

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidated Financial Statements

June 30, 2021

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidated Financial Statements

June 30, 2021

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## Independent Auditors' Report

**Board of Directors**  
**Covenant House Georgia, Inc. and**  
**CHGA CHI Leverage Lender, LLC**

We have audited the accompanying consolidated financial statements of Covenant House Georgia, Inc. and CHGA CHI Leverage Lender, LLC, which comprise the consolidated statement of financial position as of June 30, 2021, 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 Consolidated 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 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.

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.

**Board of Directors  
Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House Georgia, Inc and CHGA CHI Leverage Lender, LLC as of June 30, 2021 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 Georgia, Inc.'s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position, activities and cash flows on pages 21 through 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*PKF O'Connor Davies, LLP*

April 22, 2022

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidated Statement of Financial Position  
June 30, 2021  
(with comparative amounts at June 30, 2020)

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,383,346	\$ 5,799,169
Restricted cash	5,860,178	-
Contributions receivable, net	1,775,102	4,090,026
Government grants receivable	563,070	256,882
Other receivables	20,701	41,286
Due from Parent	-	47,467
Prepaid expenses and other assets	127,660	55,423
Loan receivable	5,860,232	-
Property and equipment, net	5,457,979	3,054,391
	\$ 23,048,268	\$ 13,344,644
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable, accrued expenses and refundable advances	\$ 330,361	\$ 403,113
Construction costs payable	691,220	-
Due to Parent	12,720	-
Paycheck Protection Program loan	600,000	600,000
Notes payable, net	7,378,574	-
Total Liabilities	9,012,875	1,003,113
Net Assets		
Without Donor Restrictions		
Undesignated	7,420,002	4,067,513
Investment in property and equipment	5,457,979	3,054,391
Total Without Donor Restrictions	12,877,981	7,121,904
With donor restrictions	1,157,412	5,219,627
Total Net Assets	14,035,393	12,341,531
	\$ 23,048,268	\$ 13,344,644

See notes to consolidated financial statements

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidated Statement of Activities  
Year Ended June 30, 2021  
(with summarized totals for the year ended June 30, 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 1,627,286	\$ 1,689,607	\$ 3,316,893	\$ 8,591,585
Contributed services and merchandise	62,826	-	62,826	350,360
Government grants	1,074,745	-	1,074,745	803,994
Branding dollars from Parent	546,745	-	546,745	707,016
Special Event Revenue Raised Locally				
Grants from Parent related to Sleep Out Events	724,903	-	724,903	1,145,299
Other special events	534,635	-	534,635	647,775
Net assets released from restrictions	<u>5,751,822</u>	<u>(5,751,822)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>10,322,962</u>	<u>(4,062,215)</u>	<u>6,260,747</u>	<u>12,246,029</u>
<b>INVESTMENT AND OTHER INCOME</b>				
Interest and dividends	13,451	-	13,451	27,865
Other income	<u>88,453</u>	<u>-</u>	<u>88,453</u>	<u>9,926</u>
Total Investment and Other Income	<u>101,904</u>	<u>-</u>	<u>101,904</u>	<u>37,791</u>
Total Support and Revenue and Investment and Other Income	<u>10,424,866</u>	<u>(4,062,215)</u>	<u>6,362,651</u>	<u>12,283,820</u>
<b>EXPENSES</b>				
Program services	4,055,019	-	4,055,019	4,069,222
Supporting Services				
Management and general	401,924	-	401,924	449,853
Fundraising	<u>503,325</u>	<u>-</u>	<u>503,325</u>	<u>481,224</u>
Total Expenses	<u>4,960,268</u>	<u>-</u>	<u>4,960,268</u>	<u>5,000,299</u>
Change in Net Assets before Other Changes	5,464,598	(4,062,215)	1,402,383	7,283,521
<b>OTHER CHANGES</b>				
Equity contribution	<u>291,479</u>	<u>-</u>	<u>291,479</u>	<u>-</u>
Change in Net Assets	5,756,077	(4,062,215)	1,693,862	7,283,521
<b>NET ASSETS</b>				
Beginning of year	<u>7,121,904</u>	<u>5,219,627</u>	<u>12,341,531</u>	<u>5,058,010</u>
End of year	<u>\$ 12,877,981</u>	<u>\$ 1,157,412</u>	<u>\$ 14,035,393</u>	<u>\$ 12,341,531</u>

