

# **Covenant House Alaska**

## **Financial Statements**

**June 30, 2024 and 2023**

# **Covenant House Alaska**

Financial Statements  
June 30, 2024 and 2023

## **TABLE OF CONTENTS**

## **Page**

Independent Auditors' Report

Management's Discussion and Analysis

4-7

## **FINANCIAL STATEMENTS**

Statements of Financial Position

8

Statements of Activities

9-10

Statements of Functional Expenses

11-12

Statements of Cash Flows

13

Notes to Financial Statements

14-30

## **Independent Auditors' Report**

**Board of Directors**  
**Covenant House Alaska**

### **Opinion**

We have audited the accompanying financial statements of Covenant House Alaska 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 Covenant House Alaska 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 Covenant House Alaska and to meet our other 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 Covenant House Alaska'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 Covenant House Alaska'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 Covenant House Alaska's ability to continue as a going concern for a reasonable period of time.

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

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Management has elected to supplement the financial statements by providing a Management's Discussion and Analysis ("MD&A"). We have applied certain limited procedures to the MD&A in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the MD&A because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*PKF O'Connor Davies, LLP*

New York, New York  
March 12, 2025

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The MD&A provides an overview of Covenant House Alaska’s (CHA) key program activities, financial results, and trends. This section aims to enhance understanding of CHA’s performance, strategic initiatives by the board and management, and future outlook.



### Executive Summary

Covenant House Alaska (CHA) opened its doors in 1988 in Anchorage and is part of Covenant House International, which operates in 34 cities across six countries in North America. Guided by the mission to *“serve the suffering children of the street and to protect and safeguard all children,”* CHA supports homeless, at-risk, and trafficked youth ages 13 to 24. Over the years, CHA has evolved from an emergency shelter into a nationally recognized leader delivering evidence-based, outcome-driven services through a comprehensive continuum of care.

#### Youth Served Across All Programs

	FY2022	FY2023	FY2024
<b>Number of youth served</b>	835	1,109	1,149
<b>Total nights of housing provided</b>	35,651	61,608	64,483

### Structure of Organization

To meet the growing needs of the community, CHA continues to expand its capacity, offering housing, education, employment, and trafficking services that empower youth not just to survive but to thrive. CHA’s services include:

- **Safe Shelter:** Available 24/7, CHA’s **MACK House** (for minors) and **Youth Engagement Center** (for young adults) provide immediate shelter and comprehensive support.
- **Transitional Living Programs** for single young adults and parenting and pregnant teens.
- **Education Services:** Programs supporting educational achievement and employment readiness.
- **Covey Academy:** Vocational and life skills training in a state-of-the-art facility.
- **Housing Services:** Rapid Re-Housing offers rental assistance and intensive support. Permanency Navigators assist youth in maintaining stable housing.

- **Street Outreach:** Builds relationships with youth on the streets, offering food, supplies, and pathways to shelter and housing.
- **Trafficking Prevention and Intervention:** Collaborates with law enforcement and other agencies to support youth who are victims of human trafficking.

**Embedded Partners:** Key partner organizations provide on-site services:

- **Bean's Cafe:** Provides congregate meal service, meals on demand, and food security resources and skill building for young people.
- **Southcentral Foundation:** Operates the Wellness Center, a primary care clinic at the Youth Engagement, and provides behavioral health services and cultural programming.
- **Volunteers of America:** Drug and alcohol counseling.
- **Anchorage School District:** Alternative Transition Classroom.
- **Nine Star Enterprises:** Education and internship opportunities.
- **Cook Inlet Tribal Council:** Substance abuse, employment, and education support.

## Program Growth

Covenant House Alaska (CHA) remains dedicated to our vision of making youth homelessness “rare, brief, and non-recurring.” To achieve this, we go beyond shelter-based services to tackle the root causes of youth homelessness. Six years ago, we conducted an in-depth analysis of three years of program data, identifying three critical factors that increase a young person’s vulnerability to long-term homelessness:

1. *Disabling condition:* any physical or mental issue that limits a young person’s ability to live independently.
2. *Permanent connections:* stable, supportive relationships that youth can rely on for advice or assistance in times of need.
3. *Income stability:* having sufficient financial resources to maintain housing and meet basic needs.

Using these insights, we launched innovative new programs to address these barriers. Our first, the *Permanency Navigator* program, helps youth access resources in the community in an intensive one-on-one approach. Using the philosophy of “relentless engagement,” *Permanency Navigators* help youth build community connections, access resources, and address disabling conditions.

CHA also expanded housing programs that quickly moved youth beyond homelessness and shelter and into safe, long-term housing. Additionally, we expanded our housing services, increasing the number of youth in safe, long-term housing which is a significant milestone in reducing reliance on emergency shelters.

Our program growth also reflected our response to emerging needs during the COVID-19 pandemic, which saw a marked increase in young people displaced from their homes. For the first time ever, we exceeded our shelter bed capacity and we partnered with the Municipality of Anchorage to provide overflow Cold Weather Shelter in our gymnasium.

During the COVID-19 pandemic, CHA identified a growing unmet need for services addressing youth homelessness. In response, we raised the age limit at our Youth Engagement Center shelter from 21 to 24, ensuring older youth had access to critical support. Simultaneously, we opened the **MACK House**, a dedicated 8-bedroom facility specifically for minors experiencing homelessness. These strategic

program expansions were made possible through new funding sources, enabling us to address the evolving needs of the community more effectively.

## Next Steps

CHA's Strategic Plan envisions that "All youth, regardless of circumstances and abilities, have permanent connections, achieve equitable outcomes, maintain a livable income, and secure stable housing." While initiatives like Permanency Navigators and expanded housing services have advanced these goals, we aim to do more to ensure affordable housing access and livable incomes for youth. Two transformative programs are at the forefront of these efforts:

**Covey Lofts:** In partnership with the Cook Inlet Housing Authority, we opened 22 transitional housing units in 2021 for youth aged 18-24. Covey Lofts combines independent living with on-site support services, including education, employment assistance, life skills training, health care, and case management.

