Covenant House and Affiliates

Consolidated Financial Statements
Together with Independent Auditors' Report
June 30, 2020

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Independent Auditors' Report

Board of Directors
Covenant House and Affiliates

We have audited the accompanying consolidated financial statements of Covenant House and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We did not audit the financial statements of Covenant House Toronto, Covenant House Vancouver, Asociación La Alianza (Guatemala), Casa Alianza de Honduras, Casa Alianza Nicaragua, Fundación Casa Alianza México, I.A.P., controlled international affiliated organizations, which statements reflect total assets constituting 22.40% of consolidated total assets as of June 30, 2020, and total revenues of 20.50% of consolidated total revenues for the year then ended. Those statements, which were prepared in accordance with accounting standards other than those generally accepted in the United States of America were audited by other auditors in accordance with auditing standards other than those generally accepted in the United States of America, and whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the controlled international affiliated organizations, which conform those financial statements to accounting principles generally accepted in the United States of America. Our opinion, insofar as it relates to the amounts included for the controlled international affiliated organizations, prior to these conversion adjustments, is based solely on the reports of the other auditors and additional audit procedures to meet the relevant requirements of auditing standards generally accepted in the United States of America. We conducted our audit 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.

O'CONNOR DAVIES, LLP
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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, based on our audit and the reports of the other auditors, and the additional audit procedures performed, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House and Affiliates as of June 30, 2020, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Covenant House and Affiliates' June 30, 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PKF O'Connor Davies, LLP

May 6, 2021

Covenant House and Affiliates

Consolidated Statement of Financial Position
June 30, 2020
(with comparative amounts at June 30, 2019)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 44,176,784	$ 24,651,824
Cash held in escrow	1,467,260	-
Restricted cash	228,579	255,263
Contributions receivable, net (Note 3)	16,789,698	19,491,848
Grants receivable (Note 4)	11,271,298	8,241,733
Notes receivable (Note 5)	-	12,813,000
Prepaid expenses and other assets, net (Note 6)	9,270,273	7,297,667
Investments (Note 7)	72,721,948	62,575,353
Investments, other (Note 7)	21,262,401	16,613,823
Property, plant and equipment, net (Note 8)	187,382,918	161,543,849
Property held for sale (Note 8)	31,423	31,423
Beneficial interests in trusts (Note 11)	5,942,394	6,181,741
Total Assets	$ 370,544,976	$ 319,697,524
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 16,470,899	$ 14,013,952
Deferred revenue (Note 10)	2,930,250	2,484,366
Line of credit, other debt obligations and capital leases (Note 9)	23,867,049	42,288,864
Paycheck Protection Program loans (Note 13)	9,067,722	-
Paycheck Protection Program refundable advances (Note 13)	4,081,316	-
Deferred rent	558,145	877,086
Obligations due under split-interest agreements (Note 11)	4,927,681	4,343,778
Conditional asset retirement obligation (Note 2)	414,374	414,374
Construction escrow deposits (Note 8)	7,901,803	7,901,803
Construction loans payable (Note 12)	20,869,418	5,881,841
Pension benefits liability (Note 14)	25,183,837	19,247,968
Other liabilities	175,126	162,226
Total Liabilities	116,447,620	97,616,258
Net Assets		
Without donor restrictions (Notes 15 and 17)	187,811,940	160,608,538
With donor restrictions (Notes 16 and 17)	66,285,416	61,472,728
Total Net Assets	254,097,356	222,081,266
Total Liabilities and Net Assets	$ 370,544,976	$ 319,697,524

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Activities
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
CONTRIBUTIONS AND OTHER REVENUE				
Contributions from individuals, foundations and corporations, including legacies and bequests of $13,855,953 and $15,923,521 for 2020 and 2019	$ 128,123,188	$ 25,692,770	$ 153,815,958	$ 127,496,330
Government grants and contracts	54,071,904	1,746,976	55,818,880	42,631,846
Contributed goods and services	5,392,750	-	5,392,750	4,567,483
Special events revenue, net of costs of direct benefits to donors of $990,930 and $2,445,820 for 2020 and 2019	20,764,991	-	20,764,991	19,945,391
School management fees	8,323,205	-	8,323,205	8,562,389
Total Contributions and Other Revenue	216,676,038	27,439,746	244,115,784	203,203,439
INVESTMENT RETURN				
Interest and dividends, net	1,419,502	162,185	1,581,687	1,576,966
Net unrealized gain (loss)	467,837	(609,952)	(142,115)	616,211
Net realized gain (loss)	969,721	(818)	968,903	1,024,208
Change in value of split-interest agreements	(512,186)	149,865	(362,321)	333,275
Change in value of beneficial interest in trusts	-	(134,878)	(134,878)	184,762
Sales of customer lists and other income	2,408,186	1,420	2,409,606	3,960,909
Total Investment Return	4,753,060	(432,178)	4,320,882	7,696,331
	221,429,098	27,007,568	248,436,666	210,899,770
Net assets released from restrictions	21,326,215	(21,326,215)	-	-
Total Contributions and Other Revenue and Investment Return	242,755,313	5,681,353	248,436,666	210,899,770
EXPENSES				
Program services	160,177,670	-	160,177,670	151,358,592
Supporting Services				
Management and general	23,193,830	-	23,193,830	20,469,787
Fundraising	24,178,198	-	24,178,198	23,003,716
Total Expenses	207,549,698	-	207,549,698	194,832,095
Change in Net Assets from Operations	35,205,615	5,681,353	40,886,968	16,067,675
Foreign currency translation adjustment	(2,460,054)	(868,665)	(3,328,719)	469,233
Pension benefits liability adjustment	(8,658,869)	-	(8,658,869)	(2,165,023)
Net periodic pension cost, except service cost	(1,386,000)	-	(1,386,000)	296,471
Gain on forgiveness of debt from new market tax credit unwind	4,502,710	-	4,502,710	-
Change in Net Assets	27,203,402	4,812,688	32,016,090	14,668,356
NET ASSETS				
Beginning of year	160,608,538	61,472,728	222,081,266	207,412,910
End of year	$ 187,811,940	$ 66,285,416	$ 254,097,356	$ 222,081,266

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

	Program Services										Supporting Services					
	Shelter and Crisis Care	Outreach	Mother / Child	Medical	Community Service Center	Public Education	Rights of Passage	Schools	Permanent Supportive Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Costs of Direct Benefits To Donors	2020 Total Expenses	2019 Total Expenses
Salaries and wages	$ 38,484,820	$ 3,816,823	$ 2,547,143	$ 3,856,937	$ 6,185,996	$ 5,766,093	$ 15,745,748	$ 4,618,211	$ 918,185	$ 81,939,956	$ 9,267,995	$ 7,216,724	$ 16,484,719	$ -	$ 98,424,675	$ 92,151,041
Payroll taxes	3,198,671	310,356	205,662	335,645	535,246	471,612	1,323,719	299,883	89,036	6,769,830	777,024	570,207	1,347,231	-	8,117,061	7,711,444
Employee benefits	6,258,656	636,494	369,500	687,469	1,022,970	1,110,897	2,368,965	1,014,598	234,521	13,704,070	2,138,834	1,042,295	3,181,129	-	16,885,199	17,559,202
Total Salaries and Related Expenses	47,942,147	4,763,673	3,122,305	4,880,051	7,744,212	7,348,602	19,438,432	5,932,692	1,241,742	102,413,856	12,183,853	8,829,226	21,013,079	-	123,426,935	117,421,687
Faith community costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,096
Contributed legal services	234,315	29,289	-	29,289	117,157	-	146,447	-	-	556,497	815,462	-	815,462	-	1,371,959	524,643
Accounting fees	71,841	8,258	2,661	25,339	13,065	-	34,311	28,023	-	183,498	777,315	3,009	780,324	-	963,822	860,501
Legal fees	151,463	13,577	16,079	23,894	19,074	4,243	60,221	25,850	10,116	324,517	342,206	9,539	351,745	-	676,262	397,941
Medical fees	43,330	805	3,900	171,535	4,773	-	9,608	-	-	233,951	452	-	452	-	234,403	264,135
Consulting fees	1,030,746	99,851	107,377	253,916	356,197	1,321,706	313,608	-	119,154	3,602,555	1,703,193	1,385,342	3,088,535	-	6,691,090	6,064,697
Supplies	972,326	64,847	67,220	247,780	204,974	80,513	359,366	433,347	20,642	2,451,015	259,734	146,137	405,871	40,433	2,897,319	2,083,284
Telephone	475,539	78,670	38,254	45,610	81,033	65,394	325,238	72,024	26,116	1,207,878	200,690	64,957	265,647	-	1,473,525	1,295,372
Postage and printing	240,163	17,097	22,808	21,515	46,967	4,944,774	99,610	4,368	5,096	5,402,398	344,266	11,053,369	11,397,635	3,495	16,803,528	13,664,875
Fuel and utilities	1,403,629	116,804	103,139	51,876	201,216	102,918	686,323	198,463	18,071	2,882,439	253,157	58,487	311,644	-	3,194,083	3,083,790
Repairs and maintenance	1,105,528	62,980	92,039	37,282	146,553	40,186	435,793	87,032	7,157	2,014,550	170,170	36,964	207,134	-	2,221,684	2,175,406
Rent and other	514,459	124,750	53,100	27,527	359,762	421,091	1,786,318	-	123,554	3,410,561	742,097	156,340	898,437	33,802	4,342,800	3,235,820
Equipment	951,619	82,092	89,411	144,024	172,938	125,872	501,850	77,179	59,290	2,204,275	174,309	91,686	265,995	-	2,470,270	2,437,100
Travel and transportation	519,117	88,450	59,020	46,085	179,439	103,723	248,170	49,171	39,509	1,332,684	223,811	69,651	293,462	2,970	1,629,116	2,023,486
Specific Assistance to Individuals																
Food	2,567,203	163,570	186,248	16,074	262,481	25,583	1,019,205	-	18,616	4,258,980	29,260	15,810	45,070	121,202	4,425,252	4,157,707
Medical	187,867	24,638	7,047	151,496	45,533	5,219	20,440	-	-	442,240	4,373	217	4,590	-	446,830	370,255
Contributed medical	-	-	-	15,643	2,607	-	7,822	-	-	26,072	-	-	-	-	26,072	16,126
Clothing, allowance and other	1,192,273	187,426	100,347	74,057	1,056,782	46,354	2,251,220	750	1,005,179	5,914,388	51,205	15,497	66,702	-	5,981,090	5,211,137
Contributed clothing and merchandise	1,253,213	109,455	89,129	43,410	142,393	42,791	475,922	-	-	2,156,313	14,276	272,506	286,782	146,253	2,589,348	2,152,752
Temporary help	329,302	10,119	5,224	281,720	69,324	3,539	178,826	-	38,643	916,697	122,053	64,999	187,052	-	1,103,749	796,149
Other purchased services	2,460,866	343,352	195,129	341,176	416,225	1,178,396	883,925	457,862	20,060	6,296,991	989,520	913,170	1,902,690	594,892	8,794,573	11,354,102
Dues, licenses, and permits	74,729	7,009	11,883	77,691	15,912	10,953	36,515	6,952	3,339	244,983	132,609	38,391	171,000	-	415,983	352,058
Subscriptions and publications	44,097	4,959	1,977	6,322	13,942	4,762	22,518	-	-	98,577	28,641	44,001	72,642	-	171,219	159,720
Staff recruitment	109,623	5,535	945	13,755	20,303	2,966	50,582	2,246	10,307	216,262	157,187	5,735	162,922	-	379,184	591,047
Insurance	833,143	72,962	83,270	64,656	152,914	43,243	394,406	111,950	25,335	1,781,879	251,040	46,702	297,742	950	2,080,571	2,035,034
Contributed services	115,525	5,514	868	175,734	34,462	3,386	112,726	-	-	448,215	983,205	2,857	986,062	-	1,434,277	1,665,322
Contributed goods	67,016	299	13,797	1,148	-	-	-	-	-	82,260	-	12,608	12,608	-	94,868	200,606
Miscellaneous, net	317,706	26,504	36,797	33,972	62,457	61,004	129,701	23,463	2,325	693,929	403,683	113,065	516,748	8,284	1,218,961	2,003,580
Bank charges and fees	496,790	74,636	10,565	58,024	82,755	81,397	217,651	3,900	15	1,025,733	418,251	332,855	751,106	38,649	1,815,488	1,318,874
Interest	248,972	27,017	2,424	6,524	45,421	9,809	29,974	-	-	370,141	419,437	3,861	423,298	-	793,439	606,575
Loss on foreign currency exchange	2,658	-	-	-	1,033	599	-	-	-	4,290	2,527	682	3,209	-	7,499	4,128
Total Before Depreciation and Amortization	65,957,205	6,614,138	4,522,963	7,367,125	12,071,904	16,079,023	30,276,728	7,515,272	2,794,266	153,198,624	22,197,982	23,787,663	45,985,645	990,930	200,175,199	188,538,005
Depreciation and amortizatior	3,448,081	302,987	202,865	80,284	708,340	777,202	1,211,564	242,282	5,441	6,979,046	995,848	390,535	1,386,383	-	8,365,429	8,739,910
Total Expenses	69,405,286	6,917,125	4,725,828	7,447,409	12,780,244	16,856,225	31,488,292	7,757,554	2,799,707	160,177,670	23,193,830	24,178,198	47,372,028	990,930	208,540,628	197,277,915
Less direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	-	-	990,930	990,930	2,445,820
Total Expenses Reported by Function on Statement of Activities	$ 69,405,286	$ 6,917,125	$ 4,725,828	$ 7,447,409	$ 12,780,244	$ 16,856,225	$ 31,488,292	$ 7,757,554	$ 2,799,707	$ 160,177,670	$ 23,193,830	$ 24,178,198	$ 47,372,028	$ -	$ 207,549,698	$ 194,832,095

