

Covenant House New Jersey, Inc.

Financial Statements

June 30, 2024



Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Covenant House New Jersey, Inc. (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2023 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 9, 2024

Covenant House New Jersey, Inc,

Statement of Financial Position
June 30, 2024
(with comparative amounts at June 30, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 692,669	\$ 1,150,756
Investments	4,102,850	5,027,210
Contributions receivable, net	454,721	547,473
Government grants receivable	861,292	1,209,764
Due from Parent	134,885	195,448
Prepaid expenses and other assets	49,936	63,635
Deposits held with trustee	569,614	555,770
Beneficial interest in perpetual trust	1,410,192	1,280,023
Property, plant and equipment, net	<u>12,909,946</u>	<u>11,656,407</u>
	<u>\$ 21,186,105</u>	<u>\$ 21,686,486</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,436,853	\$ 1,135,262
Refundable advances	719,473	765,069
Other liabilities	46,025	46,025
Mortgages payable, net	<u>2,996,569</u>	<u>2,992,486</u>
Total Liabilities	<u>5,198,920</u>	<u>4,938,842</u>
Net Assets		
Without donor restrictions	14,394,250	15,275,474
With donor restrictions	<u>1,592,935</u>	<u>1,472,170</u>
Total Net Assets	<u>15,987,185</u>	<u>16,747,644</u>
	<u>\$ 21,186,105</u>	<u>\$ 21,686,486</u>

See notes to financial statements

Covenant House New Jersey, Inc.

Statement of Activities Year Ended June 30, 2024 (with summarized totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total 2024	Total 2023
SUPPORT AND REVENUE				
Contributions	\$ 3,924,983	\$ -	\$ 3,924,983	\$ 3,409,118
In-kind contributions	25,453	-	25,453	28,866
Government and private grants	4,454,055	-	4,454,055	4,468,178
Branding dollars from Parent	2,275,476	-	2,275,476	2,598,032
Grants from Parent related to Sleep Out events	1,666,390	-	1,666,390	1,845,614
Special events, net of direct expenses of \$493,464 and \$421,199	2,275,701	-	2,275,701	2,099,504
Net assets released from restrictions	9,404	(9,404)	-	-
Total Support and Revenue	14,631,462	(9,404)	14,622,058	14,449,312
INVESTMENT RETURN AND OTHER INCOME				
Dividends and interest	163,793	-	163,793	137,683
Realized gain (loss)	327	-	327	(78,170)
Other income	87,847	-	87,847	57,994
Total Investment Return and Other Income	251,967	-	251,967	117,507
Total Support and Revenue and Investment Return and Other Income	14,883,429	(9,404)	14,874,025	14,566,819
EXPENSES				
Program services	13,372,733	-	13,372,733	12,064,860
Supporting Services				
Management and general	905,147	-	905,147	810,516
Fundraising	1,763,269	-	1,763,269	1,555,702
Total Expenses	16,041,149	-	16,041,149	14,431,078
Loss from Operations Before Depreciation and Amortization	(1,157,720)	(9,404)	(1,167,124)	135,741
Depreciation and amortization	890,500	-	890,500	900,327
Change in Net Assets before Non-Operating Activities	(2,048,220)	(9,404)	(2,057,624)	(764,586)
NON-OPERATING ACTIVITIES				
Contribution to fund acquisition of land	1,000,000	-	1,000,000	-
Unrealized gain on investments	166,996	-	166,996	81,380
Change in beneficial interest in perpetual trust	-	130,169	130,169	113,649
Change in Net Assets	(881,224)	120,765	(760,459)	(569,557)
NET ASSETS				
Beginning of year	15,275,474	1,472,170	16,747,644	17,317,201
End of year	\$ 14,394,250	\$ 1,592,935	\$ 15,987,185	\$ 16,747,644

See notes to financial statements

Covenant House New Jersey, Inc.