See notes to consolidated financial statements

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidated Statement of Functional Expenses  
Year Ended June 30, 2021  
(with summarized totals for the year ended June 30, 2020)

	Program Services					Supporting Services			2021 Total Expenses	2020 Total Expenses
	Shelter and Crisis Care	Outreach	Rights of Passage	Other Services	Total	Management and General	Fundraising	Total		
Salaries and wages	\$ 860,879	\$ 58,110	\$ 792,599	\$ 504,082	\$ 2,215,670	\$ 149,039	\$ 204,934	\$ 353,973	\$ 2,569,643	\$ 2,558,488
Payroll taxes	83,076	4,748	75,955	47,231	211,010	14,241	18,989	33,230	244,240	210,742
Employee benefits	114,711	10,428	107,759	63,252	296,150	20,856	31,285	52,141	348,291	381,542
<b>Total Salaries and Related Expenses</b>	<b>1,058,666</b>	<b>73,286</b>	<b>976,313</b>	<b>614,565</b>	<b>2,722,830</b>	<b>184,136</b>	<b>255,208</b>	<b>439,344</b>	<b>3,162,174</b>	<b>3,150,772</b>
Professional fees	-	-	-	7,195	7,195	78,959	62,330	141,289	148,484	164,018
Supplies	34,534	11	19,604	5,691	59,840	12,673	3,445	16,118	75,958	83,192
Telephone and fax charges	11,365	1,198	12,456	11,583	36,602	1,457	2,642	4,099	40,701	38,642
Printing, postage and mailing	-	-	71	226	297	2,052	13,522	15,574	15,871	14,359
Occupancy										
Fuel and utilities	77,263	415	41,624	16,116	135,418	1,530	2,106	3,636	139,054	161,066
Repairs and maintenance	57,018	250	32,224	9,716	99,208	923	1,269	2,192	101,400	100,598
Rent and other	-	-	50,580	-	50,580	458	-	458	51,038	22,230
Equipment, maintenance and rental	22,899	1,347	59,532	41,017	124,795	19,746	5,313	25,059	149,854	82,002
Infor/Lawson user fees	-	-	-	-	-	7,000	-	7,000	7,000	6,000
Travel and transportation	3,247	2,544	1,668	1,684	9,143	909	137	1,046	10,189	42,445
Conferences, conventions and meetings	975	527	2,951	2,376	6,829	1,574	383	1,957	8,786	9,890
Specific assistance to individuals	132,517	-	125,122	51,035	308,674	-	15,808	15,808	324,482	520,470
Other purchased services	166,947	3,174	100,426	48,531	319,078	11,411	57,454	68,865	387,943	279,343
Dues, licenses and permits	-	-	-	-	-	1,812	1,013	2,825	2,825	6,107
Subscriptions and publications	-	-	-	-	-	5,676	5,153	10,829	10,829	4,016
Insurance	51,743	278	25,029	10,793	87,843	1,025	1,410	2,435	90,278	81,651
In-kind services	-	-	250	-	250	27,412	-	27,412	27,662	60,560
Other expenses	1,886	-	5,148	98	7,132	4,103	4,534	8,637	15,769	15,800
Bank charges and fees	-	-	-	-	-	1,569	-	1,569	1,569	1,104
Credit card fees	-	-	-	-	-	-	70,640	70,640	70,640	73,202
Amortization of debt issuance costs	-	-	-	-	-	36,802	-	36,802	36,802	-
Depreciation and amortization	43,408	4,457	24,104	7,336	79,305	697	958	1,655	80,960	82,832
<b>Total Functional Expenses</b>	<b>\$ 1,662,468</b>	<b>\$ 87,487</b>	<b>\$ 1,477,102</b>	<b>\$ 827,962</b>	<b>\$ 4,055,019</b>	<b>\$ 401,924</b>	<b>\$ 503,325</b>	<b>\$ 905,249</b>	<b>\$ 4,960,268</b>	<b>\$ 5,000,299</b>