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 32,016,090	$ 14,668,356
Adjustments to reconcile change in net assets to net cash from operating activities		
Discount on contributions receivable	(16,932)	17,415
Amortization of customer lists	1,105,496	1,121,396
Realized and unrealized gains on investments	(826,788)	(1,640,419)
Contributed investments	(135,263)	(158,061)
Gain on sale of property and equipment	(600)	-
Gain on forgiveness of debt from new market tax credit unwind	(4,502,710)	-
Loss on disposal and sale of property, plant and equipment	-	29,718
Contributed property, plant, and equipment	(380,198)	(1,224,321)
Change in value of beneficial interest in trusts	134,878	(184,762)
Amortization of deferred revenue and loan discount	(80,076)	(207,375)
Deferred rent	(318,941)	(318,941)
Change in value of split interest agreements	362,321	(333,275)
Pension benefits liability adjustment	5,935,869	1,953,200
Depreciation and amortization	7,259,933	7,618,514
Amortization of deferred financing costs	221,458	78,787
Bad debt expense	288,250	766,111
Foreign currency translation adjustment	3,328,719	(469,233)
Changes in operating assets and liabilities		
Contributions receivable	2,430,832	(4,270,651)
Grants receivable	(3,029,565)	(1,688,423)
Prepaid expenses and other assets	(1,289,999)	(201,659)
Accounts payable and accrued expenses	1,955,652	(1,345,951)
Deferred revenue	525,960	72,114
Paycheck Protection Program refundable advances	4,081,316	-
Other liabilities	12,900	-
Net Cash from Operating Activities	49,078,602	14,282,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Beneficial interests in trusts	104,469	107,528
Purchase of customer lists	(1,788,103)	(906,640)
Purchases of investments	(49,104,330)	(21,700,265)
Sales of investments	35,271,208	18,369,258
Capital expenditures	(35,525,077)	(33,872,985)
Construction escrow deposits	-	5,251,265
Proceeds from sale of property	600	486,533
Net Cash from Investing Activities	(51,041,233)	(32,265,306)

See notes to consolidated financial statements

Covenant House and Affiliates

Consolidated Statement of Cash Flows
(continued)
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under line of credit and other debt obligations	$ 16,419,049	$ 15,145,562
Proceeds from construction loans payable	14,987,577	5,881,841
Repayments of line of credit and other debt obligations	(17,606,910)	(824,661)
Proceeds from Paycheck Protection Program loans	9,067,722	-
Principal payments under capital lease obligations	(160,853)	(239,813)
Payment of annuity obligations	(604,023)	(1,623,380)
Additions to gift annuity arrangements	825,605	361,096
Net Cash from Financing Activities	22,928,167	18,700,645
Net Change in Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash	20,965,536	717,879
CASH AND CASH EQUIVALENTS, CASH HELD IN ESCROW AND RESTRICTED CASH		
Beginning of year	24,907,087	24,189,208
End of year	$ 45,872,623	$ 24,907,087
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 581,402	$ 441,831
Forgiveness of note receivable from New Market Tax Credit	12,813,000	-
Forgiveness of debt from New Market Tax Credit unwind	17,300,000	-
NON-CASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Capitalized accrued interest included within accounts payable and accrued expenses	$ 462,859	$ 16,115
Property, plant and equipment costs included within accounts payable and accrued expenses	38,436	-
Assets acquired under capital lease obligations	21,151	100,400

See notes to consolidated financial statements

1. Organization and Tax Status

Covenant House (Parent), is a not-for-profit organization incorporated in 1972. Covenant House (Parent) and affiliates (collectively, "Covenant House"), provided shelter, food, clothing, medical attention, crisis intervention, public education, prevention, and other services that reached approximately 50,000 and 74,000 young people during fiscal 2020 and 2019.

Covenant House (Parent) is the sole member of the following not-for-profit affiliates ("U.S. Affiliates"):

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

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

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

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

In 2018, 460 West 41st Street, LLC (the "LLC") filed its certificate of formation with the state of Delaware. Covenant House (Parent) has both 100% membership interest and the exclusive right to manage and control the affairs of the LLC. In fiscal 2019, CH Housing Development Fund Corporation ("HDFC") was incorporated in the state of New York as a separate Not-for-Profit Corporation, a subsidiary of the LLC.

Both the LLC and HDFC were formed for the purpose of acquiring, operating and developing a transitional housing facility located at 538-550 Tenth Avenue and 552-554 Tenth Avenue in New York, New York (collectively, the "Property"). HDFC, as nominee of the LLC, acquired the legal interest in the Property and then through a Declaration of Interest and Nominee Agreement, the LLC acquired the beneficial interest in the Property. Covenant House (Parent) intends to have the LLC enter into a master lease agreement with the New York affiliate, Covenant House New York/Under 21 for the Property upon its completion.

1. Organization and Tax Status *(continued)*

In 2019, Covenant House California (the "California affiliate") acquired the DreamCatcher Youth Services ("DreamCatcher") program which included a property acquisition, from its' parent agency, Alameda Family Services (AFS). DreamCatcher's mission is consistent with that of the California affiliate; providing support and housing for homeless and trafficked youth in Oakland, CA. DreamCatcher specializes in working with youth ages 13-18, and has been a long-time access point for youth to transition from homelessness into the California affiliate's Oakland Program.

In 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 Code to fund the opening of the crisis center located at 755 A Street, Anchorage, Alaska. Covenant House Alaska (the "Alaska affiliate") is the sole member of CHH. In February 2020, CHH was dissolved after the unwinding of NMTC transactions (see Note 9).

Covenant House Toronto and Covenant House Vancouver, both located in Canada and international affiliates of Covenant House, are charitable organizations registered under the Income Tax Act (Canada). Covenant House Toronto was incorporated without share capital under the Corporations Act (Ontario) and Covenant House Vancouver was incorporated under the British Columbia Act.

Fundación Casa Alianza México, I.A.P. is not subject to income taxes in accordance with (Mexican) Income Tax Law, except for nondeductible expenses incurred. Based on Nicaragua's applicable fiscal equity law, Casa Alianza Nicaragua as a nonprofit organization is exempt from income taxes. Asociación La Alianza (Guatemala) and Casa Alianza de Honduras are also not-for-profit organizations and are not subject to income taxes under their respective country's income tax laws.

Covenant House (Parent) is qualified as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code"). Accordingly, it is not subject to federal income taxes under Section 501(a) of the Code. Covenant House (Parent), as a not-for-profit organization, is also exempt from state and local income taxes and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors. The U.S. affiliates of Covenant House (Parent) are also classified as tax-exempt organizations and are not subject to federal income taxes under Section 501(a) of the Code, and as not-for-profit organizations, are also exempt from state and local income taxes.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services

Program Services

Shelter and Crisis Care
The shelter and crisis care program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths through Covenant House affiliates' in North and Central America.

Outreach
The outreach program is an effort to reach youths who would otherwise not find their way to the shelters. Outreach vans cruise the city streets every night, searching for these youths, and providing them with food, a trained counselor and a safe ride to a shelter.

Mother/Child Program
The mother/child program provides emergency shelter, food and counseling to homeless mothers under the age of 21 and their children.

Medical
Medical services include clinics maintained by certain Covenant House affiliates to provide youths in the programs with needed medical attention.

Community Service Center
The community service center program provides comprehensive services to youths who have left Covenant House affiliates' crisis centers, and other youths in the community who need support to maintain themselves in stable living situations.

Public Education
The public education program informs and educates the public on how to identify potential "runaway" and "throwaway" adolescents, the public and private resources available to help such adolescents before they leave home and the public support services available to these families to improve the home environment.

Transitional Living - Rights of Passage
Rights of passage provides transitional home services for up to 18 months to youths, including individual counseling and help with completing their education and finding jobs and housing.

Schools
The Schools program provides services to youths who need support to complete their education and obtain employment. If they are suspended from school, the program provides general educational development classes, job training and a reduction in the length of the suspension.

1. Organization and Tax Status *(continued)*

Components of Program and Supporting Services (continued)

Program Services (continued)

Permanent Supportive Housing
The Permanent Supportive Housing program provides housing to 120+ young single and parenting adults through scattered site apartments, where they receive ongoing case management and behavioral health services. These young adults participate in paying a portion of the monthly rent and work toward financial independence and assuming the lease.

