

Covenant House Florida, Inc.

Financial Statements

June 30, 2025 and 2024

Covenant House Florida, Inc.

Financial Statements
June 30, 2025 and 2024

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Independent Auditors' Report

**Board of Directors
Covenant House Florida, Inc.**

Opinion

We have audited the accompanying financial statements of Covenant House Florida, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits 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 ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 for 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 a 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 the 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 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.

PKF O'Connor Davies, LLP

February 10, 2026

Covenant House Florida, Inc.

Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Cash and cash equivalents	\$ 3,103,166	\$ 3,164,518
Investments	7,663,604	6,272,126
Grants receivable	333,240	111,026
Pledges and other receivables, net	282,327	658,136
Prepaid expenses and other assets	84,387	73,237
Due from Parent	16,561	12,894
Right of use asset - operating lease, net	283,834	348,186
Right of use asset - finance lease, net	81,196	108,258
Property and equipment, net	416,233	325,811
	\$ 12,264,548	\$ 11,074,192
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 67,508	\$ 88,765
Accrued expenses	507,739	370,555
Deferred grant revenue	1,250	2,500
Lease liability, operating lease	314,182	381,131
Lease liability, finance lease	93,416	119,080
Total Liabilities	984,095	962,031
 Net Assets		
Without Donor Restrictions		
Undesignated	9,980,515	8,640,318
Investment in property and equipment	404,013	314,989
Total Without Donor Restrictions	10,384,528	8,955,307
With donor restrictions	895,925	1,156,854
Total Net Assets	11,280,453	10,112,161
	\$ 12,264,548	\$ 11,074,192

See notes to financial statements

Covenant House Florida, Inc.

Statements of Activities

	Year Ended June 30, 2025			Year Ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 3,497,978	\$ 300,000	\$ 3,797,978	\$ 2,314,704	\$ 80,000	\$ 2,394,704
Contributed nonfinancial assets	658,780	-	658,780	658,780	-	658,780
Government grants	1,067,543	-	1,067,543	1,155,158	-	1,155,158
Branding dollars from Parent	1,795,500	-	1,795,500	2,240,000	-	2,240,000
Grants from Parent related to sleepout events	181,507	-	181,507	152,417	-	152,417
Special event revenue, net of direct benefits to donors of \$176,518 and \$165,195	629,043	-	629,043	404,153	-	404,153
Net assets released from restrictions	560,929	(560,929)	-	660,640	(660,640)	-
Total Support and Revenue	<u>8,391,280</u>	<u>(260,929)</u>	<u>8,130,351</u>	<u>7,585,852</u>	<u>(580,640)</u>	<u>7,005,212</u>
INVESTMENT INCOME						
Investment income	<u>466,217</u>	<u>-</u>	<u>466,217</u>	<u>315,687</u>	<u>-</u>	<u>315,687</u>
Total Support and Revenue and Investment Income	<u>8,857,497</u>	<u>(260,929)</u>	<u>8,596,568</u>	<u>7,901,539</u>	<u>(580,640)</u>	<u>7,320,899</u>
EXPENSES						
Program services	5,793,836	-	5,793,836	5,966,774	-	5,966,774
Supporting Services						
Management and general	622,028	-	622,028	873,691	-	873,691
Fundraising	594,727	-	594,727	452,782	-	452,782
Total Expenses	<u>7,010,591</u>	<u>-</u>	<u>7,010,591</u>	<u>7,293,247</u>	<u>-</u>	<u>7,293,247</u>
NON-OPERATING ACTIVITIES						
Abandoned project costs	417,685	-	417,685	-	-	-
Gain on sale of property	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,028,829</u>	<u>-</u>	<u>1,028,829</u>
Change in Net Assets	1,429,221	(260,929)	1,168,292	1,637,121	(580,640)	1,056,481
NET ASSETS						
Beginning of year	<u>8,955,307</u>	<u>1,156,854</u>	<u>10,112,161</u>	<u>7,318,186</u>	<u>1,737,494</u>	<u>9,055,680</u>
End of year	<u>\$ 10,384,528</u>	<u>\$ 895,925</u>	<u>\$ 11,280,453</u>	<u>\$ 8,955,307</u>	<u>\$ 1,156,854</u>	<u>\$ 10,112,161</u>

