Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Financial Statements and
Uniform Guidance Schedules
Together with Independent Auditors' Reports

June 30, 2023

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TABLE OF CONTENTS **Page**

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Covenant House Illinois and
Covenant House Illinois QALICB LLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Covenant House Illinois and Covenant House Illinois QALICB LLC (collectively, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Covenant House Illinois and Covenant House Illinois QALICB LLC as of June 30, 2023, 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.

Basis for Opinion

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

Change in Accounting Policy

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, using the effective date method with July 1, 2022 as the date of initial adoption. Our opinion is not modified with respect to this matter.

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.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting 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.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 1, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited consolidated 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 22 through 24 are presented for purposes of additional analysis and are not required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 25, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2023, on our consideration of the Organization'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 the Organization'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 the Organization's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

December 18, 2023

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Statement of Financial Position
June 30, 2023
(with comparative amounts at June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 3,080,624	$ 2,166,971
Restricted cash	148,638	177,601
Investments	1,000,067	-
Contributions and grants receivable, net	852,275	971,821
Note receivable	6,077,132	6,077,132
Prepaid expenses and other assets	18,175	6,870
Due from Parent	31,446	-
Property and equipment, net	8,798,504	8,641,288
	$ 20,006,861	$ 18,041,683
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 331,803	$ 192,680
Refundable advance	305,282	-
Mortgage payable, net	7,914,638	7,900,466
Due to Parent	-	29,017
Loan payable to Parent	2,800,000	3,000,000
Total Liabilities	11,351,723	11,122,163
Net Assets		
Without donor restrictions	6,616,422	5,543,865
With donor restrictions	2,038,716	1,375,655
Total Net Assets	8,655,138	6,919,520
	$ 20,006,861	$ 18,041,683

See notes to consolidated financial statements

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Statement of Activities
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	2023			
	Without Donor Restrictions	With Donor Restrictions	Total	2022 Total
CONTRIBUTIONS AND OTHER REVENUE				
Contributions	$ 836,754	$ 326,000	$ 1,162,754	$ 675,424
Capital campaign	-	968,016	968,016	1,642,128
Contributed goods	12,214	-	12,214	6,777
Contributed legal services	253,238	-	253,238	174,103
Government grants and contracts	1,791,598	-	1,791,598	919,074
Branding dollars from Parent	1,180,655	-	1,180,655	1,243,000
Special events revenue	525,990	-	525,990	586,399
Rental income	-	-	-	159,750
Interest income	64,144	-	64,144	60,467
Other income	32,829	-	32,829	60,501
Net assets released from restriction	630,955	(630,955)	-	-
Total Contributions and Other Revenue	5,328,377	663,061	5,991,438	5,527,623
EXPENSES				
Program services	3,336,924	-	3,336,924	2,060,794
Supporting Services				
Management and general	607,829	-	607,829	646,318
Fundraising	311,067	-	311,067	509,894
Total Supporting Services	918,896	-	918,896	1,156,212
Total Expenses	4,255,820	-	4,255,820	3,217,006
Change in Net Assets	1,072,557	663,061	1,735,618	2,310,617
NET ASSETS				
Beginning of year	5,543,865	1,375,655	6,919,520	4,608,903
End of year	$ 6,616,422	$ 2,038,716	$ 8,655,138	$ 6,919,520