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidated Statement of Cash Flows  
Year Ended June 30, 2021  
(with comparative amounts for the year ended June 30, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,693,862	\$ 7,283,521
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	80,960	82,832
Amortization of debt issuance costs	36,802	-
Discount to present value	(66,041)	73,800
Cash contributions received for capital campaign	(3,911,032)	(1,388,871)
Net change in operating assets and liabilities		
Contributions receivable	2,380,965	(4,051,389)
Government grants receivable	(306,188)	(102,445)
Other receivables	20,585	(37,136)
Due from/to Parent	60,187	(48,040)
Prepaid expenses and other assets	(72,237)	(7,802)
Accounts payable, accrued expenses and refundable advances	(72,752)	197,483
Unearned revenue	-	(25,580)
Net Cash from Operating Activities	(154,889)	1,976,373
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deployment of loan receivable	(5,860,232)	-
Construction in progress costs incurred	(1,793,328)	(343,688)
Net Cash from Investing Activities	(7,653,560)	(343,688)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program loan	-	600,000
Proceeds from notes payable	7,857,000	-
Closing costs incurred	(515,228)	-
Cash contributions restricted for capital campaign	3,911,032	1,388,871
Net Cash from Financing Activities	11,252,804	1,988,871
Change in Cash and Cash Equivalents	3,444,355	3,621,556
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	5,799,169	2,177,613
End of year	\$ 9,243,524	\$ 5,799,169
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash and cash equivalents	\$ 3,383,346	\$ 5,799,169
Restricted cash	5,860,178	-
Total Cash	\$ 9,243,524	\$ 5,799,169
Construction costs included in payables	\$ 691,220	\$ -

See notes to consolidated financial statements



**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

**1. Organization and Nature of Activities**

Covenant House Georgia, Inc. (the “Organization”) is a not-for-profit organization which was founded in 1968 and incorporated in 1972, providing shelter and crisis care and outreach services to youth in the Atlanta, Georgia area. Covenant House (the “Parent”) and affiliates (collectively, “Covenant House”), provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 18,000 young people during fiscal 2021. During fiscal 2021, the worldwide COVID-19 pandemic impacted the number of youth Covenant House reached, as affiliates took measures to ensure social distancing, set aside isolation rooms for symptomatic youth, paused in-person public education and prevention programs, and, throughout the year, suspended or modified street outreach. The pandemic impacted all of Covenant House’s operations, including food production (meal provision was nearly 75% higher than pre-pandemic levels); the creation of online opportunities for mental health care, education, and job readiness training; development of appropriate intake protocols; implementation of new cleaning and sanitizing protocols, and other measures, all of which drove up operating costs. Nevertheless, in fiscal 2021, Covenant House provided a total of nearly 690,000 nights of housing and safety for, on average, 1,883 youth each night.

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

- Covenant House Alaska
- Covenant House California
- Covenant House Chicago
- Covenant House Connecticut
- Covenant House Florida
- Covenant House Georgia, Inc.
- 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.
- Covent House Western Avenue
- Covenant House Testamentum
- Covenant House Holdings, LLC
- Covenant International Foundation
- CH Housing Development Fund Corp.
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44<sup>th</sup> Corporation
- 460 West 41<sup>st</sup> Street, LLC

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

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

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

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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

The Organization is a qualified 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(c)(3) of the Code. The Organization, 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.

In October 2020, CHGA CHI Leverage Lender, LLC (the "LLC"), a Georgia limited liability company, was formed as a special purpose entity for participation in a New Markets Tax Credit ("NMTC") financing transaction and received an allocation of NMTC funds pursuant to Section 45D of the Code. The LLC was financed by equity contributions from the Organization and the Parent. The purpose of the LLC is for the construction of a new transitional supportive housing building, the renovation of the shelter and administrative facility, and a community service center including acquisition of equipment for use therein located at 1559 Johnson Road, Blvd N.W., Atlanta, Georgia (the "Project"). The activities of the LLC are included in the consolidated financial statements of the Organization. All significant inter-company balances and transactions have been eliminated.

***Components of Program and Supporting Services***

***Program Services***

Short-term Housing and Crisis Care (formerly Shelter and Crisis Care)

The short-term housing and crisis care program provides emergency services, temporary housing, food, clothing, medical care, mental health services, and legal aid to young people experiencing homelessness or human trafficking through Covenant House affiliates in North and Central America.