Statement of Functional Expenses Year Ended June 30, 2024 (with summarized totals for the year ended June 30, 2023)

	Program Services								Supporting Services			Cost of Direct Benefits to Donors	Total Expenses	Total 2023		
	Immediate Housing	Outreach	Behavioral Health/Health Services	Young Families	Drop-In Services	Program Development	Nancy's Place	Transitional Living - Rights of Passage (ROP)	Permanent Supportive Housing	Total Program Services	Management and General				Fundraising	Total Supporting Services
Salaries	\$ 2,157,266	\$ 476,767	\$ 92,693	\$ 468,572	\$ 1,078,471	\$ 1,064,012	\$ 345,853	\$ 1,172,036	\$ -	\$ 6,855,670	\$ 503,144	\$ 1,082,531	\$ 1,585,675	\$ -	\$ 8,441,345	\$ 7,820,197
Payroll taxes	193,948	42,864	8,334	42,127	96,959	95,660	31,094	105,371	-	616,357	45,235	97,324	142,559	-	758,916	682,367
Employee benefits	566,678	125,239	24,349	123,086	283,297	279,498	90,850	307,875	-	1,800,872	132,168	284,363	416,531	-	2,217,403	1,939,493
Total Salaries and Related Expenses	2,917,892	644,870	125,376	633,785	1,458,727	1,439,170	467,797	1,585,282	-	9,272,899	680,547	1,464,218	2,144,765	-	11,417,664	10,442,057
Professional fees	19,862	-	-	20,847	9,929	-	20,847	35,737	-	107,222	12,836	-	12,836	-	120,058	93,774
Consulting	11,751	39,563	-	-	5,874	7,256	-	-	-	64,444	-	56,260	56,260	-	120,704	236,157
Supplies	70,640	2,163	-	13,051	35,315	263	5,939	9,126	638	137,135	11,535	4,182	15,717	-	152,852	155,361
Telephone	2,465	1,176	182	8,534	1,232	2,279	13,982	30,839	2,641	63,330	46,770	2,410	49,180	-	112,510	101,743
Postage and printing	977	516	-	1,078	488	4,761	992	2,100	-	10,912	19,460	5,451	24,911	-	35,823	23,597
In-kind contribution	-	-	-	-	-	-	-	-	-	-	-	25,453	25,453	-	25,453	28,866
Occupancy																
Fuel and utilities	114,751	-	-	40,808	57,367	-	5,282	63,902	20,515	302,625	-	-	-	-	302,625	267,209
Repairs and maintenance	109,596	6,087	-	40,812	54,790	-	20,436	31,640	19,816	283,177	-	-	-	-	283,177	224,963
Rent and other	15,247	-	-	-	7,622	-	-	24,000	-	46,869	2,387	-	2,387	-	49,256	50,532
Equipment	247,575	868	-	13,125	123,769	390	130	3,083	60	389,000	-	-	-	-	389,000	113,275
Specific Assistance to Individuals																
Food	211,137	3,085	-	9,212	105,553	7,345	7,079	8,717	-	352,128	612	451	1,063	-	353,191	250,571
Clothing, allowance, other	39,069	74,735	13,317	24,702	19,532	116,644	5,716	1,063,501	-	1,357,216	243	6,717	6,960	-	1,364,176	1,292,361
Other purchased services	103,608	8,057	-	17,066	51,796	96,580	11,345	33,834	3,337	325,623	71,601	125,326	196,927	493,464	1,016,014	857,732
Dues, licenses and permits	1,609	2,880	6,372	1,490	804	9,096	3,203	8,984	3,991	38,429	2,431	1,664	4,095	-	42,524	31,543
Insurance	138,963	-	-	23,513	69,471	-	11,337	64,262	16,612	324,158	-	-	-	-	324,158	302,851
Miscellaneous	58,031	20,344	937	36,474	29,011	40,118	32,604	79,552	495	297,566	56,725	71,137	127,862	-	425,428	379,685
Total Functional Expenses Before Depreciation and Amortization	4,063,173	804,344	146,184	884,497	2,031,280	1,723,902	606,689	3,044,559	68,105	13,372,733	905,147	1,763,269	2,668,416	493,464	16,534,613	14,852,277
Depreciation and amortization	334,717	-	-	66,032	167,333	-	81,410	189,633	38,569	877,694	12,806	-	12,806	-	890,500	900,327
Total Functional Expenses	4,397,890	804,344	146,184	950,529	2,198,613	1,723,902	688,099	3,234,192	106,674	14,250,427	917,953	1,763,269	2,681,222	493,464	17,425,113	15,752,604
Less direct benefit to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	(493,464)	(493,464)	(421,199)
Total Expenses Reported by Function on the Statement of Activities	\$ 4,397,890	\$ 804,344	\$ 146,184	\$ 950,529	\$ 2,198,613	\$ 1,723,902	\$ 688,099	\$ 3,234,192	\$ 106,674	\$ 14,250,427	\$ 917,953	\$ 1,763,269	\$ 2,681,222	\$ -	\$ 16,931,649	\$ 15,331,405

See notes to financial statements

Covenant House New Jersey, Inc.

