

Covenant House Michigan

Financial Statements

June 30, 2025

Independent Auditors' Report

Board of Directors Covenant House Michigan

Opinion

We have audited the accompanying financial statements of Covenant House Michigan, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House Michigan as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Covenant House Michigan 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Covenant House Michigan'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Covenant House Michigan'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 Covenant House Michigan's June 30, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 11, 2025

Covenant House Michigan

Statement of Financial Position
June 30, 2025
(with comparative amounts at June 30, 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents	\$ 520,730	\$ 569,094
Investments	2,778,898	2,698,764
Pledges receivable, net	111,250	150,000
Grants receivable	299,651	267,770
Contributed rent receivable	136,406	138,275
Due from Parent	3,263	2,409
Prepaid expenses and other assets	710	63,836
Assets held for sale	578,897	-
Property and equipment, net	<u>7,263,198</u>	<u>8,136,743</u>
	<u>\$ 11,693,003</u>	<u>\$ 12,026,891</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	<u>\$ 749,664</u>	<u>\$ 629,807</u>
Net Assets		
Without donor restrictions	3,130,468	2,801,466
Investment in property and equipment	<u>7,263,198</u>	<u>8,136,743</u>
Total Without Donor Restrictions	10,393,666	10,938,209
With donor restrictions	<u>549,673</u>	<u>458,875</u>
Total Net Assets	<u>10,943,339</u>	<u>11,397,084</u>
	<u>\$ 11,693,003</u>	<u>\$ 12,026,891</u>

See notes to financial statements

Covenant House Michigan

Statement of Activities Year Ended June 30, 2025 (with summarized totals for year ended June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE				
Contributions	\$ 2,502,412	\$ 546,373	\$ 3,048,785	\$ 1,822,139
Government grants	922,855	-	922,855	942,726
Private foundations grants	486,773	-	486,773	448,535
Branding dollars from Parent	688,326	-	688,326	710,055
Grants from Parent related to national sleep out events	213,098	-	213,098	162,037
Special events, net of direct benefits to donors of \$138,296 and \$130,304	442,903	-	442,903	316,401
In-kind contributions	197,698	-	197,698	126,846
Total Support and Revenue	5,454,065	546,373	6,000,438	4,528,739
INVESTMENT AND OTHER				
Interest income	7,793	-	7,793	3,159
Other income	855,291	-	855,291	971,495
Total Investment and Other	863,084	-	863,084	974,654
Total Support and Revenue and Investment and Other Before Net Assets Released from Restrictions	6,317,149	546,373	6,863,522	5,503,393
Net assets released from restrictions	455,575	(455,575)	-	-
Total Support and Revenue and Investment and Other	6,772,724	90,798	6,863,522	5,503,393
EXPENSES				
Program Services				
Immediate Housing	2,849,754	-	2,849,754	3,168,615
Rights of passage	1,232,266	-	1,232,266	1,385,369
Outreach	302,850	-	302,850	367,502
Health and Well-Being	59,551	-	59,551	140,429
Public education and advocacy	201,208	-	201,208	163,043
Schools	317,412	-	317,412	299,567
Total Program Services	4,963,041	-	4,963,041	5,524,525
Supporting Services				
Management and general	1,550,858	-	1,550,858	1,104,373
Fundraising	803,368	-	803,368	650,644
Total Supporting Services	2,354,226	-	2,354,226	1,755,017
Total Expenses	7,317,267	-	7,317,267	7,279,542
Change in Net Assets	(544,543)	90,798	(453,745)	(1,776,149)
NET ASSETS				
Beginning of year	10,938,209	458,875	11,397,084	13,173,233
End of year	\$ 10,393,666	\$ 549,673	\$ 10,943,339	\$ 11,397,084

See notes to financial statements

Covenant House Michigan

Statement of Functional Expenses Year Ended June 30, 2025 (with summarized totals for year ended June 30, 2024)