See notes to financial statements

Covenant House Florida, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2025**

	Program Services						Supporting Services			Total Supporting Services	Cost of Direct Benefits to Donors	Total Expenses
	Immediate Housing	Outreach and Prevention	Young Families Program	Health and Well Being	Drop-In Services	Rights of Passage	Total Program Services	Management and General	Fundraising			
Salaries and wages	\$ 1,277,187	\$ 160,919	\$ 231,165	\$ 299,559	\$ 18,890	\$ 455,708	\$ 2,443,428	\$ 283,787	\$ 395,943	\$ 679,730	\$ -	\$ 3,123,158
Payroll taxes	92,311	11,456	16,865	21,877	1,359	32,467	176,335	18,658	29,540	48,198	-	224,533
Employee benefits	374,694	56,204	15,499	71,703	30,998	43,941	593,039	109,852	46,497	156,349	-	749,388
Total Salaries and Related Expenses	1,744,192	228,579	263,529	393,139	51,247	532,116	3,212,802	412,297	471,980	884,277	-	4,097,079
Accounting fees	-	-	-	-	-	-	-	43,750	-	43,750	-	43,750
Fundraising fees	-	-	-	-	-	-	-	-	13,771	13,771	-	13,771
Consulting fees	22,249	3,337	-	3,337	-	4,450	33,373	57,432	21,000	78,432	-	111,805
Supplies	59,964	4,108	4,658	8,384	5,421	19,446	101,981	2,604	2,699	5,303	-	107,284
Telephone and fax charges	16,431	5,780	1,965	1,035	4,874	8,688	38,773	1,316	2,550	3,866	-	42,639
Printing, postage and mailing	2,522	206	232	78	194	690	3,922	266	4,108	4,374	-	8,296
Occupancy												
Fuel and utilities	109,164	4,741	15,647	12,197	7,356	17,517	166,622	8,968	2,962	11,930	-	178,552
Repairs and maintenance	82,427	4,390	9,191	2,486	7,174	17,353	123,021	2,838	2,892	5,730	-	128,751
Contributed facilities	445,460	8,691	74,831	17,357	-	59,092	605,431	41,709	11,640	53,349	-	658,780
Rent and other	48,999	33,586	2,265	6,013	34,530	18,806	144,199	2,508	3,134	5,642	-	149,841
Equipment, maintenance and rental	3,171	122	293	98	244	732	4,660	98	557	655	-	5,315
Travel and transportation	19,015	4,534	2,070	1,220	2,653	5,603	35,095	16,495	3,599	20,094	-	55,189
Conferences, conventions and meetings	2,770	413	157	537	281	275	4,433	778	1,689	2,467	-	6,900
Specific assistance to individuals	343,532	4,793	78,991	977	2,648	408,818	839,759	5,253	1,947	7,200	-	846,959
Temporary help	8,082	470	730	499	633	1,593	12,007	576	470	1,046	-	13,053
Other purchased services	83,504	19,033	7,440	10,930	16,042	23,662	160,611	13,674	15,980	29,654	176,518	366,783
Dues, licenses and permits	2,614	291	240	233	373	649	4,400	130	4,697	4,827	-	9,227
Staff recruitment	279	42	14	56	28	28	447	70	42	112	-	559
Insurance	120,046	4,671	11,036	3,752	9,197	27,688	176,390	3,921	3,757	7,678	-	184,068
Other expenses	16,514	2,935	1,177	2,184	2,728	3,005	28,543	3,261	2,343	5,604	-	34,147
Bank charges and fees	4,364	653	-	655	-	873	6,545	2,182	20,533	22,715	-	29,260
Interest expense	12,851	495	1,186	395	989	2,966	18,882	395	494	889	-	19,771
Depreciation	29,258	12,419	2,701	2,719	13,544	11,299	71,940	1,507	1,883	3,390	-	75,330
Total Functional Expenses	3,177,408	344,289	478,353	468,281	160,156	1,165,349	5,793,836	622,028	594,727	1,216,755	176,518	7,187,109
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	(176,518)	(176,518)
Total Expenses Reported by Function on the Statements of Activities	\$ 3,177,408	\$ 344,289	\$ 478,353	\$ 468,281	\$ 160,156	\$ 1,165,349	\$ 5,793,836	\$ 622,028	\$ 594,727	\$ 1,216,755	\$ -	\$ 7,010,591