See notes to consolidated financial statements

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	2023							2022
	Program Services			Supporting Services				
	Drop-In Services	Immediate Housing	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	2022 Total Expenses
Salaries and wages	$ 482,785	$ 1,423,419	$ 1,906,204	$ 297,937	$ 214,398	$ 512,335	$ 2,418,539	$ 1,657,079
Payroll taxes	32,729	96,479	129,208	21,390	15,695	37,085	166,293	131,337
Employee benefits	86,779	255,910	342,689	35,946	26,483	62,429	405,118	227,928
Total Salaries and Related Expenses	602,293	1,775,808	2,378,101	355,273	256,576	611,849	2,989,950	2,016,344
Professional fees (includes contributed legal services of $253,238 and $174,103 in 2023 and 2022)	-	-	-	222,762	-	222,762	222,762	259,059
Consulting fees	19,336	6,246	25,582	7,684	298	7,982	33,564	126,057
Fundraising expenses	-	-	-	-	32,080	32,080	32,080	40,495
Housekeeping services	8,152	24,457	32,609	967	968	1,935	34,544	35,289
Moving costs	-	-	-	-	-	-	-	9,839
Repairs and maintenance	4,007	12,020	16,027	475	476	951	16,978	10,855
Supplies	3,998	11,995	15,993	474	475	949	16,942	15,780
Telephone	5,752	17,255	23,007	682	683	1,365	24,372	14,493
Postage and printing	1,162	3,487	4,649	138	139	277	4,926	6,076
Fuel and utilities	21,624	64,871	86,495	2,566	2,564	5,130	91,625	61,006
Rent and other	274	820	1,094	33	33	66	1,160	53,923
Specific Assistance to Individuals								
Clothing, allowance and other	47,860	15,954	63,814	-	-	-	63,814	18,636
Contributed clothing and merchandise	9,161	3,053	12,214	-	-	-	12,214	6,777
Food	83,183	27,727	110,910	-	-	-	110,910	39,119
Travel and transportation	1,741	5,222	6,963	207	205	412	7,375	8,134
Conferences, conventions, and meetings	6,139	18,416	24,555	728	728	1,456	26,011	18,061
Temporary help	-	-	-	-	-	-	-	45,254
Other purchased services	2,727	8,181	10,908	324	323	647	11,555	6,158
Taxes, dues, licenses, and permits	810	2,431	3,241	96	97	193	3,434	200
Subscriptions and publications	1,086	3,257	4,343	129	128	257	4,600	299
Staff recruitment	595	1,786	2,381	71	70	141	2,522	1,851
Insurance	18,287	54,862	73,149	2,170	2,169	4,339	77,488	65,956
Miscellaneous	5,355	12,367	17,722	499	505	1,004	18,726	15,094
Interest expense	93,025	83,573	176,598	5,238	5,238	10,476	187,074	155,312
Total Functional Expenses Before Depreciation	936,567	2,153,788	3,090,355	600,516	303,755	904,271	3,994,626	3,030,067
Depreciation and amortization	175,479	71,090	246,569	7,313	7,312	14,625	261,194	186,939
Total Expenses Reported By Function on Statement of Activities	$ 1,112,046	$ 2,224,878	$ 3,336,924	$ 607,829	$ 311,067	$ 918,896	$ 4,255,820	$ 3,217,006

See notes to consolidated financial statements

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Statement of Cash Flows
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,735,618	$ 2,310,617
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	261,194	186,939
Amortization of debt issuance costs	14,172	24,589
Investment return	(67)	-
Disposal of property and equipment	21,749	-
Accrued interest on note receivable	-	(2,013)
Discount on contributions	(4,982)	12,033
Changes in operating assets and liabilities		
Contributions and grants receivable	124,528	(335,701)
Other receivables	-	19,410
Prepaid expenses and other assets	(11,305)	44,594
Security deposits held	-	(12,900)
Accounts payable and accrued expenses	139,123	8,765
Refundable advance	305,282	-
Construction costs payable	-	(1,253,722)
Due to Parent	(60,463)	(381,273)
Net Cash from Operating Activities	2,524,849	621,338
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(118,441)	(1,414,952)
Construction in progress	(321,718)	(56,500)
Purchase of investments	(1,000,000)	-
Net Cash from Investing Activities	(1,440,159)	(1,471,452)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on loan from Parent	(200,000)	-
Payment of leverage loan payable	-	(305,738)
Net Cash from Financing Activities	(200,000)	(305,738)
Net Change in Cash and Cash Equivalents and Restricted	884,690	(1,155,852)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	2,344,572	3,500,424
End of year	$ 3,229,262	$ 2,344,572
SUPPLEMENTAL DISCLOSURE OF CASH FLOW		
Cash paid for interest	$ 82,438	$ 130,723
Capitalized interest - cash paid	-	3,014

See notes to consolidated financial statements

1. Organization and Nature of Activities

Covenant House Illinois (the "Organization") is a not-for-profit organization which was incorporated on October 6, 2015, providing shelter and crisis care and outreach services to youth in the Chicago, Illinois 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 58,000 young people during fiscal 2023. Throughout fiscal 2023, Covenant House provided a total of more than 790,000 nights of housing and safety for, on average, 2,165 youth each night.

The Parent is the sole member of the following not-for-profit affiliates:

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

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.

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

In 2020, Covenant House Illinois QALICB LLC (the "LLC"), an Illinois 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 purpose of the LLC is to acquire, develop, improve, lease, operate, finance and manage certain real property located at 2934 West Lake Street in Chicago, Illinois (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

Drop-In Services (formerly Community Service Center)
Drop-in services are another form of outreach at Covenant House affiliates. Youth in this program do not receive residential services, but do receive 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 Organization's education and employment programs.

