

Covenant House Missouri

Financial Statements

June 30, 2018

Independent Auditors' Report

Board of Directors Covenant House Missouri

We have audited the accompanying financial statements of Covenant House Missouri (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House Missouri as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Covenant House Missouri's June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

March 28, 2019

Covenant House Missouri

Statement of Financial Position

June 30, 2018

(with comparative amounts at June 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 345,198	\$ 255,853
Investments	224,612	386,679
Government grants receivable	174,487	158,910
Due from Parent	5,116	-
Other receivables, net of allowance for doubtful accounts of \$25,000 and \$0	158,315	8,500
Prepaid expenses and other assets	11,480	-
Property and equipment, net	<u>3,185,066</u>	<u>3,339,936</u>
	<u>\$ 4,104,274</u>	<u>\$ 4,149,878</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable, accrued expenses, and refundable advances	\$ 272,245	\$ 89,886
Due to Parent	-	572
Notes payable to Parent	1,601,033	1,699,135
Other liabilities	<u>116,201</u>	<u>116,201</u>
Total Liabilities	<u>1,989,479</u>	<u>1,905,794</u>
 Net Assets		
Unrestricted	1,952,891	2,131,828
Temporarily restricted	<u>161,904</u>	<u>112,256</u>
Total Net Assets	<u>2,114,795</u>	<u>2,244,084</u>
	<u>\$ 4,104,274</u>	<u>\$ 4,149,878</u>

See notes to financial statements

Covenant House Missouri

Statement of Activities
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
SUPPORT AND REVENUE				
Contributions	\$ 727,828	\$ 50,000	\$ 777,828	\$ 615,916
Contributed services and merchandise	24,221	-	24,221	9,270
Government grants	1,064,019	-	1,064,019	1,100,957
Branding dollars from Parent	646,000	-	646,000	761,000
Grants from Parent related to National Sleep Out Event	188,171	-	188,171	186,241
Special event revenue, net of direct benefits to donors of \$89,217 and \$74,946	628,809	-	628,809	411,733
Net assets released from restrictions	7,500	(7,500)	-	-
Total Support and Revenue	3,286,548	42,500	3,329,048	3,085,117
INVESTMENT AND OTHER INCOME				
Interest and dividends	2,556	1,417	3,973	1,533
Unrealized gains (loss)	(1,415)	5,731	4,316	2,184
Other income	37,397	-	37,397	27,451
Total Investment and Other Income	38,538	7,148	45,686	31,168
Total Support and Revenue and Investment and Other Income	3,325,086	49,648	3,374,734	3,116,285
EXPENSES				
Program services	3,040,510	-	3,040,510	3,215,383
Supporting Services				
Management and general	320,272	-	320,272	231,739
Fundraising	143,241	-	143,241	100,975
Total Supporting Services	463,513	-	463,513	332,714
Total Expenses	3,504,023	-	3,504,023	3,548,097
Change in Net Assets	(178,937)	49,648	(129,289)	(431,812)
NET ASSETS				
Beginning of year	2,131,828	112,256	2,244,084	2,675,896
End of year	\$ 1,952,891	\$ 161,904	\$ 2,114,795	\$ 2,244,084

See notes to financial statements

Covenant House Missouri

Statement of Functional Expenses
Year Ended June 30, 2018
(with summarized totals for year ended June 30, 2017)

