

Covenant House Alaska

Consolidated Financial Statements

June 30, 2020 and 2019

Covenant House Alaska

Consolidated Financial Statements June 30, 2020 and 2019

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Independent Auditors' Report

Board of Directors Covenant House Alaska

We have audited the accompanying consolidated financial statements of Covenant House Alaska (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House Alaska as of June 30, 2020 and 2019, and the consolidated 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated 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 auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements and other knowledge we obtained during our audits of the consolidated 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.

The supplementary information on pages 35 to 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

March 31, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

Management’s Discussion and Analysis (MD&A) is the section of Covenant House Alaska’s (“CHA”) annual report in which management provides an overview of the important program activities and financial results, as well as key trends. The purpose of providing this report is to create a better understanding of CHA’s financial and program results, the strategic activities the board and management have implemented, and the outlook for the future.



About Covenant House Alaska

CHA opened its doors in 1988 in Anchorage, Alaska and is a member of Covenant House (Parent), which operates in 31 cities across six countries in North America. With a mission to “serve the suffering children of the street and to protect and safeguard all children,” CHA is a faith-based organization that provides services to all homeless, at-risk and trafficked youth ages 13 to 24. All youth are welcomed day or night, without question or cost, and CHA offers a transformative system of care to help all at-risk youth transition to permanency.

Over 30 years of operation, CHA has served over 35,000 youth experiencing homelessness, and has grown from an emergency shelter to an organization that provides a comprehensive continuum of services. Most programs and services are offered in CHA’s Youth Engagement Center (“YEC”), which opened in 2013. The table below shows the total number of youth served who accessed services across all of CHA’s programs, as well as total bed nights at CHA:

	<u>FY 2020</u>	<u>FY 2019</u>	<u>FY 2018</u>
Number of youth served	822	1,001	823
Bed nights	39,719	32,386	24,837

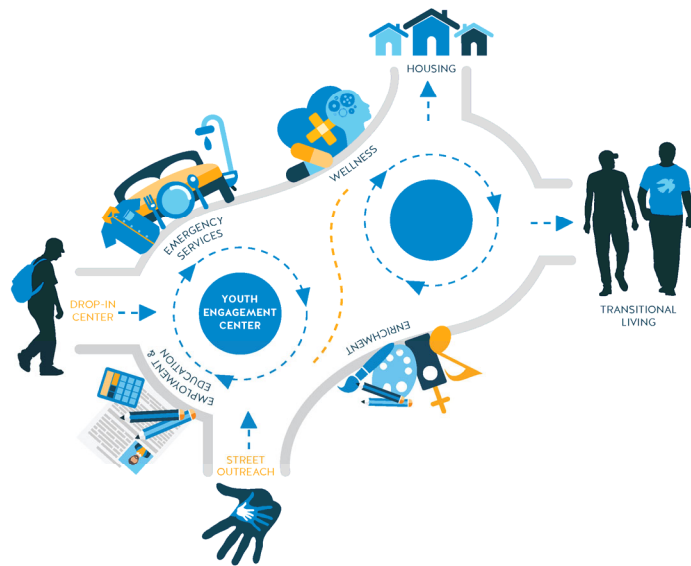
Structure of Organization

Covenant House Alaska utilizes an approach of progressive, relentless engagement to identify at-risk youth where they are, whether on the streets or in other unsafe situations and to build trusting relationships. After contact with our Street Outreach Team, youth are encouraged to do an intake at the emergency shelter in the YEC. Here youth receive more than a place to sleep: they receive a full continuum of services that lead up to family reunification or placement in stable housing. CHA utilizes a robust web-based data management software system that allows us to engage in rigorous data analysis and outcomes measurement with the goal of becoming a data-driven learning organization.

Safe Shelter: On any given night, CHA provides homeless youth with a warm, safe place to lay their heads at the YEC, while receiving a full continuum of services to help them gain stability. In FY20, 274 young people stayed at the YEC.

Employment and Education Services: Programs that help youth complete their education and employment; an on-site Anchorage School District high school classroom; and evidence-based programs including our “Back on Track” partnership with the school district that keeps young people in school and on track to graduate. In FY20, 244 youth entered the Back and Track.

Housing Services: A team of Permanency Navigators and housing staff assist youth in moving from the streets to self-sufficiency by helping them open the right doors to housing. There are many housing choices from scattered site apartments, permanent supportive housing offered by our partners, or we work with them to get into one of CHA's transitional living programs. While Emergency Shelter will always be a part of what CHA does, the Agency, in its YHDP undertaking, has realized the central importance of approaching our clients from a perspective of providing housing on-ramps, and increasing the probability of long-term housing success, rather than focusing on short-term Emergency Shelter. Throughout its life, our YHDP team has connected 53 clients to Rapid Rehousing, while providing another 381 clients services through Permanency Navigators, as well as 111 Permanency Navigator clients finding stable housing through the program.



Transitional Living Programs: Youth can participate in any of the following transitional living programs for 18 months with up to 12 months of additional aftercare. In FY20, youth stayed an average of 138 days in each program, a decrease of 18 days over the previous year.

Passage House is 10-bed residential transitional living program for parenting and pregnant teens ages 17 through 20. The focus is on independent living skills and raising healthy children. In FY20, 9 mothers and their babies participated in the program.

Rights of Passage (ROP) is a coed residential program for youth ages 18 to 21. In FY20, 56 youth worked, saved money, and learned independent living skills during the 18-month program. ROP expanded from 14 to 25 beds in 2016.

Wellness Center: A new, innovative partnership with Southcentral Foundation to operate an on-site clinic began in 2017. This clinic provides all health services including connecting clients to benefits, providing behavioral health services, delivering cultural programming including suicide prevention, and developing comprehensive medical care plans for every youth. In FY20, 482 youth accessed the Wellness Center in unique visits.

Youth Enrichment & Spirituality: The YEC has dedicated space and staff/volunteer support for youth to participate in art, music, cultural activities, physical recreation, leadership training, volunteering, internship opportunities, and spiritual activities for youth who choose to participate.

Street Outreach: Often the first point of contact with vulnerable youth on the streets, this team builds relationships, offers food and basic supplies, and encourages them to access services at the YEC. In FY20, 312 youth were contacted by Street Outreach and took the first steps towards safety and stability.

Executive Summary

- CHA is the sole provider of services in Anchorage for youth experiencing homelessness, and is being recognized as a national leader in our delivering of evidence-based, outcome-driven services. CHA is the Lead Agency in our community efforts to implement a U.S. Department of Housing and Urban Development (“HUD”) Youth Homelessness Demonstration Program (“YHDP”).

- As CHA has seen the issue of human trafficking of young people grow in our community, we have pursued new funding sources and interventions to tackle this issue. With a multitude of partnerships and new federal funding sources in place, we can help ensure young people stay safe and free from victimization.
- CHA continues to engage with new funders to invest and implement best practice models with the ultimate goal of ending the experience of homelessness for our youth in our Anchorage. Our new model of care includes a team of Permanency Navigators who use the philosophy of “relentless engagement” to assist youth in a client-centered, 100% mobile approach as they help young people navigate any community resources that will result in stable housing. CHA has also implemented a “rapid re-housing” project tailored for youth that provides rental assistance, move-in support and case management that adjusts the level of support for each and every youth according to their needs. With these new projects, CHA has evolved towards a new paradigm of assisting youth: moving beyond our four walls and helping young people in a *mobile, individualized and relentless approach*.
- CHA is meeting increased community needs by simultaneously expanding capacity to provide the housing, education, employment and trafficking services that will not only help youth survive - but to thrive.