Statement of Cash Flows
Year Ended June 30, 2024
(with comparative amounts for the year ended June 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (760,459)	\$ (569,557)
Adjustments to reconcile change in net assets to net cash from operating activities		
Realized (gain) loss on investments	(327)	78,170
Unrealized gain on investments	(166,996)	(81,380)
Amortization of debt issuance costs	4,083	10,350
Change in beneficial interest in perpetual trust	(130,169)	(113,649)
Depreciation and amortization	890,500	900,327
Changes in operating assets and liabilities		
Contributions receivable	92,752	95,669
Government grants receivable	348,472	(735,694)
Due from Parent	60,563	(195,448)
Prepaid expenses and other assets	13,699	13,163
Accounts payable and accrued expenses	301,591	(140,948)
Refundable advances	(45,596)	(60,233)
Due to Parent	-	(63,222)
Net Cash from Operating Activities	608,113	(862,452)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,144,039)	(619,900)
Proceeds from sale of investments	2,744,131	1,104,114
Purchase of investments	(1,652,448)	(723,965)
Net Cash from Investing Activities	(1,052,356)	(239,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deposits held with trustee	(13,844)	(8,485)
Net Change in Cash and Cash Equivalents	(458,087)	(1,110,688)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,150,756	2,261,444
End of year	\$ 692,669	\$ 1,150,756

See notes to financial statements

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

1. Organization and Tax Status

Covenant House New Jersey, Inc. (the "Organization") is a not-for-profit organization which was incorporated in 1989, providing shelter and crisis care and outreach services to youth in the New Jersey area. Covenant House (Parent) and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 57,000 young people during fiscal 2024. Throughout the fiscal year, Covenant House provided a total of more than 862,000 nights of housing and safety for, on average, 2,400 youth each night.

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

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

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

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

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

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

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services

Program Services

Immediate Housing

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

Outreach

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

Behavioral Health/Health Services

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

Young Families

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

Drop-In Services

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

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

Program Development

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

Nancy's Place

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

Transitional Living - Rights of Passage (ROP)

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

Permanent Supportive Housing

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

Supporting Services

Management and General

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

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Support Services (continued)

Fundraising

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

Direct Benefit-to-Donor Costs

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Adoption of New Accounting Policy

Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. The new standard removes the previous requirement that a credit loss be probable of occurring for it to be recognized and requires entities to use historical experience, current conditions and reasonable and supportive forecasts to estimate their future expected credit losses. The Organization adopted ASU 2016-13 effective July 1, 2023. The adoption did not have a material impact on the Organization's financial statements.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Net assets without donor restrictions are those currently available for use at the discretion of the board and management for use in the Organization's operations. Net assets with donor restrictions are those which are subject to donor-imposed restrictions that the Organization expects will be met either by actions of the Organization or the passage of time and may include net assets to be held in perpetuity. The Organization's perpetually restricted net assets include the beneficial interest in perpetual trust (see Note 5).

Revenue Recognition

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

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

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program services, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. All other expenses such as salaries and related expenses are allocated to functional categories based on estimates of time and effort.

Cash and Cash Equivalents

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

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

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

Investment Valuation and Income Recognition

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

Property, Plant and Equipment

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

Long lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value less costs to sell. Fair value is determined through various valuation techniques including undiscounted cash flow models, quoted fair values, and third-party independent appraisals, as considered necessary. There is no such impairment for the years ended June 30, 2024 and 2023.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

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

In-kind Contributions

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

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). At June 30, 2024 and 2023, the Organization's deposits held with trustee consist of cash held in interest-bearing savings accounts at Bank of America, N.A.

Debt Issuance Costs

Debt issuance costs are presented as a direct deduction from the mortgages payable and are being amortized on a method which approximates the effective interest method over the term of the mortgages payable. Amortization of debt issuance costs amounted to \$4,083 and \$10,350 in fiscal 2024 and 2023 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, 2021.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

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

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, 2023, 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 9, 2024.

3. Investments

Investments at June 30, 2024 and 2023 consisted of the following measured at fair value on a recurring basis and classified with level 1 inputs using the fair value hierarchy.

