

Financial Statements and Report of Independent Certified Public Accountants

Covenant House Missouri

June 30, 2014 and 2013

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Covenant House Missouri

We have audited the accompanying financial statements of Covenant House Missouri, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Kansas City, Missouri
January 12, 2015

FINANCIAL STATEMENTS

Covenant House Missouri
STATEMENTS OF FINANCIAL POSITION
June 30,

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 1,016,360	\$ 866,162
Investments, fair value	255,327	244,850
Government grants receivable	100,411	91,297
Other receivables	713	1,470
Prepaid expenses and other assets	9,813	10,000
Property and equipment, net	3,940,761	4,090,390
Assets held for sale	-	210,682
	\$ 5,323,385	\$ 5,514,851
LIABILITIES AND NET ASSETS		
Accounts payable, accrued expenses, and refundable advances	\$ 209,963	\$ 211,112
Note payable to Parent	1,994,788	2,128,697
Due to Parent	4,561	1,995
Other liabilities	116,201	116,201
Total liabilities	2,325,513	2,458,005
Net assets		
Unrestricted	2,997,872	3,056,846
	2,997,872	3,056,846
	\$ 5,323,385	\$ 5,514,851

The accompanying notes are an integral part of these statements.

Covenant House Missouri
STATEMENTS OF ACTIVITIES
Years ended June 30,

	2014	2013
Contributions, revenues, and other support		
Contributions from individuals, corporations, and foundations	\$ 1,101,712	\$ 1,110,203
Contributed services and merchandise	58,776	47,836
Government grants	888,854	824,003
Branding dollars from Parent	841,000	931,000
Special event revenue, net	358,854	297,465
	3,249,196	3,210,507
Investment and other income		
Interest and dividends	7,496	5,441
Other income and gains	32,769	30,847
	40,265	36,288
Total contributions, revenues, and other income	3,289,461	3,246,795
Expenses		
Program services	2,875,461	2,609,125
Supporting services		
Management and general	229,129	281,075
Development	83,624	79,061
	312,753	360,136
Total expenses	3,188,214	2,969,261
Loss on sale of property and equipment held for sale	160,221	-
Change in net assets	(58,974)	277,534
Net assets, beginning of year	3,056,846	2,779,312
Net assets, end of year	\$ 2,997,872	\$ 3,056,846

The accompanying notes are an integral part of this statement.

Covenant House Missouri
STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2014