	Program Services				Total Program Services	Supporting Services		Total Supporting Services	Cost of Direct Benefits to Donors	Total Expenses 2018	Total Expenses 2017
	Shelter and Crisis Care	Outreach	Community Service Center	Rights of Passage		Management and General	Fundraising				
Salaries and wages	\$ 612,873	\$ 112,946	\$ 455,489	\$ 499,927	\$ 1,681,235	\$ 114,798	\$ 55,547	\$ 170,345	\$ -	\$ 1,851,580	\$ 1,908,277
Payroll taxes	50,492	9,305	37,526	41,187	138,510	9,458	4,576	14,034	-	152,544	153,399
Employee benefits	79,153	14,587	58,826	64,566	217,132	14,826	7,174	22,000	-	239,132	222,804
Total Salaries and Related Expenses	742,518	136,838	551,841	605,680	2,036,877	139,082	67,297	206,379	-	2,243,256	2,284,480
Accounting fees	7,613	1,403	5,658	6,210	20,884	1,426	690	2,116	-	23,000	45,401
Legal fees	-	-	-	-	-	8,448	-	8,448	-	8,448	8,039
Consulting fees	30,641	5,647	22,772	24,994	84,054	5,739	2,777	8,516	-	92,570	10,274
Supplies	6,021	1,110	4,475	4,912	16,518	1,128	546	1,674	-	18,192	20,731
Telephone	6,813	1,255	5,063	5,557	18,688	1,276	617	1,893	-	20,581	20,627
Postage and printing	8,791	1,620	6,534	7,171	24,116	1,647	797	2,444	-	26,560	25,000
Occupancy:											
Fuel and utilities	41,547	7,657	30,878	33,890	113,972	7,782	3,766	11,548	-	125,520	120,825
Repairs and maintenance	11,393	2,100	8,467	9,293	31,253	2,134	1,033	3,167	-	34,420	42,969
Equipment	13,339	2,458	9,913	10,880	36,590	2,498	1,209	3,707	-	40,297	48,986
Travel and transportation	8,536	1,573	6,344	6,963	23,416	1,599	774	2,373	-	25,789	18,841
Conferences, conventions and meetings	6,378	1,175	4,740	5,203	17,496	1,195	578	1,773	-	19,269	28,042
Specific Assistance to Individuals:											
Food	16,263	2,345	9,458	10,381	38,447	-	-	-	-	38,447	60,463
Medical	5,080	733	2,954	3,243	12,010	-	-	-	-	12,010	6,127
Clothing, allowance and other	50,120	7,228	29,147	31,991	118,486	-	-	-	-	118,486	91,246
Contributed clothing and merchandise	6,672	962	3,880	4,259	15,773	-	-	-	-	15,773	1,371
Temporary help	31,354	2,397	46,116	22,580	102,447	7,456	830	8,286	-	110,733	223,153
Other purchased services	15,311	2,822	11,379	12,490	42,002	2,868	1,388	4,256	-	46,258	78,674
Fundraising expenses	-	-	-	-	-	-	14,242	14,242	89,217	103,459	149,880
Dues, licenses and permits	562	103	417	458	1,540	106	51	157	-	1,697	1,987
Subscriptions and publications	-	-	-	-	-	284	2,544	2,828	-	2,828	-
Staff recruitment	860	119	77	610	1,666	39,959	9,710	49,669	-	51,335	1,639
Insurance	26,976	4,971	20,048	22,004	73,999	5,053	2,445	7,498	-	81,497	79,055
Miscellaneous	7,903	1,456	5,873	6,446	21,678	1,485	716	2,201	-	23,879	11,314
Bank charges and fees	-	-	-	-	-	10,812	-	10,812	-	10,812	9,521
Provision for bad debts	-	-	-	-	-	-	25,000	25,000	-	25,000	-
Interest	-	-	-	-	-	65,416	-	65,416	-	65,416	3,861
Total Functional Expenses Before Depreciation	1,044,691	185,972	786,034	835,215	2,851,912	307,393	137,010	444,403	89,217	3,385,532	3,392,506
Depreciation	68,751	12,670	51,096	56,081	188,598	12,879	6,231	19,110	-	207,708	230,537
Total Functional Expenses	1,113,442	198,642	837,130	891,296	3,040,510	320,272	143,241	463,513	89,217	3,593,240	3,623,043
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	(89,217)	(89,217)	(74,946)
Total Expenses Reported by Function on the Statement of Activities	\$ 1,113,442	\$ 198,642	\$ 837,130	\$ 891,296	\$ 3,040,510	\$ 320,272	\$ 143,241	\$ 463,513	\$ -	\$ 3,504,023	\$ 3,548,097

See notes to financial statements

Covenant House Missouri

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (129,289)	\$ (431,812)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	207,708	230,537
Provision for bad debts	25,000	-
Net unrealized gain on investments	(4,316)	(2,184)
Net change in operating assets and liabilities		
Government grants receivable	(15,577)	4,444
Other receivables	(174,815)	15,380
Prepaid expenses and other assets	(11,480)	11,405
Accounts payable, accrued liabilities, refundable advances	182,359	(32,084)
Due from/to Parent	(5,688)	9,922
Net Cash from Operating Activities	73,902	(194,392)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	-	(7,917)
Proceeds from the sale of short-term investments	166,383	-
Purchase of property and equipment	(52,838)	(15,671)
Net Cash from Investing Activities	113,545	(23,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable to Parent	(98,102)	(22,764)
Change in Cash and Cash Equivalents	89,345	(240,744)
CASH AND CASH EQUIVALENTS		
Beginning of year	255,853	496,597
End of year	\$ 345,198	\$ 255,853
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 26,703	\$ 3,861