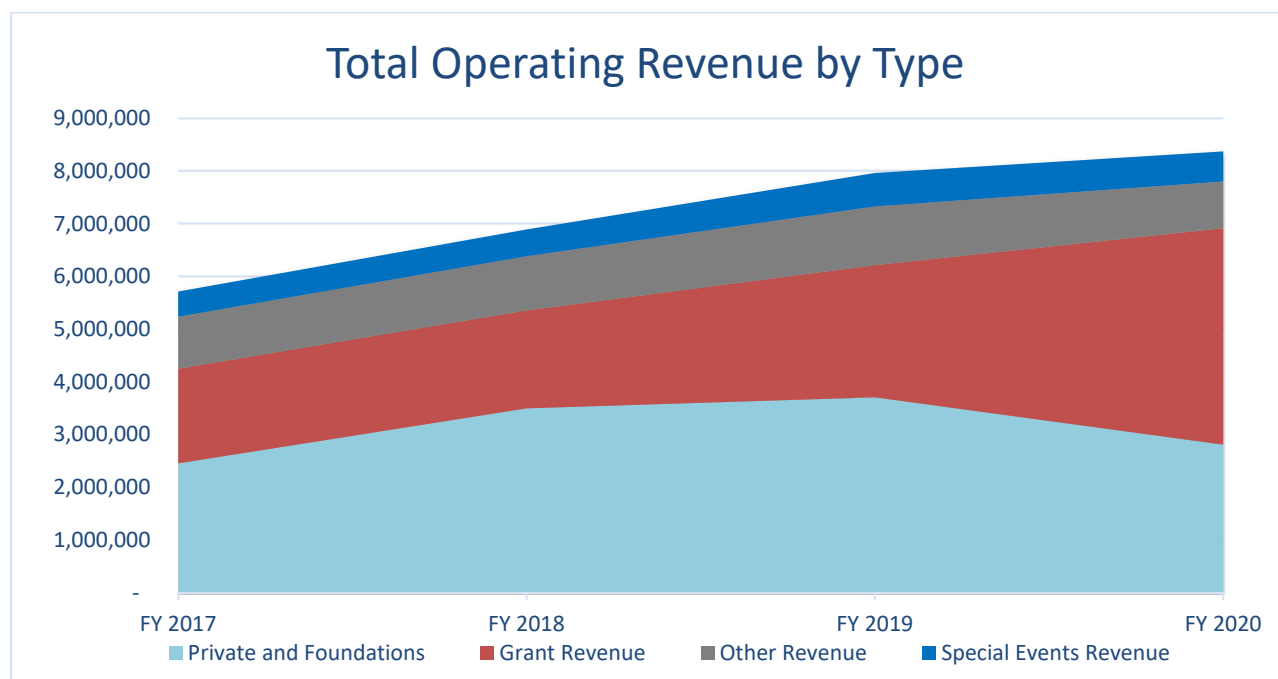
Financial Analysis

With over than \$22 million in total assets, CHA’s financial picture is strong. In FY20, the increase in our net assets and decrease in our Total Liabilities was primarily from the New Market Tax Credit unwind.

	FY 2020	FY 2019	FY 2018
Current Assets	\$ 3,120,428	\$ 1,397,504	\$ 1,914,263
Non-current Assets	<u>19,990,231</u>	<u>32,998,106</u>	<u>33,008,876</u>
Total Assets	23,110,659	34,395,610	34,923,139
Total Liabilities	<u>3,920,014</u>	<u>18,325,179</u>	<u>18,321,201</u>
Net Assets	\$ <u>19,190,645</u>	\$ <u>16,070,431</u>	\$ <u>16,601,938</u>

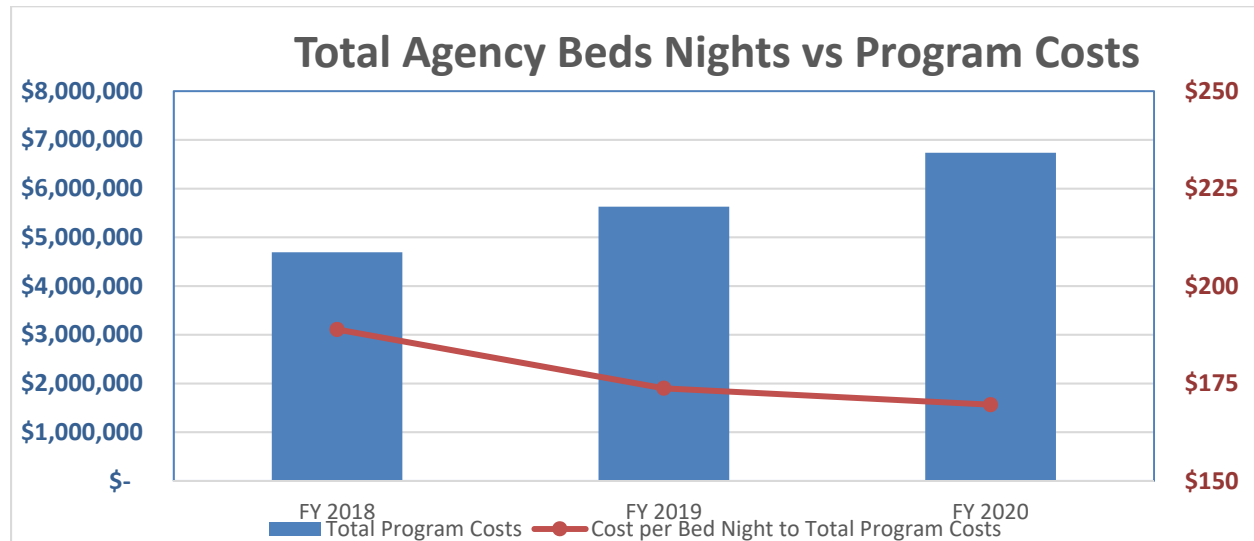
Operating Revenue

CHA continued to show growth and diversity in operating support and revenue.



Operating Expenses

CHA responded to the increased community need through building efficiencies and economies of scale so that we could serve more youth with comparatively lower expenditures on program growth.



Personnel Costs

CHA continued its systemic changes to optimize staff deployment and maximize community impact. Through these efforts, CHA was able to meet the demands of an average daily census in shelter alone that increased over the last three years from 49 youth and meet the demands of an increased average length of stay which also increased from 18 to 26 days.

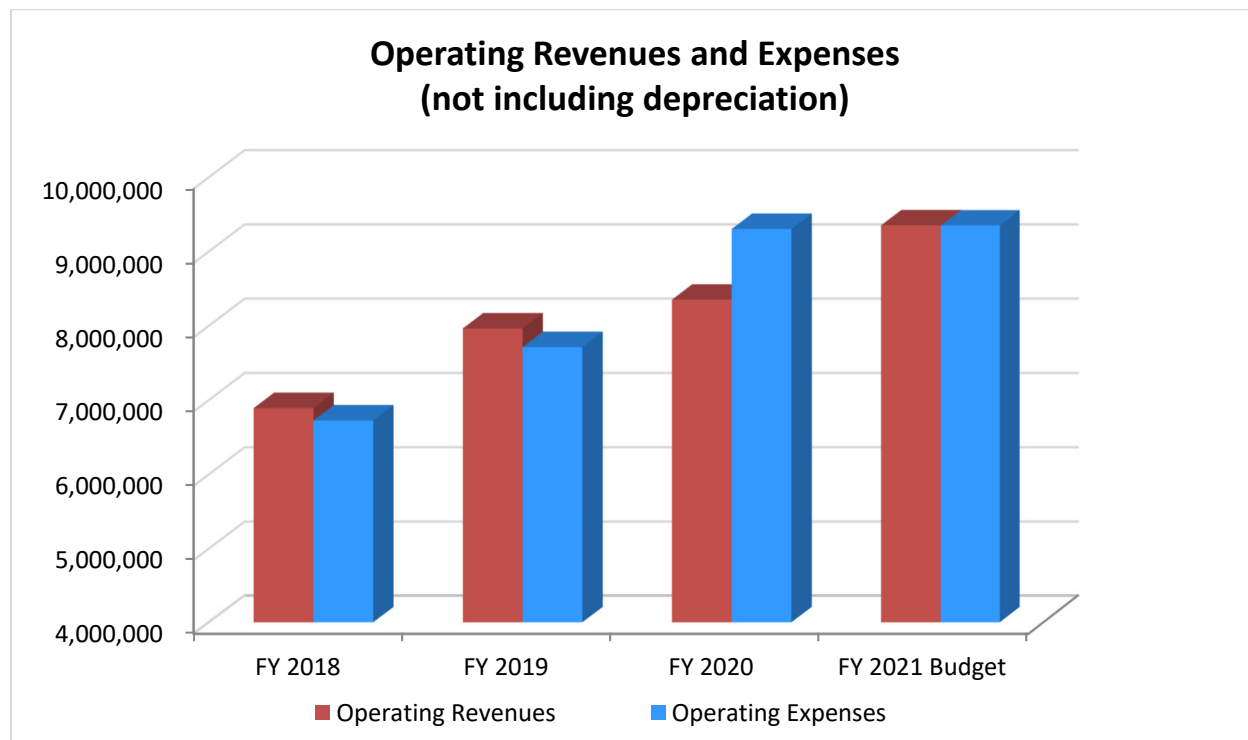
Part of our strategy to provide more services at a lower cost is by bringing partners on-site to deliver services. The following embedded partners bring a value of \$1.5 million in in-kind services, at no cost to CHA:

- *Southcentral Foundation*: Wellness Clinic, Behavioral Health, and cultural programming;
- *Volunteers of America*: on-site drug and alcohol counselor (40 hours per week);
- *The Anchorage School District*: operates an Alternative School Transition Classroom on-site and an afterschool credit recovery program;
- *Nine Star Enterprises*: Provides educational opportunities and internships.
- *Cook Inlet Tribal Council*-on-site substance abuse services

The Challenges of the COVID-19 pandemic

The 4th Quarter of FY20 brought an unexpected challenge to the non-profit sector: COVID-19. For Covenant House Alaska, the challenge was unique in that we did not have the option to scale back services to off-set impending revenue loss. In fact, when the crisis began, it became immediately apparent that CHA needed to step up as a critical emergency responder and safety net for vulnerable young people in our community. CHA provides site-based housing for 100 young people per night between the shelter and transitional living programs. Operating residential services for vulnerable youth is always challenge; facilitating compliance by vulnerable teenagers with hunker-down orders, quarantining, social distancing and mask-wearing in order to keep everyone safe was daunting. The added pressures of job losses, school closures and disruptions at home meant more young people were vulnerable during the beginning of the pandemic. Through a strong trauma-informed approach based on “relentless engagement” and creative adaptations, CHA has helped our clients stay housed and connected with services. From March through June, CHA provided over 6,107 bed nights to youth, with almost 402 of those being minors. To recognize the dedication of our staff and ensure employee retention, CHA implemented a 10% hazard pay differential for direct care staff. These team members are true heroes; despite the risks, they tirelessly come to work each day to assist hundreds of vulnerable young people.

