

Covenant House Florida, Inc.

Financial Statements

June 30, 2024 and 2023

Covenant House Florida, Inc.

Financial Statements
June 30, 2024 and 2023

TABLE OF CONTENTS

	Page
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-20

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, 2024 and 2023, 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, 2024 and 2023, 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 12, 2025

Covenant House Florida, Inc.

Statements of Financial Position

	June 30,	
	2024	2023
ASSETS		
Cash and cash equivalents	\$ 3,164,518	\$ 2,929,483
Investments	6,272,126	4,071,776
Grants receivable	111,026	229,275
Pledges and other receivables, net	658,136	737,263
Prepaid expenses and other assets	73,237	34,950
Due from Parent	12,894	15,728
Right of use asset - operating lease, net	348,186	-
Right of use asset - finance lease, net	108,258	135,899
Property and equipment, net	325,811	1,526,137
	<u>\$ 11,074,192</u>	<u>\$ 9,680,511</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 88,765	\$ 124,289
Accrued expenses	370,555	358,484
Deferred grant revenue	2,500	3,750
Lease liability, operating lease	381,131	-
Lease liability, finance lease	119,080	138,308
Total Liabilities	<u>962,031</u>	<u>624,831</u>
Net Assets		
Without Donor Restrictions		
Undesignated	8,748,576	5,930,357
Investment in property and equipment	206,731	1,387,829
Total Without Donor Restrictions	8,955,307	7,318,186
With donor restrictions	1,156,854	1,737,494
Total Net Assets	<u>10,112,161</u>	<u>9,055,680</u>
	<u>\$ 11,074,192</u>	<u>\$ 9,680,511</u>

See notes to financial statements

Covenant House Florida, Inc.

Statements of Activities

	Year Ended June 30, 2024			Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 2,314,704	\$ 80,000	\$ 2,394,704	\$ 2,910,417	\$ 38,424	\$ 2,948,841
Contributed nonfinancial assets	658,780	-	658,780	658,780	-	658,780
Government grants	1,155,158	-	1,155,158	1,683,905	-	1,683,905
Branding dollars from Parent	2,240,000	-	2,240,000	1,789,095	-	1,789,095
Grants from Parent related to sleepout events	152,417	-	152,417	178,933	-	178,933
Special event revenue, net of direct benefits to donors of \$165,195 and \$131,059	404,153	-	404,153	589,291	-	589,291
Net assets released from restrictions	660,640	(660,640)	-	509,205	(509,205)	-
Total Support and Revenue	7,585,852	(580,640)	7,005,212	8,319,626	(470,781)	7,848,845
INVESTMENT AND OTHER INCOME						
Investment income	315,687	-	315,687	141,445	-	141,445
Gain on sale of property	1,028,829	-	1,028,829	-	-	-
Total Investment and Other Income	1,344,516	-	1,344,516	141,445	-	141,445
 Total Support and Revenue and Investment and Other Income	 8,930,368	 (580,640)	 8,349,728	 8,461,071	 (470,781)	 7,990,290
EXPENSES						
Program services	5,966,774	-	5,966,774	6,009,991	-	6,009,991
Supporting Services						
Management and general	873,691	-	873,691	826,391	-	826,391
Fundraising	452,782	-	452,782	391,473	-	391,473
Total Expenses	7,293,247	-	7,293,247	7,227,855	-	7,227,855
 Change in Net Assets	 1,637,121	 (580,640)	 1,056,481	 1,233,216	 (470,781)	 762,435
NET ASSETS						
Beginning of year	7,318,186	1,737,494	9,055,680	6,084,970	2,208,275	8,293,245
End of year	\$ 8,955,307	\$ 1,156,854	\$ 10,112,161	\$ 7,318,186	\$ 1,737,494	\$ 9,055,680

See notes to financial statements

Covenant House Florida, Inc.

Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services							Supporting Services			Cost of		
	Immediate Housing	Outreach and Prevention	Young Families Program	Health and Well Being	Drop-In Services	Public Education and Prevention	Rights of Passage	Total Program Services	Management and General	Fundraising	Total Supporting Services	Direct Benefits to Donors	Total Expenses
Salaries and wages	\$ 1,602,912	\$ 27,030	\$ 338,035	\$ 79,497	\$ 8,589	\$ 1,180	\$ 411,442	\$ 2,468,685	\$ 230,265	\$ 281,011	\$ 511,276	\$ -	\$ 2,979,961
Payroll taxes	136,666	4,584	25,290	11,101	644	84	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	73,996	373,921	175,363	9,233	1,264	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	71,413	367,034
Supplies	55,640	5,678	9,276	21,148	1,122	400	15,321	108,585	6,634	6,815	13,449	907	122,941
Telephone and fax charges	58,458	6,815	10,157	2,087	1,443	427	16,009	95,396	7,114	3,089	10,203	-	105,599
Printing, postage and mailing	4,729	678	883	217	142	28	1,071	7,748	872	296	1,168	13,912	22,828
Occupancy													
Fuel and utilities	124,131	16,375	21,020	4,876	3,483	997	30,533	201,415	15,200	3,270	18,470	-	219,885
Repairs and maintenance	32,993	4,061	5,587	1,296	853	265	7,824	52,879	3,967	869	4,836	-	57,715
Contributed facilities	441,910	8,691	74,831	17,357	-	3,550	59,092	605,431	41,709	11,640	53,349	-	658,780
Rent and other	41,608	24,254	7,046	1,634	5,859	334	29,000	109,735	9,787	1,096	10,883	67,511	188,129
Equipment, maintenance and rental	52,006	4,709	8,698	2,015	925	412	10,561	79,326	37,494	1,352	38,846	-	118,172
Travel and transportation	6,923	2,986	927	97	1,088	14	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	2,014	96,354	426	484	58	534,315	970,400	3,695	324	4,019	3,222	977,641
Temporary help	5,109	1,999	887	195	476	40	2,564	11,270	943	130	1,073	-	12,343
Other purchased services	61,471	24,101	8,371	4,341	5,482	383	29,533	133,682	14,152	5,423	19,575	4,872	158,129
Dues, licenses and permits	1,977	546	309	70	128	-	1,058	4,088	1,035	356	1,391	700	6,179
Staff recruitment	3,317	491	123	983	-	-	491	5,405	1,229	369	1,598	-	7,003
Insurance	190,902	3,754	32,327	7,498	-	1,534	25,892	261,907	19,594	5,029	24,623	-	286,530
Other expenses	12,953	3,908	1,673	1,572	1,255	41	5,007	26,409	10,881	844	11,725	2,658	40,792
Bank charges and fees	-	-	-	-	-	-	-	-	7,347	20,120	27,467	-	27,467
Interest expense	17,304	340	2,930	680	-	139	2,314	23,707	1,633	456	2,089	-	25,796
Depreciation	31,527	25,886	5,339	1,238	6,316	254	29,481	100,041	9,291	831	10,122	-	110,163
Total Functional Expenses	3,510,696	212,136	660,824	244,412	38,425	10,140	1,290,141	5,966,774	873,691	452,782	1,326,473	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	\$ 212,136	\$ 660,824	\$ 244,412	\$ 38,425	\$ 10,140	\$ 1,290,141	\$ 5,966,774	\$ 873,691	\$ 452,782	\$ 1,326,473	\$ -	\$ 7,293,247

See notes to financial statements

Covenant House Florida, Inc.