	Program Services							Supporting Services		Cost of Direct Benefits To Donors		2024 Total Expenses
	Immediate Housing	Rights of Passage	Outreach	Health and Well-Being	Public Education and Advocacy	Schools	Total	Management and General	Fundraising	Total		
Salaries and wages	\$ 1,641,732	\$ 743,203	\$ 188,043	\$ 34,326	\$ 127,670	\$ 35,125	\$ 2,770,099	\$ 428,046	\$ 510,682	\$ -	\$ 3,708,827	\$ 3,768,293
Payroll taxes	135,735	60,757	14,860	2,701	9,664	2,820	226,537	22,728	38,657	-	287,922	284,621
Employee benefits	<u>212,236</u>	<u>92,887</u>	<u>25,664</u>	<u>4,804</u>	<u>25,525</u>	<u>5,485</u>	<u>366,601</u>	<u>296,430</u>	<u>102,100</u>	<u>-</u>	<u>765,131</u>	<u>886,723</u>
Total Salaries and Related Expenses	1,989,703	896,847	228,567	41,831	162,859	43,430	3,363,237	747,204	651,439	-	4,761,880	4,939,637
Accounting fees	12,615	4,773	1,523	550	23	-	19,484	21,383	92	-	40,959	62,200
Legal fees	741	81	81	-	81	-	984	651	326	-	1,961	572
Consulting fees	-	-	-	-	-	-	-	38,418	-	-	38,418	20,856
Supplies	28,174	10,171	1,821	676	307	960	42,109	10,123	1,229	-	53,461	32,265
Telephone	12,656	5,288	1,829	2,124	515	348	22,760	12,773	2,060	-	37,593	37,802
Postage and printing	81	23	27	18	4,169	-	4,318	10,234	16,675	-	31,227	16,597
Occupancy												
Fuel and utilities	111,573	59,141	6,807	3,137	2,010	13,138	195,806	10,122	8,041	-	213,969	170,263
Repairs and maintenance	28,747	13,543	2,263	1,498	193	1,957	48,201	5,604	773	-	54,578	47,559
Rent and other	-	-	-	-	-	-	-	1,869	-	-	1,869	1,869
Equipment	15,150	5,575	269	427	163	171	21,755	7,117	654	-	29,526	62,685
Travel and transportation	9,508	3,509	9,890	431	1,037	484	24,859	7,692	4,147	-	36,698	33,784
Conferences and meetings	6,313	2,370	666	-	362	-	9,711	2,880	1,447	-	14,038	39,227
Specific Assistance to Individuals												
Food	141,247	58,764	125	117	-	21	200,274	1,264	-	-	201,538	236,385
Medical	54	-	-	-	-	-	54	-	-	-	54	50
Clothing, allowance and other	18,285	3,566	4,164	319	60	-	26,394	1,554	240	-	28,188	46,152
Contributed clothing and merchandise	95,510	40,066	-	-	3,924	-	139,500	-	15,697	-	155,197	126,846
Temporary help	419	279	-	-	-	-	698	295,124	-	-	295,822	15,491
Other purchased services	145,504	51,579	26,099	5,339	17,320	5,153	250,994	92,118	67,808	138,296	549,216	661,046
Dues, licenses and permits	4,143	663	185	92	1,001	276	6,360	252	4,004	-	10,616	10,186
Subscriptions and publications	355	71	71	-	980	-	1,477	1,751	3,919	-	7,147	5,208
Staff recruitment	388	71	80	34	1,192	-	1,765	5,228	4,768	-	11,761	34,979
Insurance	86,795	30,334	13,926	2,474	1,878	165,642	301,049	12,874	7,513	-	321,436	311,745
Miscellaneous	3,016	1,251	416	35	919	19	5,656	87,574	3,675	-	96,905	65,659
Bank charges and fees	-	-	-	-	2,215	-	2,215	20,722	8,861	-	31,798	36,035
	<u>2,710,977</u>	<u>1,187,965</u>	<u>298,809</u>	<u>59,102</u>	<u>201,208</u>	<u>231,599</u>	<u>4,689,660</u>	<u>1,394,531</u>	<u>803,368</u>	<u>138,296</u>	<u>7,025,855</u>	<u>7,015,098</u>
Depreciation and amortization	138,777	44,301	4,041	449	-	85,813	273,381	156,327	-	-	429,708	394,748
Total Functional Expenses	2,849,754	1,232,266	302,850	59,551	201,208	317,412	4,963,041	1,550,858	803,368	138,296	7,455,563	7,409,846
Less cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	(138,296)	(138,296)	(130,304)
Total Expenses Reported by Function on the Statement of Activities	<u>\$ 2,849,754</u>	<u>\$ 1,232,266</u>	<u>\$ 302,850</u>	<u>\$ 59,551</u>	<u>\$ 201,208</u>	<u>\$ 317,412</u>	<u>\$ 4,963,041</u>	<u>\$ 1,550,858</u>	<u>\$ 803,368</u>	<u>\$ -</u>	<u>\$ 7,317,267</u>	<u>\$ 7,279,542</u>