Immediate Housing (formerly Short-term Housing and Crisis Care)
The Immediate and Short-term Housing program focuses on crisis care and provides emergency services: temporary, immediate housing; nutritious meals; clothing; medical care; mental health services; and legal aid to all young people ages 16-22 who are experiencing homelessness or human trafficking. The Organization's high-quality programs and services meet youths' immediate needs, stabilize their situation, and help them consider their longer-term goals for education, employment, and career planning. The Organization is expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, and youth who are pregnant or parenting. The Organization's shelter doors are always open, 24/7, and the Organization has provided uninterrupted service to children and youth for more than 50 years.

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 activities relate to the activities of the development department in raising general and specific contributions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Adoption of New Accounting Policy

The Organization adopted FASB 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 operating lease as operating lease, under the new guidance, without reassessing (a) whether the contract contains a lease under the new standard, (b) whether the classification of capital (now 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.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the Organization recognized a lease liability of $516,882, that represents the present value of the remaining operating lease payments of $536,000, discounted at 1.086%, and a Right of Use asset ("ROU") of $516,882.

The standard does not have a material impact on Organization's consolidated statement of financial position, consolidated statements of activities and cash flows. The most significant impact was the recognition of the ROU asset and lease liability for the operating lease between the Organization and the LLC within the accompanying consolidating schedule of financial position.

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.

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

Restricted Cash

At June 30, 2023 and 2022, the LLC held cash totaling $148,6382 and $177,601, which is restricted to pay a portion of the interest, fees and expense reimbursements to certain entities with continuing involvement in the NMTC transaction. The following is a reconciliation of the cash and cash equivalents and restricted cash reported on the consolidated statement of financial position to the consolidated statement of cash flows at June 30:

	2023	2022
Cash and cash equivalents	$ 3,080,624	$ 2,166,971
Restricted cash	148,638	177,601
	$ 3,229,262	$ 2,344,572

Net Asset Presentation

The Organization and the LLC report 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 and the LLC's operations. Net assets without donor restrictions may be used at the discretion of the Organization's and the LLC'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 and the LLC 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. At June 30, 2023 and 2022, the Organization and the LLC have no net assets with donor restrictions that are perpetual in nature.

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

Debt Issuance Costs

Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from the face amount 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 35-year life of the mortgage payable and 3 year life of the leverage loan payable.

At June 30, 2023 and 2022, debt issuance costs for the mortgage of the LLC totaled $460,593 and $474,765. In fiscal 2023 and 2022, amortization expense related to the debt issuance costs was $14,172 each year.

In fiscal 2022, amortization expense related to the debt issuance costs for the leverage loan was $10,417.

Investment Valuation and Income Recognition

Investments are stated at fair value. Money market funds are stated at their net asset value. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the change in net assets.

Fair Value of Financial Instruments

The Organization follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. All investments measured at fair value at June 30, 2023 were valued using level 1 inputs under the fair value hierarchy.

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances. Management assesses grants to determine whether balances are probable of collection, and whether an allowance for doubtful accounts is required. As of June 30, 2023 and 2022, the Organization believes all grants receivable are collectible and no provision for doubtful accounts has been made.

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

Revenue Recognition

Grant agreements are examined on an individual basis to determine if they meet the requirements of a contribution, rather than an exchange transaction. Those grants that are considered to be unconditional contributions are recorded upon receipt of an unconditional pledge, or of cash, and are reported as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

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

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

Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at fair value at the date of the gift, less accumulated depreciation. The Organization and the LLC capitalize all purchases of property and equipment greater than, or equal to, $10,000. Depreciation is computed using the straight-line basis over the estimate useful lives of the assets, which range from 5 to 40 years. Leasehold improvements are depreciated over the life of the lease.

Construction in progress is stated at cost, which includes the cost of construction and other costs attributable to the construction. No provision for depreciation is made on construction in progress until it is transferred into service. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including undiscounted cash flows models, quoted fair values and third-party independent appraisals, as considered necessary. There is no such impairment for the fiscal years ended June 30, 2023 and 2022.

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

Contributions of Nonfinancial Assets

The Organization received contributions of nonfinancial assets and contributed services for the years ended June 30, as follows:

	2023	2022	Usage in Program/ Activities	Donor Restriction	Fair Value Techniques
Legal	$ 253,238	$ 174,103	Administration	None	Estimated based on current rates of legal services provided by law firm
Goods	12,214	6,777	Program	None	Estimated based on usual and customary rates of the vendor
	$ 265,452	$ 180,880			

The Organization does not sell or monetize contributions of nonfinancial assets.

Due from/to Parent

Amounts due from/to Parent represents transactions with the Parent, including amounts advanced and contributions collected for and expenses paid on behalf of the Organization.