Major categories of investments are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Mutual funds	\$ 2,855,474	\$ 3,565,272
Exchange-traded funds	1,246,325	1,455,908
Money market fund, at cost	1,051	6,030
	<u>\$ 4,102,850</u>	<u>\$ 5,027,210</u>

4. Contributions Receivable

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

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 525,017	\$ 642,337
Allowance for doubtful accounts	<u>(70,296)</u>	<u>(94,864)</u>
	<u>\$ 454,721</u>	<u>\$ 547,473</u>

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

5. Beneficial Interest in Perpetual Trust

During fiscal 2022, the Organization became the sole beneficiary of a trust administered by a third party. This trust is perpetual in nature and is measured at fair value and classified with Level 3 inputs using the fair value hierarchy.

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

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,280,023	\$ 1,166,374
Change in value of beneficial interest in perpetual trust	<u>130,169</u>	<u>113,649</u>
Balance, end of year	<u>\$ 1,410,192</u>	<u>\$ 1,280,023</u>

6. Property, Plant and Equipment

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

	<u>2024</u>	<u>2023</u>
Land	\$ 3,048,017	\$ 2,000,830
Building and improvements	23,236,359	22,251,691
Furniture and equipment	1,906,288	1,794,104
Vehicles	<u>634,407</u>	<u>634,407</u>
	28,825,071	26,681,032
Accumulated depreciation and amortization	<u>(15,915,125)</u>	<u>(15,024,625)</u>
	<u>\$ 12,909,946</u>	<u>\$ 11,656,407</u>

7. Refundable Advances

Refundable advances consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
State of New Jersey Department of Human Services (Youth Engagement Center)	\$ 2,168	\$ 3,252
Funds received for future special events	12,500	36,817
State of New Jersey Department of Children and Families	59,805	-
U.S. Department of Housing and Urban Development	<u>645,000</u>	<u>725,000</u>
	<u>\$ 719,473</u>	<u>\$ 765,069</u>

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

7. Refundable Advances (continued)

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

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

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

In fiscal 2010, the Organization was awarded a special-purpose grant of \$1,123,500 from HUD, for the acquisition and operation of two (2) facilities to be used to start a new program, Supportive Apartment Living (“SAL”) which will represent the next step in the continuum of care between Rights of Passage and aftercare. In June 2012, the Organization received the initial disbursement of \$800,000. In July and November 2012, the Organization closed on properties in Montclair 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 would be reduced by 10% annually. The amortization of the grant began in fiscal 2023. Accordingly, the balance of the refundable advance was reduced by \$75,000 in fiscal 2023 and \$80,000 in fiscal 2024 and are included in government and private grants revenue in the statement of activities. Annual amortization will continue through fiscal 2032. The Organization has not expressed nor does it have any intention of using the facilities referred to above for any purposes other than for their intended program activities for the foreseeable future.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

7. Refundable Advances *(continued)*

State of New Jersey Department of Human Services (“NJ DHS”)

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

8. Mortgages Payable

Mortgages payable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Loan for Atlantic City Capital Project	\$ 700,000	\$ 700,000
Montclair (Nancy's Place) and Newark Capital Projects	648,346	648,346
Montclair (Nancy's Place) Permanent Financing	829,305	829,305
Montclair (Supportive Apartment Living) Permanent Financing	654,400	654,400
Newark (Supportive Apartment Living) Permanent Financing	<u>165,179</u>	<u>165,179</u>
	2,997,230	2,997,230
Debt issuance costs, net	<u>(661)</u>	<u>(4,744)</u>
	<u>\$ 2,996,569</u>	<u>\$ 2,992,486</u>

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

8. Mortgages Payable *(continued)*

Loan for Atlantic City Capital Project

In May 2006, the Organization secured a long-term loan from the Corporation for Supportive Housing (“CSH”) for \$528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The Organization entered into an agreement to buy the related real estate on August 9, 2005. The loan was refinanced as part of new funding received from the NJHMFA which totaled approximately \$4,000,000, of which \$3,300,000 was received via a grant and \$700,000 was received via a loan entered into on March 17, 2008. The initial mortgage term for the \$700,000 loan was for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from 25% of the project’s available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2024 and 2023, the escrow amount held with the trustee totaled \$271,759 and \$266,015. 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 2024 and 2023, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

Montclair (Nancy’s Place) and Newark Capital Projects

The Organization acquired a residential property in Montclair, NJ for a transitional living program, to serve youths with mental disabilities. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark for the transitional living program were covered by temporary financing of \$1,015,500 obtained through CSH, on March 20, 2008. In accordance with the terms of the agreement, partial payments aggregating \$775,466 were made. These payments were made using grant funds awarded to the Organization from HUD. On June 8, 2009, the remaining balance of \$240,034 was refinanced by the NJHMFA into a new permanent mortgage aggregating \$648,346, including additional loan proceeds for the acquisition of two adjacent properties. This mortgage is payable without interest over a period of 15 years.