See notes to financial statements

Covenant House Michigan

Statement of Cash Flows
Year Ended June 30, 2025
(with comparative amounts for year ended June 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (453,745)	\$ (1,776,149)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	429,708	394,748
Net realized and unrealized gain on investments	(286,470)	(347,324)
Change in present value discount of pledges receivable	(5,920)	1,715
Donated land	(42,500)	-
Donated securities	-	(103,636)
Amortization of in-kind rent contribution	1,869	1,869
Net change in operating assets and liabilities		
Pledges receivable	44,670	59,285
Grants receivable	(31,881)	(32,176)
Due from Parent	(854)	13,075
Prepaid expenses and other assets	63,126	(21,894)
Accounts payable and accrued expenses	119,857	69,655
Refundable advances	-	(65,926)
Net Cash Used in Operating Activities	(162,140)	(1,806,758)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(15,463)	(22,932)
Proceeds from sales of investments	221,799	2,961,647
Purchase of property and equipment	(92,560)	(899,766)
Net Cash from Investing Activities	113,776	2,038,949
 Change in Cash and Cash Equivalents	(48,364)	232,191
 CASH AND CASH EQUIVALENTS		
Beginning of year	569,094	336,903
End of year	\$ 520,730	\$ 569,094

See notes to financial statements

Covenant House Michigan

Notes to Financial Statements

June 30, 2025

1. Organization and Nature of Operations

Covenant House Michigan ("CHM" or the "Organization"), a not-for-profit organization which was founded in 1968 and incorporated in 1972 providing shelter and crisis care and outreach services to youth in the Detroit 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 63,000 young people during fiscal year 2025. Throughout fiscal 2025, Covenant House provided a total of over 896,000 nights of housing and safety for, on average, 2,500 youth each night.

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

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

CHM 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 ("IRC"), except for income taxes pertaining to unrelated business income. CHM is also exempt from Michigan income and sales taxes and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction for donors.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

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

Components of Program and Supporting Services

Immediate Housing and Short-Term Housing - 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 young people ages 18-24 who are experiencing homelessness or human trafficking. Our 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. We are expertly equipped to respond to the unique needs of young survivors of human trafficking, youth who identify as LGBTQ+, youth who are pregnant or parenting, and young people facing mental health challenges from their time unhoused. Our shelter doors are always open, 24/7, and we have provided uninterrupted service to children and youth for more than 50 years.

Transitional Living - Rights of Passage (ROP) - Covenant House's transitional living program, often referred to as "Rights of Passage" or ROP, is where young people take their boldest steps toward independence. Youth live in ROP for up to 24 months, where they engage their potential and plan for the future. Our research shows that the longer a young person resides with us and takes advantage of our programs, the more likely they are to experience positive outcomes, including stable housing, gainful employment, and higher education. In our transitional living programs, youth build basic life skills and financial literacy, participate in educational and vocational programs, seek employment with long-term advancement and career prospects, and work toward moving into their own safe and stable housing. Covenant House staff support each young person on their journey toward sustainable independence and a hope-filled future.

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

Health and Well-Being (formerly Medical) - Homelessness impacts young people's physical and mental well-being in many ways, and because youth are still developing cognitively, physically, psychologically, and emotionally, those impacts can have deep effects. This is even more the case for young people of color and those who identify as LGBTQ+ and for survivors of human trafficking. More than half (56%) of all Covenant House youth tell us they are dealing with a mental health challenge, and our data shows that LGBTQ+ youth are more likely to face these challenges than their peers. Covenant House welcomes all young people with unconditional love and absolute respect. Our trauma-informed health and well-being services range from medical care at our on-site health centers at certain Covenant House affiliates, to yoga classes, art and music therapy, one-on-one and group counseling, religious and spiritual services, and physical fitness. Through these activities and the stability and care they receive at Covenant House, young people begin to heal from the harm they experienced while living unhoused, taking control of their lives, building on their strengths, and nourishing their self-confidence.

Covenant House Michigan

Notes to Financial Statements

June 30, 2025

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

Components of Program and Supporting Services (continued)

Public Education and Advocacy - CHM uses a variety of platforms to inform and educate the public, government officials, and young people about youth homelessness and human trafficking. CHM employ websites, social media, public service announcements, billboards, newsletters, school-based programs, community engagement (including through Youth Homelessness Awareness Month each November) and training, talks, lectures, and peer-to-peer events across Michigan to raise awareness of the causes and impacts of youth homelessness and of the signs that a young person might be experiencing homelessness or human trafficking.

