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

Consolidated Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Report

June 30, 2023 and 2022

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

Consolidated Financial Statements and Uniform Guidance Schedules
Together With Independent Auditors' Report
June 30, 2023 and 2022

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Independent Auditors' Report

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

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Covenant House Georgia, Inc. and CHGA CHI Leverage Lender, LLC (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of CHGA CHI Leverage Lender, LLC were not audited in accordance with *Government Auditing Standards.*

### *Responsibilities of Management for the Financial Statements*

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2024 on our consideration of Covenant House Georgia, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Covenant House Georgia, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Covenant House Georgia, Inc.'s internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

March 12, 2024

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

Consolidated Statements of Financial Position

| | June 30, 2023 | June 30, 2022 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,054,380 | $ 4,295,599 |
| Restricted cash | 299,336 | 363,341 |
| Contributions receivable, net | 168,379 | 414,631 |
| Government grants and other contracts receivables | 1,190,555 | 1,028,295 |
| Other receivables | 12,804 | 41,264 |
| Due from Parent | 158,484 | 1,375 |
| Prepaid expenses and other assets | 13,382 | 14,610 |
| Loan receivable | 5,829,510 | 5,845,658 |
| Property and equipment, net | 11,041,704 | 11,231,998 |
| | $ 20,768,534 | $ 23,236,771 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Accounts payable, accrued expenses and refundable advances | $ 384,421 | $ 279,196 |
| Construction costs payable | - | 866,906 |
| Unearned revenue | 3,021 | - |
| Notes payable, net | 7,525,782 | 7,452,178 |
| Total Liabilities | 7,913,224 | 8,598,280 |
| Net Assets | | |
| Without Donor Restrictions | | |
| Undesignated | 1,714,251 | 2,933,232 |
| Investment in property and equipment | 11,041,704 | 11,231,998 |
| Total Without Donor Restrictions | 12,755,955 | 14,165,230 |
| With donor restrictions | 99,355 | 473,261 |
| Total Net Assets | 12,855,310 | 14,638,491 |
| | $ 20,768,534 | $ 23,236,771 |

See notes to consolidated financial statements

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

Consolidated Statement of Activities
Year Ended June 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Contributions | $ 1,831,092 | $ 65,845 | $ 1,896,937 |
| Contributed services and merchandise | 133,383 | - | 133,383 |
| Government grants and other contracts | 1,765,074 | - | 1,765,074 |
| Branding dollars from Parent | 727,936 | - | 727,936 |
| Special Event Revenue Raised Locally | | | |
| Grants from Parent related to Sleep Out Events | 733,942 | - | 733,942 |
| Special events revenue, net of direct benefit to donor costs of $237,027 | 722,409 | - | 722,409 |
| Net assets released from restrictions | 439,751 | (439,751) | - |
| Total Support and Revenue | 6,353,587 | (373,906) | 5,979,681 |
| **INVESTMENT AND OTHER INCOME** | | | |
| Interest | 14,044 | - | 14,044 |
| Other income | 80,980 | - | 80,980 |
| Total Investment and Other Income | 95,024 | - | 95,024 |
| Total Support and Revenue and Investment and Other Income | 6,448,611 | (373,906) | 6,074,705 |
| **EXPENSES** | | | |
| Program services | 6,571,666 | - | 6,571,666 |
| Supporting Services | | | |
| Management and general | 615,706 | - | 615,706 |
| Fundraising | 670,514 | - | 670,514 |
| Total Expenses | 7,857,886 | - | 7,857,886 |
| Change in Net Assets | (1,409,275) | (373,906) | (1,783,181) |
| **NET ASSETS** | | | |
| Beginning of year | 14,165,230 | 473,261 | 14,638,491 |
| End of year | $ 12,755,955 | $ 99,355 | $ 12,855,310 |