Repayment will be made from 25% of the project’s available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2024 and 2023, the escrow amount held with the trustee totaled \$152,843 and \$149,500. 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 2024 and 2023, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

8. Mortgages Payable (continued)

Montclair (Nancy's Place) Permanent Financing

On October 6, 2009, the Organization obtained permanent financing for the transitional living program facility in Montclair, NJ from NJHMFA aggregating \$829,305. Of this amount, \$538,000 was used to repay the existing debt obligation to the Parent, \$109,729 was applied to fund required escrow balances, \$30,187 was applied to financing expenses and capitalized as deferred financing costs in the accompanying statement of financial position and the rest was received by the Organization as cost reimbursement for construction costs previously incurred. This mortgage is payable without interest over a period of 15 years.

Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2024 and 2023, the escrow amount held with the trustee totaled \$119,332 and \$115,731. 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 2024 and 2023, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

Montclair (Supportive Apartment Living) Permanent Financing

On July 27, 2012, the Organization obtained permanent financing for the acquisition of a supportive apartment living facility in Montclair, NJ from NJDCA, passed through from HUD, aggregating \$654,400. Of this amount \$600,000 was received at the closing with the balance due as expenses related to the occupancy of the building are incurred. \$1,000 was received in both fiscal 2014 and fiscal 2013 and the balance of \$53,400 was fully received as of June 30, 2015. The mortgage is payable over a period of 30 years with interest of 1% per annum, from the first of the month following the issuance of a final certificate of occupancy for the premises. Occupancy commenced on October 1, 2013.

Repayment will be made from 50% of the project's cash flows after payment of expenses and debt service. To the extent that principal and interest payments are not covered by cash flows, payment is deferred until the end of the mortgage term. In fiscal 2024 and 2023, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

8. Mortgages Payable (continued)

Newark (Supportive Apartment Living) Permanent Financing

On November 20, 2012, the Organization obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA aggregating \$165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 25% percent of the project's available cash flows after payment of operating expenses and funding of all required escrows. At June 30, 2024 and 2023, the escrow amount held with the trustee totaled \$25,680 and \$24,524. 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 2024 and 2023, 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. (the "Bank") which matures on February 28, 2025. Interest on amounts borrowed accrues at the Bank's prime rate plus 0.4 percentage points. There were no outstanding borrowings on this line of credit facility at June 30, 2024 and 2023. As such, there was no interest expense for fiscal 2024 and 2023.

10. Board Designated Net Assets

Net assets without donor restrictions include a Board Designated Reserve Fund (the "Fund") for unidentified projects, future expansion, and other emergency and capital needs. As of June 30, 2024 and 2023, the balance of the Fund was \$841,906 and \$748,057.

11. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Time restricted contributions	\$ 182,743	\$ 192,147
Beneficial interest in perpetual trust	1,410,192	1,280,023
	<u>\$ 1,592,935</u>	<u>\$ 1,472,170</u>

Net assets of \$9,404 and \$152,523 were released from donor restrictions during fiscal 2024 and 2023 by the passage of time.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

12. In-kind Contributions

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

	<u>2024</u>	<u>2023</u>	<u>Usage</u>	<u>Donor Restriction</u>
Various prizes and merchandise to be auctioned during a special event	\$ <u>25,453</u>	\$ <u>28,866</u>	Fundraising	Yes