Reclassifications

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

Functional Expense Allocation

Expenses are summarized and categorized based upon their functional classification as either program services, management and general, or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Expenses are allocated to functional categories based on estimates of time and effort, except for professional fees, consulting fees, fundraising expenses, clothing, allowance and other, contributed clothing and merchandise, and food, which are based on direct costs.

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 consolidated financial statements as of and for the year ended June 30, 2022 from which the summarized information was derived.

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

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 tax purposes and is included on the Organization's tax filings.

Leases

As of July 1, 2022, the Organization leases a building with the LLC, and determines if an arrangement is a lease at inception. Operating lease is included in right of use asset – operating lease ("ROU assets") and lease liability, operating lease on the accompanying consolidating schedule of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses implicit borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in ROU assets and lease liabilities. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is December 18, 2023.

3. Concentration of Credit Risk

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

As of June 30, 2023 and 2022, one donor accounted for 26% and 38% of contributions and grants receivable.

4. Investments

As of June 30, 2023, all of the Organization's investments were comprised of money market funds. As of and for the year ended June 30, 2023, all of the Organization's investments, bought, sold and held were valued using Level 1 inputs.

5. Contributions and Grants Receivable

Contributions and grants receivable from donors that are due within one year are considered current. The discount rates used for contributions outstanding at June 30, 2023 and 2022 ranged from 2.7% to 5.4%. The interest rates have been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

The receivables are due as follows at June 30:

	2023	2022
Unconditional promises expected to be collected in:		
Less than one year	$ 426,542	$ 525,236
Within five years	452,169	478,003
	878,711	1,003,239
Less: Discount to present value	(26,436)	(31,418)
	$ 852,275	$ 971,821

6. Related Party Transactions

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" to each Covenant House affiliate. Total funds allocated to affiliated organizations, based on the Parent's policy, approximated $36 million and $38 million for fiscal2 023 and 2022. For the years ended June 30, 2023 and 2022, the Organization received $1,180,655 and $1,243,000 in branding dollars from the Parent. The Organization is reliant on this level of support to continue its programs.

Amounts due from/to the Parent at June 30, 2023 and 2022 result from timing differences between contributions collected by the Parent on the Organization's behalf and advances of support from the Parent, which do not bear interest and have no specified repayment date. Amounts due from the Parent at June 30, 2023 totaled $31,446. Amounts due to the Parent at June 30, 2022 totaled $29,017.

6. Related Party Transactions *(continued)*

In fiscal 2020, the Organization entered into a loan agreement with the Parent to borrow a maximum amount of $3,000,000. During fiscal 2021, the Organization drew down a total of $3,000,000 on the loan, which was used to partially finance the Project, as further detailed in Note 7, and matures on March 1, 2024. On March 1, 2023, the Organization repaid $200,000 on the loan. The interest rate is zero percent on the remaining loan balance of $2,800,000 until March 2024 and at that point, interest accrues on outstanding principal of the loan at a rate of 2% per month in excess of SOFR, as defined. Previously, interest accrued on outstanding principal of the loan at a rate of 1.5% in excess of SOFR, as defined. The loan required interest-only monthly payments, commencing March 1, 2020 until February 1, 2023. The Organization can repay the loan in part, or in full, prior to the maturity date with no prepayment penalty.

The interest expense for the year ended June 30, 2023 and 2022 totaled $82,438 and $53,567.

During the years ended June 30, 2023 and 2022, the Organization received contributions and support from certain board members and their affiliated entities totaling $178,426 and $413,200.

7. Note Receivable

In connection with the NMTC transaction, in January 2021, the Organization loaned Covenant House Investment Fund, LLC, ("Investment Fund"), an unrelated entity, $6,046,900. As of June 30, 2023 and 2022, the loan accrued $30,232 of interest income. The Investment Fund also received equity from a tax credit investor and then made a Qualified Equity Investment ("QEI") in Chicago Development Fund ("CDF") Suballocatee XLI, LLC, as a Community Development Entity ("CDE"). The CDE then made two loans in the amount of $6,046,900 (Note A) and $2,283,100 (Note B) to the LLC. (See Note 9)

8. Property and Equipment

On January 13, 2020, the Organization finalized the acquisition of a building and land at 2934 West Lake Street in Chicago for total consideration of $2,900,000. The acquisition was partially funded by the loan from the Parent, as disclosed in Note 6, and the balance through other available net assets without donor restriction.

The building was put into use in October 2021. As a result, $240,093 and $172,227 of depreciation charges have been provided on the LLC's building and its fixtures for the years ended June 30, 2023 and 2022.