Staffing challenges and added COVID-related costs created a financial burden. Private dollars, which were dramatically impacted, fund most direct care staff. Fortunately, CHA was able to secure a \$1.1 million Payroll Protection Program loan which allowed us to prevent the staff layoffs. Additional COVID-related investments through the CARES Act ensured that we did not have to close our doors or cease any services. In the end, CHA ended FY20 in a financial deficit from operations, but was able to withstand this loss through an investment in reserves. With COVID in mind, we have created strong plan for FY21 sustainability.



Looking Ahead: Enhancing the Understanding of CHA’s Services and Impacts

- **What We Do is Promote Long-term Housing Stability**

- While we’ve classically emphasized our relentless engagement, and the broad array of types of service we can offer clients in that effort of relentless engagement, we need to recognize that our relentless engagement is only a *tool* to achieve our Agency Outcome—increasing our clients’ probability of long-term housing stability. Furthermore, every program is useful from an analytic perspective in so much that it contributes to that Agency Outcome, rather than highlighting each program for what outputs it provides to clients as a silo.
- By aligning our programmatic discussion around the Agency Outcome of “Housing Stability”, we should describe programs in two ways: how they provide residential services, and/or otherwise increasing a client’s probability of achieving long-term housing.
- Residential services: YEC, ROP, PH, RRH. These residential spaces provide the stability and space necessary for clients to develop the criteria for achieving long term stable housing (i.e. getting income, working on disabling conditions, and developing permanent connections).
 - Of note, while YEC has classically functioned as “Emergency Shelter”, we should think of the space as low-barrier, short-term housing. Historically, our demand has not been so high as to prevent clients from staying at the YEC for as long as they needed, and with the addition of future Bridge Housing and continued development of other housing options, we should anticipate that to continue being the case. This is in addition to the proportion of the population that regularly leaves our services in quickly, through AWOL or otherwise, ensuring space for those that want to utilize the YEC space as short-term, low barrier housing.

- Increasing a client's probability of long-term housing stability: E&E, ANCHOR, PNs, Outreach/Navigation Center. Each provide services that equate in some measurable way to increasing a client's probability of success securing long-term stable housing.
- **Transitioning the Conversation Surrounding Programmatic Data**
 - a. We should not use the framework of “program activities” (as seen in the introduction), but rather our “Agency Outcome”, which is providing favorable odds of long-term housing stability for each of our clients, regardless of program. This unifies our conversation around how each program, and their corresponding outputs, contribute meaningfully as evidence of Agency and program results (as a function of our Agency Outcome).
 - b. A current example of the outputs used being insufficient as a description of Agency and program results: in the “About Covenant House Alaska” section, bed nights and total youth served are given, showing an increase in both from FY18-20. The value is obvious—more of both, and especially at a faster rate than increase to budget, while remaining a functional agency, can demonstrate a sort of efficiency. What it fails to demonstrate however, is how in any meaningful way, we've provided a favorable chance for long-term housing stability to our clients.
 - c. Furthermore, the numbers for outputs can fluctuate in ways that demand context to fully explain—rises or falls in both metrics could be a good or bad, but impossible to understand as a standalone number (especially with bed nights and total served). Instead, any output used must be understood as how it contributes to the Agency Outcome, because no matter the rise and fall of outputs, if they're tied to our analysis of achieving a favorable probability in long-term housing stability for clients (our Agency Outcome), then they have their context for understanding them as good or bad built-in.
- **Future Covenant House MD&A Content Changes**
 - a. Through extensive data analysis, Covenant House Alaska realizes the need to reframe its work in terms of outcomes achieved by clients, rather than outputs accrued by clients. The difference is a matter of successfully evaluating how well CHA can increase a client's odds for long-term housing stability, rather than reporting on the individual “things” a client might have received or earned piecemeal, as a product of program engagement (such as receiving a night of shelter for coming to the YEC). This more advanced evaluation and reporting will help CHA express itself more accurately as an Agency that provides residential services, and/or program services that increase a client's probability of achieving long-term stable housing.

Looking Ahead: Strategies for Sustainability

We are committed to fully operational services during this pandemic. The youth we serve are highly vulnerable and are at high risk of trafficking, exploitation, and on-going homelessness. We believe vulnerable youth should not be put at further risk or become homeless due to the COVID-19 crisis. Last year, CHA provided a safe bed for a young person over 39,000 nights- the most in our history.

We know that our fundraising goals will be a challenge, but CHA has never backed down during challenging times. During this next year, CHA has detailed plans to target public dollars as we devise new strategies to engage donors, evolve special event delivery, and cultivate new and existing corporate and foundation partners. Much of the funding strategy will revolve around COVID relief and support from identified foundations, corporations and governmental funders. Our board-approved FY21 budget reflects our commitment to Alaska's young people.

Looking Ahead: Program Growth

The growth in planned FY21 expenses and revenues reflects new dollars that have already been committed towards CHA's interventions to address youth homelessness, exploitation and trafficking. For example, In the last few years, CHA has gained a better understanding of the prevalence and magnitude of **human trafficking** in our community. In 2016, researchers at Loyola University New Orleans interviewed youth at ten Covenant House sites across the country, including CHA, and found that **one-in-four** youth CHA's emergency shelter reported being a victim of human trafficking. As a result, CHA has aggressively pursued funding for programs to prevent victimization of our young people. In the last year, CHA has secured **four** federal grants from the Department of Justice and Department of Housing and Urban Development to address human trafficking. Each grant is three years in length and range from \$150,000 to \$250,000 annually, and fund Navigation services, supportive services, and housing to prevent and end human trafficking in Anchorage. In addition, CHA received a new Street Outreach grant from the Department of Health & Human Services, ensuring that we can identify and assist all young people experiencing homelessness and exploitation in Anchorage.

Despite the challenges of coming out of a pandemic, Covenant House Alaska will continue to be bold and relentless in serving our state's most vulnerable.

Covenant House Alaska

Consolidated Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,399,709	\$ 209,344
Restricted cash	-	172,439
Grants receivable	1,465,770	654,924
Pledges and contributions receivable	203,271	235,317
Other receivables	1,231	30,978
Prepaid expenses and other current assets	50,447	94,502
Total Current Assets	3,120,428	1,397,504
Pledges and contributions receivable, noncurrent	-	1,425
Board designated fund	1,629,247	1,584,761
Note receivable	-	12,813,000
Property and equipment, net	18,238,502	18,480,351
Beneficial interest in assets held by the Alaska Community Foundation	122,482	118,569
	\$ 23,110,659	\$ 34,395,610
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 789,195	\$ 689,035
Due to affiliates	1,788,641	22,206
Deferred revenue	508,103	83,000
Deferred realized gain, current	24,538	24,538
Mortgage payable	-	17,107,657
Total Current Liabilities	3,110,477	17,926,436
Refundable advance	435,332	-
Deferred realized gain, net of current portion	374,205	398,743
Total Liabilities	3,920,014	18,325,179
Net Assets		
Without Donor Restrictions		
Undesignated	(1,160,734)	12,188,757
Board designated	1,751,729	1,727,200
Investment in property and equipment	18,238,502	1,372,694
Total Without Donor Restrictions	18,829,497	15,288,651
With donor restrictions	361,148	781,780
Total Net Assets	19,190,645	16,070,431
	\$ 23,110,659	\$ 34,395,610

See notes to consolidated financial statements

Covenant House Alaska

Consolidated Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT, REVENUES AND GAINS			
Public Support			
Branding dollars from Parent	\$ 609,286	\$ -	\$ 609,286
Grants from Parent related to sleepout events	271,954	-	271,954
Contributions	2,342,728	69,266	2,411,994
Special events revenue	528,770	-	528,770
Less: Cost of direct benefit to donors	(215,020)	-	(215,020)
Total Public Support	3,537,718	69,266	3,606,984
Revenues and Gains			
Grant income	4,111,829	-	4,111,829
Interest income	45	-	45
Investment income	45,623	-	45,623
Change in value of beneficial interest held by the Alaska Community Foundation	3,913	-	3,913
Other income	582,744	-	582,744
Total Revenues and Gains	4,744,154	-	4,744,154
Net assets released from restrictions	489,898	(489,898)	-
Total Public Support, Revenues and Gains	8,771,770	(420,632)	8,351,138
EXPENSES			
Program Services			
Shelter	3,941,214	-	3,941,214
Transitional living - Rights of Passage	1,276,274	-	1,276,274
Employment and Education	577,615	-	577,615
Transitional living - Mother/Child	539,266	-	539,266
Youth HUD Demonstration Project	1,196,525	-	1,196,525
Outreach	240,601	-	240,601
Trafficking	74,359	-	74,359
Total Program Services	7,845,854	-	7,845,854
Supporting Services			
Management and general	1,281,319	-	1,281,319
Fundraising and special events	606,461	-	606,461
Total Supporting Services	1,887,780	-	1,887,780
Total Expenses	9,733,634	-	9,733,634
Change in Net Assets Before Other Gains	(961,864)	(420,632)	(1,382,496)
OTHER GAINS			
Gain on forgiveness of debt from new market tax credit unwind	4,502,710	-	4,502,710
Change in Net Assets	3,540,846	(420,632)	3,120,214
NET ASSETS			
Beginning of year	15,288,651	781,780	16,070,431
End of year	\$ 18,829,497	\$ 361,148	\$ 19,190,645