Outreach

Street outreach teams actively seek out young people experiencing homelessness who may need help. The team assists with critical safety needs by providing transportation to a safe shelter. Young people living on the streets can receive food, water, hygiene kits, clothing, blankets, counseling, and referrals to services such as medical care, employment, and education services.

Young Families Program (formerly Mother/Child Program)

The young families program provides emergency services, short and long-term housing, food, and medical and mental health care to pregnant and parenting youth and their children. Our program also offers young families access to free child care services, parenting support, and a full range of educational, vocational, and job placement services.

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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

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

***Program Services (continued)***

Medical

Includes medical facilities operated at and maintained by certain Covenant House affiliates to provide immediate and ongoing medical attention to individuals receiving services at the site.

Drop-In Services (formerly Community Service Center)

Drop-in services are another form of outreach at Covenant House. Youth in this program are not receiving residential services, but are provided access to nutritious meals, hot showers, hygiene products, laundry services, and new clothing and shoes. They can request and receive medical and mental health services, case management services, transitional and permanent housing assistance, and they may take part in the education and employment program.

Public Education

A variety of platforms are used to inform and educate the public, government officials, and young people about youth homelessness and human trafficking. By employing websites, social media, public service announcements, billboards, newsletters, school-based programs, talks, lectures, and peer-to-peer events helps to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

Transitional Living - Rights of Passage

The transitional living programs, often referred to as “Rights of Passage” or ROP, are where young people take steps toward independence. Youth live in ROP for 18-24 months, where they tap their potential and plan for the future. Here they build basic life skills and financial literacy, participate in educational and vocational programs, seek employment with long-term advancement and career prospects, and work toward moving into their own safe and stable housing. The staff support each young person on their journey toward sustainable independence and a hope-filled future.

***Supporting Services***

Management and General

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

Fundraising

Fundraising services relate to the activities of the Development Department in raising general and specific contributions.

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

**2. Summary of Significant Accounting Policies**

***Basis of Presentation and Use of Estimates***

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

***Net Assets***

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

Without donor restrictions – consist of resources available for the general support of the Organization’s operations. Net assets without donor restrictions may be used at the discretion of the Organization’s management and Board of Directors.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Organization to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the “without donor restrictions” or “with donor restrictions” net asset classes based upon stipulations by the donors.

***Cash and Cash Equivalents***

The Organization and LLC consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

***Restricted Cash***

At June 30, 2021, the Organization held cash totaling \$5,860,178, which is restricted to pay a portion of the interest, fees and expense reimbursements in connection with the NMTC transaction.

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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

***Contributions Receivable***

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

***Property and Equipment***

Property and equipment is recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years. The Organization's policy is to capitalize all property and equipment purchases of \$1,000 or greater. Assets held for sale are not depreciated, are measured at the lower of carrying amount or fair value less costs to sell and are presented separately in the consolidated statement of financial position.

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

Buildings	39 to 40 years
Building improvements	39 to 40 years
Equipment and software	3 to 5 years

***Asset Recoverability***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. No impairment was recognized in the years ended June 30, 2021 and 2020.

***Debt Issuance Costs***

Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from the face of the mortgage payable and the leverage loan payable. Amortization of these costs is provided using the straight-line method, which does not differ materially from the effective interest method, over the expected 7-year life of the loans.

The Organization recognized deferred debt issuance costs of \$515,228 on the loans obtained in 2021. For the year ended June 30, 2021, amortization expense of debt issuance costs for the loans was \$36,802 and is included in the statement of functional expenses.

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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

***Revenue Recognition***

The Organization records earned revenues on an accrual basis. In addition, the Organization records as revenue the following types of contributions, when they are received unconditionally at their fair value: cash, promises to give (contributions receivable), certain contributed services and gifts of other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. The Organization also raises funds through special events. Event revenues, net of related costs with a direct-benefit to donors, are recorded as contributions without donor restriction since such funds can be used for general operations unless there are donor-imposed restrictions. Costs to generate donations, with and without donor restriction, are expensed as incurred.

The Organization recognizes government and private grant revenue in the consolidated statement of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period.

***Donated Goods and Services***

Donated goods consist of donated goods for youth and items received by the Organization awarded as prizes during the auctions held in relation to special events. These amounts are recorded as both revenue and expense at their estimated fair values at the date of receipt.