In fiscal 2021, the Organization transferred the land, building and construction in progress costs to the LLC, in connection with the NMTC. A net asset transfer occurred totaling $738,099 for costs incurred for the land, building and construction in progress costs for the Project incurred by the Organization, net of the CDE loans. This consisted of land costs of $708,712, building costs of $2,829,768, construction in progress costs of $3,565,882, and debt issuance costs of $496,023, net of the CDE loans payable of $8,330,000 and due from LLC for $8,484.

8. Property and Equipment *(continued)*

In fiscal 2023, the Organization transferred $309,504 to the LLC. The net asset transfer included construction in progress costs related to the Project incurred by the Organization.

Property and equipment consist of the following at June 30:

	2023	2022
Land	$ 708,712	$ 708,712
Building	2,808,019	2,829,768
Building improvements	4,957,765	4,859,454
Leasehold improvements	361,833	361,833
Furniture and equipment	340,806	323,076
Computer hardware	55,656	53,256
Construction in progress	378,218	56,500
	9,611,009	9,192,599
Less: accumulated depreciation	(812,505)	(551,311)
Property and Equipment, net	$ 8,798,504	$ 8,641,288

9. Mortgage Payable

In November 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 January 13, 2021, the LLC received two mortgage loans from the CDE. The loans were comprised of Loan A totaling $6,046,900 from the Investment Fund and Loan B totaling $2,283,100 from Chase Community Equity, LLC (the "Tax Credit Investor"). Each of the loans are secured by the mortgage with respect to the Project. Both Loan A and B have an interest rate equal to a fixed rate of 1.086% per annum. Interest only payments are due annually December 1, 2021 and through January 13, 2028. Any accrued but unpaid interest and unpaid principal on the loans are due in full on December 31, 2057.

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.

9. Mortgage Payable *(continued)*

For the LLC, the total amount of capitalized interest related to the credit arrangement described above totaled $45,231 at June 30, 2023 and 2022. During fiscal 2023 and 2022, capitalized interest totaled $0 and $3,014.

The NMTC financing was arranged on behalf of the LLC. 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
Mortgage payable	$ 8,375,231	$ 8,375,231
Less unamortized debt issuance costs	(460,593)	(474,765)
Mortgage Payable, net	$ 7,914,638	$ 7,900,466

10. Pension 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 did not have an allocable share of the Parent's minimum funding requirement for fiscal 2023 or 2022.

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 during each plan year and have one year of service are eligible to receive an employer contribution. The Organization makes annual contributions to 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 1,000 hours per plan year for three plan year periods. Total expenses related to the 403(b) plan were $30,603 and $16,367 for the years ended June 30, 2023 and 2022.

11. Net Assets With Donor Restrictions

The following summarizes the changes in net assets with donor restrictions for the years ended June 30:

	2023			
	Beginning of Year	Contributions	Released from Restrictions	End of Year
Purpose restricted	$ 25,000	$ 101,000	$ (28,974)	$ 97,026
Time restricted	282,562	225,000	(191,250)	316,312
Capital campaign	1,068,093	968,016	(410,731)	1,625,378
	$ 1,375,655	$ 1,294,016	$ (630,955)	$ 2,038,716

	2022			
	Beginning of Year	Contributions	Released from Restrictions	End of Year
Purpose restricted	$ 155,000	$ 95,000	$ (225,000)	$ 25,000
Time restricted	100,000	282,562	(100,000)	282,562
Capital campaign	594,590	1,642,128	(1,168,625)	1,068,093
	$ 849,590	$ 2,019,690	$ (1,493,625)	$ 1,375,655

12. Commitments and Contingencies

As of June 1, 2019, the Organization agreed to terms of a new lease on a month to month basis. For the years ended June 30, 2023 and 2022, $0 and $6,000 was incurred on the month to month lease, and is included within rent and other in the accompanying consolidated statement of functional expenses.

In fiscal year 2019, the Organization entered into a lease agreement with a third party (the "Tenant") who leased certain premises within the building of the Project (see Note 1) that expires on October 31, 2023. Under the lease agreement, the Tenant agrees to pay a base rent with annual escalations. On January 12, 2021, the Project costs were transferred to the LLC, including rental income payments from the Tenant. On June 30, 2022, the lease agreement with the Tenant was terminated.

