Financial Statements Together with
Report of Independent Certified Public Accountants

COVENANT HOUSE NEW JERSEY

June 30, 2014 and 2013

COVENANT HOUSE NEW JERSEY

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Covenant House New Jersey:

We have audited the accompanying financial statements of Covenant House New Jersey (the "Organization"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Organization'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 Organization'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.

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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Iselin, New Jersey
March 30, 2015

COVENANT HOUSE NEW JERSEY
Statements of Financial Position
As of June 30, 2014 and 2013

ASSETS	2014	2013
Cash and cash equivalents	$ 1,093,142	$ 998,425
Property held for sale (Note 5)	-	60,000
Investments (Note 4)	885,086	835,191
Contributions receivable	58,211	66,291
Grants receivable (Note 7)	336,209	225,950
Other receivables	13,129	245,040
Due from Parent (Note 3)	34,452	157,893
Prepaid expenses and other assets	51,051	49,793
Deposits held with trustee	505,274	496,173
Mortgage receivable (Note 10)	52,400	53,400
Deferred financing costs	122,468	135,892
Property, plant and equipment, net (Note 5)	16,223,125	16,680,062
Total assets	$ 19,374,547	$ 20,004,110
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 774,495	$ 742,462
Deferred revenue (Note 6)	1,292,041	1,426,366
Other liabilities	46,025	-
Mortgages payable (Note 10)	2,997,231	2,997,231
Total liabilities	5,109,792	5,166,059
Commitments (Note 12)		
NET ASSETS		
Unrestricted:		
Undesignated	1,069,541	1,340,790
Board-designated	862,587	835,091
Investment in property, plant and equipment	12,182,627	12,662,170
Total unrestricted	14,114,755	14,838,051
Temporarily restricted	150,000	-
Total net assets	14,264,755	14,838,051
Total liabilities and net assets	$ 19,374,547	$ 20,004,110

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

COVENANT HOUSE NEW JERSEY
Statement of Activities
For the year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT			
Contributions from individuals, foundations and corporations	$ 1,833,005	$ 150,000	$ 1,983,005
Support from Parent (Note 3)	3,234,000	-	3,234,000
Government and private grants and contracts (Note 7)	2,119,236	-	2,119,236
Special events, net of cost of direct benefits to donors of $344,462	2,157,352	-	2,157,352
Total contributions	9,343,593	150,000	9,493,593
Revenues and other support:			
Interest and dividends	19,750	-	19,750
Unrealized gains on investments	10,818	-	10,818
Other income	223,007	-	223,007
Insurance proceeds	132	-	132
Total revenues and other support	253,707	-	253,707
Total contributions, revenues and other support	9,597,300	150,000	9,747,300
EXPENSES			
Program services:			
Shelter and crisis care	2,905,524	-	2,905,524
Outreach	717,486	-	717,486
Behavioral Health/Health services	312,020	-	312,020
RLH Mother/Child	535,373	-	535,373
Community service center	1,452,762	-	1,452,762
Program development	851,905	-	851,905
Nancy’s Place	378,829	-	378,829
Rights of passage	1,748,248	-	1,748,248
Supportive apartment living	100,268	-	100,268
Total program services	9,002,415	-	9,002,415
Supporting services:			
Management and general	816,362	-	816,362
Fundraising	501,819	-	501,819
Total supporting services	1,318,181	-	1,318,181
Total expenses	10,320,596	-	10,320,596
Changes in net assets	(723,296)	150,000	(573,296)
Net assets, beginning of year	14,838,051	-	14,838,051
Net assets, end of year	$ 14,114,755	$ 150,000	$ 14,264,755

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

COVENANT HOUSE NEW JERSEY
Statement of Activities
For the year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
CONTRIBUTIONS, REVENUES AND OTHER SUPPORT			
Contributions from individuals, foundations and corporations	$ 2,555,104	$ -	$ 2,555,104
Support from Parent (Note 3)	3,513,500	-	3,513,500
Government and private grants and contracts (Note 7)	1,750,655	-	1,750,655
Special events, net of cost of direct benefits to donors of $286,418	1,306,131	-	1,306,131
Total contributions	9,125,390	-	9,125,390
Revenues and other support:			
Interest and dividends	15,264	-	15,264
Unrealized loss on investments	(7,498)	-	(7,498)
Other income	351,687	-	351,687
Insurance proceeds	412,263	-	412,263
Total revenues and other support	771,716	-	771,716
Net assets released from restrictions	146,927	(146,927)	-
Total contributions, revenues and other support	10,044,033	(146,927)	9,897,106
EXPENSES			
Program services:			
Shelter and crisis care	2,804,957	-	2,804,957
Outreach	525,543	-	525,543
Behavioral Health/Health services	281,045	-	281,045
RLH Mother/Child	440,606	-	440,606
Community service center	1,402,324	-	1,402,324
Program development	833,820	-	833,820
Nancy’s Place	417,322	-	417,322
Rights of passage	1,419,206	-	1,419,206
Supportive apartment living	40,228	-	40,228
YouthBuild	250,686	-	250,686
Total program services	8,415,737	-	8,415,737
Supporting services:			
Management and general	810,289	-	810,289
Fundraising	431,127	-	431,127
Total supporting services	1,241,416	-	1,241,416
Total expenses	9,657,153	-	9,657,153
Changes in net assets	386,880	(146,927)	239,953
Net assets, beginning of year	14,451,171	146,927	14,598,098
Net assets, end of year	$ 14,838,051	$ -	$ 14,838,051