See notes to financial statements

Covenant House Florida, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services						Supporting Services			Cost of Direct Benefits to Donors	Total Expenses	
	Immediate Housing	Outreach and Prevention	Young Families Program	Health and Well Being	Drop-In Services	Rights of Passage	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries and wages	\$ 1,602,912	\$ 28,210	\$ 338,035	\$ 79,497	\$ 8,589	\$ 411,442	\$ 2,468,685	\$ 230,265	\$ 281,011	\$ 511,276	\$ -	\$ 2,979,961
Payroll taxes	136,666	4,668	25,290	11,101	644	32,161	210,530	30,980	22,540	53,520	-	264,050
Employee benefits	286,079	42,382	10,596	84,765	-	42,382	466,204	105,956	31,788	137,744	-	603,948
Total Salaries and Related Expenses	2,025,657	75,260	373,921	175,363	9,233	485,985	3,145,419	367,201	335,339	702,540	-	3,847,959
Accounting fees	-	-	-	-	-	-	-	47,500	-	47,500	-	47,500
Fundraising fees	-	-	-	-	-	-	-	-	11,883	11,883	-	11,883
Consulting fees	-	-	-	-	-	-	-	254,221	41,400	295,621	-	295,621
Supplies	55,640	6,078	9,276	21,148	1,122	15,321	108,585	6,634	6,815	13,449	-	122,034
Telephone and fax charges	58,458	7,242	10,157	2,087	1,443	16,009	95,396	7,114	3,089	10,203	-	105,599
Printing, postage and mailing	4,729	706	883	217	142	1,071	7,748	872	296	1,168	-	8,916
Occupancy	-	-	-	-	-	-	-	-	-	-	-	-
Fuel and utilities	124,131	17,372	21,020	4,876	3,483	30,533	201,415	15,200	3,270	18,470	-	219,885
Repairs and maintenance	32,993	4,326	5,587	1,296	853	7,824	52,879	3,967	869	4,836	-	57,715
Contributed facilities	441,910	12,241	74,831	17,357	-	59,092	605,431	41,709	11,640	53,349	-	658,780
Rent and other	41,608	24,588	7,046	1,634	5,859	29,000	109,735	9,787	1,096	10,883	-	120,618
Equipment, maintenance and rental	52,006	5,121	8,698	2,015	925	10,561	79,326	37,494	1,352	38,846	-	118,172
Travel and transportation	6,923	3,000	927	97	1,088	3,236	15,271	10,495	1,176	11,671	-	26,942
Conferences, conventions and meetings	5,332	854	165	1,319	136	854	8,660	1,697	675	2,372	-	11,032
Specific assistance to individuals	336,749	2,072	96,354	426	484	534,315	970,400	3,695	324	4,019	-	974,419
Temporary help	5,109	2,039	887	195	476	2,564	11,270	943	130	1,073	-	12,343
Other purchased services	61,471	24,484	8,371	4,341	5,482	29,533	133,682	14,152	5,423	19,575	165,195	318,452
Dues, licenses and permits	1,977	546	309	70	128	1,058	4,088	1,035	356	1,391	-	5,479
Staff recruitment	3,317	491	123	983	-	491	5,405	1,229	369	1,598	-	7,003
Insurance	190,902	5,288	32,327	7,498	-	25,892	261,907	19,594	5,029	24,623	-	286,530
Other expenses	12,953	3,949	1,673	1,572	1,255	5,007	26,409	10,881	844	11,725	-	38,134
Bank charges and fees	-	-	-	-	-	-	-	7,347	20,120	27,467	-	27,467
Interest	17,304	479	2,930	680	-	2,314	23,707	1,633	456	2,089	-	25,796
Depreciation	31,527	26,140	5,339	1,238	6,316	29,481	100,041	9,291	831	10,122	-	110,163
Total Functional Expenses	3,510,696	222,276	660,824	244,412	38,425	1,290,141	5,966,774	873,691	452,782	1,217,864	165,195	7,458,442
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	(165,195)	(165,195)
Total Expenses Reported by Function on the Statements of Activities	\$ 3,510,696	\$ 222,276	\$ 660,824	\$ 244,412	\$ 38,425	\$ 1,290,141	\$ 5,966,774	\$ 873,691	\$ 452,782	\$ 1,217,864	\$ -	\$ 7,293,247