See notes to consolidated financial statements

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

Consolidated Statement of Activities
Year Ended June 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Contributions | $ 1,668,150 | $ 1,011,195 | $ 2,679,345 |
| Contributed services and merchandise | 116,687 | - | 116,687 |
| Government grants and other contracts | 2,041,163 | - | 2,041,163 |
| Branding dollars from Parent | 493,990 | - | 493,990 |
| Special Event Revenue Raised Locally | | | |
| Grants from Parent related to Sleep Out Events | 574,337 | - | 574,337 |
| Special events revenue, net of direct benefits | | - | |
| to donor costs of $326,680 | 782,806 | - | 782,806 |
| Net assets released from restrictions | 1,695,346 | (1,695,346) | - |
| Total Support and Revenue | 7,372,479 | (684,151) | 6,688,328 |
| **INVESTMENT AND OTHER INCOME** | | | |
| Interest | 1,557 | - | 1,557 |
| Other income | 66,542 | - | 66,542 |
| Total Investment and Other Income | 68,099 | - | 68,099 |
| Total Support and Revenue and Investment and Other Income | 7,440,578 | (684,151) | 6,756,427 |
| **EXPENSES** | | | |
| Program services | 5,112,160 | - | 5,112,160 |
| Supporting Services | | | |
| Management and general | 531,689 | - | 531,689 |
| Fundraising | 509,480 | - | 509,480 |
| Total Expenses | 6,153,329 | - | 6,153,329 |
| Change in Net Assets | 1,287,249 | (684,151) | 603,098 |
| **NET ASSETS** | | | |
| Beginning of year | 12,877,981 | 1,157,412 | 14,035,393 |
| End of year | $ 14,165,230 | $ 473,261 | $ 14,638,491 |

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, 2023

| | Program Services | | | | | Supporting Services | | | Cost of Direct Benefits to Donors | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shelter and Crisis Care | Outreach | Rights of Passage | Other Services | Total | Management and General | Fundraising | Total | | |
| Salaries and wages | $ 1,443,499 | $ 142,540 | $ 1,076,092 | $ 662,789 | $ 3,324,920 | $ 202,291 | $ 281,074 | $ 483,365 | $ - | $ 3,808,285 |
| Payroll taxes | 118,151 | 6,752 | 108,024 | 57,387 | 290,314 | 20,254 | 27,005 | 47,259 | - | 337,573 |
| Employee benefits | 191,988 | 17,453 | 180,352 | 104,721 | 494,514 | 34,907 | 52,360 | 87,267 | - | 581,781 |
| Total Salaries and Related Expenses | 1,753,638 | 166,745 | 1,364,468 | 824,897 | 4,109,748 | 257,452 | 360,439 | 617,891 | - | 4,727,639 |
| Professional fees | - | - | 112,170 | - | 112,170 | 92,875 | 111,124 | 203,999 | - | 316,169 |
| Supplies | 35,019 | 17,690 | 19,418 | 11,307 | 83,434 | 9,302 | 5,851 | 15,153 | - | 98,587 |