The Organization recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements.

***Advertising Costs***

Advertising costs are expensed as incurred.

***Functional Expense Allocation***

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

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

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

***Summarized Comparative Information***

The consolidated statements of activities and functional expenses include certain prior year summarized comparative information in total but not by net asset class or functional 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 the Organization's financial statements as of and for the year ended June 30, 2020 from which the summarized information was derived.

***Accounting for Uncertainty in Income Taxes***

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition and/or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for years prior to June 30, 2018. The LLC is a disregarded entity for income tax purposes.

***Reclassifications***

Certain amounts in the June 30, 2020 financial statements have been reclassified to conform to the June 30, 2021 presentation.

***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is April 22, 2022.

**3. Contributions Receivable**

Contributions promised to the Organization as of June 30 but not yet collected as of such date, have been recorded as contributions receivable. A present value discount rate of 2.18% has been calculated using discount factors that approximate the risk and expected timing of future payments. Contributions receivable are estimated to be collected as follows:

	<u>2021</u>	<u>2020</u>
Receivables due in less than one year	\$ 1,599,061	\$ 2,414,985
Receivables due in one to five years	<u>183,800</u>	<u>1,748,841</u>
	1,782,861	4,163,826
Discount to present value	<u>(7,759)</u>	<u>(73,800)</u>
	<u>\$ 1,775,102</u>	<u>\$ 4,090,026</u>

As of June 30, 2021 and 2020, no allowance for doubtful accounts was determined to be necessary.

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
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**4. Government Grants Receivable**

Government grants receivable of \$563,070 and \$256,882 at June 30, 2021 and 2020 represent the amounts due from various governmental agencies for the Organization's programs. All grants receivables as of June 30, 2021 are expected to be collected within one year.

**5. Loan Receivable**

In connection with the NMTC transaction, in December 2020, the LLC loaned Chase NMTC CHG Atlanta Investment Fund, LLC, ("Investment Fund"), an unrelated entity, \$5,829,570. As of June 30, 2021, the loan accrued \$30,662 of interest income. The Investment Fund also received equity from a tax credit investor and then made a Qualified Equity Investment ("QEI") in Empowerment Reinvestment Fund XXXVIII, LLC ("ERF") (Suballocatee), as a Community Development Entity ("CDE"). The CDE then made two loans in the amount of \$5,829,570 (Note A) and \$2,027,430 (Note B) to the Organization. (See Note 9)

**6. Property and Equipment**

Property and equipment consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 700,000	\$ 700,000
Buildings and building improvements	2,454,345	2,454,345
Equipment and software	334,953	297,548
Construction-in-progress	<u>2,719,704</u>	<u>272,561</u>
	6,209,002	3,724,454
Accumulated depreciation	<u>(751,023)</u>	<u>(670,063)</u>
	<u>\$ 5,457,979</u>	<u>\$ 3,054,391</u>

Land and construction-in-progress are not depreciated.

**7. Line of Credit**

The Organization maintains a line of credit agreement with South State Bank. On July 6, 2020, the Organization renewed the line of credit and increased the limit to \$500,000 (previously \$300,000). The line bears interest at the bank's prime lending rate of 3.25%. The line is renewed annually and is due on demand. Under terms of the line of credit, the Organization is required to provide the lender with a copy of the audited consolidated financial statements without modification of the independent auditors' report within 120 days of the fiscal year end. The Organization has obtained a waiver for this requirement for the year ended June 30, 2021.



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Notes to Consolidated Financial Statements  
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**8. Paycheck Protection Program Loan**

The CARES Act created the Paycheck Protection Program (“PPP”) to provide certain businesses with liquidity to support their operations during the COVID-19 pandemic. Entities had to meet certain eligibility requirements to receive PPP loans and they must maintain specified levels of payroll and employment over a specified period to have the loans forgiven. The conditions for forgiveness have been evolving and are subject to audit by the U.S. government. As a result, there is at least a reasonable possibility that recorded estimates of PPP loan forgiveness will change by a material amount in the near term.