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 such programs.

Fundraising
Fundraising services relate to the activities of Covenant House's development department in raising general and specific contributions.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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. Actual results could differ from those estimates.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Covenant House (Parent) and its affiliates. All significant intercompany transactions and balances have been eliminated in consolidation.

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

Adoption of New Accounting Policies

Recognition of Contributions

Effective July 1, 2019, Covenant House adopted Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as non-exchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way Covenant House recognizes grants and contributions, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis.

Revenue from Contracts with Customers

Effective July 1, 2019, Covenant House adopted ASU 2014-09, *Revenue from Contracts with Customers,* as amended. The guidance 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 new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out the new guidance.

The core principle of the new guidance 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 from 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 required new or expanded disclosures related to judgements made by entities when following this framework.

Analysis of various provisions of this standard resulted in no changes in the way the Covenant House recognizes revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis.

The new guidance requires Covenant House to not recognize revenue until it is probable of collection. Based on Covenant House's strong collection experience, management has concluded that all revenue recognized is probable of collection.

Restricted Cash

Effective July 1, 2019, Covenant House adopted ASU 2016-08, *Statement of Cash Flows (Topic 230): Restricted Cash* for all periods presented. This guidance requires inclusion of restricted cash with cash when reconciling the beginning of period and end of period total amounts shown on the consolidated statement of cash flows. Previously, changes in restricted cash were reported on the consolidated statement of cash flows as operating, investing or financing activities based on the nature of the underlying activity.

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

Adoption of New Accounting Policies (continued)

Improving the Presentation of Net Periodic Pension Cost and Postretirement Benefit Costs

In March 2017, the Financial Accounting Standards Board ("FASB") issued guidance that impacts the presentation of net periodic pension and postretirement benefit costs (net benefit cost). Under the guidance, the service cost component of net benefit cost is reported in the same line as employee benefits in the consolidated statement of functional expenses, unless eligible for capitalization. However, the other components of net benefit cost (e.g. interest costs, expected return on assets, amortization of prior service/net (gain) loss and transition obligation) are now presented separately from service cost within employee benefits in the consolidated statements of functional expenses. The guidance was effective July 1, 2019 with early adoption permitted. Covenant House adopted the guidance as of the effective date. The guidance is primarily a change in the consolidated financial statement presentation and did not have a material impact on the financial results. This presentation change was applied retrospectively upon adoption.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of Covenant House's operations and that may be used at the discretion of Covenant House's management and Board of Directors.

With donor restrictions – consist of resources which have either an implied or stated time restriction or have been restricted by donors for specific activities, including gift instruments requiring the principal be invested in perpetuity and the income be used for specific or general purposes. Donor restrictions that have been satisfied are reported in the consolidated statement of activities as net assets released from restrictions and are reclassified to net assets without donor restrictions. Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as support without donor restrictions.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give that are greater than one year are discounted to reflect the present value of future cash flows using a risk adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

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

Contributions (continued)

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as with donor restrictions. Covenant House reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Covenant House maintains an allowance for doubtful accounts for estimated losses that may result from the inability of donors to make required payments. Such allowance is based upon several factors including, but not limited to, historical collection experience and the creditworthiness of the respective donor.

Government Contracts and Grants

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered.

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the consolidated statement of financial position and are being amortized over the period of the respective grant/loan agreements.

Contributed Goods and Services

Covenant House recognizes the fair value of contributed 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 in the accompanying consolidated financial statements.

Special Events

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

School Management Fees

School management fee revenue is reported at the gross amount billed as the principal or primary obligor for the operation of certain individual charter schools. Costs of operating the schools include salaries of school staff, facility costs, and other amounts which are recognized on the accrual basis when incurred.

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

Cash and Cash Equivalents, Cash Held in Escrow and Restricted Cash

Cash and cash equivalents are defined as cash balances held in bank accounts and highly liquid investments with maturities of three months or less from the date of purchase, except for those cash equivalents which are included in Covenant House's investment portfolio and are held for long-term investment purposes. Cash held in escrow consists of timing of deposits and drawdowns related to the construction costs of the Property. Restricted cash consists principally of cash held for building improvements as required by the grant agreements. The following is a reconciliation of the cash and cash equivalents, cash held in escrow and restricted cash reported on the consolidated statement of financial position and the consolidated statement of cash flows at June 30:

	2020	2019
Cash and cash equivalents	$ 44,176,784	$ 24,651,824
Cash held in escrow	1,467,260	-
Restricted cash	228,579	255,263
	$ 45,872,623	$ 24,907,087

Investments

Investments are carried at fair value. Marketable equity securities and debt obligations are carried at fair value based on quoted market values. Covenant House follows guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the net asset value (NAV). The fair value of the non-exchange traded alternative investments have been estimated using NAV as reported by the respective external investment manager or general partner. U.S. GAAP guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. Because such alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. Such differences could potentially be material.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on the first-in, first-out method and are recorded in the consolidated statement of activities in the period in which the securities are sold. Dividends and interest are recognized as earned. Income earned from investments, including realized and unrealized gains and losses, is recorded as without donor restrictions, except where the instructions of the donor specify otherwise.

Investments – Other

Investments – other, consist of certificates of deposit held for investment with maturities greater than three months at time of purchase that are not debt securities and are carried at cost, which approximates fair value.

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

Other Assets, Customer Lists

The costs of customer lists purchased by Covenant House (Parent) for generating fundraising contributions are capitalized and amortized from the date of purchase using the straight-line method over an estimated useful life of three to five years.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost if purchased or, if donated, at fair value at the date of the gift, less accumulated depreciation and amortization. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets which range from 3 to 33 years. Leasehold improvements are amortized on a straight-line basis over the lesser of the term of the lease or their estimated useful lives. As of June 30, 2020 and 2019, property held for sale is recorded at the lower of cost or fair value, less costs to sell at $31,423 and is not depreciated.

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including undiscounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary. There were no asset impairments for the years ended June 30, 2020 and 2019.

Deferred Rent

U.S. GAAP requires that rent is expensed on a straight-line basis over the lease term, notwithstanding the actual cash payments required under the lease, with the difference between the straight-line expense and the actual rent payments shown as deferred rent on the consolidated statement of financial position.

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

Split-Interest Agreements and Beneficial Interests in Trusts

Covenant House is a beneficiary of various perpetual trusts and trusts with a defined time frame ("term trusts") that are held by others. Under the terms of these trusts, Covenant House has an irrevocable right to receive all or a portion of the income earned on the trust assets for the life of the trust. Covenant House does not control the assets held by the outside trusts. Covenant House measures its beneficial interest in trusts held by others based upon its beneficial interest in the fair value of the underlying investments held by the trusts. The fair value of Covenant House's beneficial interest is adjusted during the term of the trusts for changes in fair value of the underlying investments or the changes to Covenant House's beneficial interest. Such adjustments are reported as change in value of beneficial interests in trusts on the consolidated statement of activities.

In addition, Covenant House holds assets under split-interest agreements consisting of charitable remainder trusts and charitable gift annuities for which Covenant House serves as the trustee. Such agreements provide for payments to the donors or their stipulated beneficiaries of either income earned on related investments or specified annuity amounts. Assets held under these agreements are included in investments. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes and has been recognized as a contribution at the date of gift. When the terms of the gift instrument have been met, the remaining amount of the gift may be used for general or specific purposes as stipulated by the respective donor. Under Covenant House's charitable gift annuities and charitable remainder trust programs where Covenant House is the trustee, liabilities are recorded for the present value of the estimated future payments expected to be made to the donors and/or beneficiaries, as long as they live, after which time the remaining assets, if any, are available for the general use of Covenant House, unless as otherwise stipulated by the donor. The liabilities are adjusted during the term of the trust or annuity contract for changes in the life expectancy of the donor or beneficiary, discount rate, and other changes in the estimates of future payments. Such adjustments are reported as change in value of split-interest agreements on the consolidated statement of activities.

Asset Retirement Obligations

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset's retirement, as well as contractually required asset retirement obligations. Conditional asset retirement obligations ("CARO") are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. The liability related to such obligations totaled $414,374 at June 30, 2020 and 2019, and primarily relates to required future asbestos remediation expected to occur in the next 2 to 4 years. For the years ended June 30, 2020 and 2019, depreciation expense recorded on the related asset totaled $0. Accretion of interest related to these obligations in fiscal 2020 and 2019 totaled $0 and Covenant House did not incur any payments for asbestos remediation in fiscal 2020 and 2019.

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

Functional Expense Allocation

The majority of expenses are directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function have been allocated among program and supporting services classifications on the basis of square footage of office space occupied, salaries, the support to affiliates prorated program percentage allocation and other bases determined by Covenant House's management. Expenses of shared services or non-program services are allocated based on the number of full-time employees and the percentage of their time spent on certain programs, fundraising and administrative duties.

Fair Value of Financial Instruments

The three levels of the fair value hierarchy used by Covenant House are described below:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable in the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available, but traded less frequently and investments that are valued using other securities, the parameters of which can be directly observed.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments are classified within the level of the lowest significant input considered in determining fair value. In evaluating the level at which Covenant House's investments have been classified, Covenant House has assessed factors including, but not limited to, price transparency, subscription activity, redemption activity and the existence or absence of certain restrictions such as a gate or lockup period.

The following methods and assumptions were used by Covenant House in estimating the fair value of its financial instruments:

Common stocks, mutual funds and debt securities: The reported fair value of common stocks, mutual funds and debt securities is based on quoted market prices or other similar inputs. The fair values assigned to non-exchange traded alternative investments are based on valuations provided by the respective external investment manager or general partner. Covenant House believes such values are reasonable and appropriate.

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

Fair Value of Financial Instruments (continued)

Beneficial interests in trusts: The fair value of beneficial interests in trusts is determined by Covenant House's share of the fair value of the assets held by the trust.

Obligations due under split-interest agreements: The fair value of obligations due under split-interest agreements is based upon actuarial assumptions utilizing the required rate of return as of the measurement date.

Accounting for Uncertainty in Income Taxes

Covenant House recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Covenant House has no uncertain tax positions that would require financial statement recognition and/or disclosure. Covenant House is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2017.

Foreign Currency Translation

Covenant House has determined that its functional currency is the United States dollar. Accordingly, for those affiliates that do not use the United States dollar as their functional currency, assets and liabilities are translated using the current exchange rate in effect at the consolidated statement of financial position date. Operations are translated using the weighted-average exchange rate in effect during the fiscal year. The resulting foreign exchange gains and/or losses are recorded on the consolidated statement of activities.

Concentration of Credit Risk

Financial instruments that potentially subject Covenant House to concentrations of credit and market risk consist principally of cash and cash equivalents on deposit with financial institutions, which from time to time may exceed the Federal Deposit Insurance Corporation ("FDIC") limit. Covenant House does not believe that a significant risk of loss, due to the failure of a financial institution, presently exists.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of entities and individuals composing Covenant House's donor base.