| Telephone and fax charges | 13,776 | 2,284 | 15,725 | 15,726 | 47,511 | 1,604 | 3,802 | 5,406 | - | 52,917 |
| Printing, postage and mailing | - | - | 2,389 | - | 2,389 | 4,218 | 23,960 | 28,178 | - | 30,567 |
| Occupancy | | | | | | | | | | |
| Fuel and utilities | 80,454 | 460 | 62,868 | 17,421 | 161,203 | 1,569 | 2,178 | 3,747 | - | 164,950 |
| Repairs and maintenance | 118,979 | 354 | 60,053 | 13,439 | 192,825 | 1,208 | 1,678 | 2,886 | - | 195,711 |
| Rent and other | - | - | 64,377 | 313 | 64,690 | - | - | - | - | 64,690 |
| Equipment, maintenance and rental | 36,588 | 2,609 | 30,916 | 5,816 | 75,929 | 10,907 | 13,806 | 24,713 | - | 100,642 |
| Infor/Lawson user fees | - | - | - | - | - | 15,000 | - | 15,000 | - | 15,000 |
| Travel and transportation | 5,889 | 7,723 | 7,257 | 11,458 | 32,327 | 5,173 | 78 | 5,251 | - | 37,578 |
| Conferences, conventions and meetings | 2,075 | 1,857 | 2,126 | 1,679 | 7,737 | 18,198 | 596 | 18,794 | - | 26,531 |
| Specific assistance to individuals | 249,899 | 10,644 | 167,810 | 175,648 | 604,001 | - | - | - | - | 604,001 |
| Venue rental, catering and production costs | - | - | - | - | - | - | - | - | 212,158 | 212,158 |
| Other purchased services | 227,272 | 5,540 | 146,183 | 71,600 | 450,595 | 20,201 | 68,923 | 89,124 | 24,869 | 564,588 |
| Dues, licenses and permits | - | - | - | - | - | 105 | 3,188 | 3,293 | - | 3,293 |
| Subscriptions and publications | - | - | - | 364 | 364 | 9,161 | 2,395 | 11,556 | - | 11,920 |
| Insurance | 74,329 | 425 | 34,579 | 16,095 | 125,428 | 1,450 | 2,012 | 3,462 | - | 128,890 |
| In-kind services | - | - | - | - | - | 780 | - | 780 | - | 780 |
| Other expenses | 3,851 | - | 8,581 | - | 12,432 | 80,006 | 4,061 | 84,067 | - | 96,499 |
| Bank charges and fees | - | - | - | - | - | 3,183 | - | 3,183 | - | 3,183 |
| Interest | 63,991 | 366 | 29,770 | 13,856 | 107,983 | 1,248 | 1,733 | 2,981 | - | 110,964 |
| Credit card fees | - | - | - | - | - | - | 63,103 | 63,103 | - | 63,103 |
| Amortization of debt issuance costs interest | - | - | - | - | - | 73,604 | - | 73,604 | - | 73,604 |
| Depreciation | 84,887 | 2,469 | 280,854 | 12,690 | 380,900 | 8,462 | 1,587 | 10,049 | - | 390,949 |
| Total Functional Expenses | 2,750,647 | 219,166 | 2,409,544 | 1,192,309 | 6,571,666 | 615,706 | 670,514 | 1,286,220 | 237,027 | 8,094,913 |
| Less: cost of direct benefits to donors | - | - | - | - | - | - | - | - | (237,027) | (237,027) |
| Total Expenses Reported by Function on the Statement of Activities | $ 2,750,647 | $ 219,166 | $ 2,409,544 | $ 1,192,309 | $ 6,571,666 | $ 615,706 | $ 670,514 | $ 1,286,220 | $ - | $ 7,857,886 |