See notes to consolidated financial statements

Covenant House Alaska

Consolidated Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES AND GAINS			
Public Support			
Branding dollars from Parent	\$ 680,000	\$ -	\$ 680,000
Grants from Parent related to sleepout events	259,349	-	259,349
Contributions	2,494,300	752,646	3,246,946
Special events revenue	634,322	-	634,322
Less: Cost of direct benefit to donors	<u>(221,555)</u>	<u>-</u>	<u>(221,555)</u>
Total Public Support	<u>3,846,416</u>	<u>752,646</u>	<u>4,599,062</u>
Revenues and Gains			
Grant income	2,507,303	-	2,507,303
Interest income	157	-	157
Investment income	94,654	-	94,654
Change in value of beneficial interest held by the Alaska Community Foundation	5,181	-	5,181
Other income	<u>757,222</u>	<u>-</u>	<u>757,222</u>
Total Revenues and Gains	<u>3,364,517</u>	<u>-</u>	<u>3,364,517</u>
Net assets released from restrictions and other reclassifications	<u>871,363</u>	<u>(871,363)</u>	<u>-</u>
Total Public Support, Revenues and Gains	<u>8,082,296</u>	<u>(118,717)</u>	<u>7,963,579</u>
EXPENSES			
Program Services			
Shelter	3,760,235	-	3,760,235
Transitional living - Rights of Passage	1,180,035	-	1,180,035
Employment and Education	658,709	-	658,709
Transitional living - Mother/Child	531,981	-	531,981
Youth HUD Demonstation Project	460,959	-	460,959
Outreach	<u>273,492</u>	<u>-</u>	<u>273,492</u>
Total Program Services	<u>6,865,411</u>	<u>-</u>	<u>6,865,411</u>
Supporting Services			
Management and general	954,676	-	954,676
Fundraising and special events	<u>674,999</u>	<u>-</u>	<u>674,999</u>
Total Supporting Services	<u>1,629,675</u>	<u>-</u>	<u>1,629,675</u>
Total Expenses	<u>8,495,086</u>	<u>-</u>	<u>8,495,086</u>
Change in Net Assets	(412,790)	(118,717)	(531,507)
NET ASSETS			
Beginning of year	<u>15,701,441</u>	<u>900,497</u>	<u>16,601,938</u>
End of year	<u>\$ 15,288,651</u>	<u>\$ 781,780</u>	<u>\$ 16,070,431</u>

See notes to consolidated financial statements

Covenant House Alaska

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services							Supporting Services				Total Expenses	
	Shelter	Transitional Living - Rights of Passage	Employment and Education	Transitional Living- Mother/ Child	Youth HUD Demonstration Project	Outreach	Trafficking Prevention and Intervention	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors	Total		
		Total	Total	Total	Total	Total	Total						
Salaries	\$ 2,015,697	\$ 700,162	\$ 300,951	\$ 302,732	\$ 466,218	\$ 141,780	\$ 32,707	\$ 3,960,247	\$ 411,617	\$ 317,516	\$ -	\$ 729,133	\$ 4,689,380
Employee benefits	412,555	122,486	86,300	84,060	107,049	33,024	8,603	854,077	203,175	37,332	-	240,507	1,094,584
Payroll taxes	160,348	56,090	22,475	23,606	36,451	10,847	2,588	312,405	29,126	25,511	-	54,637	367,042
Total Salaries and Related Expenses	2,588,600	878,738	409,726	410,398	609,718	185,651	43,898	5,126,729	643,918	380,359	-	1,024,277	6,151,006
Contracted services	70,382	37,018	23,168	11,227	131,077	8,240	30,429	311,541	149,532	55,332	-	204,864	516,405
Specific Assistance to Individuals													
Food	216,776	39,853	2,557	7,322	12,380	1,466	-	280,354	-	-	68,767	68,767	349,121
Medical	236	-	-	-	-	-	-	236	-	-	-	-	236
Clothing, allowance and other	40,381	19,951	22,304	8,851	286,235	298	-	378,020	10,360	1,184	-	11,544	389,564
Contributed clothing and merchandise	31,361	-	-	-	-	-	-	31,361	-	-	146,253	146,253	177,614
Occupancy													
Fuel and utilities	98,688	58,404	36,170	13,491	8,438	24,388	-	239,579	-	-	-	-	239,579
Repairs and maintenance	100,275	34,390	2,248	14,781	2,486	2,754	-	156,934	2,699	-	-	2,699	159,633
Interest expense	76,980	-	-	-	-	-	-	76,980	189,560	-	-	189,560	266,540
Supplies	71,383	21,141	17,632	7,686	66,780	1,333	32	185,987	13,747	58,141	-	71,888	257,875
Insurance	56,996	26,067	13,661	11,413	17,712	6,150	-	131,999	18,353	6,446	-	24,799	156,798
Travel	11,060	7,270	3,220	2,104	17,857	1,811	-	43,322	45,883	7,527	-	53,410	96,732
Miscellaneous	15,951	5,229	2,187	3,362	5,210	135	-	32,074	53,815	21,378	-	75,193	107,267
Lease expense	12,815	50,486	10,639	17,400	5,716	2,195	-	99,251	7,394	15,006	-	22,400	121,651
Accounting fees	-	-	-	-	-	-	-	-	44,750	1,068	-	45,818	45,818
Telephone	14,531	14,210	7,081	9,064	8,107	6,140	-	59,133	3,943	4,452	-	8,395	67,528
Bank charges and fees	-	-	886	-	-	-	-	886	20,450	31,663	-	52,113	52,999
Postage and printing	155	133	197	21	359	-	-	865	5,378	7,532	-	12,910	13,775
Dues, licenses and permits	789	120	5,853	-	17	40	-	6,819	11,367	6,391	-	17,758	24,577
Staff recruitment	-	-	-	-	-	-	-	-	8,616	-	-	8,616	8,616
Equipment	9,303	6,455	581	219	-	-	-	16,558	471	-	-	471	17,029
Subscriptions and publications	286	16	345	132	-	-	-	779	10,407	3,091	-	13,498	14,277
Advertising	291	-	291	291	-	-	-	873	-	4,819	-	4,819	5,692
Management fees	30,000	-	-	-	-	-	-	30,000	-	-	-	-	30,000
Legal fees	-	-	-	-	-	-	-	-	32,300	-	-	32,300	32,300
Total Functional Expenses Before Depreciation and Amortization	3,447,239	1,199,481	558,746	517,762	1,172,092	240,601	74,359	7,210,280	1,272,943	604,389	215,020	2,092,352	9,302,632
Depreciation and amortization	493,975	76,793	18,869	21,504	24,433	-	-	635,574	8,376	2,072	-	10,448	646,022
Total Functional Expenses	3,941,214	1,276,274	577,615	539,266	1,196,525	240,601	74,359	7,845,854	1,281,319	606,461	215,020	2,102,800	9,948,654
Less: Cost of direct benefits to donor	-	-	-	-	-	-	-	-	-	-	(215,020)	(215,020)	(215,020)
Total Expenses Reported by Function on the Statement of Activities	\$ 3,941,214	\$ 1,276,274	\$ 577,615	\$ 539,266	\$ 1,196,525	\$ 240,601	\$ 74,359	\$ 7,845,854	\$ 1,281,319	\$ 606,461	\$ -	\$ 1,887,780	\$ 9,733,634