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of credit risk.

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

Deferred Financing Costs

Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from the related debt. Amortization of these costs is provided using the straight line method, which does not differ materially from the effective interest method, over the life of the related debt. Covenant House reflects amortization of deferred financing costs within interest expense.

Reclassification

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

Summarized Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Covenant House's consolidated financial statements as of and for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is May 6, 2021.

3. Contributions Receivable

Contributions receivable from donors that are due within one year are considered current. Contributions receivable that are due in more than one year have been discounted to their present value using discount rates ranging from .29% to 6.75% in 2020 and 2019. The interest rate has been calculated using discount factors that approximate the risk and expected timing of future contribution payments. The receivables are due as follows at June 30:

	2020	2019
Unconditional promises expected to be collected in:		
Less than one year	$ 11,353,201	$ 15,105,985
Within five years	5,419,177	4,345,864
Thereafter	390,482	373,883
	17,162,860	19,825,732
Less: Discount to present value	(220,842)	(237,464)
Reserve for uncollectible accounts	(152,320)	(96,420)
	$ 16,789,698	$ 19,491,848

3. Contributions Receivable *(continued)*

During fiscal 2020, Covenant House received notification of certain promises to give. However, due to their conditional nature, these gifts have not been reflected in the accompanying consolidated financial statements.

4. Grants Receivable

Grants receivable of $11,271,298 and $8,241,733 at June 30, 2020 and 2019 are expected to be collected within one year. As of June 30, 2020 and 2019, no allowance for doubtful accounts was determined to be necessary.

5. Notes Receivable

In connection with the NMTC transaction (Note 9), in September 2012, the Alaska affiliate loaned Covenant House Investment Fund, LLC, ("Investment Fund"), an unrelated entity, $12,813,000. 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 Alaska affiliate recognized a net gain of $4,502,710 on the forgiveness of debt from NMTC unwind.

6. Other Assets, Customer Lists

Included in prepaid expenses and other assets on the consolidated statement of financial position are customer lists that Covenant House (Parent) purchased for purposes of generating fundraising contributions. At June 30, 2020 and 2019 the cost of the customer lists amounted to $10,398,647 and $8,610,544. Accumulated amortization at June 30, 2020 and 2019 amounted to $7,274,584 and $6,169,088. Amortization expense for fiscal year 2020 and 2019 amounted to $1,105,496 and $1,121,396.

Future amortization for Covenant House's customer lists are as follows for the years ending June 30:

	Amount
2021	$ 1,426,627
2022	1,014,356
2023	632,650
2024	33,808
2025	16,622
	$ 3,124,063

7. Investments

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's investments at June 30:

	2020			
	Level 1	Level 2	Investments Valued Using NAV (*)	Total
Investments:				
Common stocks	$ 2,499,137	$ -	$ -	$ 2,499,137
U.S. government securities	1,061,914	-	-	1,061,914
Foreign government securities	170,259	-	-	170,259
Corporate debt securities	1,146,312	1,285,186	-	2,431,498
Mutual Funds:				
Stocks	17,347,690	-	-	17,347,690
Bonds	15,807,246	-	-	15,807,246
Combined	15,657,049	-	-	15,657,049
Total Investments at Fair Value	$ 53,689,607	$ 1,285,186	$ -	54,974,793
Cash and cash equivalents, at cost				17,747,155
Total Investments				$ 72,721,948

	2019			
	Level 1	Level 2	Investments Valued Using NAV (*)	Total
Investments:				
Common stocks	$ 2,444,776	$ -	$ -	$ 2,444,776
U.S. government securities	951,764	-	-	951,764
Foreign government securities	45,176	-	-	45,176
Corporate debt securities	1,141,684	2,013,284	-	3,154,968
Mutual Funds:				
Stocks	21,332,109	-	-	21,332,109
Bonds	9,578,149	-	-	9,578,149
Combined	15,103,921	-	-	15,103,921
Fund of fund	-	-	3,297	3,297
Total Investments at Fair Value	$ 50,597,579	$ 2,013,284	$ 3,297	52,614,160
Cash and cash equivalents, at cost				9,961,193
Total Investments				$ 62,575,353

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

The categorization of the investments within the fair value hierarchy presented above is based solely on the pricing transparency of the respective instrument and does not necessarily correspond to Covenant House's perceived risk associated with the investment security.

7. Investments *(continued)*

Covenant House's policy is to recognize transfers in and transfers out at the end of the reporting period. There were no transfers between levels during fiscal 2020 and 2019.

Investment management fees of approximately $114,000 and $103,000 are netted with interest and dividends income in the accompanying consolidated statement of activities for the years ended June 30, 2020 and 2019.

Covenant House's certificates of deposit of $21,262,401 and $16,613,823 as of June 30, 2020 and 2019, are classified as investments, other, in the accompanying consolidated statement of financial position. These do not qualify as securities as defined by the guidance, and as such, fair value disclosures are not required.

In fiscal 2019, Covenant House (Parent) invested in an alternative investment classified as "fund of fund" which has been fully liquidated in fiscal 2020. The proceeds were reinvested according to a revised investment strategy adopted by Covenant House (Parent's) Board of Directors. Through this investment, Covenant House (Parent) was indirectly invested in hedge funds, limited partnerships and similar interests that invest in public and private securities and follow a variety of investment strategies.

8. Property, Plant and Equipment and Property Held for Sale

Property, plant and equipment and property held for sale, consist of the following at June 30:

	2020	2019
Buildings	$ 131,647,469	$ 127,407,492
Building improvements	46,291,773	43,912,522
Equipment, furniture and vehicles	25,931,376	26,347,433
Equipment acquired under capital lease obligations	1,324,400	1,514,035
Leasehold improvements	10,974,323	10,901,948
	216,169,341	210,083,430
Less: Accumulated depreciation and amortization	(105,328,829)	(100,662,578)
	110,840,512	109,420,852
Land	33,048,248	30,955,975
Construction in progress	43,494,158	21,167,022
Property, Plant and Equipment, net	$ 187,382,918	$ 161,543,849
Property Held for Sale	$ 31,423	$ 31,423

8. Property, Plant and Equipment and Property Held for Sale *(continued)*

Accumulated depreciation and amortization on equipment acquired under capital lease obligations amounted to $800,310 and $857,212 at June 30, 2020 and 2019.

Depreciation and amortization expense amounted to $7,259,930 and $7,618,514 for the years ended June 30, 2020 and 2019.

On January 13, 2020, the Illinois affiliate finalized the acquisition of a building and land at 2934 West Lake Street in Chicago. The acquisition was partially funded by a loan from Covenant House (Parent). The Illinois affiliate acquired the building and land for a purchase price of $2,900,000, of which $708,712 was allocated to land and $2,191,288 was allocated to building at the estimated fair value of the assets. In connection with the acquisition, the Illinois affiliate incurred total transaction costs of $638,480. Capitalized transaction costs include contributed legal services totaling $351,803 and $211,469 for the years ended June 30, 2020 and 2019. Following completion of the property acquisition, pre-acquisition costs incurred and capitalized during fiscal 2019 were reclassified to building costs within property and equipment. Since acquisition, the property has been undergoing significant renovations in order to bring it to its intended use. As a result, no depreciation charges have been provided on the building as of June 30, 2020. Additional renovation costs incurred have been capitalized as construction in progress, and will be reclassified to building improvements and depreciated upon completion of renovations and transfer into service.

On July 22, 2019, the Texas affiliate acquired real property for a purchase price of $3,750,000, of which $1,975,000 was allocated to land and $1,775,000 was allocated to building at the estimated fair value of the assets. At closing, the Texas affiliate made a cash payment of $1,950,000 and obtained a loan totaling $1,800,000 held by Allegiance Bank for the balance, see (Note 9).

The Vancouver affiliate is undertaking the redevelopment at 1280 Seymour Street as Phase 2 of an expansion project. As of June 30, 2020, the affiliate has incurred $6,637,267 CAD (US $4,864,798) of professional development and construction costs related to Phase 2 which has been recorded as construction in progress. At June 30, 2020, the affiliate has contracted costs aggregating approximately $23,500,000 CAD (US $17,224,372) related to the completion of Phase 2 of the expansion project.

On April 1, 2001, the VanCity Place Society assigned to the Vancouver affiliate a land lease, free of charge, located on West Pender Street, Vancouver, which the VanCity Place Society acquired from the City of Vancouver. The lease expires on June 25, 2057. The Vancouver affiliate purchased the building located on the leased land and uses it for its program purposes. While the value of the purchased building was capitalized and has been depreciated since the date of purchase, no value was assigned to the free use of the land under the terms of the lease. Accordingly, in accordance with U.S. GAAP, for purposes of preparing its consolidated financial statements, Covenant House has recognized a restricted contribution at fair value for the right to use the land. The contribution is being amortized on a straight-line basis over the remaining term of the lease.

8. Property, Plant and Equipment and Property Held for Sale *(continued)*

Purchase and Sale, Development Agreement and Construction in Progress

Covenant House (Parent) entered into a development agreement with The Gotham Organization, Inc. (“Gotham”), effective October 20, 2017, to redevelop the Property. During fiscal 2019, a net asset transfer occurred between Covenant House (Parent) and the LLC totaling $1,942,566 for construction costs incurred for the Property by Covenant House (Parent), net of various construction liabilities. This consisted of construction in progress costs of $11,315,582, net of accrued construction loans payable of $1,471,213 and construction escrow deposits of $7,901,803.

In addition, Covenant House (Parent) entered into a purchase and sale agreement with GO Covenant, LLC, a newly formed affiliate of Gotham. GO Covenant, LLC, advanced certain pre-development and transaction costs to an escrow account (“Construction Escrow Deposits”) for the purpose of designing and constructing the Property. The construction escrow deposits totaled $7,901,803 at June 30, 2020 and 2019.

The LLC incurred $34,077,614 and $15,742,325 of construction in progress costs related to the Property as of June 30, 2020 and 2019.