See notes to financial statements

Covenant House Florida, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,168,292	\$ 1,056,481
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gains	(15,011)	(35,684)
Depreciation	75,330	110,163
Discount to present value	(914)	(1,090)
Gain on sale of property	-	(1,028,829)
Bad debt	-	7,355
Amortization of right of use asset - operating lease	64,352	31,337
Amortization of right of use asset - finance lease	27,062	27,641
Net change in operating assets and liabilities		
Grants receivable	(221,300)	118,249
Pledges and other receivables	375,809	85,372
Prepaid expenses and other assets	(11,150)	(38,287)
Accounts payable and accrued expenses	115,927	(23,453)
Lease liability, operating lease	(66,949)	(6,832)
Deferred grant revenue	(1,250)	(1,250)
Due from Parent	(3,667)	2,834
Net Cash from Operating Activities	1,506,531	304,007
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	-	2,175,000
Purchase of investments	(1,376,467)	(2,164,666)
Purchases of property and equipment	(165,752)	(56,010)
Net Cash from Investing Activities	(1,542,219)	(45,676)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on finance lease obligations	(25,664)	(23,296)
Change in Cash and Cash Equivalents	(61,352)	235,035
CASH AND CASH EQUIVALENTS		
Beginning of year	3,164,518	2,929,483
End of year	\$ 3,103,166	\$ 3,164,518
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 19,771	\$ 25,796

See notes to financial statements

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Nature of Activities

Covenant House Florida, Inc. (the "Organization"), a not-for-profit organization, is an operating affiliate of Covenant House (the "Parent"), a New York-based organization. The Organization provides shelter, residential services, community services, and outreach services to youth in the Fort Lauderdale and Orlando metropolitan area.

The Parent is a not-for-profit organization incorporated in 1972. The 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 63,000 young people during fiscal 2025. Throughout fiscal 2025, Covenant House provided a total of more than 896,000 nights of housing and safety for, on average, 2,500 youth each night.

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

- Covenant House Alaska
- Covenant House California
- Covenant House Chicago
- Covenant House Connecticut
- Covenant House Florida, Inc.
- Covenant House Georgia
- Covenant House Illinois
- Covenant House Innovation Center LLC
- Covenant House Michigan
- Covenant House Missouri
- Covenant House New Jersey
- Covenant House New Orleans
- Covenant House Pennsylvania/Under 21
- Covenant House Testamentum
- Covenant House Washington, D.C.
- Covent House Western Avenue
- Covenant House Texas
- Covenant House Holdings, LLC
- Covenant International Foundation
- CH Housing Development Fund Corporation
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- Under 21 New York, 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. Covenant House (Parent), together with CIF, represent the controlling interest of the following international not-for-profit affiliates:

- Asociación La Alianza (Guatemala)
- Casa Alianza De Honduras
- Casa Alianza Internacional
- Covenant House Toronto
- Covenant House Vancouver
- Fundación Casa Alianza México, I.A.P.