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

COVENANT HOUSE NEW JERSEY
Statement of Functional Expenses
For the year ended June 30, 2014

	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	Management and General	Fund - Raising	Cost of Direct Benefits to Donors	Total	Total
Salaries and wages	$ 1,408,271	$ 402,832	$ 176,604	$ 258,821	$ 704,135	$ 562,882	$ 201,910	$ 699,795	$ -	$ 4,415,250	$ 421,910	$ 317,608	$ -	$ 739,518	$ 5,154,768
Payroll taxes	183,990	52,594	23,057	33,918	91,995	73,490	26,488	91,555	-	577,087	55,321	41,467	-	96,788	673,875
Employee benefits	307,093	87,562	38,388	57,243	153,547	122,351	44,873	153,588	-	964,645	94,111	69,037	-	163,148	1,127,793
Total salaries and related expenses	1,899,354	542,988	238,049	349,982	949,677	758,723	273,271	944,938	-	5,956,982	571,342	428,112	-	999,454	6,956,436
Faith community	64,282	-	-	-	32,141	-	-	-	-	96,423	-	-	-	-	96,423
Professional fees	11,781	-	-	11,781	5,890	-	14,681	23,471	4,800	72,404	44,635	-	-	44,635	117,039
Consulting	3,399	-	5,628	3,359	1,699	25,968	3,359	5,038	-	48,450	12,848	31,237	-	44,085	92,535
Supplies	46,021	7,390	82	5,506	23,010	4,015	4,403	5,910	6,325	102,662	8,391	3,444	-	11,835	114,497
Telephone	11,595	12,453	-	6,857	5,797	450	4,877	12,947	996	55,972	61,669	1,359	-	63,028	119,000
Postage and printing	1,036	2,788	2	1,511	518	4,286	397	675	149	11,362	8,314	11,347	-	19,661	31,023
Occupancy:															
Fuel and utilities	107,259	5,899	-	28,759	53,630	-	9,881	39,198	11,127	255,753	-	-	-	-	255,753
Repairs and maintenance	56,908	5,854	-	11,905	28,454	-	4,258	7,455	30,566	145,400	-	-	-	-	145,400
Rent and other	8,959	43,677	-	-	4,480	-	-	51	17,701	74,868	7,032	-	-	7,032	81,900
Equipment	13,156	4,908	-	8,805	6,578	200	419	6,446	903	41,415	277	-	-	277	41,692
Specific assistance to individuals:															
Food	89,651	11,645	866	3,863	44,826	145	11,528	3,960	-	166,484	5	98	-	103	166,587
Clothing, allowance and other	55,635	16,071	24,155	9,675	27,818	35,023	5,274	277,297	645	451,593	3,742	3,281	-	7,023	458,616
Other purchased services	63,644	4,790	40,740	22,468	31,822	13,355	18,914	47,246	8,230	251,209	48,295	3,946	344,462	396,703	647,912
Dues, licenses and permits	5,976	1,576	730	5,797	2,988	2,000	2,741	3,857	90	25,755	5,235	-	-	5,235	30,990
Insurance	86,199	13,816	-	18,938	43,100	-	8,515	36,872	4,264	211,704	-	-	-	-	211,704
Miscellaneous	37,091	38,552	1,768	7,983	18,545	7,740	9,299	12,656	14,472	148,106	41,221	18,995	-	60,216	208,322
Total functional expenses before depreciation and amortization	2,561,946	712,407	312,020	497,189	1,280,973	851,905	371,817	1,428,017	100,268	8,116,542	813,006	501,819	344,462	1,659,287	9,775,829
Depreciation and amortization	343,578	5,079	-	38,184	171,789	-	7,012	320,231	-	885,873	3,356	-	-	3,356	889,229
Total functional expenses	2,905,524	717,486	312,020	535,373	1,452,762	851,905	378,829	1,748,248	100,268	9,002,415	816,362	501,819	344,462	1,662,643	10,665,058
Less: Cost of direct benefits to donors of special events	-	-	-	-	-	-	-	-	-	-	-	-	(344,462)	(344,462)	(344,462)
Total expenses reported by function	$ 2,905,524	$ 717,486	$ 312,020	$ 535,373	$ 1,452,762	$ 851,905	$ 378,829	$ 1,748,248	$ 100,268	$ 9,002,415	$ 816,362	$ 501,819	$ -	$ 1,318,181	$ 10,320,596