Covenant House Alaska

Consolidated Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services							Supporting Services				Total Expenses
	Shelter	Transitional Living - Rights of Passage	Employment and Education	Transitional Living- Mother/ Child	Youth HUD Demonstration Project	Outreach	Total	Management and General	Fundraising and Special Events	Cost of Direct Benefits to Donors	Total	
Salaries	\$ 1,706,239	\$ 637,931	\$ 306,356	\$ 272,213	\$ 239,418	\$ 171,371	\$ 3,333,528	\$ 454,357	\$ 238,867	\$ -	\$ 693,224	\$ 4,026,752
Employee benefits	369,194	99,610	68,362	72,140	48,531	31,189	689,026	141,150	28,722	-	169,872	858,898
Payroll taxes	136,864	51,674	23,360	21,424	18,559	13,817	265,698	32,642	19,235	-	51,877	317,575
Total Salaries and Related Expenses	2,212,297	789,215	398,078	365,777	306,508	216,377	4,288,252	628,149	286,824	-	914,973	5,203,225
Contracted services	138,427	33,758	70,008	8,894	3,003	7,160	261,250	54,794	152,109	-	206,903	468,153
Specific Assistance to Individuals												
Food	198,568	34,205	10,658	7,907	2,254	-	253,592	-	-	76,495	76,495	330,087
Medical	4,409	848	2	-	-	-	5,259	-	-	-	-	5,259
Clothing, allowance and other	56,571	29,064	78,452	12,825	72,664	793	250,369	-	-	-	-	250,369
Contributed clothing and merchandise	104,893	-	-	1,022	-	-	105,915	-	-	145,060	145,060	250,975
Occupancy												
Fuel and utilities	71,959	57,666	42,587	13,045	6,078	28,408	219,743	-	34	-	34	219,777
Repairs and maintenance	86,066	32,687	4,367	4,953	6,396	3,943	138,412	1,496	-	-	1,496	139,908
Interest expense	194,707	-	-	-	-	-	194,707	-	-	-	-	194,707
Supplies	28,634	2,108	1,428	784	7,841	854	41,649	10,335	60,731	-	71,066	112,715
Insurance	38,347	27,915	6,224	14,827	8,267	4,128	99,708	20,243	7,167	-	27,410	127,118
Travel	13,145	4,679	8,570	3,270	17,315	4,389	51,368	49,297	19,754	-	69,051	120,419
Miscellaneous	21,175	2,568	6,732	50,426	9,077	74	90,052	73,267	50,055	-	123,322	213,374
Lease expense	8,694	51,335	13,434	17,400	3,237	2,500	96,600	8,262	31,805	-	40,067	136,667
Accounting fees	8,000	5,730	-	-	-	-	13,730	42,420	3,231	-	45,651	59,381
Telephone	12,228	12,036	5,627	7,237	2,599	4,816	44,543	5,405	2,135	-	7,540	52,083
Bank charges and fees	-	-	325	-	-	-	325	11,663	29,662	-	41,325	41,650
Postage and printing	513	105	-	116	352	20	1,106	5,507	20,720	-	26,227	27,333
Dues, licenses and permits	260	1,504	30	10	-	30	1,834	14,807	3,864	-	18,671	20,505
Staff recruitment	241	-	-	-	-	-	241	15,084	1,529	-	16,613	16,854
Equipment	23,615	7,900	317	376	-	-	32,208	1,064	-	-	1,064	33,272
Subscriptions and publications	1,123	146	255	26	120	-	1,670	8,637	1,268	-	9,905	11,575
Advertising	507	-	327	328	-	-	1,162	-	1,808	-	1,808	2,970
Management fees	30,000	-	-	-	-	-	30,000	-	-	-	-	30,000
Legal fees	-	-	-	-	-	-	-	3,205	-	-	3,205	3,205
Total Functional Expenses Before Depreciation and Amortization	3,254,379	1,093,469	647,421	509,223	445,711	273,492	6,223,695	953,635	672,696	221,555	1,847,886	8,071,581
Depreciation and amortization	505,856	86,566	11,288	22,758	15,248	-	641,716	1,041	2,303	-	3,344	645,060
Total Functional Expenses	3,760,235	1,180,035	658,709	531,981	460,959	273,492	6,865,411	954,676	674,999	221,555	1,851,230	8,716,641
Less: Cost of direct benefits to donor	-	-	-	-	-	-	-	-	-	(221,555)	(221,555)	(221,555)
Total Expenses Reported by Function on the Statement of Activities	\$ 3,760,235	\$ 1,180,035	\$ 658,709	\$ 531,981	\$ 460,959	\$ 273,492	\$ 6,865,411	\$ 954,676	\$ 674,999	\$ -	\$ 1,629,675	\$ 8,495,086

Covenant House Alaska

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,120,214	\$ (531,507)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	646,022	645,060
Amortization of debt issuance costs	208,053	65,363
Contributed property	-	(540,000)
Gain on forgiveness of debt from new market tax credit unwind	(4,502,710)	-
Realized and unrealized gain on investments	(641)	(45,418)
Deferred gain on sale leaseback of the building	(24,538)	(24,537)
Unrealized gain on beneficial interest held by the Alaska Community Foundation	(3,913)	(5,181)
Net change in operating assets and liabilities		
Grants receivable	(810,846)	51,778
Pledges and contributions receivable	33,471	470,562
Other receivables	29,747	67,647
Prepaid expenses and other current assets	44,055	(31,304)
Accounts payable and accrued liabilities	100,160	17,079
Due to affiliates	1,766,435	(97,688)
Deferred revenue	425,103	43,761
Refundable advance	435,332	-
Net Cash from Operating Activities	1,465,944	85,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(404,173)	(178,248)
Purchase of investments	(43,845)	(100,000)
Proceeds from sale of investments	-	202,472
Net Cash from Investing Activities	(448,018)	(75,776)
Change in Cash and Cash Equivalents	1,017,926	9,839
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Beginning of year	381,783	371,944
End of year	\$ 1,399,709	\$ 381,783
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash Equivalents	\$ 1,399,709	\$ 209,344
Restricted Cash	-	172,439
	\$ 1,399,709	\$ 381,783
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 74,197	\$ 129,264
Non-cash financing activities		
Forgiveness of note receivable from New Market Tax Credit	12,813,000	-
Forgiveness of debt from New Market Tax Credit unwind	17,300,000	-

See notes to consolidated financial statements

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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 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 attention, crisis intervention, public education and prevention, and other services that reached approximately 50,000 and 74,000 young people during fiscal 2020 and 2019.

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

- 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
- CH Housing Development Fund Corporation
- Covenant House Pennsylvania/Under 21
- Covenant House Texas
- Covenant House Washington, D.C.
- Covenant House Western Avenue
- Covenant House Testamentum
- Covenant International Foundation
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44th Corporation
- 460 West 41st Street, LLC
- Covenant House New York/Under 21

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 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.

In September 2012, Covenant House Holdings, LLC (“CHH”) was formed as a special purpose entity for the purpose of participation in a New Markets Tax Credit (“NMTC”) financing transaction, and received an allocation of NMTC funds pursuant to Section 45D of the Internal Revenue Code to fund the opening of the crisis center at 755 A Street, Anchorage, Alaska (“Center”). The activities of CHH are included in the consolidated financial statements of the Organization. All significant inter-company balances and transactions have been eliminated. In February 2020, CHH was dissolved after the unwinding of NMTC transactions.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

1. Organization and Nature of Activities (continued)

Components of Program and Supporting Services

Program Services

Shelter

Shelter Services provides a 60-bed shelter for youth ages 13-20, open 24 hours a day, 7 days a week to handle youth/family problems. Shelter Services provides a safe place for the basic needs to be met and the tools for youth to work toward independence and prevent homelessness in the future. Information and referrals are available for any individual calling into the center for help with youth, families, and homelessness

Transitional Living – Rights of Passage

Rights of Passage is a 25 bed coed residential program that provides supportive housing for youth ages 18 to 24 seeking independent living. Youth learn budgeting, employment skills, nutrition, decision making, and other independent living skills. Rights of Passage serves males and females for up to 18 months in residence and 12 months of aftercare. 14 of the 25 beds are designated for youth who meet the Housing and Urban Development (“HUD”) definition of homeless.

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.

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.

Youth Homelessness Demonstration Project

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.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

1. Organization and Nature of Activities (continued)

Components of Program and Supporting Services (continued)

Program Services (continued)

Outreach

The Organization's street outreach team goal is simple. They meet at-risk kids when and where they need help most, on the streets. They go to them. The Organization's team begins the process of building trust and develops relationships with youth. Through these relationships the Organization is able to assist Alaska's suffering youth on the streets in choosing to walk through the Organization's doors and accept the many services it offers to assist youth in getting on the path to self-sufficiency. The Drop-In Center program offers walk-in services to young people in need of support. Services include: counseling and referral; help with job searching, resume writing, and other employment support; educational support; use of telephone for local calls; sack lunches and hot/cold drinks; mail and phone message services.

Trafficking Prevention and Intervention Program (ANCHOR Team)

The Covenant House Alaska ANCHOR Team works to identify and serve potential victims and survivors of human trafficking. The team is made up of Permanency Navigators who have been especially 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 the leave their trafficking situations. Additionally the ANCHOR Team provides training on how to identify and serve trafficking victims and survivors around the state.

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.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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

Components of Program and Supporting Services (continued)

Supporting Services (continued)

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 consolidated 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 consolidated 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

Effective July 1, 2019, the Organization adopted new U.S. GAAP revenue recognition guidance Topic 606 which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The core principle of the new accounting standards update (the "ASU") is that an entity should recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework. Adoption of the ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Effective July 1, 2019, the Organization adopted new U.S. GAAP guidance ASU 2018-08 Contributions Received and Contributions Made. The ASU provides a framework for evaluating whether grants or contributions should be accounted for as exchange transactions or as non-exchange transactions. Adoption of the ASU resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to prior audited financial statements were required on a modified retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

2. Summary of Significant Accounting Policies

Change in Accounting Principle

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU 2016-18”), Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 requires significant changes regarding how restricted cash is classified and presented on the consolidated statement of cash flows. On July 1, 2019, the Organization adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the Organization to 1) include restricted cash and restricted cash equivalents in its cash and cash equivalent balances on the consolidated statement of cash flows, 2) provide a reconciliation between the consolidated statement of financial position and the consolidated statement of cash flows when more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents is presented on the consolidated statements of financial position and 3) disclose information about the nature of the restrictions, if the restricted balances are material.