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

The Organization has been determined to be a non-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Nature of Activities (*continued*)

Components of Program and Supporting Services

Program Services

Immediate and Short-Term Housing

The immediate and short-term housing program focuses on crisis care and provides emergency services: temporary, immediate housing; nutritious meals; clothing; medical care; mental health services; and legal aid to young people ages 16-24 in the U.S. and Canada and ages 12-18 in Guatemala, Honduras, and Mexico who are experiencing homelessness or human trafficking. Our high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. We are expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, youth who are pregnant or parenting, and young people facing mental health challenges from their time unhoused. Our shelter doors are always open, 24/7, and we 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, Covenant House outreach workers go out to the neighborhoods, riverfronts, parks, and other places, where young people facing homelessness often seek refuge. Our teams offer food, water, hygiene kits, clothing, blankets, counseling, and referrals. Through sustained contact, they build trust with the young people they encounter, encouraging them to come into our shelters and connect with our services.

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. We also offer young families access to free childcare services, parenting support, and a full range of educational, vocational, and job placement services. This holistic program provides young parents with the support they need to grow into responsible and loving parents, capable of supporting their families financially and emotionally.

Health and Well Being

Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. This is even more the case for young people of color and those who identify as LGBTQ+ and for survivors of human trafficking. More than half (56%) of all Covenant House youth tell us they are dealing with a mental health challenge, and our data shows that LGBTQ+ youth are more likely to face these challenges than their peers. Covenant House welcomes all young people with unconditional love and absolute respect. Our trauma-informed health and well-being services range from medical care at our on-site health centers at certain Covenant House affiliates, to yoga classes, art and music therapy, one-on-one and group counseling, religious and spiritual services, and physical fitness. Through these activities and the stability and care they receive at Covenant House, young people begin to heal from the harm they experienced while living unhoused, taking control of their lives, building on their strengths, and nourishing their self-confidence.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

1. Organization and Nature of Activities *(continued)*

Program Services (continued)

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 they 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 our education and employment programs.

Transitional Living - Rights of Passage (ROP)

Covenant House's transitional living program, often referred to as "Rights of Passage" or ROP, is where young people take their boldest steps toward independence. Youth live in ROP for up to 24 months, where they engage their potential and plan for the future. Our research shows that the longer a young person resides with us and takes advantage of our programs, the more likely they are to experience positive outcomes, including stable housing, gainful employment, and higher education. In our 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 a hope-filled future.

Supporting Services

Management and General

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

Fundraising

Fundraising services relate to the activities of the development program 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. Accordingly, actual results could differ from those estimates.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

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

Net Asset Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as assets released from restrictions.

Revenue Recognition

The Organization records earned revenues on an accrual basis; 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), grants receivable, certain contributed services and gifts of other assets. Multi-year pledges receivable are recorded at present value based on the expected collection date using a risk-adjusted discount rate. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met. Costs to generate with and without donor restricted funds and grants are expensed as incurred. Grant revenue is recognized as services are performed or expenditures are incurred under the Organization's contracts with its clients and funders.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been allocated on the statements of activities and functional expenses. While most expenses can be directly allocated to one of the programs or supporting functions, certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses in this category include occupancy, depreciation, office expenses, insurance, certain salary and personnel costs, including executives, and accounting. These expenses are allocated based on either estimates of time and effort, square footage or days of care depending on the nature of the expenditures.

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.

Investment Valuation and Income Recognition

Investments are carried at fair value, with the exception of certificates of deposit which are valued at cost plus interest which approximates fair value. 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.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

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

Fair Value of Financial Instruments

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 have the highest reliability and 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 inputs and are used to the extent that observable inputs do not exist.

Property and Equipment

Property and equipment is recorded at cost. The Organization's policy is to capitalize all purchases of \$3,000 or greater. Leasehold improvements are depreciated over the lesser of the life of the asset or the term of the lease.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	31 years
Furniture, fixtures and equipment	3 to 5 years
Vehicles	3 years

Asset Recoverability

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There is no such impairment for the years ended June 30, 2025 and 2024.