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

COVENANT HOUSE NEW JERSEY
Statement of Functional Expenses
For the year ended June 30, 2013

	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	YouthBuild	Total	Management and General	Fund - Raising	Cost of Direct Benefits to Donors	Total	Total
Salaries and wages	$ 1,318,626	$ 259,477	$ 165,498	$ 224,002	$ 659,218	$ 583,117	$ 247,130	$ 594,774	$ -	$ 110,972	$ 4,162,814	$ 429,082	$ 296,333	$ -	$ 725,415	$ 4,888,229
Payroll taxes	173,605	34,168	21,813	29,470	86,802	76,764	32,495	78,244	-	14,606	547,967	56,497	38,993	-	95,490	643,457
Employee benefits	250,481	49,298	31,473	42,520	125,240	110,757	46,884	112,893	-	21,075	790,621	81,512	56,261	-	137,773	928,394
Total salaries and related expenses	1,742,712	342,943	218,784	295,992	871,260	770,638	326,509	785,911	-	146,653	5,501,402	567,091	391,587	-	958,678	6,460,080
Faith community	63,179	-	-	-	31,584	-	-	-	-	-	94,763	-	-	-	-	94,763
Professional fees	2,560	-	-	2,560	1,280	-	8,019	15,398	-	-	29,817	67,874	-	-	67,874	97,691
Consulting	1,181	-	3,519	1,181	591	-	1,181	1,772	1,500	-	10,925	2,583	9,570	-	12,153	23,078
Supplies	31,566	4,863	139	6,991	15,781	3,509	4,928	9,405	2,050	946	80,178	9,670	1,195	-	10,865	91,043
Telephone	16,465	11,246	-	4,949	8,231	360	4,950	9,992	-	1,025	57,218	59,890	210	-	60,100	117,318
Postage and printing	690	6,379	-	629	345	2,707	222	339	-	682	11,993	6,215	6,096	-	12,311	24,304
Occupancy:																
Fuel and utilities	120,780	1,858	-	23,659	60,381	-	10,311	37,001	1,126	-	255,116	-	-	-	-	255,116
Repairs and maintenance	49,051	14,970	-	5,716	24,522	-	926	11,715	5,870	1,781	114,551	-	-	-	-	114,551
Rent and other	43,822	38,900	-	-	21,908	-	-	6,206	17,469	26,875	155,180	13,782	-	-	13,782	168,962
Equipment	12,320	4,431	-	2,475	6,159	-	-	4,726	1,705	889	32,705	-	-	-	-	32,705
Specific assistance to individuals:																
Food	87,277	13,456	761	2,986	43,632	3,488	8,867	2,905	-	295	163,667	1,181	84	-	1,265	164,932
Clothing, allowance and other	46,954	23,405	28,520	11,072	23,474	30,041	7,269	124,013	2,366	47,727	344,841	4,043	415	-	4,458	349,299
Other purchased services	124,896	2,100	26,470	16,391	62,439	14,771	19,579	49,026	2,734	3,536	321,942	39,763	1,904	286,418	328,085	650,027
Dues, licenses and permits	5,819	327	950	3,161	2,909	120	2,445	4,083	50	702	20,566	5,019	5,360	-	10,379	30,945
Insurance	90,414	16,151	-	20,263	45,200	-	9,304	38,701	5,358	6,832	232,223	-	-	-	-	232,223
Miscellaneous	36,567	39,626	1,902	7,772	18,276	8,186	8,002	12,745	-	12,743	145,819	33,178	14,706	-	47,884	193,703
Total functional expenses before depreciation and amortization	2,476,253	520,655	281,045	405,797	1,237,972	833,820	412,512	1,113,938	40,228	250,686	7,572,906	810,289	431,127	286,418	1,527,834	9,100,740
Depreciation and amortization	328,704	4,888	-	34,809	164,352	-	4,810	305,268	-	-	842,831	-	-	-	-	842,831
Total functional expenses	2,804,957	525,543	281,045	440,606	1,402,324	833,820	417,322	1,419,206	40,228	250,686	8,415,737	810,289	431,127	286,418	1,527,834	9,943,571
Less: Cost of direct benefits to donors of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(286,418)	(286,418)	(286,418)
Total expenses reported by function	$ 2,804,957	$ 525,543	$ 281,045	$ 440,606	$ 1,402,324	$ 833,820	$ 417,322	$ 1,419,206	$ 40,228	$ 250,686	$ 8,415,737	$ 810,289	$ 431,127	$ -	$ 1,241,416	$ 9,657,153