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, 2022

| | Program Services | | | | | Supporting Services | | | Cost of Direct Benefits to Donors | Total Expenses |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shelter and Crisis Care | Outreach | Rights of Passage | Other Services | Total | Management and General | Fundraising | Total | | |
| Salaries and wages | $ 1,089,461 | $ 94,850 | $ 870,291 | $ 417,764 | $ 2,472,366 | $ 177,308 | $ 259,149 | $ 436,457 | $ - | $ 2,908,823 |
| Payroll taxes | 97,915 | 5,596 | 89,523 | 49,912 | 242,946 | 16,785 | 22,380 | 39,165 | - | 282,111 |
| Employee benefits | 149,683 | 13,607 | 140,611 | 82,157 | 386,058 | 27,215 | 40,823 | 68,038 | - | 454,096 |
| Total Salaries and Related Expenses | 1,337,059 | 114,053 | 1,100,425 | 549,833 | 3,101,370 | 221,308 | 322,352 | 543,660 | - | 3,645,030 |
| Professional fees | - | - | - | - | - | 105,589 | 42,661 | 148,250 | - | 148,250 |
| Supplies | 35,743 | 1,844 | 20,601 | 6,285 | 64,473 | 10,116 | 210 | 10,326 | - | 74,799 |
| Telephone and fax charges | 11,645 | 1,591 | 12,063 | 14,043 | 39,342 | 1,489 | 3,288 | 4,777 | - | 44,119 |
| Printing, postage and mailing | - | 285 | 2,480 | 7 | 2,772 | 2,598 | 14,954 | 17,552 | - | 20,324 |
| Occupancy | | | | | | | | | | |
| Fuel and utilities | 79,864 | 398 | 47,535 | 15,976 | 143,773 | 1,716 | 2,532 | 4,248 | - | 148,021 |
| Repairs and maintenance | 100,459 | 329 | 43,844 | 13,244 | 157,876 | 1,423 | 2,098 | 3,521 | - | 161,397 |
| Rent and other | - | - | 61,537 | - | 61,537 | 7,230 | - | 7,230 | - | 68,767 |
| Equipment, maintenance and rental | 63,550 | 402 | 22,947 | 16,540 | 103,439 | 13,679 | 1,843 | 15,522 | - | 118,961 |
| Infor/Lawson user fees | - | - | - | - | - | 9,000 | - | 9,000 | - | 9,000 |
| Travel and transportation | 5,098 | 6,232 | 3,284 | 10,793 | 25,407 | 7,858 | 78 | 7,936 | - | 33,343 |
| Conferences, conventions and meetings | 1,947 | 2,131 | 6,570 | 1,607 | 12,255 | 9,761 | 111 | 9,872 | - | 22,127 |
| Specific assistance to individuals | 223,398 | 35,330 | 255,830 | 227,692 | 742,250 | - | - | - | - | 742,250 |
| Venue rental, catering and production costs | - | - | - | - | - | - | - | - | 298,483 | 298,483 |
| Other purchased services | 139,122 | 4,033 | 98,794 | 46,474 | 288,423 | 17,991 | 39,228 | 57,219 | 28,197 | 373,839 |
| Dues, licenses and permits | - | - | - | - | - | 322 | 620 | 942 | - | 942 |
| Subscriptions and publications | - | - | - | - | - | 11,929 | 1,660 | 13,589 | - | 13,589 |
| Insurance | 58,952 | 293 | 28,380 | 11,793 | 99,418 | 1,267 | 1,869 | 3,136 | - | 102,554 |
| In-kind services | - | - | - | - | - | 24,108 | - | 24,108 | - | 24,108 |
| Other expenses | 4,241 | - | 5,402 | 381 | 10,024 | 2,618 | 11,548 | 14,166 | - | 24,190 |
| Bank charges and fees | - | - | - | - | - | 3,073 | - | 3,073 | - | 3,073 |
| Interest | 15,947 | 79 | 7,677 | 3,190 | 26,893 | 343 | 505 | 848 | - | 27,741 |
| Credit card fees | - | - | - | - | - | - | 62,438 | 62,438 | - | 62,438 |
| Amortization of debt issuance costs interest | - | - | - | - | - | 73,604 | - | 73,604 | - | 73,604 |
| Depreciation | 66,937 | 4,501 | 152,096 | 9,374 | 232,908 | 4,667 | 1,485 | 6,152 | - | 239,060 |
| Total Functional Expenses | 2,143,962 | 171,501 | 1,869,465 | 927,232 | 5,112,160 | 531,689 | 509,480 | 1,041,169 | 326,680 | 6,480,009 |
| Less: cost of direct benefits to donors | - | - | - | - | - | - | - | - | (326,680) | (326,680) |
| Total Expenses Reported by Function on the Statement of Activities | $ 2,143,962 | $ 171,501 | $ 1,869,465 | $ 927,232 | $ 5,112,160 | $ 531,689 | $ 509,480 | $ 1,041,169 | $ - | $ 6,153,329 |

See notes to financial statements

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

Consolidated Statements of Cash Flows

| | Year Ended June 30, 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ (1,783,181) | $ 603,098 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 390,949 | 239,060 |
| Amortization of debt issuance costs | 73,604 | 73,604 |
| Discount to present value | (2,774) | (4,985) |
| Cash contributions received for capital campaign | (372,051) | (2,282,657) |
| Forgiveness of Paycheck Protection Program loan | - | (600,000) |
| Net change in operating assets and liabilities | | |
| Contributions receivable | 249,026 | 1,365,456 |
| Government grants and other contracts receivables | (162,260) | (465,225) |
| Other receivables | 28,460 | (20,563) |
| Due from Parent | (157,109) | (14,095) |
| Prepaid expenses and other assets | 1,228 | 113,050 |
| Accounts payable, accrued expenses and refundable advances | 121,373 | (36,591) |
| Unearned revenue | 3,021 | - |
| Net Cash from Operating Activities | (1,609,714) | (1,029,848) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Construction in progress costs incurred | (1,067,561) | (5,837,393) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Cash contributions restricted for capital campaign | 372,051 | 2,282,657 |
| Change in Cash and Cash Equivalents | (2,305,224) | (4,584,584) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 4,658,940 | 9,243,524 |
| End of year | $ 2,353,716 | $ 4,658,940 |
| **RECONCILIATION OF CASH AND CASH EQUIVALENTS** | | |
| Cash and cash equivalents | $ 2,054,380 | $ 4,295,599 |
| Restricted cash | 299,336 | 363,341 |
| Total Cash | $ 2,353,716 | $ 4,658,940 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | |
| Cash paid for interest | $ 110,964 | $ 27,741 |
| Construction costs included in payables | - | 175,686 |