Statement of Functional Expenses
Year Ended June 30, 2023

	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	Public Education and Prevention	Rights of Passage	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries and wages	\$ 1,884,117	\$ 19,558	\$ 370,079	\$ 95,924	\$ 2,242	\$ 1,159	\$ 267,202	\$ 2,640,281	\$ 451,971	\$ 254,887	\$ 706,858	\$ -	\$ 3,347,139
Payroll taxes	154,185	3,312	27,304	10,886	172	84	21,337	217,280	34,571	21,082	55,653	-	272,933
Employee benefits	263,936	34,058	8,511	68,083	-	-	34,053	408,641	93,636	25,543	119,179	-	527,820
Total Salaries and Related Expenses	2,302,238	56,928	405,894	174,893	2,414	1,243	322,592	3,266,202	580,178	301,512	881,690	-	4,147,892
Accounting fees	-	-	-	-	-	-	-	-	53,500	-	53,500	-	53,500
Consulting fees	22,220	2,867	717	5,734	-	-	2,867	34,405	77,485	15,916	93,401	63,272	191,078
Supplies	55,609	951	8,193	30,361	1,414	341	8,952	105,821	4,140	2,079	6,219	-	112,040
Telephone and fax charges	49,120	825	7,254	1,699	1,354	296	9,424	69,972	4,300	3,066	7,366	3,953	81,291
Printing, postage and mailing	4,505	80	439	172	321	19	780	6,316	572	1,599	2,171	10,112	18,599
Occupancy													
Fuel and utilities	154,117	2,785	18,081	5,905	9,176	857	26,311	217,232	10,763	3,497	14,260	-	231,492
Repairs and maintenance	29,874	549	3,814	1,150	1,426	181	4,879	41,873	2,230	699	2,929	-	44,802
Contributed facilities	441,910	8,691	74,830	17,357	-	3,550	59,092	605,430	41,709	11,641	53,350	-	658,780
Rent and other	35,688	666	4,866	1,380	1,348	231	5,684	49,863	2,812	857	3,669	31,450	84,982
Equipment, maintenance and rental	48,543	850	5,876	1,784	2,255	279	8,476	68,063	20,077	1,255	21,332	-	89,395
Travel and transportation	11,925	569	529	312	218	10	851	14,414	10,798	4,011	14,809	-	29,223
Conferences, conventions and meetings	4,574	596	134	1,071	-	-	576	6,951	1,651	600	2,251	-	9,202
Specific assistance to individuals	440,786	771	115,544	1,441	1,347	68	433,887	993,844	4,051	1,084	5,135	-	998,979
Temporary help	11,353	217	1,147	472	1,010	31	1,906	16,136	621	1,727	2,348	-	18,484
Other purchased services	97,777	2,606	8,814	5,488	7,456	405	18,137	140,683	8,229	7,280	15,509	-	156,192
Dues, licenses and permits	3,395	94	532	124	47	19	418	4,629	1,351	4,798	6,149	16,176	26,954
Staff recruitment	3,065	395	99	791	-	-	395	4,745	1,087	297	1,384	-	6,129
Insurance	138,036	2,714	23,381	5,419	-	1,108	19,143	189,801	13,219	3,635	16,854	-	206,655
Other expenses	27,740	2,214	2,905	2,823	77	44	9,301	45,104	(32,718)	1,916	(30,802)	6,096	20,398
Bank charges and fees	-	-	-	-	-	-	-	-	16,907	22,411	39,318	-	39,318
Interest	4,035	79	683	158	-	32	540	5,527	381	106	487	-	6,014
Depreciation	84,029	1,335	3,883	3,108	11,844	184	18,597	122,980	3,048	1,487	4,535	-	127,515
Total Functional Expenses	3,970,539	86,782	687,615	261,642	41,707	8,898	952,808	6,009,991	826,391	391,473	1,217,864	131,059	7,358,914
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(131,059)	(131,059)
Total Expenses Reported by Function on the Statements of Activities	\$ 3,970,539	\$ 86,782	\$ 687,615	\$ 261,642	\$ 41,707	\$ 8,898	\$ 952,808	\$ 6,009,991	\$ 826,391	\$ 391,473	\$ 1,217,864	\$ -	\$ 7,227,855

Covenant House Florida, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,056,481	\$ 762,435
Adjustments to reconcile change in net assets to net cash from operating activities:		
Unrealized gains	(35,684)	(10,603)
Depreciation	110,163	127,515
Discount to present value	(1,090)	(14,514)
Gain on sale of property	(1,028,829)	-
Bad debt	7,355	14,284
Amortization of right of use asset - operating lease	31,337	-
Amortization of right of use asset - finance lease	27,641	24,703
Loss on from extinguishment of capital lease	-	7,454
Net change in operating assets and liabilities		
Grants receivable	118,249	94,601
Pledges and other receivables	85,372	327,290
Prepaid expenses and other assets	(38,287)	(2,147)
Accounts payable and accrued expenses	(23,453)	34,872
Payments on operating leases payable	(6,832)	-
Deferred grant revenue	(1,250)	3,750
Due from Parent	2,834	874
Net Cash from Operating Activities	<u>304,007</u>	<u>1,370,514</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property	2,175,000	-
Purchase of investments	(2,164,666)	(81,453)
Purchases of property and equipment	(56,010)	(355,020)
Net Cash from Investing Activities	<u>(45,676)</u>	<u>(436,473)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on lease liability - finance	(23,296)	(38,913)
Change in Cash and Cash Equivalents	235,035	895,128
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,929,483</u>	<u>2,034,355</u>
End of year	<u>\$ 3,164,518</u>	<u>\$ 2,929,483</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 27,278	\$ 7,496