9. Line of Credit, Other Debt Obligations and Capital Leases

The following table summarizes the total amounts outstanding under the line of credit agreement, other debt obligations and capital leases attributed to Covenant House and each affiliate as of June 30:

Covenant House ("CH") Affiliate	Lender	Debt Obligation at June 30, 2020	Maturity Date	Interest Rate (per annum) at June 30, 2020	Debt Obligation at June 30, 2019
CH Parent Entity	Goldman Sachs	$ 2,075,000	2/14/2022	LIBOR + 1.65%	$ 5,950,000
CH Alaska/CH Holdings LLC	Wells Fargo (Loan A)	-	6/6/2020	0.744%	5,277,000
CH Alaska/CH Holdings LLC	Brownfield (Loan A)	-	6/6/2020	0.744%	4,521,600
CH Alaska/CH Holdings LLC	Consortium (Loan A)	-	6/6/2020	0.744%	3,014,400
CH Alaska/CH Holdings LLC	Wells Fargo (Loan B)	-	10/1/2042	0.744%	2,223,000
CH Alaska/CH Holdings LLC	Brownfield (Loan B)	-	10/1/2042	0.744%	1,358,400
CH Alaska/CH Holdings LLC	Consortium (Loan B)	-	10/1/2042	0.744%	905,600
CH California	Department of Housing and Community Development	518,000	9/23/2023	3.00%	592,000
CH California	Bank of America	1,262,684	1/28/2028	4.25%	1,313,633
CH California	Great American Leasing Co.	65,830	6/30/2025	1.94%	170,003
CH California	Weingart Foundation (Note 2)	750,000	11/5/2021	2.00%	750,000
CH California	Scott Boxenbaum (Note 1)	-	12/20/2018	4.00%	735,000
CH Florida	Milner, Inc	92,518	6/1/2023	18.00%	107,945
CH Missouri	Affordable Housing Commission	142,496	11/15/2037	0.00%	150,413
CH Missouri	Sumner One	20,706	5/15/2025	2.38%	-
CH New Jersey	New Jersey Housing and Mortgage Finance Agency ("NJHMFA")	829,306	10/6/2024	0.00%	829,306
CH New Jersey	NJHMFA	648,346	6/7/2024	0.00%	648,346
CH New Jersey	NJHMFA	700,000	3/31/2024	0.00%	700,000
CH New Jersey	NJHMFA	165,179	11/20/2042	0.00%	165,179
CH New Jersey	New Jersey Department of Community Affairs	654,400	7/27/2042	1.00%	654,400
CH New Jersey	Bank of America	-	4/30/2021	LIBOR + 3.50%	620,000
CH New York/Under 21	CIT/Avaya Financial Services	-	11/3/2019	2.90%	7,802
CH New York/Under 21	Pitney Bowes -Send Pro P2000 Mailing System Lease	6,616	5/28/2022	1.93%	10,000
CH New York/Under 21	Konica Minolta Business Solutions	-	5/7/2020	2.87%	21,220
CH New York/Under 21	Konica Minolta Business Solutions	-	12/19/2019	2.87%	1,811
CH Pennsylvania/Under 21	Citizens Bank	2,188,000	4/1/2021	2.31%	2,238,400
CH Texas	NEC Financial Services, LLC	24,583	9/4/2023	0.00%	31,174
CH Texas	Allegiance Bank	1,400,000	7/22/2024	5.50%	-
CH Washington, D.C.	PNC Bank	257,396	1/27/2030	6.00%	277,822
CH Washington, D.C.	EagleBank	-	5/30/2020	6.50%	500,000
CH Toronto	City of Toronto	583,796	2024	0.00%	642,014
CH Vancouver	BC Housing/Proposal Development Funding	4,129,213	4/1/2029	0.00%	4,301,987
CH Vancouver	BC Housing Management Commission	3,664,760	Payable on demand	0.00%	3,818,100
CH Vancouver	Canada Mortgage and Housing Corporation	3,730,163	2040	0.00%	-
		23,908,992			42,536,555
Less: Deferred financing costs		(41,943)			(247,691)
		$ 23,867,049			$ 42,288,864

Covenant House (Parent) entered into an unsecured line of credit agreement with a financial institution to borrow up to an aggregate amount of $15 million on February 14, 2019. Interest on outstanding borrowings is payable at the one-month LIBOR rate plus additional percentage points as defined in the agreement, which totaled 1.65% and 1.50% at June 30, 2020 and 2019.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

Total drawdowns under the unsecured line of credit agreement with the financial institution totaled $10,050,000 and $5,950,000 during the years ended at June 30, 2020 and 2019. Total repayments on the line of credit were $13,925,000 during fiscal 2020. There were no repayments on the line of credit during fiscal 2019.

In 2012, CHH was formed for the purpose of participation in a NMTC financing transaction, and received an allocation of NMTC funds pursuant to Section 45D of the Internal Revenue Code.

Under the terms of the NMTC transaction, CHH received mortgage loans from the CDEs. The loans were comprised of Loan A amounts totaling $12,813,000 and Loan B amounts totaling $4,487,000. Per NMTC regulations, upon completion of a required seven-year period, the issuer of the NMTC loans is anticipated to liquidate its interest in the NMTC transaction, leading to the forgiveness of the loans. Due to the structure of the NMTC transaction, the Loan A balance is effectively a loan between the Alaska affiliate and CHH; however, since no legal right of offset exists, the note receivable of $12,813,000 and the loans payable of $17,300,000 have been reported gross on the accompanying 2019 consolidated statement of financial position. Interest accrued on the Loan A and Loan B notes at 0.744% per annum and was payable monthly. Any accrued but unpaid interest and unpaid principal on the Loan A notes was due in full on June 6, 2020. For Loan B notes, interest was payable monthly through June 6, 2020, at which time monthly payments of interest and principal sufficient to amortize the notes by October 1, 2042 are required. CHH served as the qualified active low income community business (the "QALICB") for the NMTC financing. On November 21, 2019, the Alaska affiliate purchased the Tax Credit Investor's interest in the Investment Fund at a cost of $1,000. Upon the succession of the Alaska affiliate 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 Alaska affiliate, 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 Alaska affiliate's title to the real and personal property included in the facilities financed by the NMTC financing. The Alaska affiliate realized a net gain of approximately $4.5 million on the forgiveness of debt from the NMTC unwind.

During 2018, the California affiliate refinanced its outstanding debt and entered into a $1,375,000 term loan with Bank of America, with an interest rate of 4.25% and maturing on January 28, 2028.

On December 20, 2017 (the “agreement date”), the California affiliate obtained through financing a secured note payable of $750,000 (“Note 1”) with an interest rate at 4% from a related party of the affiliate with the condition that the note be used for the Covenant House Western Avenue Property. All principal and accrued interest on this note have been paid in full as of June 30, 2020. The total amount of interest expense relating to this note totaled $30,000 for the year ended June 30, 2019.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

On November 5, 2018 (the “disbursement date”) the California affiliate obtained through financing an unsecured note payable of $750,000 (“Note 2”) with an interest rate at 2% from an unrelated foundation, with the condition that the note be used to repay Note 1. The repayment of the principal balance and accrued interest will be due and payable three years from the disbursement date. The total amount of interest expense relating to Note 2 totaled $15,000 and $9,833 for the years ended June 30, 2020 and 2019.

In fiscal year 2019, the California affiliate was awarded an Emergency Housing and Assistance Program Operating Facility (“EHAP”) grant through Department of Housing and Community Development of $740,000 in order to secure funding on the purchase of the DreamCatcher property for a total value of $1,479,480. The difference between the EHAP fund and property value was contributed to the California affiliate for $850,801 and recorded as other income in the consolidated statement of activities. The grant is structured as a loan to the California affiliate, secured by a deed of trust on the DreamCatcher property and bears interest at the rate of 3% simple interest per annum.

In 2008, the Missouri affiliate obtained a non-interest-bearing forgivable loan totaling $237,500 from the Affordable Housing Commission for the construction of 36 residential dwelling units located at 2727 N. Kingshighway (the “Project”). The loan is secured by the assets of the Project. The Affordable Housing Commission forgives $7,917 of the liability annually, with final forgiveness occurring on November 16, 2037, the maturity date. The entire unpaid principal and interest amount of this loan shall become immediately due and payable upon the first to occur of the following: (i) the sale of the Project; (ii) failure of the borrower to maintain the Project as a rental property, (iii) failure of occupancy requirements. Forgivable loan balances amounted to $142,496 and $150,413 for the years ended June 30, 2020 and 2019.

On October 6, 2009, the New Jersey affiliate obtained permanent financing for the transitional living program facility in Montclair, NJ, from NJHMFA, aggregating $829,306 at June 30, 2020 and 2019. Of this amount, $538,000 was used to repay the existing debt obligation to Covenant House (Parent), $109,729 was applied to fund required escrow balances, $30,187 was applied to financing expenses, capitalized as deferred financing costs on the accompanying consolidated statement of financial position, and the balance was received by the New Jersey affiliate as cost reimbursement for construction costs previously incurred. This mortgage is payable without interest over a period of 15 years. Repayment will be made from 25% of the project’s available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2020 and 2019, the escrow amount held with the trustee totaled $108,891 and $104,686. To the extent that principal payments are not covered by cash flows, the payment of principal is deferred until the end of the mortgage term. In fiscal 2020 and 2019, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

The New Jersey affiliate also acquired a residential property in Montclair, NJ for a transitional living program to serve youths with mental disabilities called Nancy's Place. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark, NJ, for the transitional living program were provided for by temporary financing of $1,015,500 obtained from CSH on March 20, 2008. In accordance with terms of the agreement, partial payments aggregating $775,466 were made. These payments were made using grant funds awarded to the New Jersey affiliate from the U.S. Department of Housing and Urban Development. At June 8, 2009, the remaining balance of $240,034 was refinanced by NJHMFA into a new permanent mortgage aggregating $648,346, including additional loan proceeds for the acquisition of two (2) adjacent properties. This mortgage is payable, without interest, over a period of 15 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2020 and 2019, the escrow amount held with the trustee totaled $143,745 and $140,376. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2020 and 2019, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the mortgage.

In May 2006, the New Jersey affiliate secured a long-term loan from the Corporation for Supportive Housing ("CSH") for $528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The New Jersey affiliate entered into an agreement to buy the related real estate on August 9, 2005. This loan was refinanced as part of new funding received from the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which totaled approximately $4,000,000, $3,300,000 of which was received via a grant and $700,000 was a loan, which was entered into on March 17, 2008. The initial mortgage term for the $700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2020 and 2019, the escrow amount held with the trustee totaled $256,383 and $250,283. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2020 and 2019, the project ran a deficit; as such no principal payments were made. The property serves as collateral for the loan.

On November 20, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Newark, NJ from NJHMFA, aggregating $165,179. The mortgage is payable without interest over a period of 30 years. Repayment will be made from 25% of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement. At June 30, 2020 and 2019, the escrow amount held with the trustee totaled $21,768 and $20,635. To the extent that payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. In fiscal 2020 and 2019, the project ran a deficit; as such no principal payments were made. If it is determined at the maturity of the mortgage that the New Jersey affiliate cannot repay and if all mortgage terms and conditions have been met, NJMFA may extend or refinance the mortgage. The property serves as collateral for the mortgage.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

On July 27, 2012, the New Jersey affiliate obtained permanent financing for the acquisition of a supportive apartment living facility in Montclair, NJ from New Jersey Department of Community Affairs ("NJDCA"), aggregating $654,400 at June 30, 2020 and 2019. Of this amount $600,000 was received at the closing with the balance due as expenses related to the occupancy of the building were incurred. $1,000 was received both in fiscal 2014 and fiscal 2013 and the balance of $52,400 was fully received as of June 30, 2016. This mortgage is payable over a period of 30 years with interest of 1% per annum, from the first of the month following the issuance of a final certificate of occupancy for the premises. Occupancy commenced on October 1, 2013. Repayment will be made from 50% of the project's cash flows after payment of expenses and debt service. To the extent that principal and interest payments are not covered by the project's cash flows, payment is deferred until the end of the mortgage term. In fiscal 2020 and 2019, the project ran a deficit; as such no principal or interest payments were made. The property serves as collateral for the mortgage. Interest expense on this mortgage amounted to $6,540 both in fiscal 2020 and 2019.