**Covey Academy:** Launched in 2021 through collaboration with tribal partners, this vocational training center integrates education, apprenticeships, life skills, and job placement. With 19 student housing units, Covey Academy offers a supportive environment for youth to achieve long-term success. Its proximity to the Youth Engagement Center ensures seamless access to a full range of services.

These new workforce training and housing initiatives were supported by CARES Act pandemic recovery funding, and CHA's **"Bridge to Success" Start-Up Fund Campaign**, which raised \$16.5 million by the end of FY24. This fund ensured the successful construction and operational launch of these programs, demonstrated impactful outcomes, and attracted ongoing support from new funders.

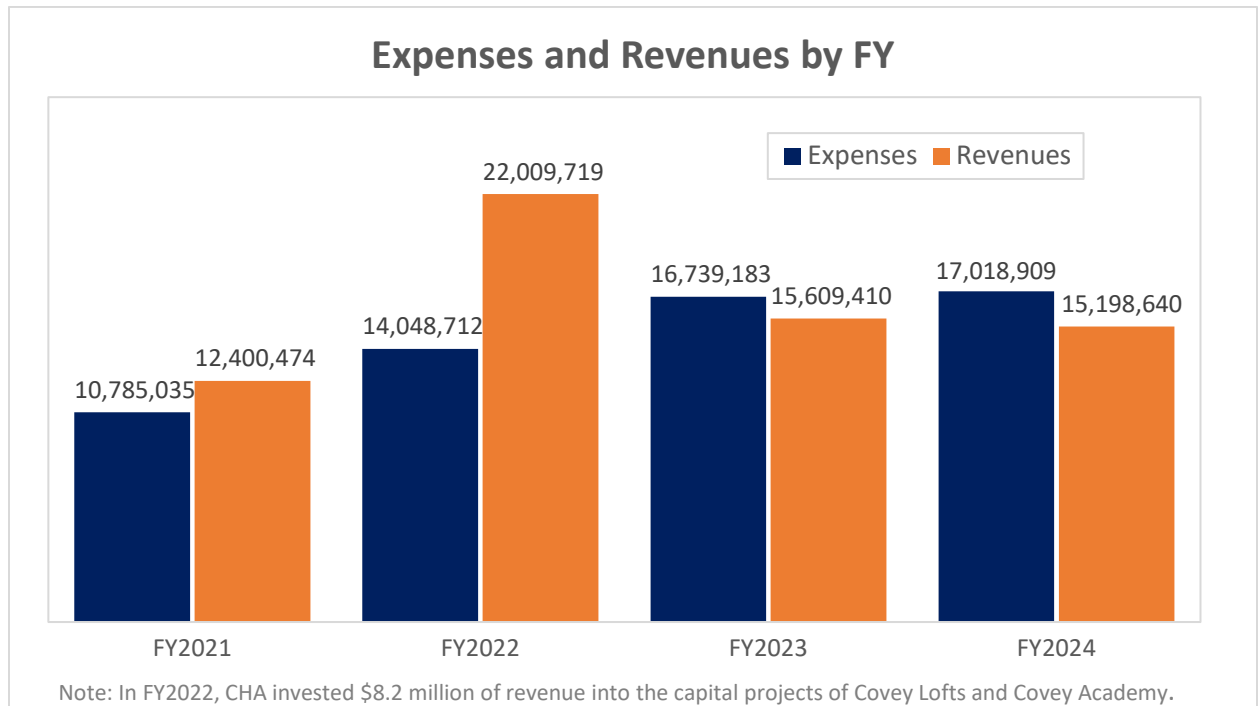


## Expenses and Revenues

From FY2021 to FY2024, CHA experienced significant growth, driven by the launches of Covey Lofts and Covey Academy. These drivers increased staffing and program development, resulting in significant growth in expenditures and revenues starting in FY2021. The initial expansion was funded by the Bridge to Success Start-Up Fund, and as these new initiatives transformed into ongoing operational expenses, we



have worked and continue to work to secure sustainable funding sources that allow us to provide this expanded comprehensive continuum of care.



## Balance Sheet Analysis

CHA's financial picture is strong, with over \$33 million in total assets. Program investments substantially increased assets in FY2021.

	FY2021	FY2022	FY2023	FY2024
<b>Total Assets</b>	23,544,078	35,209,864	34,989,198	33,528,605
<b>Total Liabilities</b>	2,737,994	6,442,773,	7,351,880	7,711,556
<b>Net Assets</b>	20,806,084	28,767,09	27,637,318	25,817,049

# Covenant House Alaska

## Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS</b>		
Current Assets		
Cash	\$ 392,474	\$ 460,661
Grants receivable	1,547,673	1,742,161
Pledges and contributions receivable	515,870	53,167
Prepaid expenses and other current assets	<u>136,729</u>	<u>68,802</u>
Total Current Assets	2,592,746	2,324,791
Board designated investments	1,369,075	1,944,383
Right of use asset	58,393	86,367
Property and equipment, net	29,334,918	30,477,435
Beneficial interest in assets held by the Alaska Community Foundation	<u>173,473</u>	<u>156,222</u>
	<u><u>\$ 33,528,605</u></u>	<u><u>\$ 34,989,198</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,551,268	\$ 1,294,773
Due to affiliates	3,051,119	2,752,852
Deferred revenue	25,000	167,574
Operating lease liability, current	28,781	30,000
Deferred realized gain, current	<u>24,538</u>	<u>24,538</u>
Total Current Liabilities	4,680,706	4,269,737
Refundable advance	2,725,185	2,725,185
Operating lease liability, net of current portion	29,612	56,367
Deferred realized gain, net of current portion	<u>276,053</u>	<u>300,591</u>
Total Liabilities	<u>7,711,556</u>	<u>7,351,880</u>
Net Assets		
Without Donor Restrictions		
Undesignated	(5,141,537)	(5,147,546)
Board designated	1,542,548	2,100,605
Investment in property and equipment	<u>29,334,918</u>	<u>30,477,435</u>
Total Without Donor Restrictions	25,735,929	27,430,494
With donor restrictions	<u>81,120</u>	<u>206,824</u>
Total Net Assets	<u><u>25,817,049</u></u>	<u><u>27,637,318</u></u>
	<u><u>\$ 33,528,605</u></u>	<u><u>\$ 34,989,198</u></u>