See notes to consolidated financial statements

## 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 1989, providing shelter and crisis care and outreach services to youth in the Atlanta, Georgia area. Covenant House (the "Parent") is a not-for-profit organization incorporated in 1972. The Parent and affiliates (collectively, "Covenant House") provided shelter, food, clothing, medical and mental health care, crisis intervention, education and vocational services, public education and prevention, and other programs that reached approximately 58,000 young people during fiscal 2023. Throughout the fiscal year, Covenant House provided a total of more than 790,000 nights of housing and safety for, on average, 2,165 youth each night.

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

- Covenant House Alaska
- Covenant House California
- Covenant House Chicago
- Covenant House Connecticut
- Covenant House Florida
- Covenant House Georgia
- Covenant House Illinois
- Covenant House Michigan
- Covenant House Missouri
- Covenant House New Jersey
- Covenant House New Orleans
- Covenant House New York/Under 21
- Covenant House Pennsylvania/Under 21
- Covenant House Texas
- Covenant House Washington, D.C.
- 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 44th Corporation
- 460 West 41st 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.

## 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*

Shelter and Crisis Care (formerly Short-term Housing and Crisis Care)
The Shelter provides emergency services; temporary, immediate housing; nutritious food; clothing; medical care; and mental health services to young people ages 18-24 who are experiencing homelessness or human trafficking. These high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. The Organization is expertly equipped to respond to the unique needs of young survivors of human trafficking and those who identify as LGBTQ+. Shelter doors are always open, 24/7, and have provided uninterrupted service to children and youth for 24 years.

Outreach
The Outreach program actively seeks out young people experiencing homelessness who may need help. In vans and on foot, outreach workers go out to the neighborhoods, riverfronts, parks, and other places, where young people facing homelessness often seek refuge. Teams offer food, water, hygiene kits, clothing, blankets, counseling, and referrals. Through sustained contact, they build trust with the young people, the first step toward encouraging them to come into shelters and connect with services.

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

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

### *Program Services (continued)*

Young Families (formerly Mother/Child Program)
The Young Families program provides emergency services, short- and long-term housing, nourishing food, and medical and mental health care to pregnant and parenting youth and their children. The Organization also offers young families access to childcare services, parenting support, and a full range of educational, vocational, and job placement services. This holistic plan provides young parents with the support they need to grow into responsible and caring parents, capable of supporting their families financially and emotionally.

Health and Well-Being (formerly Medical)
Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. Trauma-informed Health and Well-being services range from medical care at on-site health centers to yoga classes, art and music therapy, counseling, religious and spiritual services, and physical fitness. In these activities, young people heal from the harm done to them while living unhoused and take control of their lives, build on their strengths, and nourish their self-confidence.

Drop-In Services (formerly Community Service Center)
Drop-in services are another form of outreach. 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. Youths, ages 16 to 24, 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 and Prevention
Public Education and Prevention uses a variety of platforms to inform and educate the public, government officials, and young people about youth homelessness and human trafficking. Covenant House employs websites, social media, public service announcements, billboards, newsletters, school-based programs, community engagement and training, talks, lectures, and peer-to-peer events to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

Transitional Living - Rights of Passage
Covenant House's Transitional Living programs, often referred to as "Rights of Passage" or ROP, are where young people take their boldest steps toward independence. Youth live in ROP for up to 24 months, where they 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. Covenant House staff support each young person on their journey toward sustainable independence and a hope-filled future.

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

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

***Program Services (continued)***

Time-Limited Permanent Supportive Housing – Gift of Hope
The time-limited Permanent Supportive Housing program, Gift of Hope, offers affordable-to-youth housing and the opportunity to develop credit and rental histories to young people exiting homelessness. Residents receive ongoing access to case management and the comprehensive support services offered by the Organization while also exercising independent living and navigating community services.

Rapid Rehousing
As youth are placed into apartments of their own across the community, the Organization helps youth by covering a portion of their rent, a portion that dwindles as their capacity for independence increases. Community apartments and rapid rehousing programs are emerging as an increasingly important part of the continuum of care.