Pledges and Other Receivables Allowance

The Organization maintains an allowance for doubtful pledges and other receivables for estimated losses that may result from the inability of its donors to make required payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and financial condition of the respective donor.

Leases

The Organization determines if an arrangement is or contains a lease at inception. ROU assets represent the right of use an underlying asset for the lease term and the lease liabilities represent the obligation to make lease payments arising from the lease.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

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

Leases (continued)

ROU assets and lease liabilities are recognized at the lease commencement date on the present value of the future minimum lease payments over the lease term on a straight-line basis. The Organization uses the risk-free interest rate to determine the present value of lease payments when the implicit rate in the lease is not readily determinable, as the lease agreements do not provide sufficient information to determine the lessor's implicit rate. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization has several building leases which are included in operating ROU assets and operating lease liabilities in the statements of financial position.

The Organization leases equipment under a financing lease agreement, through December 2027.

Special Events

Revenues and expenses incurred relative to special events are recognized upon occurrence of the respective event. Revenues are shown net of the cost of direct benefits to donors.

Contributions of Nonfinancial Assets

Contributions of nonfinancial assets for the years ended June 30 consisted of the following:

	<u>2025</u>	<u>2024</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Contributed facilities	\$ 658,780	\$ 658,780	Program	No associated donor restrictions	(a)

(a) The Organization utilizes property owned by the Parent for its operations and records the estimated value of the monthly rent from an appraisal conducted on the property.

Advertising Costs

Advertising costs are expensed as incurred.

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 Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

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

Operating Measure

The statements of activities separately report changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to program and supporting activities.

Reclassifications

Certain information in the prior year's financial statements has been reclassified to conform to the current year's presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 10, 2026.

3. Grants Receivable

Grants receivable of \$333,240 and \$111,026 at June 30, 2025 and 2024 represent the amounts due from various governmental agencies for the Organization's programs. All grants receivable at June 30, 2025 are expected to be collected within one year.

4. Pledges and Other Receivables

Pledges and other receivables at June 30 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 319,656	\$ 781,850
Due within two to five years	138,701	59,660
Thereafter	<u>-</u>	<u>923</u>
	458,357	842,433
Discount to present value	(1,744)	(2,658)
Allowance for doubtful accounts	<u>(174,286)</u>	<u>(181,639)</u>
	<u>\$ 282,327</u>	<u>\$ 658,136</u>

A present value discount using a rate of 4% has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

5. Investments

The following are major categories of investments held by the Organization at June 30:

	<u>2025</u>	<u>2024</u>
Investments (Level 1)		
Money market mutual funds	\$ 7,543,687	\$ 1,564,480
Investments (Level 2)		
Fixed income	<u>119,917</u>	<u>1,045,961</u>
Total Investments at fair value	7,663,604	2,610,441
Certificate of deposits	<u>-</u>	<u>3,661,685</u>
Total Investments	<u>\$ 7,663,604</u>	<u>\$ 6,272,126</u>

Investment income consists of the following:

	<u>2025</u>	<u>2024</u>
Dividends and interest	\$ 451,206	\$ 280,003
Unrealized gains	<u>15,011</u>	<u>35,684</u>
	<u>\$ 466,217</u>	<u>\$ 315,687</u>

6. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 1,900	\$ 1,900
Vehicles	229,585	229,585
Leasehold improvements	1,030,689	892,055
Furniture, fixtures and equipment	266,984	260,567
Construction in progress	<u>115,000</u>	<u>94,299</u>
	1,644,158	1,478,406
Accumulated depreciation	<u>(1,227,925)</u>	<u>(1,152,595)</u>
	<u>\$ 416,233</u>	<u>\$ 325,811</u>

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

6. Property and Equipment *(continued)*

During the year ended June 30, 2025, the Organization expensed \$417,685 of abandoned project costs related to a discontinued new building project, which are included in the accompanying statements of activities. These costs primarily consisted of architectural design, and owner's representative fees incurred prior to the decision to abandon the project. Management evaluated the nature of these costs and determined that certain expenditures continued to provide future benefit through retained institutional knowledge, design continuity, and reduced transition costs associated with future development efforts. Based on an independent assessment, approximately \$95,000 of these costs were determined to be recoverable through such leveraged benefits, while the remaining costs were determined to have no future economic value and were expensed in the current year.