See notes to financial statements

# Covenant House Alaska

## Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT, REVENUES AND GAINS</b>			
Public Support			
Branding dollars from Parent	\$ 630,000	\$ -	\$ 630,000
Grants from Parent related to National Sleep Out Event	170,582	-	170,582
Contributions	3,378,499	81,120	3,459,619
Contributions of nonfinancial assets	192,326	-	192,326
Special events revenue	726,476	-	726,476
Less: Cost of direct benefit to donors	(237,413)	-	(237,413)
Total Public Support	4,860,470	81,120	4,941,590
Revenues and Gains			
Grant income	9,344,273	-	9,344,273
Investment return	174,692	-	174,692
Change in value of beneficial interest held by the Alaska Community Foundation	17,251	-	17,251
Other income	720,834	-	720,834
Total Revenues and Gains	10,257,050	-	10,257,050
Net assets released from restrictions	206,824	(206,824)	-
Total Public Support, Revenues and Gains	15,324,344	(125,704)	15,198,640
<b>EXPENSES</b>			
Program Services			
Immediate and Short-term housing	4,899,371	-	4,899,371
Transitional living - Rights of Passage	1,411,270	-	1,411,270
Employment and Education	2,091,402	-	2,091,402
Transitional living - Mother/Child	461,445	-	461,445
Housing	2,963,120	-	2,963,120
Outreach	1,077,713	-	1,077,713
Trafficking	1,151,913	-	1,151,913
Total Program Services	14,056,234	-	14,056,234
Supporting Services			
Management and general	2,019,399	-	2,019,399
Fundraising and special events	943,276	-	943,276
Total Supporting Services	2,962,675	-	2,962,675
Total Expenses	17,018,909	-	17,018,909
Change in Net Assets	(1,694,565)	(125,704)	(1,820,269)
<b>NET ASSETS</b>			
Beginning of year	27,430,494	206,824	27,637,318
End of year	\$ 25,735,929	\$ 81,120	\$ 25,817,049

See notes to financial statements

# Covenant House Alaska

## Statement of Activities Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT, REVENUES AND GAINS</b>			
Public Support			
Branding dollars from Parent	\$ 727,274	\$ -	\$ 727,274
Grants from Parent related to National Sleep Out Event	134,119	-	134,119
Contributions	4,269,444	206,824	4,476,268
Contributions of nonfinancial assets	201,489	-	201,489
Special events revenue	749,483	-	749,483
Less: Cost of direct benefit to donors	(255,697)	-	(255,697)
Total Public Support	5,826,112	206,824	6,032,936
Revenues and Gains			
Grant income	9,012,418	-	9,012,418
Investment return	198,125	-	198,125
Change in value of beneficial interest held by the Alaska Community Foundation	10,460	-	10,460
Other income	355,471	-	355,471
Total Revenues and Gains	9,576,474	-	9,576,474
Net assets released from restrictions	10,186,613	(10,186,613)	-
Total Public Support, Revenues and Gains	25,589,199	(9,979,789)	15,609,410
<b>EXPENSES</b>			
Program Services			
Immediate and Short-term housing	5,127,699	-	5,127,699
Transitional living - Rights of Passage	1,447,626	-	1,447,626
Employment and Education	1,951,330	-	1,951,330
Transitional living - Mother/Child	502,628	-	502,628
Housing	2,735,070	-	2,735,070
Outreach	1,027,386	-	1,027,386
Trafficking	1,154,176	-	1,154,176
Total Program Services	13,945,915	-	13,945,915
Supporting Services			
Management and general	1,913,058	-	1,913,058
Fundraising and special events	880,210	-	880,210
Total Supporting Services	2,793,268	-	2,793,268
Total Expenses	16,739,183	-	16,739,183
Change in Net Assets	8,850,016	(9,979,789)	(1,129,773)
<b>NET ASSETS</b>			
Beginning of year	18,580,478	10,186,613	28,767,091
End of year	\$ 27,430,494	\$ 206,824	\$ 27,637,318

