human Services (NJDHS) (Crisis Center)

During fiscal 2006, the Organization was awarded a grant/loan of $21,675 from NJDHS 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 deferred revenue and is being amortized on a straight-line basis into government and private grants revenue over the term of the related mortgage.

State of New Jersey Department of Community Affairs (NJDCA)

During fiscal 2011, the Organization was awarded a grant/loan of $529,870 from NJDCA for the renovation of Raphael's Life House, Elizabeth, NJ, for use as a transitional housing facility. Pursuant to the facility restriction clause and other terms of the capital funding agreement, a mortgage note of $438,150 was entered into and is to be forgiven and reduced by 10% annually one year after the issuance of a certificate of occupancy, provided that the Organization continues to use the facility for transitional housing purposes. The balance of the grant of $91,720 was used to equip the facility and is not repayable.

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.

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 remaining portion of the special-purpose grant was received and expended in prior years for the operation of both facilities.

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.

7. State of New Jersey Department of Human Services (Rights of Passage)

During fiscal 2001, the Organization was awarded a grant/loan of $100,000 from the NJDHS, in order to finance the renovation/improvement for 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 facility restriction clause and other terms of the capital funding agreement, the amount of the note is to be reduced by 5% annually one year after the anniversary date, provided that the Organization maintains the new facility for its ROP program only. Accordingly, the grant/loan was recorded as deferred revenue and was amortized on a straight-line basis into government and private grants revenue over the term of the 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 as of June 30, 2020 and 2019.

8. Mortgages Payable

Mortgages payable consist of the following at June 30:

	2020	2019
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	829,306	829,306
Montclair (Supportive Apartment Living) Permanent Financing	654,400	654,400
Newark (Supportive Apartment Living) Permanent Financing	165,179	165,179
	2,997,231	2,997,231
Less: Debt issuance costs, net	(41,943)	(55,348)
	$ 2,955,288	$ 2,941,883

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.

8. Mortgages Payable *(continued)*

Loan for Atlantic City Capital Project (continued)

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, 2020 and 2019, the escrow amount held with the trustee totaled $256,383 and $250,283. 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 2020 and 2019, 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.

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, 2020 and 2019, the escrow amount held with the trustee totaled $143,745 and $140,376. 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 2020 and 2019, 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.

8. Mortgages Payable *(continued)*

Montclair (Nancy's Place) Permanent Financing (continued)

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, 2020 and 2019, the escrow amount held with the trustee totaled $108,891 and $104,686. 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 2020 and 2019, 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 both fiscal 2014 and fiscal 2013 and the balance of $52,400 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 2020 and 2019, 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 and $6,540 in fiscal 2020 and 2019.

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, 2020 and 2019, the escrow amount held with the trustee totaled $21,768 and $20,635. 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 2020 and 2019, 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 has an available $1,000,000 line of credit agreement with Bank of America, N.A. which matures on April 30, 2021. Interest on amounts borrowed will accrue 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, 2020. As of June 30, 2019, $620,000 was drawn down on the line of credit. Interest expense for fiscal 2020 and 2019 amounted to $9,618 and $20,147.

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. All or a portion of the PPP loan principal and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries above a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal or interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date.

The Organization intends to use all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended through June 30, 2020, will be forgiven. The entire amount received under the PPP is reported as a forgivable loan in the statement of financial position at June 30, 2020.

11. Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of time restricted contributions in the amount of $1,414,619 and $2,283,984 at June 30, 2020 and 2019.

Net assets of $919,365 and $2,000,751 were released from donor restrictions during fiscal 2020 and 2019 by the passage of time.

12. Government and Private Grants

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

	2020	2019
U.S. Department of Housing and Urban Development	$ 780,922	$ 840,428
U.S. Department of Health and Human Services	442,110	351,750
State of New Jersey Department of Children and Families	660,529	660,530
State of New Jersey Department of Human Services	30,820	65,070
State of New Jersey Department of Community Affairs	275,966	178,121
County of Essex	131,058	153,325
U.S. Department of Justice	54,840	100,000
City of Atlantic, New Jersey	10,000	40,000
Various NJ Counties	48,252	53,866
Various other grants	139,756	73,799
	$ 2,574,253	$ 2,516,889

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:

	2020	2019
U.S. Department of Housing and Urban Development	$ 154,699	$ 102,369
U.S. Department of Health and Human Services	166,253	-
U.S. Department of Justice	7,614	25,450
State of New Jersey Department of Community Affairs	28,934	45,535
County of Union	57,937	39,926
County of Essex	79,353	15,229
	$ 494,790	$ 228,509

All government grants receivable as of June 30, 2020 and 2019 are expected to be collected within one year. As of June 30, 2020 and 2019, no allowance for doubtful accounts was determined to be necessary

As of June 30, 2020, 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.

13. 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 $188,925 and $124,615 for the years ended June 30, 2020 and 2019.

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 $291,062 and $226,833 for 2020 and 2019.

14. 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 $88 million and $66 million for the parent in fiscal years ended 2020 and 2019. 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 $38 million and $34 million in the fiscal years ended 2020 and 2019. In fiscal 2020 and 2019, the Organization received approximately $4,195,000 and $4,124,000 in support from the Parent.

Amounts due to/from the Parent at June 30, 2020 and 2019, 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, 2020 and 2019 totaled $27,536 and $9,607.

15. Concentrations of Credit Risk

Certain financial instruments potentially subject the Organization to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, contributions and government grants receivable and investments. The Organization places its cash and cash equivalents with high credit quality financial institutions which, at times, may exceed federally insured limits. Concentrations of credit risk with respect to receivables are generally diversified due to the number of entities and individuals composing the entity's program and donor base. The Organization performs ongoing credit evaluations and writes off uncollectible amounts as they become known.

The investment portfolio is managed by professional investment advisors and managers. The Organization performs ongoing evaluations of its portfolio and believes that credit risk to this portfolio is minimal.

16. 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:

	2020	2019
Financial Assets		
Cash and cash equivalents	$ 3,479,210	$ 1,752,978
Investments	2,903,081	2,125,602
Contributions receivable, net	1,452,432	2,917,066
Government grants receivable	494,790	228,509
Other receivables	35,186	-
Total Financial Assets	8,364,699	7,024,155
Less amounts unavailable for general expenditure:		
Amounts restricted by donors for time	(1,414,619)	(2,283,984)
Add amounts available for general expenditure:		
Satisfaction of donor imposed time restrictions	804,564	854,564
Financial Assets at Year End Available to Meet Cash Need for General Expenditures Within One Year	$ 7,754,644	$ 5,594,735

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.

17. Risks and Uncertainties

The Organization's operations and financial performance may be affected by the recent COVID-19 outbreak, which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Organization may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the potential reduction and/or delays in federal, state and local grant funding, and reductions in contributions related to a decrease in discretionary income of potential donors. The outbreak may adversely affect the Organization's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes that the Organization is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

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