	Program services			Rights of		Supporting services		Total supporting services	Direct benefits to donors costs	Total
	Shelter and Crisis Care	Outreach	Community Service Center	Passage	Management and general	Development				
Salaries and wages	\$ 518,988	\$ 95,644	\$ 385,713	\$ 423,344	\$ 97,212	\$ 47,038	\$ 144,250	\$ 1,567,939	\$ -	\$ 1,567,939
Payroll taxes	43,486	8,014	32,319	35,472	8,145	3,941	12,087	131,377	-	131,377
Employee benefits	57,521	10,601	42,750	46,920	10,774	5,213	15,988	173,779	-	173,779
	619,994	114,259	460,781	505,736	116,132	56,193	172,325	1,873,095	-	1,873,095
Accounting fees	15,204	2,802	11,300	12,402	2,848	1,378	4,226	45,934	-	45,934
Legal fees	-	-	-	-	14,992	-	14,992	14,992	-	14,992
Consulting fees	3,181	586	2,364	2,595	596	288	884	9,611	-	9,611
Supplies	4,213	982	3,395	3,395	418	202	621	18,853	-	18,853
Telephone	4,169	1,079	4,496	5,733	327	158	485	15,962	-	15,962
Postage and printing	7,123	1,861	5,256	5,913	1,321	639	1,960	22,113	-	22,113
Occupancy	-	-	-	-	-	-	-	-	-	-
Fuel and utilities	23,828	1,658	41,000	35,091	10,403	6,725	17,128	118,705	-	118,705
Repairs and maintenance	12,988	5,812	13,375	17,442	708	343	1,051	50,669	-	50,669
Rent and taxes	-	-	-	-	28	-	28	28	-	28
Equipment	13,473	1,302	9,566	17,001	1,324	641	1,964	43,307	-	43,307
Transportation	11,651	6,284	13,710	12,598	703	340	1,043	45,287	-	45,287
Conferences, conventions and meetings	3,422	390	10,374	2,655	177	86	263	17,104	-	17,104
Specific assistance to individuals	-	-	-	-	-	-	-	-	-	-
Food	33,530	169	17,271	6,877	57,848	-	-	57,848	-	57,848
Medical	210	-	3,621	146	3,977	-	-	3,977	-	3,977
Clothing, allowance, and other	18,806	3,049	69,417	13,056	104,329	-	-	104,329	-	104,329
Contributed clothing and merchandise	13,770	221	12,397	17,887	44,276	-	-	44,276	-	44,276
Temporary help	57,089	4,444	79,560	39,050	180,144	3,303	14,786	194,930	-	194,930
Other purchased services	46,483	8,849	36,044	38,923	8,494	4,110	12,604	271,720	128,816	271,720
Dues, licenses, and permits	35	-	439	140	930	585	1,515	2,129	-	2,129
Subscriptions and publications	-	-	-	-	458	-	458	458	-	458
Staff recruitment	-	-	-	-	6,419	-	6,419	6,419	-	6,419
Insurance	24,452	4,506	18,173	19,946	4,580	2,216	6,796	73,873	-	73,873
Miscellaneous, net	1,225	226	868	1,071	2,898	703	3,601	6,992	-	6,992
Bank charges and fees	-	-	-	-	6,238	-	6,238	6,238	-	6,238
Interest and loan closing costs	-	-	-	-	25,843	-	25,843	25,843	-	25,843
Depreciation and amortization	294,855	44,222	358,875	251,921	101,188	21,717	122,905	1,201,595	128,816	1,201,595
Total functional expenses	71,509	11,914	74,887	66,507	11,809	5,714	17,523	242,341	-	242,341
Less direct benefit-to-donor costs	986,358	170,395	894,544	824,164	229,129	83,624	312,753	3,317,030	128,816	3,317,030
Total expenses reported by function on statement of activities	\$ 986,358	\$ 170,395	\$ 894,544	\$ 824,164	\$ 229,129	\$ 83,624	\$ 312,753	\$ 3,188,214	\$ -	\$ 3,188,214

The accompanying notes are an integral part of this statement.

Covenant House Missouri
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2013

	Program services			Supporting Services		Total supporting services	Direct benefits to donors costs	Total
	Shelter and Crisis Care	Outreach	Community Service Center	Rights of Passage	Total program services and general			
Salaries and wages	\$ 507,550	\$ 93,536	\$ 377,213	\$ 414,014	\$ 95,070	\$ 46,002	\$ -	\$ 1,533,385
Payroll taxes	37,655	6,939	27,985	30,715	7,053	3,414	-	113,761
Employee benefits	37,307	6,875	27,726	30,431	6,989	3,381	-	112,709
	582,512	107,350	432,924	475,160	109,112	52,797	-	1,759,855
Accounting fees	11,421	2,106	8,488	9,316	2,138	1,034	-	34,503
Legal fees	-	-	-	-	2,908	-	-	2,908
Consulting fees	298	55	221	243	56	27	-	900
Supplies	2,889	1,372	4,389	6,125	213	613	-	15,601
Telephone	5,133	1,110	4,652	6,126	363	677	-	18,061
Postage and printing	5,736	126	5,619	5,656	1,096	1,619	-	19,852
Occupancy	-	-	-	-	-	-	-	-
Fuel and utilities	23,240	1,615	38,813	34,810	10,201	6,489	-	115,168
Repairs and maintenance	10,162	3,849	13,519	9,859	436	211	-	38,036
Rent and taxes	-	-	-	-	56	-	-	56
Equipment	14,101	1,755	8,242	13,381	1,488	1,475	-	40,442
Transportation	10,062	3,746	7,182	10,456	-	-	-	31,446
Conferences, conventions, and meetings	-	-	-	-	-	-	-	-
Specific assistance to individuals	31,295	380	16,251	8,684	-	-	-	56,610
Food	315	-	4,322	260	-	-	-	4,897
Medical	18,036	309	67,326	20,469	-	-	-	106,140
Clothing, allowance, and other	-	-	-	-	-	-	-	-
Contributed clothing and merchandise	10,584	170	9,529	13,748	-	-	-	34,031
Temporary help	34,440	3,713	71,196	35,436	1,720	832	-	147,337
Other purchased services	17,587	3,845	22,406	14,671	2,972	2,534	-	165,674
Dues, licenses, and permits	229	125	228	228	2,050	325	-	3,185
Subscriptions and publications	-	-	-	-	850	-	-	850
Staff recruitment	-	-	-	-	3,625	-	-	3,625
Insurance	35,505	6,543	26,388	28,962	6,651	3,424	-	107,473
Contributed services	-	-	-	-	13,805	-	-	13,805
Miscellaneous, net	2,195	390	1,767	1,817	4,559	174	-	10,902
Bank charges and fees	-	-	-	-	14,159	-	-	14,159
Interest and loan closing costs	-	-	-	-	110,276	-	-	110,276
Settlement on interest swap	-	-	-	-	(18,905)	-	-	(18,905)
Depreciation and amortization	233,228	31,209	310,538	220,247	160,717	19,434	-	1,077,032
Total functional expenses	888,774	150,020	815,740	754,591	281,075	79,061	-	3,070,920
Less direct benefit-to-donor costs	-	-	-	-	-	-	(101,659)	(101,659)
Total expenses reported by function on statement of activities	\$ 888,774	\$ 150,020	\$ 815,740	\$ 754,591	\$ 281,075	\$ 79,061	\$ -	\$ 2,969,261