**Covenant House Alaska**  
Statement of Functional Expenses  
Year Ended June 30, 2024

	Program Services								Supporting Services				
	Immediate and Short-term Housing	Transitional Living - Rights of Passage	Employment and Education	Transitional Living - Mother/ Child	Housing	Outreach	Trafficking	Total	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors	Total	Total Expenses
Salaries	\$ 2,688,067	\$ 768,403	\$ 927,640	\$ 267,450	\$ 1,343,507	\$ 600,722	\$ 516,055	\$ 7,111,844	\$ 803,685	\$ 401,771	\$ -	\$ 1,205,456	\$ 8,317,300
Employee benefits	572,767	147,261	171,865	61,716	331,156	140,667	155,564	1,580,996	290,581	80,247	-	370,828	1,951,824
Payroll taxes	229,601	65,476	77,365	23,323	112,398	50,281	39,110	597,554	61,844	33,617	-	95,461	693,015
Total Salaries and Related Expenses	3,490,435	981,140	1,176,870	352,489	1,787,061	791,670	710,729	9,290,394	1,156,110	515,635	-	1,671,745	10,962,139
Contracted services	131,282	12,376	51,642	2,622	58,227	138,970	267,842	662,961	128,617	192,543	-	321,160	984,121
Specific Assistance to Individuals													
Food	15,189	44,767	111	9,218	58,463	-	8,952	136,700	4,115	-	80,644	84,759	221,459
Clothing, allowance and other	153,429	18,785	66,001	7,408	576,212	22,203	104,186	948,224	16,484	1,200	-	17,684	965,908
Contributed clothing and merchandise	35,557	-	-	-	-	-	-	35,557	-	-	156,769	156,769	192,326
Occupancy													
Fuel and utilities	97,231	72,402	66,637	7,869	30,133	17,880	4,811	296,963	-	-	-	-	296,963
Repairs and maintenance	145,545	75,447	156,820	23,088	57,378	448	2,795	461,521	4,397	1,820	-	6,217	467,738
Interest expense	-	-	-	-	-	-	-	-	179,857	-	-	-	179,857
Supplies	123,704	16,755	48,590	22,233	76,797	28,988	4,099	321,166	41,235	104,918	-	146,153	467,319
Insurance	70,468	21,359	42,108	9,492	49,982	22,203	-	215,612	55,950	12,006	-	67,956	283,568
Travel	9,973	4,709	14,079	2,862	13,391	16,534	16,686	78,234	41,743	5,054	-	46,797	125,031
Miscellaneous	11,823	2,014	5,463	1,628	11,629	4,414	12	36,983	136,792	25,197	-	161,989	198,972
Lease expense	23,781	52,876	23,126	-	41,152	14,239	4,719	159,893	6,174	9,999	-	16,173	176,066
Accounting fees	-	-	-	-	-	-	-	-	50,950	-	-	-	50,950
Telephone	35,715	23,548	24,870	7,755	23,406	7,165	6,432	128,891	8,113	1,965	-	10,078	138,969
Bank charges and fees	-	-	1,836	-	-	-	-	1,836	40,835	29,065	-	69,900	71,736
Postage and printing	-	4	-	96	57	-	-	157	5,727	21,816	-	27,543	27,700
Dues, licenses and permits	886	-	4,640	-	22	7,009	-	12,557	54,237	2,232	-	56,469	69,026
Staff recruitment	17,892	5,010	5,774	1,826	8,894	4,078	3,553	47,027	14,293	3,831	-	18,124	65,151
Equipment	3,106	621	320	1,044	350	399	-	5,840	3,622	-	-	3,622	9,462
Subscriptions and publications	13,623	1,755	4,934	737	3,416	1,513	-	25,978	60,040	12,250	-	72,290	98,268
Advertising	306	-	312	306	-	-	-	924	-	3,502	-	3,502	4,426
Legal fees	-	-	-	-	-	-	-	-	1,650	-	-	1,650	1,650
Total Functional Expenses Before Depreciation and Amortization	4,379,945	1,333,568	1,694,133	450,673	2,796,570	1,077,713	1,134,816	12,867,418	2,010,941	943,033	237,413	3,191,387	16,058,805
Depreciation and amortization	519,426	77,702	397,269	10,772	166,550	-	17,097	1,188,816	8,458	243	-	8,701	1,197,517
Total Functional Expenses	4,899,371	1,411,270	2,091,402	461,445	2,963,120	1,077,713	1,151,913	14,056,234	2,019,399	943,276	237,413	3,200,088	17,256,322
Less: Cost of direct benefits to donor	-	-	-	-	-	-	-	-	-	-	(237,413)	(237,413)	(237,413)
Total Expenses Reported by Function on the Statement of Activities	\$ 4,899,371	\$ 1,411,270	\$ 2,091,402	\$ 461,445	\$ 2,963,120	\$ 1,077,713	\$ 1,151,913	\$ 14,056,234	\$ 2,019,399	\$ 943,276	\$ -	\$ 2,962,675	\$ 17,018,909

**Covenant House Alaska**  
Statement of Functional Expenses  
Year Ended June 30, 2023

	Program Services								Supporting Services				
	Immediate and Short-term Housing	Transitional Living - Rights of Passage	Employment and Education	Transitional Living- Mother/ Child	Housing	Outreach	Trafficking	Total	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors	Total	Total Expenses
Salaries	\$ 2,666,981	\$ 756,965	\$ 779,641	\$ 304,790	\$ 1,184,943	\$ 576,371	\$ 657,275	\$ 6,926,966	\$ 906,983	\$ 377,115	\$ -	\$ 1,284,098	\$ 8,211,064
Employee benefits	628,093	151,308	191,255	75,034	315,861	141,390	241,395	1,744,336	350,341	78,804	-	429,145	2,173,481
Payroll taxes	210,394	60,004	59,463	24,209	92,633	44,486	51,602	542,791	64,151	28,730	-	92,881	635,672
Total Salaries and Related Expenses	3,505,468	968,277	1,030,359	404,033	1,593,437	762,247	950,272	9,214,093	1,321,475	484,649	-	1,806,124	11,020,217
Contracted services	40,557	62,790	68,463	2,231	48,372	117,109	4,020	343,542	75,348	174,348	-	249,696	593,238
Specific Assistance to Individuals													
Food	256,487	27,939	16,161	11,140	35,509	2,160	3,988	353,384	3,380	-	78,488	81,868	435,252
Clothing, allowance and other	142,918	9,614	62,394	7,135	547,634	6,039	113,281	889,015	15,764	2,258	-	18,022	907,037
Contributed clothing and merchandise	24,280	-	-	-	-	-	-	24,280	-	-	177,209	177,209	201,489
Occupancy													
Fuel and utilities	94,280	62,146	57,472	7,617	25,608	17,436	4,601	269,160	-	-	-	-	269,160
Repairs and maintenance	158,056	85,560	135,489	11,790	36,608	1,931	1,621	431,055	2,632	-	-	2,632	433,687
Interest expense	-	-	-	-	-	-	-	-	56,023	-	-	56,023	56,023
Supplies	224,708	34,638	70,203	18,623	136,991	49,641	20,936	555,740	46,168	90,886	-	137,054	692,794
Insurance	68,568	22,655	35,160	10,566	38,082	10,726	13,041	198,798	46,834	10,691	-	57,525	256,323
Travel	6,400	3,083	17,907	6,576	25,910	28,074	8,382	96,332	29,699	6,046	-	35,745	132,077
Miscellaneous	11,576	2,706	17,751	2,040	17,691	1,166	2,237	55,167	109,803	30,090	-	139,893	195,060
Lease expense	15,384	52,202	9,574	-	41,275	21,950	-	140,385	5,860	12,697	-	18,557	158,942
Accounting fees	-	-	-	-	-	-	-	-	63,245	-	-	63,245	63,245
Telephone	32,276	22,668	19,601	7,553	19,157	5,073	9,909	116,237	8,395	1,726	-	10,121	126,358
Bank charges and fees	-	-	2,061	-	-	-	-	2,061	19,181	25,125	-	44,306	46,367
Postage and printing	573	82	120	39	-	264	-	1,078	4,951	23,989	-	28,940	30,018
Dues, licenses and permits	1,667	447	7,701	10	1,289	-	-	11,114	22,536	2,847	-	25,383	36,497
Staff recruitment	14,791	4,062	4,088	1,707	6,438	3,189	4,044	38,319	12,886	2,979	-	15,865	54,184
Equipment	113	44	759	-	-	-	-	916	667	-	-	667	1,583
Subscriptions and publications	11,057	1,340	2,861	507	1,473	381	747	18,366	57,187	7,305	-	64,492	82,858
Advertising	289	-	289	289	-	-	-	867	-	3,073	-	3,073	3,940
Legal fees	-	-	-	-	-	-	-	-	4,770	800	-	5,570	5,570
Total Functional Expenses Before Depreciation and Amortization	4,609,448	1,360,253	1,558,413	491,856	2,575,474	1,027,386	1,137,079	12,759,909	1,906,804	879,509	255,697	3,042,010	15,801,919
Depreciation and amortization	518,251	87,373	392,917	10,772	159,596	-	17,097	1,186,006	6,254	701	-	6,955	1,192,961
Total Functional Expenses	5,127,699	1,447,626	1,951,330	502,628	2,735,070	1,027,386	1,154,176	13,945,915	1,913,058	880,210	255,697	3,048,965	16,994,880
Less: Cost of direct benefits to donor	-	-	-	-	-	-	-	-	-	-	(255,697)	(255,697)	(255,697)
Total Expenses Reported by Function on the Statement of Activities	\$ 5,127,699	\$ 1,447,626	\$ 1,951,330	\$ 502,628	\$ 2,735,070	\$ 1,027,386	\$ 1,154,176	\$ 13,945,915	\$ 1,913,058	\$ 880,210	\$ -	\$ 2,793,268	\$ 16,739,183