Net Assets

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

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.

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 consolidated statements of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations by the donors.

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.

Restricted Cash

At June 30, 2019, CHH held cash deposits totaling \$30,000 which are restricted to pay fees and expense reimbursements in 2020 to certain entities with continuing involvement in the NMTC transaction (see note 9). At June 30, 2020 and 2019, the board designated fund had restricted cash totaling \$0 and \$142,439. The total restricted cash at June 30, 2020 **and 2019** is \$0 and \$172,439.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

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

Fair Value of Financial Instruments

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

Investment Valuation and Income Recognition

Investments are valued at fair value in the consolidated 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.

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

Buildings	40 years
Building improvements	39 years
Equipment	12 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, 2020 and 2019.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Contributions and Pledges 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

Deposits received for program services not yet provided are recorded as deferred revenue and recognized as program service revenue in the period to which they pertain.

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. 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.

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 allocated 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.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

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 consolidated financial statements.

Debt Issuance Costs

Debt issuance costs are reported on the consolidated statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the effective interest method. The Organization reflects amortization of debt issuance costs within interest expense.

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, 2017.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is March 31, 2021. See Note 20.

3. Grants Receivable

Grants receivable of \$1,465,770 and \$654,924 at June 30, 2020 and 2019, represent the amounts due from various governmental agencies for the Organization's programs. All grants receivable as of June 30, 2020 are expected to be collected within one year.

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

4. Pledges and Contributions Receivable

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

	2020	2019
Within one year	\$ 203,271	\$ 235,317
Between one and five years	-	1,425
	\$ 203,271	\$ 236,742

A discount to reflect multi-year pledges receivables has not been recorded, as the amount is immaterial.

5. Note Receivable

In connection with the NMTC transaction (Note 9), in September 2012, the Organization loaned Covenant House Investment Fund, LLC, (“Investment Fund”), an unrelated entity, \$12,813,000. The Investment Fund also received equity from a tax credit investor and then made a Qualified Equity Investment (“QEI”) in Wells Fargo Community Development Enterprise Round 8 Subsidiary 7, LLC (“Wells Fargo”), Brownfield Revitalization XXIV, LLC (“Brownfield”) and Consortium America XXXIX, LLC (“Consortium”), (collectively, the “CDEs”). CDEs then made two loans in the amount of \$12,813,000 (Note A) and \$4,487,000 (Note B) to CHH. The note receivable was netted with \$17,107,659 in debt associated with NMTC as part of the unwind of the NMTC transaction as described in Note 9. The Organization recognized a net gain of \$4,502,710 on the forgiveness of debt from NMTC unwind.

6. Investments

The following are major categories of investments grouped by the fair value hierarchy at June 30, 2020:

	Level 1	Level 3	Total
Equities			
Large CAP	\$ 373,355	\$ -	\$ 373,355
Mid CAP	142,663	-	142,663
Foreign	455,121	-	455,121
Bonds			
High - Yield Corporate Bond	255,892	-	255,892
Intermediate	402,215	-	402,215
Total	\$ 1,629,246	\$ -	\$ 1,629,246
Beneficial interest in assets held by the Alaska Community Foundation	\$ -	\$ 122,482	\$ 122,482

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

6. Investments (continued)

The following are major categories of investments grouped by the fair value hierarchy at June 30, 2019:

	Level 1	Level 3	Total
Equities			
Large CAP	\$ 347,403	\$ -	\$ 347,403
Mid CAP	140,990	-	140,990
Foreign	473,583	-	473,583
Bonds			
High - Yield Corporate Bond	253,649	-	253,649
Intermediate	369,136	-	369,136
Total	<u>\$ 1,584,761</u>	<u>\$ -</u>	<u>\$ 1,584,761</u>
Beneficial interest in assets held by the Alaska Community Foundation	<u>\$ -</u>	<u>\$ 118,569</u>	<u>\$ 118,569</u>

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

	2020	2019
Dividends and interest	\$ 44,982	\$ 49,236
Realized gain	-	7,962
Change in unrealized gain	641	37,456
	<u>\$ 45,623</u>	<u>\$ 94,654</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):

	2020	2019
Beginning balance	\$ 118,569	\$ 113,388
Net gain (realized/unrealized)	3,913	5,181
Ending balance	<u>\$ 122,482</u>	<u>\$ 118,569</u>

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

7. Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Buildings	\$ 16,573,020	\$ 16,573,020
Building improvements	1,862,584	1,550,498
Equipment	<u>1,097,447</u>	<u>1,278,520</u>
	19,533,051	19,402,038
Accumulated depreciation and amortization	<u>(4,079,560)</u>	<u>(3,706,698)</u>
	15,453,491	15,695,340
Land	<u>2,785,011</u>	<u>2,785,011</u>
	<u>\$ 18,238,502</u>	<u>\$ 18,480,351</u>

8. Refundable Advance

On April 22, 2020, the Organization received loan proceeds in the amount of \$1,129,910 under the Paycheck Protection Program (the "PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), provides for loans to qualifying entities for amounts up to 2.5 times the 2019 average monthly payroll expenses of the qualifying entity. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the "Covered Period"). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. Although, the Organization believes this loan will be substantially or fully forgiven, there can be no guarantee that the United States Small Business Administration ("SBA") will approve the loan forgiveness. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the PPP loan with a deferral of payments of principal or interest until the amount of loan forgiveness is determined by the SBA. If the Organization does not apply for forgiveness, payments begin approximately 16 months after the loan date. For the year ended June 30, 2020, \$694,578 of the PPP loan is recognized as grant revenue on the statement of activities. The remaining \$435,332 is recognized as a refundable advance on the statement of financial position and will be recognized as income in the following fiscal year as allowable expenditures are incurred.

9. Mortgage Payable

On September 6, 2012, CHH received mortgage loans from three CDE's. The loans were comprised of Loan A amounts totaling \$12,813,000 and Loan B amounts totaling \$4,487,000. Each of the A Notes was secured by the mortgage with respect to the Center. A Notes were interest only until June 5, 2020 at an interest rate of 0.744% per annum and were payable monthly. Any accrued but unpaid interest and unpaid principal on the A Notes was due in full on June 6, 2020. Each of the B Notes was secured by the mortgage with respect to the Center.

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

9. Mortgage Payable (*continued*)

In September 2012, CHH was formed for the purpose of participation in a New Markets Tax Credit (“NMTC”) financing transaction to assist in the building of a new Youth Engagement Center Facility (the “Center”) pursuant to Section 45D of the Internal Revenue Code. The NMTC program, administered by the Community Development Financial Institutions Fund (“CDFI Fund”), a division of the U.S. Treasury Department, attracts private investment by awarding federal income tax credits to investors in return for their equity investments in qualified projects. A Community Development Entity (“CDE”) administers these qualified equity investments. These credits, equal to 39% of the investment made, are a dollar-for-dollar reduction in an investor’s tax liability, and are claimed over a seven year period. The seven year compliance period that ended in June 2020. Per NMTC regulations, upon completion of a required seven-year period, the issuer of the NMTC loans is anticipated to liquidate interests in the NMTC transaction and thereby forgive the loans.

In connection with the NMTC financing, Wells Fargo Community Investment Holdings, LLC, as tax credit investor (the “Tax Credit Investor”) and sole member of the Investment Fund for the NMTC financing, entered into an Investment Fund Put and Call Agreement (the “Put and Call Agreement”) with the Organization, allowing the Tax Credit Investor, upon expiration of the seven-year compliance period with respect to the NMTC Financing, to sell or “put” its membership interest in the Investment Fund to the Organization.

The total amount of interest expense related to the credit arrangement described above totaled \$100,070 and \$194,707 for the years ended June 30, 2020 and 2019.

Loan Proceeds were divided into promissory notes as follows:

<u>Note A</u>	
Wells Fargo	\$ 5,277,000
Brownfield	4,521,600
Consortium	<u>3,014,400</u>
Total Note A	<u>12,813,000</u>
<u>Note B</u>	
Wells Fargo	2,223,000
Brownfield	1,358,400
Consortium	<u>905,600</u>
Total Note B	<u>4,487,000</u>
Mortgage Payable	<u>\$ 17,300,000</u>

The total amount of amortized debt issuance costs related to the credit arrangement described above was \$164,541 and \$65,363 for the years ended June 30, 2020 and 2019. The NMTC financing was arranged on behalf of CHH, an Alaska limited liability company, and a commonly controlled affiliate of the Organization. CHH served as the qualified active low income community business (the “QALICB”) for the NMTC financing.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

9. Mortgage Payable (*continued*)

On November 21, 2019, the Organization purchased the Tax Credit Investor's interest in the Investment Fund at a cost of \$1,000. Upon the succession of the Organization to the ownership interest of the Tax Credit Investor in the Investment Fund, certain indebtedness incurred in connection with the NMTC financing was forgiven, including: (a) indebtedness owed by the QALICB that had been assigned by the previous lenders to the Investment Fund, in the amount of \$12,813,000, and (b) indebtedness owed by CHH to QALICB in the amount of \$17,300,000. In addition, the Organization, following such debt forgiveness, has been authorized and directed to accept from the QALICB such conveyances of real and personal property as would be sufficient to transfer to the Organization's title to the real and personal property included in the facilities financed by the NMTC financing. The Organization realized a net gain of approximately \$4.5 million on the forgiveness debt of debt from the NMTC unwind.