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

COVENANT HOUSE NEW JERSEY
Statements of Cash Flows
For the years ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (573,296)	$ 239,953
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization of deferred revenue	(247,080)	(389,491)
Amortization of deferred financing costs	13,424	13,424
Depreciation on fixed assets	875,806	829,407
Loss (gain) on sale of property held for sale	4,455	(97,725)
Net realized and unrealized (gain) loss on investments	(10,818)	7,498
Donated stock	(50,321)	-
Proceeds from sale of donated stock	50,321	-
Changes in operating assets and liabilities:		
Decrease in contributions receivable	8,080	258,486
(Increase) decrease in grants receivable	(110,259)	261,520
Decrease (increase) in other receivables	231,911	(210,915)
(Increase) decrease in prepaid expenses and other assets	(1,258)	357
Decrease in due from Parent	123,441	107,832
Increase in accounts payable and accrued expenses	32,033	30,081
Increase in accounts other liabilities	46,025	-
Increase in deferred revenue	112,755	287,096
Net cash provided by operating activities	505,219	1,337,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(39,077)	(490,628)
Purchases of property, plant and equipment	(418,869)	(2,159,893)
Proceeds from sales of property	55,545	312,442
Net cash used in investing activities	(402,401)	(2,338,079)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in deposits held with trustee	(9,101)	(23,597)
Increase (decrease) in mortgage receivable	1,000	(53,400)
Increase in mortgages payable	-	819,579
Repayment of line of credit	-	(150,000)
Net cash (used in) provided by financing activities	(8,101)	592,582
Net increase (decrease) in cash and cash equivalents	94,717	(407,974)
Cash and cash equivalents, beginning of year	998,425	1,406,399
Cash and cash equivalents, end of year	$ 1,093,142	$ 998,425

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

1. ORGANIZATION

Covenant House New Jersey (the "Organization"), a not-for-profit organization, is an operating affiliate of Covenant House (the "Parent"), providing outreach, crisis care and referral services, Rights of Passage and community service centers to youths in New Jersey. The Parent is the sole member of the Organization and is itself a private, not-for-profit agency which provided shelter, food, clothing, counseling, medical attention, crisis intervention and other services through its affiliates to over 57,000 and 56,000 runaway and homeless youths during fiscal 2014 and 2013, respectively.

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

Covenant House Alaska	Covenant House Vancouver
Covenant House California	Covenant House Washington, D.C.
Covenant House Florida	Covenant House Western Avenue
Covenant House Georgia	Covenant House International Foundation
Covenant House Michigan	Covenant House Holdings, LLC
Covenant House Missouri	Covenant House Testamentum
Covenant House New Orleans	Asociacion La Alianza (Guatemala)
Covenant House New York/Under 21	Casa Alianza Internacional
Covenant House Pennsylvania/Under 21	Casa Alianza De Honduras
Covenant House Texas	Casa Alianza Nicaragua
Covenant House Toronto	Fundacion Casa Aliana Mexico, I.A.P.

The Organization is dependent upon the Parent for financial support and its ability to recover the carrying value of its assets, in part, depends upon future profitable operations. The Parent has committed to provide necessary support to the Organization for the foreseeable future and at least through July 1, 2015.

Faith Community

Contributed services are provided by Covenant House Faith Community (the "Community") members. Community members are full-time volunteers who commit themselves to a year of service to runaway and homeless youths. Room and board, a $20 stipend per week for fiscal 2014 and 2013, respectively, health insurance and reimbursement for other personal expenses are provided to Community members by the Organization. The expenses associated with Community members totaled approximately $96,000 and $95,000 for the years ended June 30, 2014 and 2013, respectively, and are reported in the accompanying statements of activities as part of shelter and crisis care and community service center.

Components of Program and Supporting Services

The *Shelter* and *Crisis Care* program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths.

The *Outreach* program is an effort to reach youths who are on the streets for various reasons. Outreach vans search the city streets at night, seeking out these youths, providing them with food, a trained counselor and referrals to shelters and health services, if needed. Youths are also referred to the Organization's Community Service Center where they receive ongoing counseling.

Behavioral Health/Health Services 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 provides emergency shelter, food and counseling to homeless mothers under the age of 23 and their children. Services provided under the program are through a collaboration agreement with Raphael's Life House (see Note 9).

The *Community Service Center* program provides comprehensive services to youths which include meeting basic needs such as food, clothing, shower, laundry facilities, crisis intervention counseling, ongoing case management, preventive intervention and aftercare for those who participate in the Rights of Passage program.