13. Liquidity and Availability of Financial Assets

The Organization's and LLC's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the consolidated statement of financial position are as follows:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 3,080,624	$ 2,166,971
Investments	1,000,067	-
Contributions and grants receivable, net	852,275	971,821
Total Financial Assets	4,932,966	3,138,792
Less amounts unavailable for general expenditures:		
Cash restricted for the Project	(158,877)	(528,210)
Donor imposed restrictions	(1,612,174)	(850,419)
	(1,771,051)	(1,378,629)
Financial Assets at Year-End Available to Meet Cash Needs for General Expenditures Within One Year	$ 3,161,915	$ 1,760,163

As part of its liquidity risk management, the Organization and LLC maintain a cash balance to ensure it is available as their general expenditures, liabilities, and obligations come due within one year. The Organization receives cash from contributions and grants through its fundraising efforts and from support received by the Parent through branding dollars.

* * * * *

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Supplementary Information

June 30, 2023

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidating Schedule of Financial Position
June 30, 2023
(with summarized totals at June 30, 2022)

	2023				2022
	CHIL	LLC	Eliminations	Total	Total
ASSETS					
Cash and cash equivalents	$ 2,921,747	$ 158,877	$ -	$ 3,080,624	$ 2,166,971
Restricted cash	-	148,638	-	148,638	177,601
Investments	1,000,067	-	-	1,000,067	-
Contributions and grants receivable, net	852,275	-	-	852,275	971,821
Note receivable	6,077,132	-	-	6,077,132	6,077,132
Due from CHIL	-	52,083	(52,083)	-	-
Prepaid expenses and other assets	18,175	-	-	18,175	6,870
Due from Parent	31,446	-	-	31,446	-
Right of use assets - operating lease	444,083	-	(444,083)	-	-
Property and equipment, net	81,267	8,717,237	-	8,798,504	8,641,288
	$ 11,426,192	$ 9,076,835	$ (496,166)	$ 20,006,861	$ 18,041,683
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts payable and accrued expenses	$ 298,434	$ 33,369	$ -	$ 331,803	$ 192,680
Refundable advances	305,282	-	-	305,282	-
Mortgage payable, net	-	7,914,638	-	7,914,638	7,900,466
Due to Parent	-	-	-	-	29,017
Due to LLC	52,083	-	(52,083)	-	-
Lease liability, operating lease	444,083	-	(444,083)	-	-
Loan payable to Parent	2,800,000	-	-	2,800,000	3,000,000
Total Liabilities	3,899,882	7,948,007	(496,166)	11,351,723	11,122,163
Net Assets					
Without donor restrictions	5,487,594	1,128,828	-	6,616,422	5,543,865
With donor restrictions	2,038,716	-	-	2,038,716	1,375,655
Total Net Assets	7,526,310	1,128,828	-	8,655,138	6,919,520
	$ 11,426,192	$ 9,076,835	$ (496,166)	$ 20,006,861	$ 18,041,683

See independent auditors' report

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidating Schedule of Activities
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	CHIL			LLC			
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	2023 Total	2022 Total
CONTRIBUTIONS AND OTHER REVENUE							
Contributions	$ 836,754	$ 326,000	$ 1,162,754	$ -	$ -	$ 1,162,754	$ 1,315,986
Capital campaign	-	968,016	968,016	-	-	968,016	1,642,128
Contributed goods	12,214	-	12,214	-	-	12,214	6,777
Contributed legal services	253,238	-	253,238	-	-	253,238	174,103
Government grants and contracts	1,791,598	-	1,791,598	-	-	1,791,598	278,512
Branding dollars from Parent	1,180,655	-	1,180,655	-	-	1,180,655	1,243,000
Special events revenue	525,990	-	525,990	-	-	525,990	586,399
Rental income	-	-	-	80,407	(80,407)	-	159,750
Interest income	60,469	-	60,469	3,675	-	64,144	60,467
Other income	32,817	-	32,817	12	-	32,829	60,501
Net assets released from restriction	630,955	(630,955)	-	-	-	-	-
Total Contributions and Other Revenue	5,324,690	663,061	5,987,751	84,094	(80,407)	5,991,438	5,527,623
EXPENSES							
Program services	3,086,903	-	3,086,903	325,926	(75,905)	3,336,924	2,060,794
Supporting Services							
Management and general	565,413	-	565,413	44,667	(2,251)	607,829	646,318
Fundraising	303,652	-	303,652	9,666	(2,251)	311,067	509,894
Total Supporting Services	869,065	-	869,065	54,333	(4,502)	918,896	1,156,212
Total Expenses	3,955,968	-	3,955,968	380,259	(80,407)	4,255,820	3,217,006
Change in Net Assets Before Non-Operating Activity	1,368,722	663,061	2,031,783	(296,165)	-	1,735,618	2,310,617
NON-OPERATING ACTIVITY							
Net asset transfer	(309,504)	-	(309,504)	309,504	-	-	-
Change in Net Assets	1,059,218	663,061	1,722,279	13,339	-	1,735,618	2,310,617
NET ASSETS							
Beginning of year	4,428,376	1,375,655	5,804,031	1,115,489	-	6,919,520	4,608,903
End of year	$ 5,487,594	$ 2,038,716	$ 7,526,310	$ 1,128,828	$ -	$ 8,655,138	$ 6,919,520