7. Commitments and Contingencies

Operating Leases

The Organization leases facilities from the Parent and entered into a five-year lease agreement commencing on July 1, 2016 and expired June 30, 2021. Since the lease expired the Organization has continued to lease the building free of charge on a month-to-month basis and therefore recognized \$658,780 of contributed nonfinancial asset income and expense in the statements of activities and functional expenses for the year ended June 30, 2025 and 2024.

The Organization also entered into a 53 month lease agreement commencing on January 1, 2024 which expires on May 31, 2029. The lease provides increasing annual base rents. The right of use assets and lease liabilities related to these leases were calculated based on the present value of future lease payments over the lease terms.

The Organization recognized an operating ROU asset and lease liability upon commencement of the lease on January 1, 2024 of \$379,523. The operating lease liability represents the present value of the remaining lease payments of \$341,932 discounted using the risk-free rate of 4.42%.

As of June 30 2025, the remaining term of the operating lease is 3.92 years. Cash paid for operating leases for the years ended June 30, 2025 totaled \$82,150 and \$6,832.

The Organization amortizes the operating lease ROU assets over the life of the lease agreements. ROU assets consist of the following at June 30, 2025 and 2024:

	2025	2024
ROU asset - operating lease	\$ 379,523	\$ 379,523
Less: accumulated amortization	<u>(95,689)</u>	<u>(31,337)</u>
	<u>\$ 283,834</u>	<u>\$ 348,186</u>

Rent expense under operating leases for the years ended June 30, 2025 amounted to \$79,553 and \$39,777.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

7. Commitments and Contingencies (*continued*)

The future minimum rental payments for the Organization under the operating lease agreement through fiscal year 2029 are as follows:

2026	\$	84,205
2027		86,309
2028		88,468
2029		<u>82,950</u>
Total undiscounted operating lease payments		341,932
Less: imputed interest		<u>(27,750)</u>
	\$	<u>314,182</u>

Finance Lease

During 2023, the Organization terminated its previous finance lease for copiers and printers. Upon termination the Organization entered into a new finance lease agreement for new copiers and printers. The Organization recognized a finance lease liability of \$145,112, which represents the present value of the remaining lease payments of \$223,587, discounted using an implicit interest rate of 18% and a finance ROU asset \$145,112. The lease requires 63 monthly payments of principal and interest.

The Organization amortized the finance lease ROU asset over the life of the lease agreement. ROU asset consists of the following at June 30:

	<u>2025</u>	<u>2024</u>
ROU assets - finance lease	\$ 145,112	\$ 145,112
Less: accumulated amortization	<u>(63,916)</u>	<u>(36,854)</u>
	<u>\$ 81,196</u>	<u>\$ 108,258</u>

The future minimum rental payments for the Organization under the finance lease agreement through fiscal year 2028 are as follows:

2026	\$	42,588
2027		42,588
2028		<u>39,039</u>
Total undiscounted operating lease payments		124,215
Less: imputed interest		<u>(30,799)</u>
	\$	<u>93,416</u>

The principal payments by the Organization under this lease for the years ended June 30, 2025 and 2024 totaled \$22,989 and \$19,228. The interest expense under this lease for the years ended June 30, 2025 and 2024 totaled \$19,599 and \$23,360. The amortization expense under this lease for the years ended June 30, 2025 and 2024 totaled \$27,062 and \$27,641.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