The New Jersey affiliate has an available $1,000,000 line of credit agreement with Bank of America, N.A. which was renewed and has a maturity date on October 31, 2021. Interest on amount borrowed accrues at a rate of British Banker's Association LIBOR plus 3.50%. There were no outstanding borrowings on this line of credit facility at June 30, 2020. As of June 30, 2019, $620,000 was drawn down on the line of credit; interest expense for fiscal 2020 and 2019 amounted to $9,618 and $20,147.

In April 2016, the Pennsylvania affiliate refinanced its loan payable with a financial institution. The new term loan is for $2,650,000 matured in April 2021 and has an interest rate based on the 30-day LIBOR rate plus 2%. Interest is payable monthly with a principal payment due in the amount of $4,200, with a final balloon payment due at maturity. Covenant House (Parent) has fully cash-collateralized the outstanding loan amount with the financial institution.

Effective March 12, 2018, the Pennsylvania affiliate renegotiated its loan terms with the financial institution. The affiliate entered into an interest rate swap agreement to effectively convert the variable interest rate to a fixed rate of 2.31% per annum. The change in the fair value of the swap agreement and the payments to or receipts from the counterparty to the swap are netted with interest expense on the consolidated statement of functional expense. Accordingly, at June 30, 2020 and 2019 the affiliate recognized a swap liability of $39,262 and $24,394, which is included in accounts payable and accrued expenses, and the same amount included in the interest expense in the accompanying consolidated financial statements. The swap is reported at fair value using level 2 inputs. The maturity date and principal payment terms remain unchanged. The outstanding loan balance at June 30, 2020 and 2019 was $2,188,000 and $2,238,400. On July 24, 2020, the Pennsylvania affiliate paid the full amount of the then existing loan payable and at the same time the interest rate swap agreement was terminated.

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

During fiscal 2020, the Texas affiliate obtained a loan totaling $1,800,000 held by Allegiance Bank. The loan with matures on July 22, 2024, and requires monthly of interest at 5.50% per annum for the first eighteen months. Commencing with month nineteen, monthly installment payments of principal and interest shall be due based on an amortization of the original loan over 240 months. Upon maturity, the remaining principal and accrued interest are due in full. Upon maturity, the remaining principal and accrued interest are due in full. In fiscal 2020, the Texas affiliate made a balloon principal payment of $400,000 towards the loan. As of June 30, 2020, the total amount outstanding on the note payable was $1,400,000.

The Washington, D.C. affiliate has a term loan with a principal amount of $397,742 that currently bears interest at 6% per annum, and is secured by a Deed of Trust on the underlying property located at New York Avenue, Washington, D.C. The outstanding balance was $257,396 and $277,822 as of June 30, 2020 and 2019. Future minimum payments are $36,804 per annum, including interest, through maturity in 2030.

During July 2018, the Washington, D.C. affiliate obtained a line of credit in the amount of $500,000. Interest only payments are due monthly at the prime rate (6% at June 30, 2019) plus .50%. The line of credit is due on demand and secured by substantially all assets of the affiliate. As of June 30, 2020 and 2019, the outstanding amount were $0 and $500,000.

The Toronto affiliate has an unsecured line of credit, maturing on demand, to borrow up to CAD $3,000,000 (US $2,198,856). Interest is payable at the bank's prime rate. During fiscal 2020 and 2019, there were no drawings against this line of credit.

During fiscal 2019, the Toronto affiliate received CAD $885,000 (USD $642,014) in funding in the form of a forgivable loan from the City of Toronto towards the cost of the building purchased in 2018 for a new housing program. This amount is secured by a mortgage, which is non-interest bearing and there are no principal payments due unless the building is sold or there is a change in use without prior agreement. The mortgage will be reduced at a rate of 5% per year until fully forgiven in 20 years. As of June 30, 2020, the outstanding balance of the forgivable loan was CAD $796,500 (USD $583,796)

The Vancouver affiliate was provided with financial assistance in the amount of CAD $5,000,000 (US $3,804,420) in the form of a forgivable mortgage, registered on July 26, 2017. The Vancouver affiliate is required to continue developing and operating the property at 1302 Seymour Street, for the specific purpose under the mortgage. As long as the Vancouver affiliate is using the mortgage for the specific purpose, the mortgage will be forgiven equally over the term of the loan in the 11th year following the project completion date of 2021. As of June 30, 2020, the outstanding balance of the forgivable mortgage was CAD $5,000,000 (US $3,664,760).

9. Line of Credit, Other Debt Obligations and Capital Leases *(continued)*

In fiscal 2019, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,633,675 (US $4,301,987) in the form of a mortgage, repayable on demand. The mortgage is non-interest bearing prior to its maturity in April 2029, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to April 2029, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 2% per annum. As of June 30, 2020, the outstanding balance of the forgivable mortgage was CAD $5,633,675 (US $4,129,213).

In fiscal 2020, the Vancouver affiliate was provided with financial assistance in the amount of CAD $5,089,232 (US $3,730,163) in the form of a mortgage, repayable on demand. The mortgage is non-interest bearing prior to its maturity in January 2040, and the property at 1302 Seymour Street is provided as collateral. No principal repayments are required prior to maturity. Subsequent to April 2029, if the mortgage is not fully repaid, it bears interest at the prime interest rate plus 5% per annum. As of June 30, 2020, the outstanding balance of the forgivable mortgage was CAD $5,089,232 (US $3,730,163).

In April 2019, the Georgia affiliate obtained a $300,000 line of credit agreement with CenterState Bank. There was no borrowing against the line as of June 30, 2020 and 2019. The line bears interest at the bank's prime lending rate 6%. The line is renewed annually and is due on demand. Under terms of the line of credit, the Georgia affiliate is required to provide the lender with a copy of the audited financial statements without modification of the independent auditors' report within 120 days of the fiscal year end. The Georgia affiliate has obtained a waiver for this requirement. On July 6, 2020, the affiliate renewed the line of credit and increased the limit to $500,000.

Covenant House is a lessee of certain equipment acquired under capital leases expiring in various years through fiscal year 2025. Amortization of assets acquired under capital leases is included in depreciation and amortization expense on the consolidated statement of activities. Obligations under capital leases at June 30, 2020 and 2019 amounted to approximately $210,000 and $350,000

The following summarizes the scheduled line of credit, other debt obligations and capital lease obligation payments for the years ending June 30:

2021	$ 5,191,487
2022	195,814
2023	696,129
2024	137,861
2025	1,932,456
2025	15,793,710
	23,947,457
Less: Amount representing interest	(38,465)
Less: Deferred financing costs	(41,943)
	$ 23,867,049

10. Deferred Revenue

Several affiliates have been awarded special-purpose grants/loans from federal, state and/or local agencies for the purpose of constructing and/or renovating their facilities. The unearned portions of these grants/loans are reflected as deferred revenue on the accompanying consolidated statement of financial position and are being amortized over the period of the respective grant/loan agreements.

The following grants/loans have been awarded to various Covenant House affiliates during current and prior fiscal years:

Covenant House ("CH") Affiliate	Awarding Agency/Other	Unamortized Balance at June 30, 2020	Unamortized Balance at June 30, 2019
CH California	State of California Department of Housing and Community Development	$ 428,505	$ 439,145
CH New Jersey	U.S. Department of Housing and Urban Development	800,000	800,000
CH New Jersey	State of New Jersey Department of Community Affairs	43,815	87,630
CH New Jersey	State of New Jersey Department of Human Services (Crisis Center)	6,503	7,586
CH Alaska	Cook Inlet Tribal Council	398,743	423,281
CH Alaska	Doris Duke Foundation	350,000	-
CH Alaska	Rasmuson Foundation	150,000	-
CH Pennsylvania/Under 21	Henkels and McCoy	-	198,150
Various	Various	752,684	528,574
		$ 2,930,250	$ 2,484,366

11. Split-Interest Agreements

Covenant House is the beneficiary of various split-interest agreements with donors. Covenant House may control donated assets and may share with the donor or the donor's designee income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or the donor's designee(s)) at which time the remaining assets are available for Covenant House's use. Under Covenant House's charitable remainder trust and charitable gift annuities programs, where Covenant House is the trustee, Covenant House has elected the fair value reporting option under ASC 825 which requires the obligation due under split-interest agreements to be measured at fair value annually based upon changes in the life expectancy of the donor or beneficiary and the discount rate at the date of measurement. Covenant House believes that accounting for charitable remainder trusts and charitable gift annuities at fair value appropriately reflects Covenant House's obligations due under split-interest agreements.

11. Split-Interest Agreements (*continued)*

The discount rates used in the calculation of all obligations due to annuitants under split-interest agreements at June 30, 2020 and 2019 ranged from 0.6% to 2.8%. At June 30, 2020, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,993,000 and $2,934,000. At June 30, 2019, obligations due under split-interest agreements relating to charitable remainder trusts and charitable gift annuities were approximately $1,761,000 and $2,581,000. As of June 30, 2020 and 2019, $9,525,676 and $9,211,680 of investments relate to such agreements. State-mandated insurance reserves related to charitable gift annuity agreements are maintained at the required level.

Covenant House further maintains beneficial interests in certain trusts administered by third parties. Those trusts of a perpetual nature were valued at approximately $4,046,000 and $4,113,000 at June 30, 2020 and 2019. Other trusts with a defined time frame (term trusts) were valued at approximately $1,863,000 and $2,068,000 at June 30, 2020 and 2019. As these trusts are controlled and invested by independent third parties, Covenant House records a beneficial interest and contribution revenue for its ratable share of the assets based on the fair value of the trusts' underlying assets.

The following tables prioritize the inputs used to measure and report the fair value of Covenant House's beneficial interests in trusts and obligations under split-interest agreements at June 30:

	2020		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 4,927,681	$ -	$ 4,927,681
Beneficial interests in trusts	$ -	$ 5,942,394	$ 5,942,394

	2019		
	Level 2	Level 3	Total
Obligations due under split-interest agreements	$ 4,343,778	$ -	$ 4,343,778
Beneficial interests in trusts	$ -	$ 6,181,741	$ 6,181,741

11. Split-Interest Agreements (*continued*)

The following tables summarize the changes in fair value associated with Covenant House's Level 3 beneficial interests in trusts for the years ended June 30:

	2020				
	Beginning Balance at July 1, 2019	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2020
Beneficial interests in trusts	$ 6,181,741	$ -	$ (134,878)	$ (104,469)	$ 5,942,394

	2019				
	Beginning Balance at July 1, 2018	Additions of Trusts	Change in Fair Value	Distribution from Termination of Trusts	Ending Balance at June 30, 2019
Beneficial interests in trusts	$ 6,104,507	$ 2,468	$ 184,762	$ (109,996)	$ 6,181,741

12. Construction Loans Payable

In fiscal 2019, a financial institution and Covenant House (Parent) executed a loan agreement in an amount of up to $57,000,000. In fiscal 2019, an amendment was fully executed to increase the total loan commitment to $61,000,000. Covenant House (Parent) granted fee title for the loan proceeds to HDFC, and HDFC entered into a Nominee Agreement with the LLC. The loan proceeds will be used to fund the demolition and construction of the Property. The total commitment consists of two loan components, which are comprised of a building loan in the amount of $54,595,517 and a project loan in the amount of $6,404,483.