Schools – CHM collaborates with Covenant House Academy (CHA), located on CHM's residential campus, to provide comprehensive educational support for its residents through enrollment at CHA. CHM maintains and oversees the facilities that house CHA's operations. CHA delivers accredited educational programs for homeless and at-risk youth, including students who have previously discontinued their schooling, serving those in grades nine through twelve. Through this collaboration, CHA empowers students to complete their high school education and build the foundation for long-term academic and personal success.

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

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

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.

Recognition of Contributions

The Organization records earned revenues on an accrual basis; the Organization records as revenue the following types of contributions, when they are received unconditionally at their fair value: cash, promises to give (contributions receivable), grants receivable, certain contributed services and gifts of other assets. Multi-year pledges receivable are recorded at present value based on the expected collection date using a risk-adjusted discount rate. Conditional contributions and grants are recognized as revenue when the conditions on which they depend have been substantially met. The Organization also raises funds through special events, such as galas. Special event revenues, net of related costs with a direct-benefit to donors, are recorded as without donor restrictions since such funds can be used for general operations unless there are donor-imposed restrictions. Costs to generate with and without donor restricted funds and grants are expensed as incurred. Grant revenue is recognized as services are performed or expenditures are incurred under the Organization's contracts with its clients and funders.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

2. Summary of Significant Accounting Policies

Net Asset Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of Nonfinancial Assets (In-Kind Contributions)

Contributed gifts (In-kind Contributions) are recognized as revenue if the donated goods create or enhance non-financial assets and typically would need to be purchased if not provided by donation. In-kind Contributions are measured and recorded at their fair value as of the date the gift is received. In-kind contributions that do not meet the above recognition criteria are not recorded as revenue and are excluded from the accompanying financial statements.

	<u>2025</u>	<u>2024</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Clothing and Household Supplies	\$ 155,198	\$ 126,846	Short-term Housing and Crisis Care	No associated donor restrictions	In valuing the donated clothing and household supplies, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Land	42,500	-	Property & Equipment	No associated donor restrictions	In valuing the donated land, the Organization estimated the fair value of the property using third-party appraisals of comparable land sales within the United States.
Total	<u>\$ 197,698</u>	<u>\$ 126,846</u>			

Cash and Cash Equivalents

Cash and cash equivalents include cash balances held in bank accounts and highly liquid debt instruments with maturities of three months or less at the time of purchase.

Covenant House Michigan

Notes to Financial Statements

June 30, 2025

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

Investments

Short-term investments include money market funds stated at cost plus accrued interest. Long-term investments include mutual funds and exchange traded and closed-end funds and are stated at fair value.

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 Income

Interest, dividends, realized and unrealized gains and losses on 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.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocated direct costs to program services. Supporting services include management and general and fundraising. Allocated expenses among program services and management and general and fundraising include salaries and related expenses, staff travel, consulting and professional fees, and other expenses which are allocated based on time and costs where efforts are made.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment are reviewed for impairment when 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 less cost to sale. Fair value is determined through various valuation techniques including undiscounted cash flow models, quoted fair values and third-party independent appraisals.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

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

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 and amortization. Depreciation is computed on a straight line basis over the estimated useful lives of the assets, which range from three to forty years.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2024 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, 2024, from which the summarized comparative information was derived.

Held for Sale Assets

Assets are classified as held for sale when their carrying amount is expected to be recovered principally through a sale rather than continued use, and the sale is highly probable within twelve months. Such assets are measured at the lower of carrying amount or fair value, and depreciation ceases from the date of classification. The asset and applicable liability are presented separately in the Statement of Financial Position.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was \$58,220 and \$49,735 for the years ended June 30, 2025 and 2024.

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, 2022.

Subsequent Events and Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the accompanying financial statements were available to be issued, which date is December 11, 2025. Management determined that, except as disclosed in Note 8 and in Note 13, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Covenant House Michigan

Notes to Financial Statements June 30, 2025

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of investments, cash and cash equivalents and receivables. Investments and cash and cash equivalents are managed within guidelines established by the Board of Directors. As of June 30, 2025, all investments were maintained by large financial institutions.

The Organization maintains its cash with established commercial banks. At times, the cash balances exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash equivalents. Concentrations 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.

4. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure that is, without restrictions limiting their use, within one year of June 30 are as follows:

	2025	2024
Financial Assets		
Cash and cash equivalents	\$ 520,730	\$ 569,094
Investments	2,778,898	2,698,764
Pledge receivables	111,250	150,000
Grants receivable	299,651	267,770
Due from Parent	3,263	2,409
Total Financial Assets	<u>3,713,792</u>	<u>3,688,037</u>
Less Those Unavailable for General Expenditure Within One Year, Due to:		
Restricted by donor with time or purpose restrictions	(413,267)	(320,600)
Restricted net assets to be made available within one year - purpose restricted	208,267	147,469
Restricted net assets to be made available within one year - time restricted	<u>50,000</u>	<u>75,000</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 3,558,792</u>	<u>\$ 3,589,906</u>

The Organization's working capital and cash flows are driven by contributions, grants, and special events revenue. The Organization manages its financial assets to be available for its operating expenditures, liabilities, and other obligations as they come due.

5. Pledge Receivables

Pledge receivables are recorded at their net realizable value. Pledge receivables that are due beyond 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. Conditional promises to give are recognized when the conditions upon which they depend have been substantially met.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

5. Pledge Receivables *(continued)*

Pledge receivables consist of the following at June 30:

	2025	2024
Due within:		
Up to one year	\$ 61,250	\$ 55,920
Two years	50,000	100,000
	111,250	155,920
Less discount to present value	-	(5,920)
Present value of pledge receivable	\$ 111,250	\$ 150,000

A present value discount using a rate of 1.76% has been calculated using discount factors that approximate the risk and expected timing of future contribution payments.

Management has determined all pledge receivables to be fully collectible and therefore no allowance has been recorded as of June 30, 2025 and 2024.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2025	2024
Buildings	\$ 9,021,201	\$ 9,925,728
Building and site improvements	1,980,856	1,913,297
Furniture and equipment	675,620	650,619
Vehicles	169,135	169,135
	11,846,812	12,658,779
Accumulated depreciation and amortization	(5,688,448)	(5,584,370)
	6,158,364	7,074,409
Land	1,104,834	1,062,334
	\$ 7,263,198	\$ 8,136,743

Depreciation and amortization expense was \$429,708 and \$394,748 for the years ended June 30, 2025 and 2024.

Covenant House Michigan

Notes to Financial Statements June 30, 2025

7. Investments

Investments at June 30, 2025 and 2024 consist of money market funds valued at cost, and mutual funds and exchange traded and closed-end funds which are measured at fair value on a recurring basis and are classified with level 1 inputs using the fair value hierarchy as follows:

	<u>2025</u>	<u>2024</u>
Mutual funds	\$ 2,047,022	\$ 1,850,558
Exchange traded and closed-end funds	691,782	621,461
Money market funds	40,094	226,744
	<u>\$ 2,778,898</u>	<u>\$ 2,698,763</u>

The components of other income consist of the following for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Realized and unrealized gain on investments	\$ 286,470	\$ 347,324
Rent revenue	532,444	532,444
Other income	36,377	91,727
	<u>\$ 855,291</u>	<u>\$ 971,495</u>

8. Commitments and Contingencies

Operating Leases

During July 1999, CHM entered into a dollar-a-year lease for its main campus with the Archdiocese of Detroit for a period of 99 years.

The fair value of the property at the time of the lease signing was recorded as net assets with donor restrictions and is released from restriction over the period of the lease. As the asset is amortized over the 99-year life of the lease, \$1,869 of rent expense and amortization is recorded. CHM uses this property for administrative purposes, the shelter and crisis center, Rights of Passage, House of Hope (medical), charter school and future programs.

CHM subleases a portion of its main campus to Covenant House Academy-Detroit ("CHA-Detroit") for its Central Campus effective June 25, 2020, through June 30, 2025. The lease for CHM's Central Campus has not been finalized as of the date of the financial statements available for issuance. CHM entered into a lease with Covenant House Academy-Grand Rapids for a building effective June 25, 2020, through June 30, 2027. CHM also entered into a lease with CHA-Detroit for its Southwest Campus for a building effective June 25, 2020, through June 30, 2025. Youth Vision Solutions ("YVS") is responsible for payment of the leases. Subsequent to year end, its Southwest Campus was sold to YVS for approximately \$1.2 million.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

8. Commitments and Contingencies *(continued)*

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 \$922,855 and \$942,726 for years ended June 30, 2025 and 2024.

Litigation and General Liability

The Organization is subject to various claims and lawsuits that may arise in the ordinary course of business. The Organization also maintains adequate insurance coverage to shield it from inherent risks associated with the performance of its mission. The Organization is not aware of any litigation or lawsuits against Covenant House Michigan.