***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 are related to the activities of the development department in raising general and specific contributions.

*Direct Benefit to Donors*

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

## 2. Summary of Significant Accounting Policies

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

The accompanying 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.

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

### *Change in Accounting Policy - Leases*

The Organization adopted Financial Accounting Standards Board Topic 842, *Leases*, using the effective date method with July 1, 2022, as the date of initial adoption, with certain practical expedients available.

The Organization elected the available practical expedients to account for its existing capital leases as finance leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of finance leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The standard did not have a material impact on the consolidated financial statements.

### *Net Assets*

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

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

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

### *Cash and Cash Equivalents*

The Organization 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, 2023 and 2022, the Organization held cash totaling $299,336 and $363,341, which is restricted to pay a portion of the interest, fees and expense reimbursements in connection with the NMTC transaction.

## 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. As of June 30, 2023 and 2022, no allowance for doubtful accounts was determined to be necessary.

### *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 $5,000 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 statements 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 less costs to sell. No impairment was recognized in the years ended June 30, 2023 and 2022.

### *Debt Issuance Costs*

Debt issuance costs are reported on the consolidated statements 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 $331,218 on the loans obtained in 2021. For each of the years ended June 30, 2023 and 2022, amortization expense of debt issuance costs for the loans was $73,604 and $73,604 and is included in the consolidated statements of functional expenses.

## 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 statements of activities to the extent that reimbursable expenses have been incurred for the purpose specified by the grantor during the period.

### *In-Kind Contributions*

Contributed nonfinancial assets are recorded at their fair value in the year received. Contributions of donated services that create or enhance nonfinancial assets or that require special skills, are provided by individuals possessing those skills and would typically be purchased if not provided by donation, are recorded.

The Organization recognized the following nonfinancial assets for the year ended June 30:

| | 2023 | 2022 | Usage in Program/Activites | Fair Value Techniques |
|---|---|---|---|---|
| Donated merchandise | $ 132,603 | $ 92,579 | Fundraising | Based on fair wholesale value of similar selling products |
| Donated services | 780 | 24,108 | Management | Based on estimated fair value of current rates for similar services |
| | $ 133,383 | $ 116,687 | | |

In-kind contributions did not include donor restrictions. Contributed services which do not meet the criteria under ASU 2020-07 are not recognized as revenue and are not reported in the accompanying consolidated financial statements.

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

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

### *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, 2020. The LLC is a disregarded entity for income tax purposes.

### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is March 12, 2024.

## 3. Contributions Receivable

Contributions promised to the Organization as of June 30 but not yet collected as of this 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:

| | 2023 | 2022 |
|---|---|---|
| Receivables due in less than one year | $ 168,379 | $ 287,405 |
| Receivables due in one to five years | - | 130,000 |
| | 168,379 | 417,405 |
| Discount to present value | - | (2,774) |
| | $ 168,379 | $ 414,631 |

As of June 30, 2023 and 2022, no allowance for doubtful accounts was determined to be necessary.

## 4. Government Grants Receivable

Government grants receivable of $1,190,555 and $1,028,295 at June 30, 2023 and 2022 represent the amounts due from various governmental agencies for the Organization's programs. All grants receivables as of June 30, 2023 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. 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") (Sub-allocatee), 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:

| | 2023 | 2022 |
|---|---|---|
| Land | $ 700,000 | $ 700,000 |
| Buildings and building improvements | 10,710,641 | 10,636,966 |
| Equipment and software | 850,003 | 852,303 |
| Construction-in-progress | 144,792 | 17,812 |
| | 12,405,436 | 12,207,081 |
| Accumulated depreciation | (1,363,732) | (975,083) |
| | $ 11,041,704 | $ 11,231,998 |

Land and construction-in-progress are not depreciated.

## 7. Line of Credit

The Organization maintains a $500,000 line of credit agreement with South State Bank which expires on August 8, 2024. The line is renewed annually and is due on demand. The line bears a variable interest rate based on the Wall Street Journal U.S. Prime Rate (the "Index"). The Index as of June 30, 2023 is 8.25%. There were no outstanding borrowings as of June 30, 2023 and 2022. 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 received a waiver from the bank for the 120 days requirement.