10. 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 and 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 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 the years ended June 30, 2020 and 2019, gain amortized to income was \$24,538 and \$24,537. At June 30, 2020 and 2019, deferred realized gain was as follows:

	<u>2020</u>	<u>2019</u>
Deferred realized gain, current	\$ 24,538	\$ 24,538
Deferred realized gain, net of current portion	<u>374,205</u>	<u>398,743</u>
	<u>\$ 398,743</u>	<u>\$ 423,281</u>

11. Leases

As described in Note 10, the Organization entered into a lease with CITC for the right to use the property for 10 years, with monthly payments of \$2,500 and 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 Consolidated Financial Statements June 30, 2020 and 2019

11. 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.

Future minimum annual lease payments for the years ending June 30 are payable as follows:

2021	\$ 94,453
2022	86,961
2023	59,532
2024	52,058
2025	44,499
Thereafter	<u>55,623</u>
	<u>\$ 393,126</u>

Lease Between the Organization and CHH

On September 6, 2012, the Organization entered into a lease (the "Ground Lease") with CHH, whereby the Organization leased the property to CHH. Pursuant to the Ground Lease, CHH agreed to pay the Organization a one-time lump sum rental payment of \$100. The term of the Ground Lease is 65 years from September 6, 2012 through September 30, 2077.

On September 6, 2012, CHH entered into the lease with the Organization (the "Lease"), whereby CHH subleased the Center to the Organization.

Lease expenses and revenues between the Organization and CHH are eliminated in consolidation. As of February 13, 2020 the Ground Lease between the Organization and CHH was terminated as part of the NMTC unwind.

12. Net Assets with Donor Restrictions

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

Time-restricted contributions	\$ 97,958	\$ 97,229
Purpose-restricted contributions	<u>263,190</u>	<u>684,551</u>
	<u>\$ 361,148</u>	<u>\$ 781,780</u>

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

12. Net Assets with Donor Restrictions *(continued)*

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

Time-restricted contributions	\$ 68,537	\$ 597,354
Purpose-restricted contributions	<u>421,361</u>	<u>274,009</u>
	<u>\$ 489,898</u>	<u>\$ 871,363</u>

13. 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 from the investment designated to the fund are transferred to the fund each year.

Board designated funds consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Beneficial interest in Alaska Community Foundation	\$ 122,482	\$ 118,569
New building maintenance fund	-	23,870
Income and growth	<u>1,629,247</u>	<u>1,584,761</u>
	<u>\$ 1,751,729</u>	<u>\$ 1,727,200</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.

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 to transfer the average annual observed return over the trailing sixteen quarters.

The Board approved to disburse \$0 and \$250,000 in Board designated funds for general operations for fiscal years 2020 and 2019 and additional funds of \$23,870 and \$115,598 were released for building maintenance in 2019.

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

13. Board Designated Net Assets *(continued)*

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

	<u>2020</u>	<u>2019</u>
Board designated funds, beginning of year	\$ 1,727,200	\$ 1,894,078
Interest and dividend income	43,845	49,236
Net gain (realized and unrealized)	4,554	49,484
Transfers in	-	100,000
Transfers out	<u>(23,870)</u>	<u>(365,598)</u>
Board designated funds, end of year	<u>\$ 1,751,729</u>	<u>\$ 1,727,200</u>

14. 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 consolidated financial statements and expenses in prior periods have generally not been audited by the grantor agencies. Accordingly, adjustments to amounts received could result if the grants and contracts are audited by such agencies.

15. Liquidity and Availability Disclosure

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 1,399,709	\$ 209,344
Restricted cash	-	172,439
Grants receivable	1,465,770	654,924
Pledges receivable	203,271	235,317
Other receivable	<u>1,231</u>	<u>30,978</u>
Total Financial Assets Available Within One Year	3,069,981	1,303,002
Less contractual or donor imposed restricted amounts:		
Restricted by donor with time or purpose restrictions and internal designations	<u>361,148</u>	<u>954,219</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,708,833</u>	<u>\$ 348,783</u>

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

15. 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 of \$1.7 million is subject to an annual spending rate of 4% as described in Note 13. Although the Organization does not intend to spend from its board designated fund, these amounts could be made available if necessary. In addition, the Organization received \$980,000 in line of credit from the Parent for the cash flow management.

16. 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 \$108,042 and \$97,739 for the years ended June 30, 2020 and 2019.

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, 2020 **and 2019**, the Organization contributed \$123,956 and \$81,867 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the consolidated statements of functional expenses.

17. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, cash equivalents, investments and receivables from grants. The Organization maintains its cash in bank deposit accounts which generally exceed federally insured limits. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment, investment advisor, investment manager or group of investments represents a significant concentration of credit risk. The Organization has not experienced any losses in such accounts. The Organization does not have a material concentration of credit risk with respect to program service receivables.

Covenant House Alaska

Notes to Consolidated Financial Statements June 30, 2020 and 2019

18. Donated Goods and Services

Contributed Services

Volunteers in the community provided approximately 3,144 and 5,284 hours of contributed services to the Organization for the years ended June 30, 2020 and 2019. The value of these services performed and the expenses associated with these volunteers were estimated to be approximately \$89,000 and \$147,000 for the years ended June 30, 2020 and 2019. The value of these services is not recorded in the accompanying consolidated 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 with an estimated fair value of \$177,614 and \$250,975 during the years ended June 30, 2020 and 2019.

19. 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 \$89 million and \$66 million for the Parent in the years ended June 30, 2020 and 2019. 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 \$38 million and \$34 million for the years ended June 30, 2020 and 2019. In 2020 and 2019, the Organization received \$609,286 and \$680,000 in "Branding Dollars" and \$271,954 and \$259,349 related to national sleep out event from the Parent.

To cover timing differences between requests and receipts in government grant reimbursements, during fiscal 2020, the Organization drew against the Parent's line of credit with a financial institution for \$980,000. Subsequent to June 30, 2020, the Organization paid its loan in full.

20. COVID-19

The Organization's operations have been affected by the recent and ongoing outbreak of the coronavirus disease ("COVID-19"), which was declared a pandemic by the World Health Organization in March 2020. Many countries around the world, including the United States, have significant governmental measures being implemented to control the spread of COVID-19, including temporary closures of businesses, severe restrictions on travel and the movement of people and other material limitations on the conduct of business. While these severe restrictions may negatively affect the Organization's operations, the Organization has not experienced a material COVID-19 impact on its results of operations for the fiscal year 2020.

Covenant House Alaska

Notes to Consolidated Financial Statements
June 30, 2020 and 2019

20. COVID-19 *(continued)*

The full duration and extent of the COVID-19 pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date these consolidated financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of operations, financial position and cash flows in 2021 cannot be reasonably estimated at this time.

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Covenant House Alaska

Supplementary Information
June 30, 2020 and 2019

Covenant House Alaska

Consolidating Schedule of Financial Position
June 30, 2020

ASSETS	Covenant House Alaska	Covenant House Holdings	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 1,399,709	\$ -	\$ -	\$ 1,399,709
Grants receivable	1,465,770	-	-	1,465,770
Pledges and contributions receivable	203,271	-	-	203,271
Other receivables	1,231	-	-	1,231
Prepaid expenses and other current assets	<u>50,447</u>	<u>-</u>	<u>-</u>	<u>50,447</u>
Total Current Assets	3,120,428	-	-	3,120,428
Board designated fund	1,629,247	-	-	1,629,247
Property and equipment, net	18,238,502	-	-	18,238,502
Beneficial interest in assets held by the Alaska Community Foundation	<u>122,482</u>	<u>-</u>	<u>-</u>	<u>122,482</u>
	<u>\$ 23,110,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,110,659</u>
 LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 789,195	\$ -	\$ -	\$ 789,195
Due to affiliates	1,788,641	-	-	1,788,641
Deferred revenue	508,103	-	-	508,103
Deferred realized gain, current	<u>24,538</u>	<u>-</u>	<u>-</u>	<u>24,538</u>
Total Current Liabilities	3,110,477	-	-	3,110,477
Refundable advance	435,332	-	-	435,332
Deferred realized gain, net of current portion	<u>374,205</u>	<u>-</u>	<u>-</u>	<u>374,205</u>
Total Liabilities	<u>3,920,014</u>	<u>-</u>	<u>-</u>	<u>3,920,014</u>
Net Assets				
Without Donor Restrictions				
Undesignated	(1,160,734)	-	-	(1,160,734)
Board designated	1,751,729	-	-	1,751,729
Investment in property and equipment	<u>18,238,502</u>	<u>-</u>	<u>-</u>	<u>18,238,502</u>
Total Without Donor Restrictions	18,829,497	-	-	18,829,497
With donor restrictions	<u>361,148</u>	<u>-</u>	<u>-</u>	<u>361,148</u>
Total Net Assets	<u>19,190,645</u>	<u>-</u>	<u>-</u>	<u>19,190,645</u>
	<u>\$ 23,110,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,110,659</u>