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

13. Government and Private Grants

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

	<u>2024</u>	<u>2023</u>
U.S. Department of Housing and Urban Development	\$ 354,753	\$ 418,331
U.S. Department of Health and Human Services	250,000	567,483
State of New Jersey Department of Children and Families	756,960	387,617
State of New Jersey Department of Community Affairs	640,782	866,751
State of New Jersey Office of the Attorney General	507,037	574,928
County of Essex, New Jersey	368,203	433,777
U.S. Department of Justice	300,923	484,159
Atlantic City, New Jersey	106,080	24,736
County of Hudson, New Jersey	321,782	293,478
NJ Juvenile Justice Commission	24,257	36,204
NJ Department of Law and Public Safety	107,668	-
NJ Office of Management and Budget	250,000	-
Casino Reinvestment and Development Authority	92,813	-
Various NJ Counties	163,863	183,345
Various other grants	208,934	197,369
	<u>\$ 4,454,055</u>	<u>\$ 4,468,178</u>

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

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

13. Government and Private Grants (continued)

Government grants receivable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
U.S. Department of Housing and Urban Development	\$ 113,243	\$ 113,243
U.S. Department of Justice	185,084	139,539
State of New Jersey Office of the Attorney General	96,433	163,408
State of New Jersey Department of Community Affairs	61,695	510,032
County of Hudson	28,673	25,531
County of Monmouth	25,308	34,695
County of Essex	64,524	77,186
County of Union	56,732	14,450
NJ Juvenile Justice Commission	5,070	10,395
RWJ Barnabas Health	17,815	45,713
NJ Chamber of Commerce Foundation	38,179	18,385
Atlantic City	10,126	-
Other grants	158,410	57,187
	<u>\$ 861,292</u>	<u>\$ 1,209,764</u>

All government grants receivable at June 30, 2024 and 2023 are expected to be collected within one year. At June 30, 2024 and 2023, no allowance for doubtful accounts was determined to be necessary.

At June 30, 2024, the Organization has been approved for a number of government cost reimbursement grants in which conditions stipulated in the grant agreements have not yet been met for future activities. Accordingly, revenue pertaining to these grants has not been recognized in the accompanying financial statements.

14. Employee Benefit Plan

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. The Organization's share amounted to \$174,160 and \$149,256 for the years ended June 30, 2024 and 2023.

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

14. Employee Benefit Plan (*continued*)

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was \$340,260 and \$283,454 for the years ended June 30, 2024 and 2023.

15. Related Party Transactions

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Total contributions, promises to give, and government grants and contracts totaled approximately \$91 million and \$86 million for the Parent in fiscal years 2024 and 2023. 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 \$37 million and \$36 million in fiscal years 2024 and 2023. In fiscal years 2024 and 2023, the Organization received \$2,275,476 and \$2,598,032 in Branding dollars from the Parent and \$1,770,224 and \$1,845,614 in grants from Parent related to sleep out events.

Amounts due from/to the Parent at June 30, 2024 and 2023, result from timing differences between contributions collected by the Parent on the Organization’s behalf and advances of support from the Parent, which do not bear interest. Amounts due from the Parent totaled \$134,885 and \$195,448 at June 30, 2024 and 2023.

16. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. At times, cash balances may exceed the balance insured by the Federal Deposit Insurance Corporation (“FDIC”). As of June 30, 2024 and 2023, approximately \$771,000 and \$1,100,000 were maintained with a bank in excess of the FDIC insured limit. Investments are concentrated in several mutual and exchange-traded funds managed by the Organization. The Organization routinely monitors the performance of each mutual fund.

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

Covenant House New Jersey, Inc.

Notes to Financial Statements
June 30, 2024

17. Liquidity and Availability of Financial Assets

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

	<u>2024</u>	<u>2023</u>
Financial Assets		
Cash and cash equivalents	\$ 692,669	\$ 1,150,756
Investments	4,102,850	5,027,210
Contributions receivable, net	454,721	547,473
Government grants receivable	861,292	1,209,764
Due from Parent	<u>134,885</u>	<u>195,448</u>
Total Financial Assets	6,246,417	8,130,651
Less amounts unavailable for general expenditure:		
Amounts restricted by donors for time	(182,743)	(192,147)
Board designated net assets	(841,906)	(748,057)
Add amounts available for general expenditure:		
Satisfaction of donor imposed time restrictions within one year	<u>182,743</u>	<u>192,147</u>
Financial Assets at Year End Available to Meet Cash		
Need for General Expenditures Within One Year	<u>\$ 5,404,511</u>	<u>\$ 7,382,594</u>

As part of its liquidity management, the Organization monitors the status and collectability of its receivables on a regular basis. Any excess funds are invested in the Organization's money market or investment accounts. The Organization also has 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.

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