In 2019, the LLC drew down $2,768,694 on the building loan and $543,518 on the project loan. Any outstanding principal balance of the loans shall be due and payable on April 15, 2022. The loans bear interest at the current LIBOR rate at the time of the draw plus 275 basis points. The LLC incurred an additional $2,569,629 worth of construction costs on the building loan, and did not draw down on the loan, prior to June 30, 2019.

In 2020, the LLC drew down an additional $13,474,404 on the building loan and $1,513,173 on the project loan. Any outstanding principal balance of the loans shall be due and payable on April 15, 2022. The loans bear interest at the current LIBOR rate at the time of the draw plus 275 basis points.

13. Paycheck Protection Program

During fiscal 2020, Covenant House and its U.S. Affiliates received loan proceeds in the amount of $16,014,545 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. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”). If Covenant House and its U.S. Affiliates do not apply for forgiveness, payments begin approximately 16 months after the loan date.

Covenant House and its U.S. Affiliates intend to use all proceeds received in accordance with regulations established by the PPP. Management believes its use of the proceeds, including amounts expended through June 30, 2020, will be forgiven. Certain U.S. affiliates recognized the PPP loan as a conditional grant under ASC 958-605, *Revenue Recognition-Contributions* and will recognize income as allowable costs are incurred and other related conditions are met. In fiscal 2020, Covenant House and its U.S. Affiliates recognized $2,865,507 of income, included in government grants and contracts in the consolidated statement of activities. The remaining PPP loan funds of $4,081,316 from these U.S. Affiliates are reported as PPP refundable advances in the consolidated statement of financial position at June 30, 2020.

Covenant House (Parent) and other U.S. Affiliates who received the PPP loan recognized the funds as debt on the consolidated statement of financial position. Covenant House (Parent) and these U.S. Affiliates will recognize the income from the forgiveness of the PPP loan when it receives notification of forgiveness from the SBA in accordance with ASC 470, *Debt*. Covenant House (Parent) and the U.S. Affiliates who received the loans reported these funds in full as PPP loans in the consolidated statement of financial position at June 30, 2020 for $9,067,722. Although Covenant House (Parent) and these U.S. Affiliates believe the loans will be substantially forgiven, there can be no guarantee that the SBA will approve the loan forgiveness.

The SBA has stated it will review the needs certification on all loans over $2,000,000. After the review, the SBA may determine that Covenant House and its U.S. Affiliates did not meet the need criteria to apply for the PPP loan. In such a circumstance, Covenant House and its U.S. Affiliates may be forced to return all or part of the PPP loan proceeds plus pay the accrued and unpaid interest. Covenant House and its U.S. Affiliates believe they were eligible to receive the PPP loan proceeds.

14. Pension Plans

Covenant House (Parent) has a defined benefit pension plan (the "Plan") covering employees of Covenant House (Parent) and its U.S. Affiliates only. Benefits are generally based on years of service and average salary, as defined under the Plan. Covenant House (Parent) contributes to the Plan the amount necessary to satisfy IRS funding requirements as calculated by its actuary.

The assets of the Plan, which are held by Transamerica Retirement Solutions, LLC, consist primarily of mutual funds and short-term corporate bonds, and are reported at fair value based on quoted market values as of the reporting date. On July 1, 2019, Covenant House (Parent) changed trustees of the Plan from Prudential Retirement Insurance and Annuity Company to Transamerica Retirement Solutions, LLC.

The Plan's investment objectives seek to obtain the highest total rate of return in keeping with a moderate level of risk while preserving principal in real terms and focusing on long-term returns over near-term current yield. To develop the expected long-term rate of return on assets assumption, Covenant House (Parent) considers historical returns and future expectations of returns for its fixed income securities.

Effective December 31, 2006, Covenant House (Parent) froze service credits in the Plan. Compensation increases continued to apply within the Plan structure for those participants who exceeded certain thresholds of age and years of service to protect the benefits of older and longer tenured employees. Covenant House (Parent) further amended the Plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits would accrue under the Plan after that date.

As set forth in the provisions of the Employee Retirement income Security Act of 1974 ("ERISA"), Covenant House (Parent) is responsible for maintaining an annual minimum funding requirement. However, beginning in 2018, Covenant House (Parent) began charging affiliates their pro rata share of the minimum funding requirement.

14. Pension Plans *(continued)*

The following table presents the Plan's required pension disclosures as of and for the years ended June 30:

	2020	2019
Change in benefit obligation:		
Projected benefit obligation, beginning of year	$ 45,068,088	$ 42,723,874
Service cost	835,000	861,804
Interest cost	1,946,000	2,087,389
Actuarial loss	10,895,966	3,648,379
Benefits paid	(3,255,848)	(4,253,358)
Projected benefit obligation, end of year	$ 55,489,206	$ 45,068,088
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 28,759,372	$ 28,530,243
Actual return on plan assets	2,797,097	2,405,590
Employer contributions	4,930,946	2,076,897
Benefits paid	(3,255,848)	(4,253,358)
Fair value of plan assets, end of year	$ 33,231,567	$ 28,759,372
Funded status, end of year	$ (22,257,639)	$ (16,308,716)
Accumulated benefit obligation	$ 55,489,206	$ 45,068,088
Amounts included in without donor restricted net assets:		
Unrecognized actuarial loss	$ 20,873,346	$ 12,214,477
Components of the net periodic pension cost:		
Service cost	$ 835,000	$ 861,804
Interest cost	1,946,000	2,087,389
Expected return on plan assets	(1,609,000)	(1,723,295)
Amortization of actuarial loss	1,049,000	801,061
Net periodic pension cost	$ 2,221,000	$ 2,026,959
Other changes recognized in without donor restrictions net assets:		
Actuarial loss incurred during the year	$ 9,707,869	$ 2,966,084
Amortization of actuarial loss	(1,049,000)	(801,061)
Pension related activity, other than net periodic pension cost	$ 8,658,869	$ 2,165,023
Amounts in without donor restrictions net assets expected to be recognized as components of net periodic pension cost in the next fiscal year:		
Amortization of actuarial loss	$ 1,997,969	$ 1,125,807
Weighted-average Assumptions:		
Discount rate - benefit obligation	3.10%	4.40%
Discount rate - net periodic pension cost	4.40%	4.97%
Expected long-term rate of return on Plan assets	5.50%	6.00%
Average rate of increase in compensation levels	N/A	N/A

14. Pension Plans *(continued)*

Covenant House (Parent) expects to contribute $3,331,289 to the Plan in 2021.

Employer contributions to the Plan for the years ended June 30, 2020 and 2019 were $4,930,946 and $2,076,897. Plan benefits expected to be paid in the following fiscal years are as follows:

2021	$ 3,331,289
2022	3,246,281
2023	2,818,834
2024	3,569,954
2025	3,438,774
2026-2030	15,613,023

The following table prioritizes the inputs used to measure and report the fair value of the Plan's assets at June 30:

	2020		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 23,490,705	$ -	$ 23,490,705
Equity mutual funds	5,162,176	-	5,162,176
Short-term corporate bonds	4,578,686	-	4,578,686
Total Plan Assets	$ 33,231,567	$ -	$ 33,231,567

	2019		
	Level 1	Level 2	Total
Fixed income mutual funds	$ 23,716,141	$ -	$ 23,716,141
Equity mutual funds	4,550,939	-	4,550,939
Pooled separate accounts	-	492,292	492,292
Total Plan Assets	$ 28,267,080	$ 492,292	$ 28,759,372

The percentages of the fair value of total Plan assets by asset category are as follows at June 30:

	2020	2019
Fixed income mutual funds	71 %	82 %
Equity mutual funds	15 %	16 %
Short-term corporate bonds	14 %	0 %
Pooled separate accounts	0 %	2 %
	100 %	100 %

14. Pension Plans *(continued)*

Effective January 1, 2007, Covenant House (Parent) adopted a 403(b) defined contribution pension plan for all employees with one year of service. As of January 1, 2012, Covenant House (Parent) and its U.S. Affiliates, match 100% of employee contributions to the 403(b) plan up to 3% of employee contributions, except for the highly compensated employees as defined below. New hires become eligible to receive the employer match contribution once the employee has reached age 21 and completed one year of service. Along with the matching provision, there is an additional annual employer contribution to the retirement account for all employees who worked 1,000 hours in a year. Covenant House (Parent) and its U.S. Affiliates contributions range from 1% to 9% of each eligible employee's salary based on points, provided that the respective employee worked 1,000 hours annually. Points are defined as the sum of age and years of service. The 403(b) plan is 100% vested (cliff vesting) after three years of service. Total expense related to the 403(b) plan was approximately $2,472,000 and $2,262,000 for the years ended June 30, 2020 and 2019. Total employer contributions due to the 403(b) plan are approximately $2,265,000 and $2,376,000 at June 30, 2020 and 2019, and are included in pension benefits liability on the accompanying consolidated statement of financial position.

Effective January 1, 2012, Covenant House (Parent) implemented a 457(b) plan for those highly compensated employees who have reached the IRS maximum 403(b) contribution for the year. These employees have the option of continuing their contributions and will be matched by the employer 100% of up to 3% of employee contributions. All other criteria for eligibility follows the same guidelines as the 403(b) plan. Total employer expense related to the 457(b) plan approximated $58,000 and $79,000 for the years ended June 30, 2020 and 2019. Covenant House (Parent) obligations under the 457(b) plan are approximately $662,000 and $563,000 at June 30, 2020 and 2019, and are included in pension benefits liability on the accompanying consolidated statement of financial position.

The Toronto affiliate maintains a Group Registered Retirement Savings Plan ("RRSP"). During fiscal years 2020 and 2019, the expense for the RRSP totaled approximately CAD $536,000 (US $399,000) and $494,000 (US $374,000). There are no employer contributions due to the Toronto affiliate's RRSP at June 30, 2020 and 2019.

The Vancouver affiliate maintains a defined contribution pension plan that provides retirement benefits to its employees. Employees are eligible to join after one year of continuous service. Pension contributions vest with the employee after two years of participation in the plan. Funding contributions are made by employees and are matched by the Vancouver affiliate in the amount of 3%, 5% or 7% of employee compensation based on the number of completed years of service. The expense related to the defined contribution plan for fiscal years 2020 and 2019 totaled approximately CAD $251,000 (US $187,000) and CAD $252,000 (US $190,000). There are no employer contributions due to the Vancouver affiliate's defined contribution pension plan at June 30, 2020 and 2019.