See notes to financial statements

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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 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
- Covenant House New Orleans
- Covenant House New York/Under 21
- Covenant House Pennsylvania/Under 21
- Covenant House Washington, D.C.
- Covenant House Testamentum
- 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.
- 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
- Casa Alianza Nicaragua
- 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, 2024 and 2023

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 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 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 benefit from 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+, as they face unique challenges associated with racism and prejudice, and for survivors of human trafficking. More than half (53%) 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 the 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, 2024 and 2023

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.

Public Education and Prevention

Public Education and Prevention uses a variety of platforms to inform and educate young people, the public, and government officials about youth homelessness and human trafficking, and to advocate for laws and policies to protect unhoused youth and advance their interests. Covenant House employs websites, social media, public service announcements, billboards, newsletters, school-based programs, community engagement (including through Youth Homelessness Awareness Month each November) and training, talks, lectures, and peer-to-peer events to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

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 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.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Adoption of New Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board issued an accounting pronouncement related to the measurement of credit losses on financial instruments. This pronouncement and subsequently issued Accounting Standards Updates, clarified certain provisions of the new guidance, changed the incurred loss model for most financial assets and required the use of an expected loss model for instruments measured at amortized cost and certain other instruments that are not measured at fair value through net income. Under this model, entities are required to estimate the lifetime expected credit losses on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The adoption of this guidance on July 1, 2023 did not have a material effect on the financial statements.

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.

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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

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 of 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.

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

Covenant House Florida, Inc.

Notes to Financial Statements
June 30, 2024 and 2023

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

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, 2024 and 2023.

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. The Organization has several building leases which are included in ROU assets and lease liabilities in the statements of financial position. ROU assets represent the right of use an underlying asset for the lease term and the lease liabilities represents the obligation to make lease payments arising from the lease. 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 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 leases equipment under a financing lease agreement, through December 2027. The Organization uses the risk-free interest rate to determine the present value of the lease payments when no rate is stated in the lease.

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.

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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

Contributions of Nonfinancial Assets

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

	2024	2023	Utilitation in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Contributed Rent	\$ 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.

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 12, 2025.

3. Grants Receivable

Grants receivable of \$111,026 and \$229,275 at June 30, 2024 and 2023 represent the amounts due from various governmental agencies for the Organization's programs. All grants receivable at June 30, 2024 are expected to be collected within one year.

4. Pledges and Other Receivables

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

	2024	2023
Due within one year	\$ 781,850	\$ 864,927
Due within two to five years	59,660	43,420
Thereafter	923	6,948
	842,433	915,295
Discount to present value	(2,658)	(3,748)
Allowance for doubtful accounts	(181,639)	(174,284)
	<u>\$ 658,136</u>	<u>\$ 737,263</u>

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

4. Pledges and Other Receivables (*continued*)

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.

5. Investments

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

	2024	2023
Investments (Level 1)		
Money market mutual funds	\$ 1,564,480	\$ 1,716,154
Investments (Level 2)		
Fixed income	1,045,961	1,938,747
Total Investments at fair value	2,610,441	3,654,901
Certificate of deposits	3,661,685	416,875
Total Investments	<u>\$ 6,272,126</u>	<u>\$ 4,071,776</u>

Investment income consists of the following:

	2024	2023
Dividends and interest	\$ 280,003	\$ 130,842
Unrealized gains	35,684	10,603
	<u>\$ 315,687</u>	<u>\$ 141,445</u>

6. Property and Equipment

Property and equipment consists of the following at June 30:

	2024	2023
Land	\$ 1,900	\$ 323,840
Land held for sale	-	80,960
Buildings	-	1,656,184
Vehicles	229,585	347,979
Leasehold improvements	892,055	1,169,101
Furniture, fixtures and equipment	260,567	974,322
Construction in progress	94,299	228,355
	1,478,406	4,780,741
Accumulated depreciation	<u>(1,152,595)</u>	<u>(3,254,604)</u>
	<u>\$ 325,811</u>	<u>\$ 1,526,137</u>

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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.