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

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

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

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 support services throughout their tenancy.

YouthBuild provides vocational skills to previously incarcerated youths. This program was terminated effective December 31, 2012.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

Net Asset Classification

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

<u>Unrestricted</u> - Consist of resources available for the general support of the Organization's operations.

Undesignated - Represent funds that may be used at the discretion of the Organization's management and Board of Directors.

Board-Designated - Represent funds set aside at the discretion of the Organization's Board of Directors for specified program or capital expenditures. Board approval is needed for use or borrowings from these invested funds. As of June 30, 2014 and 2013, $862,587 and $835,091, respectively, was designated by the Organization's Board of Directors for future capital initiatives. Such funds have been reflected as investments on the accompanying statements of financial position.

Investment in Property, Plant and Equipment - Consists of the net book value of property, plant and equipment and unamortized deferred financing costs, less any capital related debt obligations and deferred revenue.

Temporarily Restricted - represent amounts restricted by donors for specific activities of the Organization or to be used at some future date. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period as received or earned, such amounts are reported as part of unrestricted net assets. At June 30, 2014 and 2013, the Organization had $150,000 and $0, respectively, of temporarily restricted net assets restricted for program initiatives in Jersey City, NJ.

Permanently Restricted - consist of funds that are subject to restrictions of gift instruments requiring the principal be invested in perpetuity and the income be used for general or specific purposes. At June 30, 2014 and 2013, the Organization had no permanently restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with original maturities of three months or less from the date of purchase to be cash equivalents. All of the Organization's cash and cash equivalents at June 30, 2014 and 2013 are on deposit with one financial institution, which from time to time may exceed the Federal Deposit Insurance Corporation limit. The Organization routinely monitors the creditworthiness of this financial institution and believes the risk of nonperformance to be remote. The Organization has not experienced, nor does it anticipate nonperformance by this financial institution. Cash and cash equivalents also include approximately $155,000 and $144,000 at June 30, 2014 and 2013, respectively, of cash held on behalf of youth to whom services are provided.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of market-based information within the measurement of fair value over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument as of the measurement date.

The three levels of the fair value hierarchy used by the Organization are described below:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the statement of financial position date or in the near term, which the Organization has determined to be within 90 days. As of June 30, 2014 and 2013, the Organization had no Level 2 financial instruments.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV at the statement of financial position date or in the near term or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions. As of June 30, 2014 and 2013, the Organization had no Level 3 financial instruments.

Investments

Investments in publicly traded debt and equity securities and mutual funds are recorded at fair value determined on the basis of quoted market prices as of the measurement date. Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded on the statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned.

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 10). As of June 30, 2014 and 2013, the Organization's deposits held with trustee consist of cash held in interest-bearing savings accounts at Bank of America, N.A..

Property, Plant and Equipment

The Organization capitalizes property, plant and equipment with a cost of $5,000 or more and with useful lives greater than three years. Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis, using the half year convention, over the estimated useful lives of the assets which range from 3 to 33 years. Maintenance, repairs, and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts of the Organization and the resulting gain or loss, if any, is reflected on the statement of activities.

Impairment of Long-Lived Assets

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

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received or pledged. Contributions of securities or other tangible assets are recorded at fair value at the date of gift. Unconditional promises (pledges) which will be received in future periods are discounted to reflect the present value of expected future cash flows using a credit-adjusted discount rate assigned in the year in which the respective pledge originates. Amortization of the discount on contributions is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. As of June 30, 2014, the Organization had contributions receivable of $58,211 which are expected to be collected during fiscal 2015.

It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class. Contributions that the donor requires to be used to acquire or construct long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted support. The Organization reflects the expiration of such donor-imposed restrictions when long-lived assets have been acquired or constructed, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

If necessary, management will provide an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make planned payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and the nature of the fundraising activity. As of June 30, 2014 and 2013, no allowance for doubtful accounts was determined to be necessary.

Government Contracts and Grants

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered. The unearned portions of grants/loans are reflected as deferred revenue on the statement of financial position and are amortized over the period of the respective grant/loan agreement or as relevant conditions are satisfied.

Special Events

Revenue and expenses incurred relative to special events are recognized upon occurrence of the respective event.

Functional Expense Allocation

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

Fair Value of Financial Instruments

The estimated fair values of the Organization's financial instruments have been determined by the Organization using appropriate market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

The carrying amounts of cash and cash equivalents, contributions receivable, grants receivable, other receivables, deposits held with trustee, prepaid expenses and other assets, mortgage receivable, accounts payable and accrued expenses and other liabilities reported on the accompanying statements of financial position approximate fair value due to the short maturity of these financial instruments. The carrying amounts of the Organization's investments are reported at fair value based on quoted market values.