See independent auditors' report

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidating Schedule of Cash Flows
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	CHIL	LLC	2023 Total	2022 Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$ 1,722,279	$ 13,339	$ 1,735,618	$ 2,310,617
Adjustments to reconcile change in net assets to net cash from operating activities				
Depreciation and amortization	21,101	240,093	261,194	186,939
Amortization of debt issuance costs	-	14,172	14,172	24,589
Amortization of right of use assets - operating lease	72,800	-	72,800	-
Investment return	(67)	-	(67)	-
Disposal of property and equipment	-	21,749	21,749	-
Accrued interest on note receivable	-	-	-	(2,013)
Discount on contributions	(4,982)	-	(4,982)	12,033
Changes in operating assets and liabilities				
Contributions and grants receivable	124,528	-	124,528	(335,701)
Other recievables	-	-	-	19,410
Prepaid expenses and other assets	(11,305)	-	(11,305)	44,594
Security deposits held	-	-	-	(12,900)
Accounts payable and accrued expenses	108,837	30,286	139,123	8,765
Construction costs payable	-	-	-	(1,253,722)
Refundable advance	305,282	-	305,282	-
Due from/to Parent	(60,463)	-	(60,463)	(381,273)
Lease liability	(72,800)	-	(72,800)	-
Due to/from CHIL and LLC	312,377	(312,377)	-	-
Net Cash from Operating Activities	2,517,587	7,262	2,524,849	621,338
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of property and equipment	(20,130)	(98,311)	(118,441)	(1,414,952)
Construction in progress	(14,471)	(307,247)	(321,718)	(56,500)
Purchase of investments	(1,000,000)	-	(1,000,000)	-
Net Cash from Investing Activities	(1,034,601)	(405,558)	(1,440,159)	(1,471,452)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment on loan from Parent	(200,000)	-	(200,000)	-
Payment of leverage loan payable	-	-	-	(305,738)
Net Cash from Financing Activities	(200,000)	-	(200,000)	(305,738)
Net Change in Cash and Cash Equivalents and Restricted Cash	1,282,986	(398,296)	884,690	(1,155,852)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH				
Beginning of year	1,638,761	705,811	2,344,572	3,500,424
End of year	$ 2,921,747	$ 307,515	$ 3,229,262	$ 2,344,572
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid for interest	$ 82,438	$ -	$ 82,438	$ 130,723
Capitalized interest - cash paid	-	-	-	3,014

See independent auditors' report

Covenant House Illinois and Covenant House Illinois QALICB LLC

Uniform Guidance Schedules and Reports

June 30, 2023

Covenant House Illinois and
Covenant House Illinois QALICB LLC

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

Federal Grantor/Pass-Through Grantor/Program Title or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grant/Entitlement Grants	14.218		$ -	$ 188,953
U.S. Department of The Treasury:				
Coronavirus State and Local Fiscal Revcovery Funds	21.027		-	1,000,371
Pass-through from the Illinois Department of Human Services:				
Coronavirus State and Local Fiscal Revcovery Funds	21.027	444803007	-	269,489
Total U.S. Department of The Treasury			-	1,269,860
Total Expenditures of Federal Awards			$ -	$ 1,458,813

See independent auditors' report and notes to schedule of expenditures of federal awards

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Notes to Schedule of Expenditures of Federal Awards
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 Illinois and Covenant House Illinois QALICB LLC (collectively, 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 consolidated 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. Nonmonetary Assistance

Nonmonetary assistance is reported in the Schedule based on the amount disbursed or received. The Organization received no nonmonetary assistance for the year ended June 30, 3023.

4. Indirect Cost Rate

The Organization has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 Illinois and
Covenant House Illinois QALICB LLC

We have audited, in accordance with 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 Illinois and Covenant House Illinois QALICB LLC (collectively, 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 December 18, 2023.

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

December 18, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Covenant House Illinois and
Covenant House Illinois QALICB LLC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Covenant House Illinois and Covenant House Illinois QALICB LLC's (collectively, 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 types of 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 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.

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.