# Covenant House Alaska

## Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,820,269)	\$ (1,129,773)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,197,517	1,192,961
Amortization of right of use asset	27,974	27,188
Change in unrealized gains on investments	(128,119)	(144,044)
Deferred gain on sale leaseback of the building	(24,538)	(24,538)
Change in value of beneficial interest held by the Alaska Community Foundation	(17,251)	(10,460)
Net change in operating assets and liabilities		
Grants receivable	194,488	(879,662)
Pledges and contributions receivable	(462,703)	1,896
Prepaid expenses and other current assets	(67,927)	(18,136)
Accounts payable and accrued liabilities	256,495	(2,123,085)
Due to affiliates	298,267	2,238,835
Deferred revenue	(142,574)	(253,472)
Operating lease liability	(27,974)	27,188
Refundable advance	-	985,000
Net Cash from Operating Activities	<u>(716,614)</u>	<u>(110,102)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(55,000)	(264,778)
Purchase of investments	(46,573)	(54,081)
Proceeds from sale of investments	750,000	-
Net Cash from Investing Activities	<u>648,427</u>	<u>(318,859)</u>
Change in Cash	(68,187)	(428,961)
<b>CASH</b>		
Beginning of year	<u>460,661</u>	<u>943,998</u>
End of year	<u>\$ 392,474</u>	<u>\$ 460,661</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for interest	\$ 179,857	\$ 56,023

See notes to financial statements

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 1. Organization and Nature of Activities

Covenant House Alaska (the “Organization”), a not-for-profit organization incorporated in 1988, 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 primarily to youth in the Anchorage, Alaska metropolitan area.

The Parent is a not-for-profit organization founded in 1968 and 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 approximately 57,000 young people during fiscal 2024. Throughout fiscal 2024, Covenant House provided a total of 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 Texas
- Covenant House Washington, D.C.
- Covenant House Western Avenue
- Covenant House Testamentum
- Covenant House Holdings, LLC
- Covenant International Foundation
- CH Housing Development Fund Corporation
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44<sup>th</sup> Corporation
- 460 West 41<sup>st</sup> Street, LLC

The Parent is also the sole member of Covenant International Foundation (“CIF”), a not-for-profit corporation. The 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.

The Parent is the founder of Fundación Casa Alianza México, I.A.P.

The Organization has been determined to be a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.



## **Covenant House Alaska**

### **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. The Organization's high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. The Organization is expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, youth who are pregnant or parenting, and young people facing mental health challenges from their time unhoused. The Organization's shelter doors are open 24/7, and they have provided uninterrupted service to children and youth for more than 50 years.

###### ***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. The Organization's research shows that the longer a young person resides with them and takes advantage of their programs, the more likely they are to experience positive outcomes, including stable housing, gainful employment, and higher education. In the Organization's 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.

###### ***Employment and Education Services***

Youth can access the support and resources they need to complete their education, gain employment skills and find sustainable jobs. The Organization offers daily workshops, job coaching, and paid internships to all youth accessing services. The Organization's staff, in partnership with the Anchorage School District, provides educational guidance, structure and support to school age youth in a positive learning environment. Through services such as after-school tutoring, remedial education groups, and General Equivalency Diploma preparation classes, youth receive the essential tools they need to achieve academic success.

## **Covenant House Alaska**

Notes to Financial Statements  
June 30, 2024 and 2023

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

#### ***Components of Program and Supporting Services (continued)***

##### ***Program Services (continued)***

###### *Transitional Living – Mother/Child*

Mother/Child is a supportive housing program for parenting and pregnant teens ages 17 through 20 and their children for up to 18 months in residence and 12 months of aftercare. The focus is on vocational and independent living skills as well as raising healthy children. Mary's Place offers independent living for three mothers and their children for up to 18 months that includes case management.

###### *Housing*

In this project, a Permanency Navigator is assigned to assist youth as they move through housing, programs and systems with the consistency they need from a supportive adult. Because they are employed by the agency contracted for this project, not by any state division or single organization, they are able to walk alongside a young person throughout it all. They can help the youth access behavioral health, substance abuse or disability services, find the right place to live, participate in meetings with the Office of Children's Services, develop a permanency plan, or provide aftercare to encourage success.

###### *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. The teams offer food, water, hygiene kits, clothing, blankets, counseling, and referrals. Through sustained contact, they build trust with the young people they encounter, encouraging them to come into their shelters and benefit from their services.