Tax-Exempt Status

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

Income Taxes

The Organization follows guidance that established criterion that an individual tax position must meet for some or all of the benefits of that position to be recognized in an entity's financial statements. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. The Organization is exempt from income tax under Code Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded under the Code. The tax years ended June 30, 2011, 2012, 2013 and 2014 are still open to audit for both federal and state purposes. As of June 30, 2014 and 2013, management does not believe its financial statements include any uncertain tax positions.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, the most significant of which relate to the determination of the estimated useful lives assigned to fixed assets, the reported fair value of certain financial instruments and allowances for potentially uncollectible contributions and other receivables. Actual results could differ from those estimates.

Subsequent Events

The Organization evaluated its June 30, 2014 financial statements for subsequent events through March 30, 2015, the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events which would require recognition or disclosure in the accompanying financial statements, except as disclosed in Notes 9 and 11.

3. RELATED PARTY TRANSACTIONS

The Parent provides financial support as well as management and organizational support for its affiliated organizations. It also conducts fundraising activities for its own programs and the programs of its affiliates. Contributions, including promises to give, totaled approximately $57.8 million and $55.0 million for the Parent for the years ended June 30, 2014 and 2013, respectively. Contributions received by 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 “Branding Dollars” or “Contributions Received from Parent” to each Covenant House affiliate.

“Branding Dollars” or “Contributions Received from Parent” allocated to affiliates, based on the Parent’s policy, approximated $31.2 million and $33.8 million in fiscal 2014 and 2013, respectively. In fiscal 2014 and 2013, the Organization received $3,234,000 and $3,513,500, respectively, in Support from the Parent or “Branding Dollars.”

The Parent allocated to the Organization the following various costs, which represent the Organization’s proportionate share of such costs, for fiscal 2014 and 2013, respectively:

	2014	2013
Workmens’ compensation and casualty insurance	$ 310,300	$ 306,000
Life insurance	26,000	25,000
General office service costs	-	1,000
Audit fees	3,400	-
Group health insurance	965,500	765,000

Such amounts have been reflected on the accompanying statements of activities and charged to the functional expense categories to which they ratably pertain.

Amounts due from the Parent at June 30, 2014 and 2013, result from timing differences between contributions collected by the Parent on the Organization’s behalf and advances of support from Parent, which do not bear interest. Amounts due from the Parent at June 30, 2014 and 2013 totaled $34,452 and $157,893, respectively.

4. INVESTMENTS

As of June 30, 2014 and 2013, investments consist of the following:

	2014	2013
Fixed income mutual fund	$ 862,587	$ 835,091
Equities	22,399	-
Money market fund	100	100
	$ 885,086	$ 835,191

At June 30, 2014 and 2013, all of the Organization's investments are classified as Level 1 within the fair value hierarchy.

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

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

	2014	2013
Buildings and improvements	$ 20,013,128	$ 19,692,198
Furniture and equipment	1,275,557	1,215,026
Vehicles	304,108	270,376
Leasehold improvements	9,415	-
	21,602,208	21,177,600
Less: Accumulated depreciation	(7,447,810)	(6,572,004)
	14,154,398	14,605,596
Land	2,000,830	2,000,830
Construction-in-progress	67,897	73,636
Property, plant and equipment, net	$ 16,223,125	$ 16,680,062
Property held for sale	$ -	$ 60,000

Depreciation expense totaled $875,806 and $829,407 for the years ended June 30, 2014 and 2013, respectively.

During fiscal 2013, the Organization entered and closed on an agreement to sell a parcel of property located in Atlantic City, NJ, that was classified as held for sale as of June 30, 2012. The Organization recognized a gain on the sale of approximately $97,000, which is included as part of other income in the accompanying 2013 statement of activities. The remaining property held for sale located in Newark, NJ, was subsequently sold in fiscal 2014 at a selling price of approximately $55,000, resulting in a loss on disposal of approximately $4,500.

6. DEFERRED REVENUE

Deferred revenue at June 30, 2014 and 2013 consists of the following:

	2014	2013
State of New Jersey Department of Human Services (Rights of Passage)	$ -	$ 51,944
State of New Jersey Department of Human Services (Crisis Center)	13,005	14,089
State of New Jersey Department of Community Affairs (DCA)	306,705	350,520
State of New Jersey Department of Children and Families (DCF)	158,780	-
U.S. Department of Housing and Urban Development	800,000	800,000
William Simon Foundation	-	72,717
Private grants, the conditions of which have not been satisfied	13,551	137,096
	$ 1,292,041	$ 1,426,366

New Jersey Department of Human Services (Rights of Passage)

During fiscal 2001, the Organization was awarded a grant/loan of $100,000 from the New Jersey Department of Human Services ("NJDHS"), in order to finance the renovation/improvement for the Newark Rights of Passage ("ROP") facility. An additional amount of $18,375 was subsequently added 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 has been recorded as deferred revenue and is amortized on a straight-line basis into government and private grants and contracts revenue over the term of the mortgage. At June 30, 2013, the unamortized balance of the note was $51,944 and is reflected as deferred revenue on the accompanying 2013 statement of financial position. During fiscal 2014, the facility was sold and the Organization is currently 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 on the accompanying 2014 statement of financial position.