Covenant House Alaska

Consolidating Schedule of Financial Position
June 30, 2019

ASSETS	Covenant House Alaska	Covenant House Holdings	Eliminations	Total
Current Assets				
Cash and cash equivalents	\$ 170,470	\$ 38,874	\$ -	\$ 209,344
Restricted cash	142,439	30,000	-	172,439
Grants receivable	654,924	-	-	654,924
Pledges and contributions receivable	235,317	-	-	235,317
Other receivables	30,978	-	-	30,978
Prepaid expenses and other current assets	<u>94,502</u>	<u>-</u>	<u>-</u>	<u>94,502</u>
Total Current Assets	1,328,630	68,874	-	1,397,504
Pledges and contributions receivable, noncurrent	1,425	-	-	1,425
Board designated fund	1,584,761	-	-	1,584,761
Note receivable	12,813,000	-	-	12,813,000
Property and equipment, net	5,204,738	13,275,613	-	18,480,351
Accrued lease revenue	-	5,821,583	(5,821,583)	-
Beneficial interest in assets held by the Alaska Community Foundation	118,569	-	-	118,569
Other assets	<u>-</u>	<u>66,011</u>	<u>(66,011)</u>	<u>-</u>
	<u>\$ 21,051,123</u>	<u>\$ 19,232,081</u>	<u>\$ (5,887,594)</u>	<u>\$ 34,395,610</u>
 LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued expenses	\$ 670,309	\$ 18,726	\$ -	\$ 689,035
Due to affiliates, current	22,206	-	-	22,206
Deferred revenue	83,000	-	-	83,000
Deferred realized gain, current	24,538	-	-	24,538
Mortgage payable, net of debt issuance	<u>-</u>	<u>17,107,657</u>	<u>-</u>	<u>17,107,657</u>
Total Current Liabilities	800,053	17,126,383	-	17,926,436
Deferred realized gain, net of current portion	398,743	-	-	398,743
Due to affiliates, non-current	5,821,583	-	(5,821,583)	-
Total Liabilities	<u>7,020,379</u>	<u>17,126,383</u>	<u>(5,821,583)</u>	<u>18,325,179</u>
 Net Assets				
Without Donor Restrictions				
Undesignated	10,149,070	2,105,698	(66,011)	12,188,757
Board designated	1,727,200	-	-	1,727,200
Investment in property and equipment	<u>1,372,694</u>	<u>-</u>	<u>-</u>	<u>1,372,694</u>
Total Without Donor Restrictions	13,248,964	2,105,698	(66,011)	15,288,651
With donor restrictions	781,780	-	-	781,780
Total Net Assets	<u>14,030,744</u>	<u>2,105,698</u>	<u>(66,011)</u>	<u>16,070,431</u>
	<u>\$ 21,051,123</u>	<u>\$ 19,232,081</u>	<u>\$ (5,887,594)</u>	<u>\$ 34,395,610</u>

Covenant House Alaska

Consolidating Schedule of Activities
Year Ended June 30, 2020

	Covenant House Alaska	Covenant House Holdings	Eliminations	Total
PUBLIC SUPPORT, REVENUES AND GAINS				
Public Support				
Branding dollars from Parent	\$ 609,286	\$ -	\$ -	\$ 609,286
Grants from Parent related to sleepout events	271,954	-	-	271,954
Contributions	2,411,994	-	-	2,411,994
Special events revenue	528,770	-	-	528,770
Less: Cost of direct benefit to donors	<u>(215,020)</u>	-	-	<u>(215,020)</u>
Total Public Support	<u>3,606,984</u>	-	-	<u>3,606,984</u>
Revenues and Gains				
Grant income	4,111,829	-	-	4,111,829
Interest income	45	-	-	45
Investment income	45,623	-	-	45,623
Change in value of beneficial interest held by the Alaska Community Foundation	3,913	-	-	3,913
Other income	<u>582,744</u>	<u>382,595</u>	<u>(382,595)</u>	<u>582,744</u>
Total Revenues and Gains	<u>4,744,154</u>	<u>382,595</u>	<u>(382,595)</u>	<u>4,744,154</u>
Total Public Support, Revenues and Gains	<u>8,351,138</u>	<u>382,595</u>	<u>(382,595)</u>	<u>8,351,138</u>
EXPENSES				
Program Services				
Shelter	3,888,263	435,546	(382,595)	3,941,214
Transitional living - Rights of Passage	1,276,274	-	-	1,276,274
Employment and Education	577,615	-	-	577,615
Transitional living - Mother/Child	539,266	-	-	539,266
HUD Youth Demonstration Project	1,196,525	-	-	1,196,525
Outreach	240,601	-	-	240,601
Trafficking	<u>74,359</u>	-	-	<u>74,359</u>
Total Program Services	<u>7,792,903</u>	<u>435,546</u>	<u>(382,595)</u>	<u>7,845,854</u>
Supporting Services				
Management and general	1,050,767	230,552	-	1,281,319
Fundraising and special events	<u>606,461</u>	-	-	<u>606,461</u>
Total Supporting Services	<u>1,657,228</u>	<u>230,552</u>	-	<u>1,887,780</u>
Total Expenses	<u>9,450,131</u>	<u>666,098</u>	<u>(382,595)</u>	<u>9,733,634</u>
Change in Net Assets Before Other Gains	(1,098,993)	(283,503)	-	(1,382,496)
OTHER GAINS				
Gain on forgiveness of debt from new market tax credit unwind	<u>4,502,710</u>	-	-	<u>4,502,710</u>
Change in Net Assets	<u>3,403,717</u>	<u>(283,503)</u>	-	<u>3,120,214</u>
NET ASSETS				
Beginning of year	14,030,744	2,105,698	(66,011)	16,070,431
Assignment of net assets upon dissolution	<u>1,756,184</u>	<u>(1,822,195)</u>	<u>66,011</u>	-
End of year	<u>\$ 19,190,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,190,645</u>

Covenant House Alaska

Consolidating Schedule of Activities
Year Ended June 30, 2019

	<u>Covenant House Alaska</u>	<u>Covenant House Holdings</u>	<u>Eliminations</u>	<u>Total</u>
PUBLIC SUPPORT, REVENUES AND GAINS				
Public Support				
Branding dollars from Parent	\$ 680,000	\$ -	\$ -	\$ 680,000
Grants from Parent related to sleepout events	259,349	-	-	259,349
Contributions	3,246,946	-	-	3,246,946
Special events revenue	634,322	-	-	634,322
Less: Cost of direct benefit to donors	<u>(221,555)</u>	-	-	<u>(221,555)</u>
Total Public Support	<u>4,599,062</u>	-	-	<u>4,599,062</u>
Revenues and Gains				
Grant income	2,507,303	-	-	2,507,303
Interest income	157	-	-	157
Investment income	94,654	-	-	94,654
Change in value of beneficial interest held by the Alaska Community Foundation	5,181	-	-	5,181
Other income	<u>757,222</u>	<u>966,556</u>	<u>(966,556)</u>	<u>757,222</u>
Total Revenues and Gains	<u>3,364,517</u>	<u>966,556</u>	<u>(966,556)</u>	<u>3,364,517</u>
Total Public Support, Revenues and Gains	<u>7,963,579</u>	<u>966,556</u>	<u>(966,556)</u>	<u>7,963,579</u>
EXPENSES				
Program Services				
Shelter	4,047,117	681,603	(968,485)	3,760,235
Transitional living - Rights of Passage	1,180,035	-	-	1,180,035
Employment and Education	658,709	-	-	658,709
Transitional living - Mother/Child	531,981	-	-	531,981
HUD Youth Demonstration Project	460,959	-	-	460,959
Outreach	<u>273,492</u>	-	-	<u>273,492</u>
Total Program Services	<u>7,152,293</u>	<u>681,603</u>	<u>(968,485)</u>	<u>6,865,411</u>
Supporting Services				
Management and general	954,676	-	-	954,676
Fundraising and special events	<u>674,999</u>	-	-	<u>674,999</u>
Total Supporting Services	<u>1,629,675</u>	-	-	<u>1,629,675</u>
Total Expenses	<u>8,781,968</u>	<u>681,603</u>	<u>(968,485)</u>	<u>8,495,086</u>
Change in Net Assets	(818,389)	284,953	1,929	(531,507)
NET ASSETS				
Beginning of year	14,849,133	1,820,745	(67,940)	16,601,938
End of year	<u>\$ 14,030,744</u>	<u>\$ 2,105,698</u>	<u>\$ (66,011)</u>	<u>\$ 16,070,431</u>