See notes to financial statements

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

1. Organization and Nature of Activities

Covenant House Missouri (the "Organization"), is a not-for-profit organization, is an operating affiliate of Covenant House (the "Parent"), a not-for-profit organization founded in 1968 and incorporated in 1972. The Organization provides shelter, residential services, community services, and outreach services to youth in the St. Louis metropolitan area. Covenant House (Parent) and affiliates (collectively "Covenant House"), provided shelter, food, clothing, medical attention, crisis intervention, public education and prevention, and other services that reached approximately 89,000 and 80,000 young people during fiscal 2018 and 2017.

The Organization is affiliated with the following not-for-profit organizations through common control.

- 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 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
- Rights of Passage, Inc.
- Under 21 Boston, Inc.
- 268 West 44th Corporation

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

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

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

The Organization has been determined to be a not-for-profit organization exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code. The Organization is also exempt from Missouri income and sales taxes.

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

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

Components of Program and Supporting Services

Program Services

Shelter and Crisis Care

The Shelter and Crisis Care program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths through Covenant House programs in Missouri.

Outreach

The Outreach program is an effort to reach youths who are on the streets for various reasons. Outreach vans cruise the city streets day and night searching for these youths and provide them with food, a trained counselor, and referrals to shelters and health and other services, if needed.

Community Service Center

The Community Service Center (CSC) program provides comprehensive services to youths in the residential programs and to other youths in the community who need support in order to complete their educations, obtain employment, and maintain themselves in stable living situations.

Rights of Passage

The Rights of Passage program provides transitional living services to youths for up to 24 months, including individual counseling and help with their education and finding jobs and housing.

Supporting Services

Management and General

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

Fundraising

Fundraising services relate to the activities of the development program in raising general and specific contributions.

Direct Benefit-to-Donor Costs

Direct benefit-to-donor are costs incurred in conjunction with items such as meals and entertainment benefiting attendees of special events.

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Net Assets Presentation

The Organization maintains its net assets under the following two classes:

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain time and donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.

There are no permanently restricted net assets.

Revenue Recognition

Revenue is recognized as services are performed or expenditures are incurred under the Organization's contracts with its clients and funders.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Cash and Cash Equivalents

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

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

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

Fair Value of Financial Instruments

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

Investment Valuation and Income Recognition

Investments are valued at fair value in the statement of financial position. Interest and dividends and realized and unrealized gains and losses on the sale of investments are included in the statement of activities. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of change in net assets.

Property and Equipment

Property and equipment are reported at cost at the date of acquisition or at their fair value at the date of donation. Improvements are capitalized, whereas minor costs of repairs and maintenance are expensed as incurred. The Organization follows the practice of capitalizing all expenditures for property and equipment with a cost in excess of \$500.

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

Buildings	33 years
Building improvements	1 to 39 years
Furniture, vehicles, and equipment	1 to 12 years

Contributions and Pledges Receivable

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

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

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

Special Events

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

Donated Goods and Services

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

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

Advertising Costs

Advertising costs are expensed as incurred.

Asset Retirement Obligation

The Organization has recorded a liability for the future estimated costs of removing asbestos from buildings it owns. There are no assets legally restricted to fund this liability. The liability is recorded as other liabilities on the accompanying statement of financial position and is \$116,201 as of June 30, 2018 and 2017.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted fair values and third-party independent appraisals. There were no impairments for the years ended June 30, 2018 and 2017.

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, 2015.

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

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

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2017 is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2017, from which the summarized comparative information was derived.

Reclassifications

Certain accounts in the 2017 financial statements have been reclassified to conform to current year financial statement presentation.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 28, 2019.

3. Investments

Investments at June 30, 2018 and 2017 consisted of fixed income securities and mutual funds measured at fair value on a recurring basis and classified with Level 1 inputs using the fair value hierarchy.

4. Government Grants Receivable

All government grants receivable as of June 30, 2018 are expected to be fully collected within one year.