###### *Trafficking*

The Covenant House Alaska ANCHOR Team works to identify and serve potential victims and survivors of human trafficking. The team is comprised of Permanency Navigators who have been specially trained to work with those who are vulnerable to or who have been trafficked. The Organization uses validated screening tools and relentless relationship to identify young people who have high vulnerability to being recruited into trafficking in order to provide preventative support. Referrals are also made by community partners and law enforcement. Working with other Organization programs and an array of partners, the team is able to meet basic needs, provide access to emergency housing as well as the possibility of permanent housing. ANCHOR Team Navigators stay connected to the young people they are assigned until they are 24 years old. These Navigators do as much as they can within their role to support victims and survivors as they seek to leave their trafficking situations. Additionally, the ANCHOR Team provides training on how to identify and serve trafficking victims and survivors around the state.

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

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

##### ***Components of Program and Supporting Services (continued)***

###### ***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 Donors***

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

#### **2. Summary of Significant Accounting Policies**

##### ***Basis of Presentation 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.

##### ***Change in Accounting Principle***

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 its financial statements.

##### ***Net Assets***

The Organization reports information regarding financial position and activities according to two classes of net assets: without and with donor restrictions.

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

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

### ***Net Assets (continued)***

*Without donor restrictions* – consist of resources available for the general support of the Organization's operations. Net assets without donor restrictions may be used at the discretion of the Organization's management and Board of Directors. Net assets without donor restrictions also includes Board designated net assets. The Board of Directors has earmarked these funds for future use. See Note 11.

*With donor restrictions* – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Organization to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

### ***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.

### ***Investment Valuation and Income Recognition***

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

### ***Property and Equipment***

Property and equipment is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets. The Organization's policy is to capitalize all purchases of \$5,000 or greater except for furniture and fixtures, which is \$2,500 or greater, and a useful life of one year or more at the time of purchase.

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

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

##### ***Property and Equipment (continued)***

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

Buildings	30-40 years
Building improvements	5-20 years
Equipment	3-10 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 was no such impairment for the years ended June 30, 2024 and 2023.

##### ***Pledges and Contributions Receivable***

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

##### ***Deferred Revenue***

The Organization records receipts under certain government or privately funded contract programs, which have not been spent due to barriers to collection and rights of return, as deferred revenue.

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

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

### ***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. The Organization also raises funds through special events, such as galas. Special event revenues, net of related costs with a direct-benefit to donors, are recorded as without donor restrictions since such funds can be used for general operations unless there are donor-imposed restrictions. 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. Donor-restricted contributions whose restrictions are met in the same reporting period are recorded as support without donor-restrictions.

### ***Functional Allocation of Expenses***

The costs of providing the various program and supporting services have been summarized on a functional basis. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates direct costs to program services. Supporting services include management and general and fundraising. Allocated expenses among program services and management and general and fundraising include salaries and related expenses, staff travel, consulting and professional fees, rent and occupancy, and other expenses which are allocated based on time and costs where efforts are made.

### ***Donated Goods and Services***

Donated goods consist of items received by the Organization and awarded as prizes during the auctions held in relation to special events. These amounts are recorded as both revenue and expense at their estimated fair values at the date of receipt. The Organization recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying financial statements.

### ***Advertising Costs***

Advertising costs are expensed as incurred.

### ***Leases***

The Organization leases property from Cook Inlet Tribal Council and determines if an arrangement is a lease at inception. Operating leases are included in right of use asset – operating leases ("ROU assets") and lease liability, operating leases on the accompanying statements of financial position.

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

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

##### ***Leases (continued)***

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The Organization uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain non-lease components or any material residual value guarantees or material restrictive covenants.

##### ***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 March 12, 2025.

#### **3. Grants Receivable**

Grants receivable of \$1,547,673 and \$1,742,161 at June 30, 2024 and 2023, represent the amounts due from various governmental agencies and private grantors for the Organization's programs. All grants receivable as of June 30, 2024 are expected to be collected within one year.

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 4. Pledges and Contributions Receivable

Pledges and contributions receivable at June 30, are expected to be received as follows:

	<u>2024</u>	<u>2023</u>
Within one year	<u>\$ 515,870</u>	<u>\$ 53,167</u>

#### 5. Investments

The following are major categories of investments grouped by the fair value hierarchy at June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Large CAP	\$ 698,851	\$ -	\$ -	\$ 698,851
Mid CAP	3,688	-	-	3,688
Bonds				
High - Yield Corporate Bond	-	301,096	-	301,096
Intermediate	-	365,440	-	365,440
Total	<u>\$ 702,539</u>	<u>\$ 666,536</u>	<u>\$ -</u>	<u>\$ 1,369,075</u>
Beneficial interest in assets held by the Alaska Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,473</u>	<u>\$ 173,473</u>

The following are major categories of investments grouped by the fair value hierarchy at June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds				
Large CAP	\$ 561,299	\$ -	\$ -	\$ 561,299
Mid CAP	186,097	-	-	186,097
Foreign	566,154	-	-	566,154
Bonds				
High - Yield Corporate Bond	-	275,202	-	275,202
Intermediate	-	355,631	-	355,631
Total	<u>\$ 1,313,550</u>	<u>\$ 630,833</u>	<u>\$ -</u>	<u>\$ 1,944,383</u>
Beneficial interest in assets held by the Alaska Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,222</u>	<u>\$ 156,222</u>



## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 5. Investments (continued)

Investment return consists of the following for the years ended June 30:

	2024	2023
Dividends and interest	\$ 46,573	\$ 54,081
Change in unrealized gains (losses) on investments	128,119	144,044
	<u>\$ 174,692</u>	<u>\$ 198,125</u>

The beneficial interest in assets held by the Alaska Community Foundation (the "Foundation") has been valued at the fair value of the Organization's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis. The estimated fair values of certain investments of the Foundation, which include closely held stocks for which prices are not readily available, are determined by the management of the Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held by the Foundation is not redeemable by the Organization.