In April 2020, the Organization received loan proceeds in the amount of \$600,000 under the PPP loan. At June 30, 2021 and 2020, the PPP balance was recorded as liability in the accompanying consolidated statement of financial position as Paycheck Protection Program loan in the amount of \$600,000. On July 6, 2021, the loan was forgiven by the lender and will be recognized as revenue in the year ending June 30, 2022.

**9. Notes Payable**

In October 2020, the LLC was formed for the purpose of participation in a New Markets Tax Credit (“NMTC”) financing transaction to assist 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 qualified projects. The CDE administers these qualified equity investments. These credits, equal to 39% of the investment made, are a dollar-for-dollar reduction in an investor’s tax liability and are claimed over a seven year period.

On December 20, 2020, the LLC received two loans from the CDE. The loans were comprised of Note A totaling \$5,829,570 and Note B totaling \$2,027,430 from the Investment Fund. Each of the loans are secured by the mortgage with respect to the Project. Both Note A and B have an interest rate equal to a fixed rate of 1.4123% per annum. Interest only payments are due quarterly starting March 15, 2021 and through September 15, 2027. Commencing on December 15, 2027, payments of interest and principal will be made quarterly over the remaining term of the loan which matures September 15, 2050.

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

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
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**9. Notes Payable (continued)**

The NMTC financing was arranged on behalf of LLC, a Georgia limited liability company, and a commonly controlled affiliate of the Organization. The LLC served as the qualified active low income community business (the "QALICB") for the NMTC financing.

As discussed in Note 2, debt issuance costs are shown as deductions from the mortgage payable. At June 30, mortgage payable and debt issuance costs are as follows:

Notes payable	\$7,857,000
Less unamortized debt issuance costs	<u>(478,426)</u>
Notes payable, net	<u>\$7,378,574</u>

**10. Net Assets with Donor Restrictions**

Net assets with donor purpose restrictions consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Capital Campaign	\$ 953,604	\$4,981,166
Operations	143,081	122,247
Other	<u>60,727</u>	<u>116,214</u>
	<u>\$ 1,157,412</u>	<u>\$5,219,627</u>

Net assets were released from restrictions for the satisfaction of purpose restrictions as follows during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Capital Campaign	\$ 5,602,451	\$ 477,628
Operations	66,591	148,295
Other	<u>82,780</u>	<u>14,139</u>
	<u>\$ 5,751,822</u>	<u>\$ 640,062</u>

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

**11. Liquidity and Availability of Financial Assets**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, are comprised of the following:

	2021	2020
Cash and equivalents	\$ 3,383,343	\$ 5,799,169
Contributions receivable, net	1,775,102	4,090,026
Government grants receivable	563,070	256,882
Other receivables	20,701	41,286
Due from Parent	-	47,467
Financial assets available	5,742,216	10,234,830
Less donor restricted net assets	(1,157,412)	(5,219,627)
Financial assets at year end available to meet needs for general expenditures	\$ 4,584,804	\$ 5,015,203

To help manage unanticipated liquidity needs, the Organization has an available line of credit in the amount of \$500,000.

**12. Employee Benefit Plans**

The Organization participates in a Parent-sponsored noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, and covers substantially all employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent.

Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. The Organization's required contribution was \$24,108 and \$70,019 for the years ended June 30, 2021 and 2020 and are expected to be \$31,620 for fiscal 2022.

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

**12. Employee Benefit Plans *(continued)***

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was \$43,095 and \$42,819 for the years ended June 30, 2021 and 2020.

**13. Related Party Transactions *(not disclosed elsewhere)***

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations with a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent's policy, approximated \$36 million and \$38 million for the years ended June 30, 2021 and 2020. In fiscal 2021 and 2020, the Organization received \$546,745 and \$707,016 in Branding Dollars from the Parent. Additionally, in fiscal 2021 and 2020, the Organization received \$724,903 and \$1,145,299 from the Parent relating to national sleep out events.

**14. Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash, cash equivalents and receivables. The Organization maintains its cash in bank deposit accounts which generally exceed federally insured limits. The Organization has not experienced any losses in such accounts. During the years ended June 30, 2021 and 2020, two donors accounted for approximately 22% and 21% of total revenue, respectively. One donor represents approximately 56% and 48% of contributions receivable at June 30, 2021 and 2020, respectively.