The accompanying notes are an integral part of this statement.

Covenant House Missouri
STATEMENTS OF CASH FLOWS
Years ended June 30,

	2014	2013
Cash flows from operating activities		
Change in net assets	\$ (58,974)	\$ 277,534
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	242,341	234,033
Loss on extinguishment of debt	-	55,390
Net realized and unrealized loss (gains) on investments	(10,477)	8,022
Loss on disposal of property and equipment	160,221	-
Realized gain on interest rate swap	-	(18,905)
Changes in operating assets and liabilities		
Other receivables	757	2,606
Government grants receivable	(9,114)	16,971
Due from Parent	-	342
Due to Parent	2,566	1,995
Prepaid expenses and other assets	187	(4,041)
Accounts payable, accrued expenses, refundable advances and deferred revenue	(1,149)	(10,149)
Net cash provided by operating activities	326,358	563,798
Cash flows from investing activities		
Purchases of short-term investments	-	(114,247)
Sale of property and equipment	50,461	-
Purchases of property and equipment	(92,712)	(69,097)
Net cash used in investing activities	(42,251)	(183,344)
Cash flows from financing activities		
Payment on bonds	-	(46,800)
Payment on notes payable to Parent	(133,909)	(173,392)
Net cash used in financing activities	(133,909)	(220,192)
Net change in cash and cash equivalents	150,198	160,262
Cash and cash equivalents, beginning of year	866,162	705,900
Cash and cash equivalents, end of year	\$ 1,016,360	\$ 866,162
Supplemental disclosure of noncash financing activity		
Extinguishment of bonds payable by Parent	-	\$ (2,184,000)
Establishment of note payable to Parent	-	2,184,000
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 25,843	\$ 54,743

The accompanying notes are an integral part of these statements.

Covenant House Missouri
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE A - ORGANIZATION

Covenant House Missouri (the Organization), a not-for-profit organization, is an operating affiliate of Covenant House (the Parent), a New York-based organization. The Organization provides shelter, residential services, community services, and outreach services to youth in the St. Louis metropolitan area. The Parent is the sole member of the Organization and is itself a private not-for-profit organization which, through its affiliates, provided shelter, food, clothing, counseling, medical attention, crisis intervention, public education, and other services to more than 57,364 (unaudited) runaway and homeless youths during the year ended June 30, 2014.

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

- Covenant House Alaska
- Covenant House California
- Covenant House Florida
- Covenant House Georgia
- Covenant House Michigan
- Covenant House New Jersey
- Covenant House New Orleans
- Covenant House Pennsylvania/Under 21
- Covenant House Texas
- Covenant House Washington, D.C.
- Covenant House Western Avenue
- Covenant House Testamentum
- Covenant House New York/Under 21
- Covenant International Foundation
- Covenant House Holdings, LLC
- Covenant House Toronto
- Covenant House Vancouver
- Asociación La Alianza (Guatemala)
- Alianza de Honduras
- Casa Alianza Nicaragua
- Casa Alianza Internacional
- Fundación Casa Alianza México, I.A.P.

Covenant House Missouri
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Net Asset Classification*

Resources available are classified into net asset categories established according to their nature and purpose as follows:

Unrestricted - consists of resources available for general support of the Organization's operations. Unrestricted net assets may be used at the discretion of the Organization's management and Board of Directors.