The table below presents information about fair value measurements that use significant unobservable inputs (Level 3):

	2024	2023
Beginning balance	\$ 156,222	\$ 145,762
Net gain realized/unrealized	17,251	10,460
Ending balance	<u>\$ 173,473</u>	<u>\$ 156,222</u>

#### 6. Property and Equipment

Property and equipment consist of the following at June 30:

	2024	2023
Buildings	\$ 29,329,314	\$ 29,329,314
Building improvements	2,408,458	2,353,458
Equipment	2,513,647	2,539,872
	34,251,419	34,222,644
Accumulated depreciation and amortization	(7,701,512)	(6,530,220)
	<u>26,549,907</u>	<u>27,692,424</u>
Land	2,785,011	2,785,011
	<u>\$ 29,334,918</u>	<u>\$ 30,477,435</u>

Equipment with a cost of \$26,225 and net book value of \$-0- was disposed of in the year ended June 30, 2024.

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 7. Refundable Advance

Financing for the Bridge to Success Affordable Housing Project in the amount of \$1,740,185 was provided through an Indian Housing Block Grant under the Native American Housing Assistance and Self Determination Act of 1996 from Cook Inlet Housing Authority. Under this Housing and Urban Development ("HUD") sponsored block grant, the grant will become re-payable if the Organization does not comply with certain obligations during the term of this sub-recipient agreement which began on September 8, 2021 and terminates on July 6, 2052.

Financing for the Bridge to Success Affordable Housing Project in the amount of \$985,000 was provided through an affordable housing subsidy agreement from Federal Home Loan Bank of Des Moines. The Organization is bound by the terms and conditions in the agreement, which began on July 1, 2023 (project completion) and terminates on June 30, 2038. If all terms and conditions are satisfied, the loan is subject to forgiveness. In the event of noncompliance, the Organization is fully liable for the amount received with interest.

#### 8. Deferred Realized Gain

In September 2015, the Organization sold a property to Cook Inlet Tribal Council ("CITC") for \$1,533,764. Immediately before the transaction, the property was carried at a cost of \$1,043,004. CITC agreed to expend \$2.1 million to refurbish the property to expand the capacity of the transitional living program. At the same time, the Organization entered into a lease with CITC for the right to use the property for 10 years, with monthly payments of \$2,500, with two 5-year renewal options at a rent amount to be determined at the time of each renewal. Accordingly, the Organization accounted for the transaction as a sale and leaseback.

As a result of this sale-leaseback transaction, a realized gain on sale in amount of \$490,760 was realized. Since the lease with CITC is an operating lease, the gain is amortized to income in proportion to rent expense over the remaining lease term, on a straight-line basis. For each of the years ended June 30, 2024 and 2023, gain amortized to income was \$24,538. At June 30, 2024 and 2023, deferred realized gain was as follows:

	2024	2023
Deferred realized gain, current	\$ 24,538	\$ 24,538
Deferred realized gain, net of current portion	<u>276,053</u>	<u>300,591</u>
	<u>\$ 300,591</u>	<u>\$ 325,129</u>

#### 9. Leases

As described in Note 8, the Organization entered into a lease with CITC for the right to use the property for 10 years, with monthly payments of \$2,500, with two 5-year renewal options at a rent amount to be determined at the time of each renewal. Beginning July 2017, monthly rental payments were increased up to \$3,708 to cover the cost of improvements above \$2.1 million permitted in the purchase and sale agreement.

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 9. Leases (*continued*)

In addition, the Organization entered into a lease with CITC for the right to use a program space under non-cancellable operating lease, with monthly payments of \$1,450. Lease term commenced on July 1, 2015, and continued until June 30, 2020. Subsequent to June 30, 2020, the Organization is leasing on a month-to-month basis.

The Organization leases its office equipment under non-cancellable operating leases.

The Organization amortizes one operating lease over the remaining life of the lease agreement. Right-of-use assets consist of the following as of June 30:

	2024	2023
Right of use asset	\$ 113,555	\$ 113,555
Accumulated amortization	(55,162)	(27,188)
	<u>\$ 58,393</u>	<u>\$ 86,367</u>

The lease cost and other required information as of and for the years ended June 30, are as follows:

	2024	2023
Lease cost		
Operating lease cost	\$ 30,000	\$ 30,000
Short-term lease cost	146,066	128,942
	<u>\$ 176,066</u>	<u>\$ 158,942</u>
	2024	2023
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 30,000	\$ 30,000
Weighted-average remaining lease term		
Operating lease	2.00	3.00
Weighted-average discount rate		
Operating lease	2.85%	2.85%
2025		\$ 30,000
2026		30,000
Less amounts representing interest		(1,607)
		<u>\$ 58,393</u>

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, are available for the following:

	<u>2024</u>	<u>2023</u>
Covey Academy	\$ -	\$ 206,824
Other Programs	<u>81,120</u>	<u>-</u>
	<u>\$ 81,120</u>	<u>\$ 206,824</u>

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

	<u>2024</u>	<u>2023</u>
Purpose-restricted contributions	<u>\$ 206,824</u>	<u>\$ 10,186,713</u>

#### 11. Board Designated Net Assets

In May 2014, the Board approved the establishment of a Board designated fund. The purpose of the fund is to segregate funds for social enterprise project, building maintenance fund, investment in the Alaska Community Foundation and for income and growth. On April 16, 2015, the Board approved \$2,156,015 to the Board designated fund from the sale of the property located at 609 F Street. On December 8, 2015, the Board approved an additional \$1 million to the Board designated fund from the sale of the property located at 750 West 5th Ave. Interest and dividends earned on the Board designated fund remain in the Board designated fund until appropriated and expended.

Board designated funds consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Beneficial interest in Alaska Community Foundation	\$ 173,473	\$ 156,222
New building maintenance fund	-	-
Income and growth - Investments	<u>1,369,075</u>	<u>1,944,383</u>
	<u>\$ 1,542,548</u>	<u>\$ 2,100,605</u>

The Board designated fund is invested in accordance with the Organization's investment policy. Investments are placed in a diversified balanced portfolio consisting of equity securities, fixed income securities, alternative investments and cash equivalents. The Organization expects its portfolio to achieve returns comparable to nationally recognized market indices. In addition, the Organization will conduct performance comparisons against nationally recognized balanced fund managers and market indices.