In addition, the labor laws of affiliates in Central America provide for severance pay if an employee is dismissed without just cause. Accrued expenses related to such potential payments are determined in accordance with local statutes and are reflected in the accompanying consolidated financial statements.

15. Board Designated Net Assets

Certain affiliates' Board of Directors designated a portion of their net assets without donor restrictions to be used for strategic purposes, building renovations and/or capital expenditures. These board designated net assets totaled $33,660,176 and $32,618,871 as of June 30, 2020 and 2019.

16. Net Assets with Donor Restrictions

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

	2020	2019
Various donor-imposed purpose restrictions:		
Program	$ 10,660,539	$ 6,392,125
Capital campaign	36,810,166	35,013,128
Time Restriction:		
Beneficial interest in trusts	1,522,494	1,689,738
Other split-interest agreements	2,769,845	3,090,077
Other time restrictions	1,940,499	2,129,425
Unappropriated endowment earnings	3,450,917	3,899,502
Beneficial interest in perpetual trusts	3,923,891	4,011,668
Endowment held in perpetuity	5,207,065	5,247,065
	$ 66,285,416	$ 61,472,728

Net assets were released from donor restrictions satisfying the following restrictions for the years ended June 30:

	2020	2019
Purpose restriction	$ 19,239,794	$ 14,184,337
Time restriction	2,086,421	3,352,977
	$ 21,326,215	$ 17,537,314

17. Endowments

Covenant House's endowment includes both donor-restricted (gifted) endowment funds and funds designated by the Board of Directors to function as an endowment (quasi-endowment). Covenant House's donor-restricted endowment consists of various individual funds established principally in support of Covenant House's mission; it excludes donor restricted beneficial interests in trusts administered by third parties. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

17. Endowments *(continued)*

On September 17, 2010, the State of New York passed the New York State Prudent Management of Institutional Funds Act (“NYPMIFA”), its version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). All not-for-profit organizations formed in New York must apply this law. Covenant House classifies as donor restricted endowment funds, unless otherwise stipulated by the donor: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment and (c) accumulations to its permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified as donor restricted net assets held in perpetuity is classified as donor restricted net assets until such amounts are appropriated for expenditure by Covenant House in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established, and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, Covenant House considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return on endowment investments; general economic conditions; the possible effects of inflation and deflation; other resources of Covenant House; and, the investment policy of Covenant House.

Covenant House has adopted investment management and spending policies for endowment assets that support the objective of providing a sustainable and increasing level of endowment income distribution to support Covenant House’s activities while seeking to maintain the purchasing power of the endowment assets. Covenant House’s primary investment objective is to maximize total return within reasonable and prudent levels of risk while maintaining sufficient liquidity to meet disbursement needs and ensure preservation of capital.

To satisfy its long-term rate-of-return objectives, Covenant House relies on a total return strategy, the objective of which is to achieve a return consisting of a combination of current income and capital appreciation (depreciation), without regard to an emphasis on either, recognizing that changes in market conditions and interest rates will result in varying strategies in an attempt to optimize results. The endowment portfolio is diversified among various investment classes and strategies to help reduce risk.

17. Endowments *(continued)*

The following details endowment net asset composition, excluding third-party perpetual trusts of approximately $4,046,000 and $4,113,000 as of June 30, 2020 and 2019.

	2020			
	Without Donor Restrictions	With Donor Restrictions		
Composition of Endowment Net Assets by Type of Fund	Board Designated	Cumulative Earnings	Original Gift Amount	Total
Board-designated endowment fund	$ 4,956,407	$ -	$ -	$ 4,956,407
Donor-restricted endowment funds	-	3,450,917	5,207,065	8,657,982
	$ 4,956,407	$ 3,450,917	$ 5,207,065	$ 13,614,389
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 4,919,848	$ 3,899,502	$ 5,247,065	$ 14,066,415
Investment return:				
Investment income	121,129	162,185	-	283,314
Net depreciation (realized and unrealized)	(48,410)	(610,770)	-	(659,180)
Appropriation of endowment assets for expenditure	(9,868)	-	-	(9,868)
Other changes	(26,292)	-	(40,000)	(66,292)
Endowment net assets, end of year	$ 4,956,407	$ 3,450,917	$ 5,207,065	$ 13,614,389

	2019			
	Restrictions	With Donor Restrictions		
Composition of Endowment Net Assets by Type of Fund	Board Designated	Cumulative Earnings	Original Gift Amount	Total
Board-designated endowment fund	$ 4,919,848	$ -	$ -	$ 4,919,848
Donor-restricted endowment funds	-	3,899,502	5,247,065	9,146,567
	$ 4,919,848	$ 3,899,502	$ 5,247,065	$ 14,066,415

18. Allocation of Joint Costs

Covenant House (Parent) has allocated joint costs incurred associated with certain informational mailings that contain an appeal for funds between the public education program and fundraising expense categories on the accompanying consolidated statement of activities. Total joint costs of approximately $203,000 and $441,000 were incurred during fiscal 2020 and 2019. Approximately $187,000 and $404,000 were allocated to public education and approximately $16,000 and $37,000 were allocated to fundraising.

19. Commitments and Contingencies

Covenant House is party to a number of operating leases for office space and equipment. Aggregate future minimum lease payments due under operating leases that have remaining terms in excess of one year as of June 30, 2020 are as follows:

2021	$ 2,819,010
2022	2,174,172
2023	593,197
2024	352,851
2025	219,408
Thereafter	69,096
	$ 6,227,734

During July 1999, the Michigan affiliate entered into a dollar-a-year lease for its main campus with the Archdiocese of Detroit for a period of 99 years. The fair value of the property at the time of the lease signing was recorded as net assets with donor restrictions and is released from restriction over the period of the lease. As the asset is amortized over the 99 year life of the lease, $1,869 of rent expense is recorded. The Michigan affiliate uses this property for administrative purposes, the crisis center, rights of passage, charter school and future programs. The affiliate subleases a portion of its main campus to CHA-Detroit for its Central Campus. The affiliate entered into a lease with CHA-Detroit, East Campus for a building effective June 25, 2020 through June 30, 2025. The affiliate also entered into a lease with CHA-Detroit for its Southwest Campus for a building effective June 25, 2020 through June 30, 2025.

19. Commitments and Contingencies *(continued)*

The Washington, D.C. affiliate's Community Service Center resides on a parcel of land along Mississippi Ave., SE, in Washington, D.C., which is part of a larger Building Bridges Across the River, Inc. (BBAR) development project. The Washington, D.C. affiliate has negotiated a ground sublease with BBAR that was finalized on November 11, 2005. Based on the sublease agreement, the lease commencement date was determined retroactively to be January 20, 2003 with a termination date of July 18, 2100. The lease has an annual rent of $25 per year and the Washington, D.C. affiliate is responsible for all operating expenses and utilities. The fair value of the land at the time of the lease agreement signing was recorded as a contribution receivable and restricted contribution and is released from restrictions over the term of the lease. The balance of the long term other asset of $275,482 and $278,883, is reported in prepaid expenses and other assets on the accompanying consolidated statement of financial position at June 30, 2020 and 2019. The Washington, D.C. affiliate built a free-standing, two-story building on the premises, referred to as the Nancy Dickerson Whitehead Community Service Center, which the Washington, D.C. affiliate owns and can sell, assign, or sublet after 15 years, assuming that the purchaser, assignee, or sub-lessee agrees to certain use restrictions, will perform a needed service at the facility, and is financially capable.

If the Washington, D.C. affiliate sells the building, then BBAR will be entitled to 19% of the proceeds. The Washington, D.C. affiliate uses the building and land to provide recreational, educational, social, cultural and support services to homeless and at-risk youths.

Covenant House is contingently liable under various claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the consolidated financial statements of Covenant House.

Covenant House receives funding under grants and contracts from various federal, state and local government agencies. In accordance with the terms of certain government contracts, the records of certain affiliates are subject to audit for varying periods after the date of final payment of the contracts. Covenant House is liable for any disallowed costs; however, management believes that the amount of costs disallowed, if any, would not be material to its consolidated financial statements.

20. Liquidity and Availability of Financial Assets

The following reflects Covenant House's financial assets as of June 30, reduced by amounts not available for general use within one year. Total financial assets available to meet cash needs for general expenditures within one year at June 30, are as follows:

	2020	2019
Financial Assets:		
Cash and cash equivalents	$ 44,176,784	$ 24,651,824
Cash held in escrow	1,467,260	-
Restricted cash	228,579	255,263
Contributions receivable, net	16,789,698	19,491,848
Grants receivable	11,271,298	8,241,733
Other assets	2,476,037	2,678,370
Investments	72,721,948	62,575,353
Investments, other	21,262,401	16,613,823
	170,394,005	134,508,214
Less amounts unavailable for general expenditure:		
Amounts restricted by donors with time or purpose restrictions and internal designations	(54,987,582)	(45,615,787)
Board designated funds	(33,660,176)	(32,618,871)
Investments held for charitable remainder annuity trusts	(1,055,560)	(1,044,895)
Contributions and grants receivable - Due in Future years	(50,000)	-
Beneficial interest in perpetual trusts	(1,881,254)	(1,929,537)
Guarantee for affiliate term loan	-	(2,238,400)
Investments held in perpetuity	(5,207,065)	(5,247,065)
	(96,841,637)	(88,694,555)
Financial Assets at Year-end Available to Meet Cash Needs for General Expenditures Within One Year	$ 73,552,368	$ 45,813,659

As part of Covenant House's liquidity management, Covenant House monitors the status and collectability of receivables on a regular basis. Contributions and special events revenue are solicited on a regular basis to increase support and revenue. In addition, Covenant House (Parent) has a $15 million line of credit with a financial institution which can be used to finance short-term working capital needs of the affiliates.

21. Subsequent Events

In October 2020, CHGA CHI Leverage Lender, LLC ("CHGA-CHI") was formed for the purpose of participation in an NMTC financing transaction in the Project 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 qualitied projects. CHGA-CHI is owned by the Georgia affiliate (95%) and Covenant House (Parent) (5%).

21. Subsequent Events *(continued)*

In January 2021, CHIL QALICB LLC, LLC (“CHIL-QALICB”) was formed for the purpose of participation in a NMTC financing transaction in the project pursuant to Section 45D of the Internal Revenue Code. The NMTC program, administered by the 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 qualitied projects. CHIL-QALICB is owned by the Illinois affiliate (95%) and the Covenant House (Parent) (5%).

22. Risks and Uncertainties

The ongoing Coronavirus pandemic has resulted in substantial volatility in the global economy. The pandemic may potentially have an adverse effect on the results of the operations. While management has implemented measures to mitigate the impact of the pandemic, including obtaining PPP loans under the CARES Act as detailed in Note 13, the extent to which the Covenant House’s operations are impacted will depend on future developments, which are highly uncertain and cannot be predicted. As a result, management cannot reasonably estimate the overall impact of the Coronavirus pandemic to Covenant House’s future results of operations, cash flows, or financial condition.

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