9. Net Asset Classifications and Releases from Donor-Imposed Restriction

Net assets with donor restrictions are available for the following at June 30:

	2025	2024
Site improvements	\$ 105,000	\$ 100,600
Donated space	136,406	138,275
Shelter and case management	138,267	-
Caritas support	-	40,000
Food preparation	70,000	5,000
Time restricted	100,000	175,000
	\$ 549,673	\$ 458,875

Net assets with donor restrictions were released from restriction by incurring expenses satisfying the restricted purpose specified by the donor or as a result of the expiration of donor imposed time restrictions as follows for years ended June 30:

	2025	2024
Caritas support	\$ 59,600	\$ 50,000
Direct programmatic OTPS cost	40,000	-
Donated space	1,869	1,869
Food preparation	96,773	3,600
Shelter and case management	41,733	-
Grand Rapids support	30,000	60,000
Right of Passage	55,000	-
Site improvements	25,600	53,360
Strategic plan development	30,000	-
Time restricted	75,000	80,000
	\$ 455,575	\$ 248,829

Covenant House Michigan

Notes to Financial Statements

June 30, 2025

10. 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 \$91 million for the Parent during the years ended June 30, 2025 and 2024. 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 \$36 million and \$37 million for the fiscal years ended June 30, 2025 and 2024. In fiscal 2025 and 2024, the Organization received \$688,326 and \$710,055 in contributions from the Parent. Additionally, in fiscal 2025 and 2024, the Organization received \$213,098 and \$162,037 from the Parent relating to national sleep out events.

11. Employee Benefit Plans

The Parent adopted a defined contribution 403(b) savings and retirement plan (the “403(b) Plan”), effective January 1, 2007. All CHM employees are immediately eligible to enter the 403(b) Plan. CHM adds employer contributions to the retirement account for all employees who work 1,000 hours in a year. The rate of contribution (percent of compensation) is based upon points. Points equal the sum of age and years of service. The employer contribution percentage ranges are from 1.0% to 9.0% based on points. Employer contributions for the savings and retirement account will be 100% vested after three years of service. CHM’s expense related to the 403(b) Plan was \$177,935 and \$211,117 for the years ended June 30, 2025 and 2024.

CHM 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. In 2025 and 2024, the Organization contributed \$65,591 and \$55,222 for its allocable share of the Parent’s minimum funding requirement, which is included in employee benefits on the statement of functional expenses.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

12. Grants and Contracts

CHM was awarded a cost-reimbursable City of Detroit Block Grant. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$7,035 and \$18,004 representing services performed under this award.

CHM was awarded a cost-reimbursable U.S. Department of Housing and Urban Development Community Development Block and Emergency Solutions Grant that is passed through from the City of Detroit. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$7,370 from the City of Detroit representing services performed under this award which was received during fiscal 2026.

CHM was awarded a cost-reimbursable Salvation Army Grant. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$32,580 and \$62,598 representing services performed under this award.

CHM was awarded a cost-reimbursable U.S. Department of Health and Human Services Administration on Children, Youth and Families ("ACYF") Transitional Living Program Grant. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$53,548 and \$71,064 representing services performed under this award.

CHM was awarded a cost-reimbursable ACYF Outreach Grant. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$35,623 and \$41,364 representing services performed under this award.

CHM was awarded a cost-reimbursable United Way for Southeastern Michigan Emergency Food and Shelter Program Grant. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$0 and \$5,000 representing services performed under this award.

CHM was awarded a program based grant from The Children's Foundation. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$0 and \$40,000 representing services under this award.

CHM was awarded a grant from The Forgotten Harvest. As of June 30, 2025 and 2024, the Organization has recorded a receivable of \$30,000 and \$25,600 representing services performed under this award.

CHM was awarded a grant from The Wedge Foundation. As of June 30, 2025, the Organization has recorded a receivable of \$100,000 representing services performed under this award.

CHM was awarded a grant from the City of Detroit, Housing and Revitalization Department. As of June 30, 2025, the Organization has recorded a receivable of \$18,705 representing services performed under this award.

Covenant House Michigan

Notes to Financial Statements
June 30, 2025

13. Subsequent Event - Board-Designated Net Assets

In September 2025, subsequent to the Organization's fiscal year end, the Board of Directors designated approximately \$1,400,000 of the Organization's long-term investment portfolio for support of capital projects. While these amounts continue to be classified as net assets without donor restrictions, the Board has earmarked the funds for capital project use.

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