7. Commitments and Contingencies *(continued)*

Government Grants

In accordance with the terms of certain government grants, the records of the Organization are subject to audit for varying periods after the date of final payment of the grants. The Organization is liable for any disallowed costs; however, management believes that the amounts of disallowed costs, if any, would not be significant. Government grants revenue amounted to \$1,067,543 and \$1,155,158 for the years ended June 30, 2025 and 2024.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following:

	<u>2025</u>	<u>2024</u>
Capital Campaign		
Infrastructure	\$ 752,926	\$ 1,092,674
Time restricted - operations	139,403	60,584
Purpose restricted - education	3,596	3,596
	<u>\$ 895,925</u>	<u>\$ 1,156,854</u>

Amounts released from restrictions in the years ended June 30, are as follows:

	<u>2025</u>	<u>2024</u>
Capital Campaign		
Infrastructure	121,619	\$ 43,243
Time restricted - operations	439,310	617,397
	<u>\$ 560,929</u>	<u>\$ 660,640</u>

9. 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. Contributions and promises to give totaled approximately \$88 million and \$91 million directly to the Parent for the years ended June 30, 2025 and 2024.

The Parent combines contributions received directly 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 affiliates, based on the Parent's policy, approximated \$36 million and \$37 million for the years ended June 30, 2025 and 2024.

In fiscal 2025 and 2024, the Organization received \$1,795,500 and \$2,240,000 in contributions from the Parent as well as \$181,507 and \$152,417 from the Parent related to national sleep out events.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

9. Related Party Transactions (*continued*)

Use of Building

As described in Notes 2 and 7, the Organization entered into a five-year lease agreement with the Parent commencing on July 1, 2016, and expired June 30, 2021. The agreement has not been renewed; however, the Organization continues to utilize the space free of charge on a month-to-month basis and records monthly in-kind revenue of \$54,898 for management's estimated fair value of the lease.

10. Employee Benefit Plans

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 contributed \$101,500 and \$280,774 during the years ended June 30, 2025 and 2024 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statements of functional expense.

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 \$103,575 and \$105,924 for the years ended June 30, 2025 and 2024.

11. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk includes cash and cash equivalents and investments held at financial institutions. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

11. Concentration of Credit Risk *(continued)*

As of June 30, 2025 and 2024, the Organization uninsured cash and cash equivalents totaled approximately \$2,352,000 and \$2,413,000. As of June 30, 2025 and 2024, the Organization uninsured investment holdings totaled approximately \$7,164,000 and \$5,272,000.

The Organization invests its assets in a variety of public and private securities such certificates of deposit and fixed income securities. The Organization routinely assesses the diversification and financial strength of its cash and investment portfolio.

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

12. Liquidity and Availability of Resources

The following reflects the Organization's financial assets as of the statement of financial position date, including amounts not available within one year of the statement of financial position date. Amounts not available include amounts with donor-imposed restrictions:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 3,103,166	\$ 3,164,518
Investments	7,663,604	6,272,126
Grants receivable	333,240	111,026
Pledges and other receivables, net	282,327	658,136
Due from Parent	<u>16,561</u>	<u>12,894</u>
Total Financial Assets	11,398,898	10,218,700
Less: Contractual or donor imposed restrictions amounts		
Contributions with donor restrictions	(895,925)	(1,156,854)
Add: Contributions with donor restrictions to be released in following year	<u>100,000</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 10,602,973</u>	<u>\$ 9,061,846</u>

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2025 and 2024

12. Liquidity and Availability of Resources (*continued*)

The Organization is continuing to conduct a capital campaign to raise \$10 million, of which \$6 million is for the construction of a new facility in Fort Lauderdale, Florida, \$3 million to expand services in Orlando, Florida, \$500,000 for investigation into improvement of care and services and \$500,000 to invest in critical research. As part of the Organization's liquidity management for the year then ended June 30, 2025, it structured its financial assets to be available as its general expenditures, liabilities, and other obligations came due and consistently monitored cash activities to ensure timely availability. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

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