Temporarily Restricted - represents amounts restricted by donors and grantors for specific activities of the Organization or to be used at some future date. The Organization records contributions as temporarily restricted if they are received with donor stipulations that limit their use through either purpose or time restrictions. When a donor restriction expires (i.e., when a time restriction ends or a purpose restriction is fulfilled), temporarily restricted net assets are reclassified as unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment returns are met in the same accounting period, such amounts are reported in unrestricted net assets.

Permanently Restricted - consists of funds which are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments may be available to be used in the unrestricted or temporarily restricted net asset classes based upon stipulations by the donors.

2. *Revenue Recognition*

The Organization records as revenues the following types of contributions, when they are received unconditionally, at their fair values: cash; promises to give; and certain contributed merchandise, professional services, and facilities. Conditional contributions are recognized as revenues when the conditions on which they depend have been substantially met. The Organization's grants were government cost-reimbursed type grants. Contributions are recorded at net realizable value.

Special event revenue represents funds raised from the Organization's various fundraising events held annually. Special event revenue is recognized when the event occurs and is presented net of costs.

Covenant House Missouri
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. *Temporarily Restricted Contributions*

It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period as unrestricted net assets, except for contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures, and equipment), which are reported as temporarily restricted. The Organization reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. During the year ended June 30, 2014 and 2013, the Organization did not receive any temporarily restricted contributions.

4. *Functional Expense Allocation*

Expenses which can be directly identified with the program or supporting services to which they relate are charged accordingly. Other expenses have been allocated among program and supporting service classifications on the basis of square footage of office space occupied, salaries, or other bases as deemed appropriate by the Organization's management.

5. *Cash and Cash Equivalents*

The Organization considers all highly liquid investments which have an original maturity of three months or less from the date of purchase and which are not subject to withdrawal restrictions to be cash equivalents. Bank rating services are regularly monitored for the ongoing safety ratings of the financial institutions in which deposits are maintained. As of June 30, 2014 and 2013, cash in banks in excess of federally insured limits was approximately \$262,729 and \$370,457. These deposits are maintained at major financial institutions and the Organization has not experienced any losses.

Covenant House Missouri
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. *Investments, at Fair Value*

Investments consist primarily of marketable debt securities that are carried at fair value. Fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

The Organization invests primarily in bond index mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

7. *Property and Equipment, net*

Property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. Buildings, furniture, vehicles, and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets. Property and equipment are depreciated or amortized over the following estimated useful lives:

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

Repairs and maintenance are expensed as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Covenant House Missouri
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. *Contributed Services and Merchandise*

Contributed services are recognized as revenues if the services received create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills, and typically need to be purchased if they are not provided by donation. Contributed services are recorded at the fair value of the services provided. Contributed services and promises to contribute services that do not meet these criteria are not recognized as revenues and are not reported in the accompanying financial statements.

Contributions of clothing and merchandise are valued at their estimated fair market value at the date of receipt.

9. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Actual results could differ from those estimates.

10. *Asset Retirement Obligation*

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification™ (ASC) Topic 410, *Asset Retirement and Environmental Obligations*, 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 statements of financial position and is \$116,201 as of June 30, 2014 and 2013.

11. *Contributions*

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

Covenant House Missouri
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. *Contributions - Continued*

From time to time, the Organization will establish an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make required payments. Such allowance is based upon several factors including, but not limited to, historical experience and the financial condition of the donor. As of June 30, 2014 and 2013, no allowance was considered necessary.

12. *Fair Value Measurements*

The Organization applies the provisions of ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), with respect to financial and non-financial assets and liabilities. This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of ASC 820 apply to all financial instruments that are being measured and reported on a fair-value basis and items disclosed at fair value in the notes to the financial statements.

13. *Assets Held for Sale*

The Organization classifies certain buildings that are no longer in use as assets held for sale in the accompanying statements of financial position.

14. *Long lived assets*

The Organization reviews the assets held for sale and property and equipment for impairment in accordance with the guidance of FASB ASC 360-10, *Property, Plant, and Equipment*, annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held for sale is measured by a comparison of the net book value of the assets to the future undiscounted net cash flows expected to be generated by the assets.

15. *Subsequent Events*

In accordance with ASC Topic 855, *Subsequent Events*, the Organization has evaluated subsequent events through January 12, 2015, which is the date these financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.