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 11. Board Designated Net Assets (*continued*)

In accordance with the Board's directive, spending will be limited to 4 percent of the average assets for general use beginning fiscal year 2016. Once four years of investment returns are achieved, the policy will be revised to the average annual observed return over the trailing sixteen quarters.

The Board did not approve any disbursement of Board designated funds for general operations for fiscal year 2023. For fiscal year 2024, the Board approved a withdrawal of \$750,000 from the Board Designated net assets to fund internal cash needs.

The following table is an analysis of the changes in the board designated fund for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Board designated funds, beginning of year	\$ 2,100,605	\$ 1,892,020
Interest and dividend income	46,573	54,081
Change in value of beneficial interest held by the Alaska Community Foundation	17,251	10,460
Change in unrealized gains	128,119	144,044
Transfers out	(750,000)	-
Board designated funds, end of year	<u>\$ 1,542,548</u>	<u>\$ 2,100,605</u>

#### 12. Commitments and Contingencies

Expenses incurred pursuant to the grants and contracts are subject to audit by governmental agencies or their representatives. Amounts reflected in the financial statements and expenses in prior periods have generally not been audited by the grantor agencies. Accordingly, adjustments to amounts received could result in disallowed costs if the grants and contracts are audited by such agencies.

#### 13. Liquidity and Availability Disclosure

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Cash	\$ 392,474	\$ 460,661
Grants receivable	1,547,673	1,742,161
Pledges and contributions receivable	515,870	53,167
Total Financial Assets Available Within One Year	2,456,017	2,255,989
Less contractual or donor imposed restricted amounts:		
Restricted by donor with time or purpose restrictions and internal designations	<u>81,120</u>	<u>206,824</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,374,897</u>	<u>\$ 2,049,165</u>

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

#### **13. Liquidity and Availability Disclosure (*continued*)**

##### ***Liquidity Management***

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions and grants. The board designated fund is subject to an annual spending rate of 4% as described in Note 11. Although the Organization does not intend to spend from its board designated fund, these amounts could be made available if necessary.

#### **14. Employee Benefit Plan**

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 \$213,290 and \$185,525 for the years ended June 30, 2024 and 2023.

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.

For the years ended June 30, 2024 and 2023, the Organization contributed \$86,073 and \$42,493 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statements of functional expenses.

## **Covenant House Alaska**

### **Notes to Financial Statements June 30, 2024 and 2023**

#### **15. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, investments, and receivables. The Organization places its cash with various financial institutions and limits the amount of credit exposure at any one financial institution. The Organization routinely assesses the diversification and financial strength of its cash and investment portfolios with the assistance of an independent investment consultant. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation are insured up to \$500,000 (\$250,000 for cash holdings). At times, the balances may be in excess of the FDIC and/or SPIC limit. At June 30, 2024 and 2023, the Organization's uninsured cash and cash equivalents deposit totaled approximately \$192,000 and \$237,000. At June 30, 2024 and 2023, the Organization's uninsured investment holdings totaled approximately \$869,000 and \$1,444,000. Concentrations of credit risk with respect to receivables are generally diversified due to the number of funding sources composing the Organization's donor base.

#### **16. Related Party Transactions (not disclosed elsewhere)**

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 for the Parent in the years ended June 30, 2024 and 2023. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent's policy, approximated \$37 million and \$36 million for the years ended June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023 the Organization received \$40,783 and \$9,982 in support received by the Parent, recorded in Contributions in the statement of activities. In 2024 and 2023, the Organization received \$630,000 and \$727,274 in "Branding Dollars" and \$170,582 and \$134,119 related to national sleep out event from the Parent.

To cover timing differences between requests and receipts in government grant reimbursements, during fiscal 2024 and 2023, the Organization entered into an unsecured line of credit agreement with the Parent drawing down \$850,000 and \$2,800,000 with repayments of \$1,150,000 in 2023. These amounts are included in due to affiliate. The unsecured loan agreement bears an interest rate at the 30-day SOFR rate plus 1.61%. Interest expense for the years ended June 30, 2024 and 2023 amounted to \$179,857 and \$56,023.

#### **17. Donated Goods and Services**

##### *Volunteer Services*

Volunteers in the community provided approximately 4,198 and 4,201 hours of contributed services to the Organization for the years ended June 30, 2024 and 2023. The value of these services performed and the expenses associated with these volunteers was estimated to be approximately \$149,000 and \$141,000 for the years ended June 30, 2024 and 2023. The value of

## Covenant House Alaska

### Notes to Financial Statements June 30, 2024 and 2023

#### 17. Donated Goods and Services *(continued)*

##### *Volunteer Services (continued)*

these services is not recorded in the accompanying financial statements as the criteria for recording such services was not met.

##### *Contributed Goods and Services*

The Organization received goods and services from unrelated organizations. Estimated fair value of the goods and services is as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>	<u>Utilition in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Food	\$ 470	\$ 822	Shelter, Transitional Living, Outreach, Education and Employment	No associated donor restrictions	In valuing contributed food provided by donations from the community, the Organization applies 100% of the donor stated value as receipt or invoice designated value at time of donation is provided or 15% of donor stated value when no receipt or invoice is provided.
Supplies - Toiletries, household, hygiene	17,420	6,619	Shelter, Transitional Living	No associated donor restrictions	In valuing contributed supplies provided by donations from the community, the Organization applies 100% of the donor stated value as receipt or invoice designated value at time of donation is provided or 15% of donor stated value when no receipt or invoice is provided.
Clothing	17,667	16,839	Shelter	No associated donor restrictions	In valuing contributed food provided by donations from the community, the Organization applies 100% of the donor stated value as receipt or invoice designated value at time of donation is provided or 15% of donor stated value when no receipt or invoice is provided.
Contributed merchandise	<u>156,769</u>	<u>177,209</u>	Fundraising and Special Events	No associated donor restrictions	In valuing other contributed items provided by donations from the community, the Organization applies 100% of the donor stated value as receipt or invoice designated value at time of donation is provided or 15% of donor stated value when no receipt or invoice is provided.
	<u>\$ 192,326</u>	<u>\$ 201,489</u>			

\* \* \* \* \*