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 \$430,913 discounted using the risk-free rate of 4.42%.

As of June 30 2024, the remaining term of the operating lease is 4.92 years. Cash paid for operating leases for the year ended June 30, 2024 totaled \$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, 2024:

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

Rent expense under operating leases for the year ended June 30, 2024 amounted to \$39,777.

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

2025	\$ 82,151
2026	84,204
2027	86,310
2028	88,467
2029	82,950
Less: present value discount	<u>(42,951)</u>
	<u>\$ 381,131</u>

The short-term lease expense for the Organization during the years ended June 30, 2024 and 2023 the totaled approximately \$53,000.

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

7. Commitments and Contingencies (*continued*)

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 \$142,601, which represents the present value of the remaining lease payments of \$223,587, discounted using a 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:

	2024	2023
ROU assets - finance lease	\$ 145,112	\$ 145,112
Less: accumulated amortization	(36,854)	(9,213)
	<u>\$ 108,258</u>	<u>\$ 135,899</u>

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

2025	\$ 42,588
2026	42,588
2027	42,588
2028	39,039
Less: present value discount	(47,723)
	<u>\$ 119,080</u>

The principal payments by the Organization under this lease for the years ended June 30, 2024 and 2023 totaled \$19,228 and \$6,804. The interest expense under this lease for the years ended June 30, 2024 and 2023 totaled \$23,360 and \$7,392. The amortization expense under this lease for the years ended June 30, 2024 and 2023 totaled \$27,640 and \$6,804.

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 \$1,155,158 and \$1,683,905 for the years ended June 30, 2024 and 2023.

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

8. Net Assets with Donor Restrictions

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

	2024	2023
Capital Campaign		
Infrastructure	\$ 1,092,674	\$ 1,085,917
Time restricted - operations	60,584	647,981
Purpose restricted - education	3,596	3,596
	<u>\$ 1,156,854</u>	<u>\$ 1,737,494</u>

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

	2024	2023
Capital Campaign		
Infrastructure	\$ 43,243	\$ 230,195
Time restricted - operations	617,397	279,010
	<u>\$ 660,640</u>	<u>\$ 509,205</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 \$91 million and \$86 million directly to the Parent for the years ended June 30, 2024 and 2023.

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 \$37 million and \$36 million for the years ended June 30, 2024 and 2023. In fiscal 2024 and 2023, the Organization received \$2,240,000 and \$1,807,031 in contributions from the Parent as well as \$152,417 and \$178,933 from the Parent related to national sleep out events.

Use of Building

As described in Notes 2 and 8, 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.

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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 \$280,774 and \$152,182 during the years ended June 30, 2024 and 2023 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 \$105,924 and \$106,724 for the years ended June 30, 2024 and 2023.

11. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk includes cash and cash equivalents, restricted cash, 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. As of June 30, 2024 and 2023, the Organization uninsured cash and cash equivalents totaled approximately \$2,413,000 and \$2,178,000. As of June 30, 2024 and 2023, the Organization uninsured investment holdings totaled approximately \$5,272,000 and \$3,572,000.

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.

Covenant House Florida, Inc.

Notes to Financial Statements June 30, 2024 and 2023

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:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 3,164,518	\$ 2,929,483
Investments	6,272,126	4,071,776
Grants receivable	111,026	229,275
Pledges and other receivables, net	658,136	737,263
Due from Parent	12,894	15,728
Total Financial Assets	10,218,700	7,983,525
Less: Contractual or donor imposed restrictions amounts		
Contributions with donor restrictions	(1,156,854)	(1,737,494)
Add: Contributions with donor restrictions to be released in following year	-	509,000
Financial Assets Available to Meet General		
Expenditures Over the Next Twelve Months	<u>\$ 9,061,846</u>	<u>\$ 6,755,031</u>

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, 2024, 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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