## 8. Paycheck Protection Program Loan

In April 2020, the Organization received loan proceeds in the amount of $600,000 under the Paycheck Protection Program (“PPP”). On July 6, 2021, the loan was forgiven by the lender and recognized as revenue in the consolidated statement of activities included in government grants and other contracts in the year ended 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 Organization 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 and thereby forgive the loans.

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:

| | 2023 | 2022 |
|---|---|---|
| Notes payable | $ 7,857,000 | $ 7,857,000 |
| Less unamortized debt issuance costs | (331,218) | (404,822) |
| Notes payable, net | $ 7,525,782 | $ 7,452,178 |

## 10. Net Assets with Donor Restrictions

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

| | 2023 | 2022 |
|---|---|---|
| Capital Campaign with Multi-Year Pledges | $ - | $ 387,516 |
| Operations | 95,296 | 75,101 |
| Other | 4,059 | 10,644 |
| | $ 99,355 | $ 473,261 |

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

| | 2023 | 2022 |
|---|---|---|
| Capital Campaign | $ 387,516 | $ 1,482,279 |
| Operations | 45,650 | 136,691 |
| Other | 6,585 | 76,376 |
| | $ 439,751 | $ 1,695,346 |

## 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:

| | 2023 | 2022 |
|---|---|---|
| Cash and equivalents | $ 1,907,347 | $ 4,222,802 |
| Contributions receivable, net | 168,379 | 414,631 |
| Government grants and other contracts receivables | 1,190,555 | 1,028,295 |
| Other receivables | 12,804 | 41,264 |
| Due from Parent | 158,484 | 1,375 |
| Financial assets available | 3,437,569 | 5,708,367 |
| Less donor restricted net assets | (99,355) | (473,261) |
| Financial assets at year end available to meet needs for general expenditures | $ 3,338,214 | $ 5,235,106 |

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 $15,061 and $31,620 for years ended June 30, 2023 and 2022 and are expected to be $29,037 for fiscal 2024.

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 $65,593 and $53,732 for the years ended June 30, 2023 and 2022.

## 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 and promises to give totaled approximately $86 million and $89 million for the Parent in the years ended June 30, 2023 and 2022. 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, 2023 and 2022. In fiscal 2023 and 2022, the Organization received $710,000 and $423,990 in Branding Dollars. Additionally, in fiscal 2023 and 2022, the Organization received $626,284 and $508,852 from the Parent related to national sleep out events.

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

The Parent provided a Site Investment Fund ("SIF") to Covenant House Affiliates during fiscal 2022. The SIF is to encourage innovative programming at the Organization by implementing a new program or pilot program, build program capacity, make a material change in site related program work, or introduce an innovative approach to current programs, support the range of site Workforce Development and Vocational Training activities, support young families in the adoption and implementation of the parenting curriculum/parenting programs and parenting skills assessment tool. The Parent provided to the Organization a total of $70,000 for the year ended June 30, 2022, towards the SIF. The amount is included in Branding dollars from Parent in the 2022 consolidated statement of activities.

## 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 year ended June 30, 2023, one donor accounted for approximately 14% of total revenue and during the year ended June 30, 2022, two donors accounted for approximately 22% of total revenue. One donor represents approximately 61% and 33% of contributions receivable at June 30, 2023 and 2022.

## 15. Commitments and Contingencies

### *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 $1,765,074 and $2,041,163 for the years ended June 30, 2023 and 2022.

### *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. During the year ended June 30, 2022, the Organization recognized $811,691 of revenue related to this agreement.