New Jersey Department of Human Services (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 and contracts revenue over the term of the mortgage. At June 30, 2014 and 2013, the unamortized balance of the note was $13,005 and $14,089, respectively, and is reflected as deferred revenue on the accompanying statements of financial position.

New Jersey Department of Community Affairs

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 (See also Note 9). 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.

At June 30, 2014 and 2013, the unamortized balance of the note was $306,705 and $350,520, respectively, and is reflected as deferred revenue on the accompanying statements of financial position.

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

In fiscal 2010, the Organization was awarded a special-purpose grant of $1,123,500 from the U.S. Department of Housing and Urban Development ("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 2012 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, respectively, 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. Accordingly, the Organization has recorded this amount as deferred revenue on the accompanying statements of financial position as of June 30, 2014 and 2013.

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. GOVERNMENT AND PRIVATE GRANTS AND CONTRACTS

Government and private grants and contract revenue for the years ended June 30, 2014 and 2013 consists of the following:

	2014	2013
U.S. Department of Housing and Urban Development	$ 981,249	$ 596,878
U.S. Department of Health and Human Services	216,115	-
U.S. Department of Labor	-	338,262
State of New Jersey Department of Community Affairs	-	25,000
State of New Jersey Department of Children and Families	779,530	660,530
State of New Jersey Department of Human Services	55,000	52,500
State of New Jersey Casino Reinvestment Development Authority	36,525	25,000
Various other grants	50,817	52,485
	$ 2,119,236	$ 1,750,655

In accordance with the terms of certain government and private grants and contracts, 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.

Grants receivable as of June 30, 2014 and 2013 consist of the following:

	2014	2013
U.S. Department of Housing and Urban Development	$ 238,794	$ 213,450
U.S. Department of Health and Human Services	30,000	-
State of New Jersey Department of Community Affairs	11,000	-
State of New Jersey Department of Human Services	13,640	-
State of New Jersey Casino Reinvestment Development Authority	36,525	-
State of New Jersey Department of State	6,250	12,500
	$ 336,209	$ 225,950

As of June 30, 2014 and 2013, the Organization has been approved for a number of government cost reimbursable 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.

8. BENEFIT PLANS

The Organization participates in a defined benefit pension plan sponsored by the Parent covering certain employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. The Organization was not required to contribute to the defined benefit pension plan for fiscal 2014 and 2013. Effective December 31, 2006, the Parent froze service credits in the defined benefit pension plan. Compensation increases will continue to apply within the plan structure for those participants who have attained at least 45 points (age plus years of service) as of December 31, 2006. The Parent has further amended the plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits will accrue under the plan after that date.

The Organization also provides its employees with the option to enroll in a Section 403(b) savings plan, exclusively on a payroll deduction basis. As of January 1, 2012, the Organization matches 100% of employee contributions to the 403(b) plan up to 3% of employee compensation. The Organization's employer match under this savings plan amounted to approximately $100,000 and $89,000 for the years ended June 30, 2014 and 2013, respectively.

In addition, the Organization will make an additional annual retirement account contribution of 1% to 9% of compensation to all current employees, based on age and years of service. The Organization's annual contribution to the Section 403(b) savings plan for fiscal 2014 and 2013 totaled approximately $143,000 and $153,000, respectively. Employer match and retirement account contributions are fully vested after three years of service.

9. RAPHAEL'S LIFE HOUSE

In June 2003, the Organization entered into a collaboration agreement with the Board of Directors of Raphael's Life House ("RLH"), an entity independent of the Organization, to manage the day-to-day operations of a 12-bed Transitional Living Program which provides shelter to pregnant and mothering young women between the ages of 18 and 23 at a convent in Elizabeth, NJ. Each woman can reside at the facility with her child while she works with a service manager to develop and execute a case plan that will guide the youth to obtain independence.