PKF O'Connor Davies, LLP

December 18, 2023

Covenant House Illinois and
Covenant House Illinois QALICB LLC

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

Section I – Summary of Auditors' Results

Consolidated Financial Statements

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

Federal Assistance Listing Number	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	____ yes __X__ 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 material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Supplementary Report

June 30, 2023

Independent Auditors' Report on Supplemental Information

Board of Directors
Covenant House Illinois and
Covenant House Illinois QALICB LLC

We have audited the accompanying consolidated financial statements of Covenant House Illinois and Covenant House Illinois QALICB LLC (the "Organization") as of and for the year ended June 30, 2023, and have issued our report thereon dated December 18, 2023, which contained an unmodified opinion on those consolidated financial statements.

Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Year-End Financial Report is presented for the purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 26, 2024

PKF O'CONNOR DAVIES, LLP
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Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Year-End Financial Report
June 30, 2023

Grantee Name	Covenant House Illinois INC.
ID Numbers	AUDIT:40909 Grantee:695789 UEI:U86USN3NJ434 FEIN:812061485
Audit Period	7/1/2022 - 6/30/2023
Submitted	04/17/2024; Christopher Murphy; Director of Finance; cmurphy@covenanthouse.org; 3127597873
Accepted	
Program Count	2

All Programs Total				
Category	**State**	**Federal**	**Other**	**Total**
Personal Services (Salaries and Wages)	0.00	1,019,779.61	0.00	1,019,779.61
Fringe Benefits	0.00	213,508.92	0.00	213,508.92
Travel	0.00	0.00	0.00	0.00
Equipment	0.00	0.00	0.00	0.00
Supplies	0.00	34,913.77	0.00	34,913.77
Contractual Services	0.00	0.00	0.00	0.00
Consultant (Professional Services)	0.00	0.00	0.00	0.00
Construction	0.00	0.00	0.00	0.00
Occupancy - Rent and Utilities	0.00	56,571.91	0.00	56,571.91
Research and Development	0.00	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00	0.00
Direct Administrative Costs	0.00	3,462.87	0.00	3,462.87
Miscellaneous Costs	0.00	106,075.05	0.00	106,075.05
ALN 21.027 CSLFRF	0.00	0.00	0.00	0.00
All Grant Specific Categories	31,320.00	0.00	0.00	31,320.00
TOTAL DIRECT EXPENDITURES	**31,320.00**	**1,434,312.13**	**0.00**	**1,465,632.13**
Indirect Costs	0.00	24,498.70	0.00	24,498.70
TOTAL EXPENDITURES	**31,320.00**	**1,458,810.83**	**0.00**	**1,490,130.83**

State Agency	Department Of Commerce And Economic Opportunity (420)
Program Name	Human Services Capital Investment Grant Program (420-00-2783) *This program was added by the grantee*
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	0.00 Base:

Category	**State**	**Federal**	**Other**	**Total**
Capital - Construction Management/Oversight	6,320.00	0.00	0.00	6,320.00
Capital - Design/Engineering	25,000.00	0.00	0.00	25,000.00
TOTAL DIRECT EXPENDITURES	**31,320.00**	**0.00**	**0.00**	**31,320.00**

See independent auditors' report

Covenant House Illinois and
Covenant House Illinois QALICB LLC

Consolidated Year-End Financial Report
(continued)
June 30, 2023

State Agency	Department Of Human Services (444)
Program Name	Chicago Youth Development & Intervention Services (CYDIS) (444-80-3007)
Program Limitations	No
Mandatory Match	No
Indirect Cost Rate	10.00 Base:

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	197,225.06	0.00	197,225.06
Fringe Benefits	0.00	45,361.76	0.00	45,361.76
Miscellaneous Costs	0.00	2,400.00	0.00	2,400.00
Indirect Costs	0.00	24,498.70	0.00	24,498.70
TOTAL DIRECT EXPENDITURES	**0.00**	**269,485.52**	**0.00**	**269,485.52**

Program Name	Other grant programs and activities

Category	State	Federal	Other	Total
Personal Services (Salaries and Wages)	0.00	822,554.55	0.00	822,554.55
Fringe Benefits	0.00	168,147.16	0.00	168,147.16
Supplies	0.00	34,913.77	0.00	34,913.77
Occupancy - Rent and Utilities	0.00	56,571.91	0.00	56,571.91
Direct Administrative Costs	0.00	3,462.87	0.00	3,462.87
Miscellaneous Costs	0.00	103,675.05	0.00	103,675.05
TOTAL DIRECT EXPENDITURES	**0.00**	**1,189,325.31**	**0.00**	**1,189,325.31**

Program Name	All other costs not allocated

Category	State	Federal	Other	Total
	0.00	0.00	0.00	0.00
TOTAL DIRECT EXPENDITURES	**0.00**	**0.00**	**0.00**	**0.00**

See independent auditors' report