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

**15. Commitments and Contingencies**

***Leases***

The Organization leases equipment under operating leases which expire by July 2023. Equipment rental and maintenance expense amounted to \$14,450 and \$15,794 for the years ended June 30, 2021 and 2020.

Future minimum annual lease and equipment rental payments for the years ending June 30 are as follows:

2022	\$ 54,320
2023	17,090
2024	<u>65</u>
	<u>\$ 71,475</u>

***Government Grants***

In accordance with the terms of certain government grants, the records of the Organization are subject to audit for varying periods after the date of final payment of the grants. The Organization is liable for any disallowed costs; however, management believes that the amount of disallowed costs, if any, would not be significant. Government grants totaled \$1,074,745 and \$803,994 for the years ended June 30, 2021 and 2020.

***Grant Agreement***

In April 2020, the Organization and Partners for H.O.M.E., Inc., a Georgia non-profit organization (the "Agency") entered into a grant and regulatory agreement. The Agency agreed to provide support totaling \$1,500,000 to the Organization for the construction of its' residential housing building. The purpose of the agreement is to provide permanent supportive housing to those individuals experiencing or potentially experiencing homelessness. The agreement includes restrictive covenants as to the purpose of the building, providing support for the residents and no liens on the property.

The agreement is a reimbursable grant which requires the Organization to incur the construction costs and submit supporting documentation to receive the funds. As of June 30, 2021, the Organization received \$688,309 from the Agency.

**Covenant House Georgia, Inc. and  
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Notes to Consolidated Financial Statements  
June 30, 2021 and 2020

**16. Subsequent Events**

In June 2020, management executed plans for the construction of a new 30 unit facility for the Rights of Passage program and campus renovations (“The Project”). The Board approved the engagement of vendors with a budget of \$8.3 million. The campaign raised funds in excess of the original goal. As of April 22, 2022, approximately \$7.6 million has been incurred on The Project. The Project is expected to be completed by the end of April 2022. The Organization has received a temporary certificate of occupancy.

**17. 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 operations. While management has implemented measures to mitigate the impact of the pandemic, the extent to which the Organization’s and LLC’s results 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 the Organization’s and LLC’s future results of operations, cash flows or financial condition.

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**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidating Schedule of Financial Position  
June 30, 2021  
(with summarized totals at June 30, 2020)

	2021			2020	
	CHGA	LLC	Eliminations	Total	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,383,343	\$ 3	\$ -	\$ 3,383,346	\$ 5,799,169
Restricted cash	5,860,178	-	-	5,860,178	-
Contributions receivable, net	1,775,102	-	-	1,775,102	4,090,026
Government grants receivable	563,070	-	-	563,070	256,882
Other receivables	20,701	-	-	20,701	41,286
Due from Parent	-	-	-	-	47,467
Prepaid expenses and other assets	127,660	-	-	127,660	55,423
Loan receivable	-	5,860,232	-	5,860,232	-
Investment in LLC	5,567,166	-	(5,567,166)	-	-
Property and equipment, net	<u>5,457,979</u>	<u>-</u>	<u>-</u>	<u>5,457,979</u>	<u>3,054,391</u>
	<u>\$ 22,755,199</u>	<u>\$ 5,860,235</u>	<u>\$ (5,567,166)</u>	<u>\$ 23,048,268</u>	<u>\$ 13,344,644</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities					
Accounts payable, accrued expenses and refundable advances	\$ 330,361	\$ -	\$ -	\$ 330,361	\$ 403,113
Construction costs payable	691,220	-	-	691,220	-
Due to Parent	12,720	-	-	12,720	-
Paycheck Protection Program loan	600,000	-	-	600,000	600,000
Notes payable, net	<u>7,378,574</u>	<u>-</u>	<u>-</u>	<u>7,378,574</u>	<u>-</u>
Total Liabilities	<u>9,012,875</u>	<u>-</u>	<u>-</u>	<u>9,012,875</u>	<u>1,003,113</u>
Net Assets					
Without Donor Restrictions					
Undesignated	7,126,933	30,665	-	7,157,598	4,067,513
Member's equity	-	5,829,570	(5,567,166)	262,404	-
Investment in property and equipment	<u>5,457,979</u>	<u>-</u>	<u>-</u>	<u>5,457,979</u>	<u>3,054,391</u>
Total Without Donor Restrictions	12,584,912	5,860,235	(5,567,166)	12,877,981	7,121,904
With donor restrictions	<u>1,157,412</u>	<u>-</u>	<u>-</u>	<u>1,157,412</u>	<u>5,219,627</u>
Total Net Assets	<u>13,742,324</u>	<u>5,860,235</u>	<u>(5,567,166)</u>	<u>14,035,393</u>	<u>12,341,531</u>
	<u>\$ 22,755,199</u>	<u>\$ 5,860,235</u>	<u>\$ (5,567,166)</u>	<u>\$ 23,048,268</u>	<u>\$ 13,344,644</u>