Under the terms of the agreement, RLH and the Organization will agree upon annual fundraising goals for RLH and both are required to use their best efforts to meet their respective goals. However, if RLH cannot meet its goal, the Organization is required to fund the shortfall. Costs incurred by RLH for the years ended June 30, 2014 and 2013 did not exceed the Organization's funding level. The agreement will continue in effect until terminated and either party can terminate with 90 days' written notice to the other party. On April 27, 2009, the Organization purchased from the Archdiocese of Newark the land and building used for this program for approximately $564,000. In fiscal 2010, extensive renovation of the premises was completed at a cost of approximately $775,000. Further renovation of the premises commenced in fiscal 2011, financed by a loan from NJDCA (see Note 6). Renovations were completed during fiscal 2012 at a cost to the Organization of approximately $96,000.

During fiscal 2014, RLH's Board of Directors resolved to dissolve RLH and upon its dissolution, the Organization would take title to RLH's assets. As of June 30, 2014, RLH's dissolution of its corporate status is in process. In November 2014, the Organization received approximately $85,000 of cash, representing a full distribution of RLH's assets. Additionally, certain RLH Board members joined program boards of the Organization during fiscal 2015 as a way of continuing their involvement in the programmatic activities previously operated by RLH.

10. MORTGAGES PAYABLE

Mortgages payable consist of the following at June 30, 2014 and 2013:

	2014	2013
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

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. This loan was refinanced as part of new funding received from the NJHMFA which totaled approximately $4,000,000, $3,300,000 of which was received as a grant and $700,000 was a loan, which was entered into on March 17, 2008.

The initial mortgage term for the $700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled $255,804 and $252,297 at June 30, 2014 and 2013, respectively. To the extent that principal payments are not covered by the project's cash flows, the payment of principal will be deferred until the end of the mortgage term. The property serves as collateral for the loan.

Montclair (Nancy's Place) and Newark Capital Projects

The Organization acquired a residential property located 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 as of June 30, 2014 and 2013, respectively, including additional loan proceeds for the acquisition of two (2) adjacent properties. This mortgage is payable without interest over a period of 15 years. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled $142,882 and $140,798 at June 30, 2014 and 2013, respectively. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. The property serves as collateral for the mortgage.

Montclair (Nancy's Place) Permanent Financing

On October 6, 2009, the Organization obtained permanent financing for a transitional living program facility in Montclair, NJ from NJHMFA aggregating $829,306 at June 30, 2014 and 2013. Of this amount, $538,000 was used to repay an existing debt obligation to the Parent, $109,729 was applied to fund required escrow balances, $30,187 was used to provide for financing expenses and capitalized as deferred financing costs in the accompanying statements of financial position and the balance of $182,261 was received by the Organization as cost reimbursement for construction costs previously incurred. This mortgage is payable without interest over a period of 15 years. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled $90,811 and $88,232 at June 30, 2014 and 2013, respectively. To the extent that principal payments are not covered by the project's cash flows, the payment of principal is deferred until the end of the mortgage term. The property serves as collateral for the mortgage.

Supportive Apartment Living (2-4 Walnut Place) 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 at June 30, 2014 and 2013. Of this amount $600,000 was received at the closing with the balance due as expenses related to the occupancy of the building are incurred. $1,000 was received in both fiscal 2014 and fiscal 2013 and the balance of $52,400 and $53,400 as of June 30, 2014 and 2013, respectively, is recorded as a mortgage receivable on the accompanying statements of financial position. The mortgage receivable is expected to be collected in fiscal 2015. This mortgage is payable over a period of 30 years with interest of 1% per annum, from the first of the month following the issuance of a final certificate of occupancy for the premises. Occupancy commenced on October 1, 2013. Repayment will be made from fifty (50%) percent of the project's cash flows after payment of expenses and debt service. To the extent that principal and interest payments are not covered by the project's cash flows, payment is deferred until the end of the mortgage term. The property serves as collateral for the mortgage

Supportive Apartment Living (85 So. Munn Avenue) 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 at June 30, 2014 and 2013. The mortgage is payable without interest over a period of 30 years. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled $15,777 and $14,846 at June 30, 2014 and 2013, respectively. To the extent that payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. If it is determined at the maturity of the mortgage that the 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.

11. LINE OF CREDIT

The Organization has an available $1,000,000 line of credit agreement with Bank of America, N.A. which matured on December 31, 2014 and was subsequently extended to March 31, 2015. Interest on amounts borrowed accrue at a rate of British Bankers Association LIBOR plus 3.50%. As of June 30, 2014 and 2013, there are no outstanding borrowings on this line of credit facility. Subsequent to June 30, 2014, the Organization borrowed $325,000 on its line of credit facility.

12. COMMITMENTS

The Organization has entered into various noncancellable operating leases primarily for space associated with its outreach programs and office equipment. Aggregate future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2014 are as follows:

Year ending June 30th		
2015	$	37,812
2016		9,906
Total	$	47,718

Rent expense for the years ended June 30, 2014 and 2013 totaled approximately $74,000 and $98,000, respectively.