* * * * *

# Covenant House Georgia, Inc.

Uniform Guidance Reports and Schedules

June 30, 2023

## Covenant House Georgia, Inc.

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

| Federal Grantor/Pass-through Grantor/ Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number | Passed Through to Subrecipients | Total Federal Expenditures |
|---|---|---|---|---|
| U.S. Department of Housing and Urban Development | | | | |
| Pass-Through City of Atlanta | | | | |
| Emergency Solutions Grant Program | 14.231 | Not Available | $ - | $ 180,830 |
| Emergency Solutions Grant Program | 14.231 | 220132587 | - | 28,078 |
| Pass-Through Georgia Department of Community Affairs | | | | |
| Emergency Solutions Grant Program | 14.231 | 2021 20E EO-CV 21C121 | - | 61,682 |
| Emergency Solutions Grant Program | 14.231 | 2021 20E EO 21C485 | - | 4,562 |
| Emergency Solutions Grant Program | 14.231 | 2022 20E EO-CV 22C281 | - | 55,544 |
| Total Emergency Solutions Grant | | | - | 330,696 |
| Total U.S. Department of Housing and Urban Development Pass Through Programs | | | - | 330,696 |
| Direct Program | | | | |
| Continuum of Care Program | 14.267 | | - | 64,634 |
| Total U.S. Department of Housing and Urban Development | | | - | 395,330 |
| U.S. Department of the Treasury | | | | |
| Pass-Through the State of Georgia | | | | |
| Coronavirus State and Local Fiscal Recovery Funds - COVID-19 | 21.027 | GA-0010950 | - | 157,707 |
| Total U.S. Department of the Treasury | | | - | 157,707 |
| U.S. Department of Homeland Security | | | | |
| Pass-Through United Way | | | | |
| Emergency Food and Shelter National Board Program | 97.024 | ARPAR-1740-00-180 | | 30,000 |
| Emergency Food and Shelter National Board Program | 97.024 | 39-1740-00-180 | | 6,375 |
| Emergency Food and Shelter National Board Program | 97.024 | 40-1740-00-180 | - | 5,000 |
| Total Emergency Food and Shelter National Board Program | | | - | 41,375 |
| Total U.S. Department of Homeland Security | | | - | 41,375 |
| Corporation for National and Community Service | | | | |
| Pass-Through the Georgia Department of Community Affairs | | | | |
| AmeriCorps State and National | 94.006 | 20AFHGA0010015 | - | 989 |
| Total Corporation for National and Community Service | | | - | 989 |
| U.S. Department of Health and Human Services | | | | |
| Direct Programs | | | | |
| Education and Prevention Grants to Reduce Sexual Abuse of Runaway Homeless and Street Youth | 93.557 | | - | 175,443 |
| Direct Programs | | | | |
| Transitional Living for Homeless Youth | 93.550 | | - | 525,551 |
| Direct Programs | | | | |
| Congressional Directives | 93.493 | | - | 136,138 |
| Total U.S. Department of Health and Human Services | | | - | 837,132 |
| Total Expenditures of Federal Awards | | | $ - | $ 1,432,533 |

See independent auditors' report and notes to Schedule of Expenditures of Federal Awards

**Covenant House Georgia, Inc.**

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule"), includes the federal award activity of Covenant House Georgia, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations,* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 3. Indirect Cost Rate

The Organization has elected not to use the ten-percent de minimus indirect cost rate allowable under the Uniform Guidance.

## 4. Non-Cash Awards

For the year ended June 30, 2023, the Organization did not have any non-cash award, mortgage, or loan funds that should be included in the federal expenditures presented in this Schedule.

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditors' Report**

**Board of Directors**
**Covenant House Georgia, Inc.**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Covenant House Georgia, Inc. and CHGA CHI Leverage Lender, LLC (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023 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, and have issued our report thereon dated March 12, 2024. The financial statements of CHGA CHI Leverage Lender, LLC were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aforementioned entity.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

March 12, 2024

**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

**Independent Auditors' Report**

**Board of Directors**
**Covenant House Georgia, Inc.**

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Covenant House Georgia, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the Organization as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon dated March 12, 2024 which contained an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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

March 29, 2024

**Covenant House Georgia, Inc.**

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

## Section I - Summary of Auditors' Results

Financial Statements

| | |
|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | ____ yes __X__ none reported |
| Significant deficiency(ies) identified? | ____ yes __X__ none reported |
| Noncompliance material to financial statements noted? | ____ yes __X__ no |

Federal Awards

| | |
|---|---|
| Internal control over major federal programs: | |
| Material weakness(es) identified? | ____ yes __X__ no |
| Significant deficiency(ies) identified? | ____ yes __X__ no |
| Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | ____ yes __X__ no |

Identification of major federal programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|---|---|
| 93.550 | Transitional Living for Homeless Youth |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | __X__ yes ___ no |

## Section II - Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2023.

## Section III - Federal Award Findings and Questioned Costs

During our audit, we noted no instance of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.