See independent auditors' report

**Covenant House Georgia, Inc. and  
CHGA CHI Leverage Lender, LLC**

Consolidating Schedule of Activities  
Year Ended June 30, 2021  
(with summarized totals for the year ended June 30, 2020)

	CHGA			LLC		2021 Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations		
<b>SUPPORT AND REVENUE</b>							
Contributions	\$ 1,627,286	\$ 1,689,607	\$ 3,316,893	\$ -	\$ -	\$ 3,316,893	\$ 8,591,585
Contributed services and merchandise	62,826	-	62,826	-	-	62,826	350,360
Government grants	1,074,745	-	1,074,745	-	-	1,074,745	803,994
Branding dollars from Parent	546,745	-	546,745	-	-	546,745	707,016
Special Event Revenue Raised Locally							
Grants from Parent related to Sleep Out Events	724,903	-	724,903	-	-	724,903	1,145,299
Other special events	534,635	-	534,635	-	-	534,635	647,775
Net assets released from restrictions	<u>5,751,822</u>	<u>(5,751,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>10,322,962</u>	<u>(4,062,215)</u>	<u>6,260,747</u>	<u>-</u>	<u>-</u>	<u>6,260,747</u>	<u>12,246,029</u>
<b>INVESTMENT AND OTHER INCOME</b>							
Interest	13,451	-	13,451	-	-	13,451	27,865
Other income	<u>86,923</u>	<u>-</u>	<u>86,923</u>	<u>30,605</u>	<u>(29,075)</u>	<u>88,453</u>	<u>9,926</u>
Total Investment and Other Income	<u>100,374</u>	<u>-</u>	<u>100,374</u>	<u>30,605</u>	<u>(29,075)</u>	<u>101,904</u>	<u>37,791</u>
Total Support and Revenue and Investment and Other Income	<u>10,423,336</u>	<u>(4,062,215)</u>	<u>6,361,121</u>	<u>30,605</u>	<u>(29,075)</u>	<u>6,362,651</u>	<u>12,283,820</u>
<b>EXPENSES</b>							
Program services	4,055,019	-	4,055,019	-	-	4,055,019	4,069,222
Supporting Services							
Management and general	401,984	-	401,984	(60)	-	401,924	449,853
Fundraising	<u>503,325</u>	<u>-</u>	<u>503,325</u>	<u>-</u>	<u>-</u>	<u>503,325</u>	<u>481,224</u>
Total Expenses	<u>4,960,328</u>	<u>-</u>	<u>4,960,328</u>	<u>(60)</u>	<u>-</u>	<u>4,960,268</u>	<u>5,000,299</u>
Change in Net Assets before Other Changes	5,463,008	(4,062,215)	1,400,793	30,665	(29,075)	1,402,383	7,283,521
<b>OTHER CHANGES</b>							
Equity contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,829,570</u>	<u>(5,538,091)</u>	<u>291,479</u>	<u>-</u>
Change in Net Assets	5,463,008	(4,062,215)	1,400,793	5,860,235	(5,567,166)	1,693,862	7,283,521
<b>NET ASSETS</b>							
Beginning of year	<u>7,121,904</u>	<u>5,219,627</u>	<u>12,341,531</u>	<u>-</u>	<u>-</u>	<u>12,341,531</u>	<u>5,058,010</u>
End of year	<u>\$ 12,584,912</u>	<u>\$ 1,157,412</u>	<u>\$ 13,742,324</u>	<u>\$ 5,860,235</u>	<u>\$ (5,567,166)</u>	<u>\$ 14,035,393</u>	<u>\$ 12,341,531</u>

See independent auditors' report