5. Property and Equipment

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

	<u>2018</u>	<u>2017</u>
Buildings	\$ 232,330	\$ 232,330
Building improvements	4,734,982	4,734,982
Furniture, vehicles and equipment	<u>780,696</u>	<u>727,858</u>
	5,748,008	5,695,170
Less accumulated depreciation	<u>2,562,942</u>	<u>2,355,234</u>
	<u>\$ 3,185,066</u>	<u>\$ 3,339,936</u>

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

6. Note Payable to Parent

During 2014, the Organization entered into a promissory note of \$2,184,000 with the Parent to finance real estate and leasehold improvements. The promissory note is due in monthly principal and interest payments, at an interest rate of 1.25%, through January 15, 2028. The note is collateralized by \$250,000 of investments. At June 30, 2018, the Organization was not in compliance regarding the collateralized investments. The Parent has agreed to waive the compliance requirement for the year ended June 30, 2018. The note document with the Parent was modified in 2017. The modification included the postponement of required principal payments until August 2017. The promissory note is now due on November 11, 2030 with an interest rate of 2.50%. Total interest expense in 2018 and 2017 was \$65,416 and \$3,861.

Future principal maturities relating to the note payable for the years ending June 30 are as follows:

2019	\$ 10,721
2020	129,542
2021	132,818
2022	136,178
2023	139,621
Thereafter	<u>1,052,153</u>
	<u>\$ 1,601,033</u>

7. Commitments and Contingencies

Leases

The Organization has entered into various non-cancelable operating leases for equipment. These leases expire at various dates through May 2020. Rental expenses under all operating leases amounted to \$19,677 and \$15,174 for the years ended June 30, 2018 and 2017.

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

2019	\$ 13,146
2020	<u>12,051</u>
	<u>\$ 25,197</u>

Government Grants

In accordance with the terms of certain government grants, the records of the Organization are subject to audit for varying periods after the date of final payment of the grants. The Organization is liable for any disallowed costs; however, management believes that the amount of disallowed costs, if any, would not be significant. Government grants totaled \$1,064,019 and \$1,100,957 for the years ended June 30, 2018 and 2017.

Covenant House Missouri

Notes to Financial Statements

June 30, 2018

8. 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 and promises to give totaled approximately \$60 million and \$66 million for the Parent during the years ended June 30, 2018 and 2017. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

The Parent combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as "Branding Dollars" or "Contributions Received from Parent" to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent's policy, approximated \$31 million and \$36 million for the years ended June 30, 2018 and 2017. For the years ended June 30, 2018 and 2017, the Organization received \$646,000 and \$761,000 and is included in Branding dollars from the Parent. Additionally, in 2018 and 2017, the Organization received \$188,171 and \$186,241 from the Parent relating to National Sleep Out Events.

9. Employee Benefit Plan

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was \$36,224 and \$34,208 for the years ended June 30, 2018 and 2017.

The Organization participates in a noncontributory defined benefit pension plan (the "Plan"), which was established on August 1, 1982, sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. Effective August 1, 2009, the Board of Directors of the Parent approved to freeze the future benefit accruals of all employees of Covenant House participating in the Plan. As set forth in the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the Parent is responsible for maintaining an annual minimum funding requirement that is reported and paid by the Parent. Although the Parent is responsible for maintaining the total annual minimum funding requirement, the Plan's actuary has determined the respective allocable share to the various affiliates that participate in the Plan. Beginning in the year ended June 30, 2018, the Organization contributed \$16,456 for its allocable share of the Parent's minimum funding requirement, which is included in employee benefits on the statement of functional expense.

Covenant House Missouri

Notes to Financial Statements
June 30, 2018

10. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, are as follows:

	<u>2018</u>	<u>2017</u>
Time Restrictions Program	\$ 42,500	\$ -
Purpose Restriction Program	<u>119,404</u>	<u>112,256</u>
	<u>\$ 161,904</u>	<u>\$ 112,256</u>

Net assets released from restriction during the years ended June 30, were as follows:

	<u>2018</u>	<u>2017</u>
Time Restrictions Program	\$ 7,500	\$ -
Purpose Restriction Program	<u>-</u>	<u>57,000</u>
	<u>\$ 7,500</u>	<u>\$ 57,000</u>

11. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash deposits with financial institutions and grants receivable. These deposits are maintained at financial institutions and the Organization has not experienced any losses. Concentration of credit risk with respect to receivables are limited due to the fact that receivables are due from a number of donors and grant agencies.

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