

Financial Statements Together with  
Report of Independent Certified Public Accountants

**COVENANT HOUSE NEW JERSEY**

As of June 30, 2010 and 2009

# COVENANT HOUSE NEW JERSEY

## TABLE OF CONTENTS

---

	<b>Page</b>
Report of Independent Certified Public Accountants	1
Financial Statements:	
Statements of Financial Position as of June 30, 2010 and 2009	2
Statement of Activities for the Year Ended June 30, 2010	3
Statement of Activities for the Year Ended June 30, 2009	4
Statement of Functional Expenses for the Year Ended June 30, 2010	5
Statement of Functional Expenses for the Year Ended June 30, 2009	6
Statements of Cash Flows for the Years Ended June 30, 2010 and 2009	7
Notes to Financial Statements	8 - 20



Audit • Tax • Advisory

Grant Thornton LLP  
399 Thornall Street, 4th Floor  
Edison, NJ 08837-2243

T 732.516.5500  
F 732.516.5502

[www.GrantThornton.com](http://www.GrantThornton.com)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
**Covenant House New Jersey:**

We have audited the accompanying statements of financial position of Covenant House New Jersey (the "Organization") as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House New Jersey as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A stylized, handwritten signature of "Grant Thornton LLP" in black ink.

Edison, New Jersey  
December 9, 2010

**COVENANT HOUSE NEW JERSEY**  
**Statements of Financial Position**  
**As of June 30, 2010 and 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 884,796	\$ 756,086
Contributions receivable, net (Note 4)	130,000	446,824
Other receivables	76,439	70,618
Due from Parent (Note 3)	21,674	13,874
Prepaid expenses and other assets	76,769	54,171
Deposits held with trustee	507,109	390,701
Deferred financing costs	176,164	158,741
Property, plant and equipment, net (Note 5)	<u>15,764,827</u>	<u>15,876,191</u>
Total assets	<u>\$ 17,637,778</u>	<u>\$ 17,767,206</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 638,734	\$ 682,563
Due to Parent (Note 3)	-	538,000
Deferred revenue (Note 6)	177,090	274,143
Mortgages payable (Notes 10, 11 and 12)	<u>2,211,741</u>	<u>1,351,564</u>
Total liabilities	<u>3,027,565</u>	<u>2,846,270</u>
 Commitments (Note 13)		
Net assets:		
Unrestricted:		
Undesignated	1,058,053	511,711
Investment in property, plant and equipment	<u>13,552,160</u>	<u>14,409,225</u>
Total net assets	<u>14,610,213</u>	<u>14,920,936</u>
Total liabilities and net assets	<u>\$ 17,637,778</u>	<u>\$ 17,767,206</u>

*The accompanying notes are an integral part of these statements.*

**COVENANT HOUSE NEW JERSEY**  
**Statement of Activities**  
**For the year ended June 30, 2010**

---

	<u>Unrestricted</u>
<b>CONTRIBUTIONS, REVENUES AND OTHER SUPPORT</b>	
Contributions from individuals, foundations and corporations	\$ 970,270
Support from Parent (Note 3)	3,472,000
Government and private grants and contracts (Note 7)	2,202,334
Special events, net of cost of direct benefits to donors of \$226,989	<u>1,133,966</u>
Total contributions	<u>7,778,570</u>
Revenues and other support:	
Interest and dividend income	1,033
Realized loss on investments	(354)
Other income	<u>95,748</u>
Total revenues and other support	<u>96,427</u>
Total contributions, revenues and other support	<u>7,874,997</u>
<b>EXPENSES</b>	
Program services:	
Shelter and crisis care	2,594,064
Outreach	279,184
Behavioral Health/Health services	469,139
RLH Mother/Child	594,468
Community service center	1,245,611
Program development	463,682
Nancy's Place	599,155
Rights of passage	<u>1,468,509</u>
Total program services	<u>7,713,812</u>
Supporting services:	
Management and general	128,454
Fundraising	<u>343,454</u>
Total supporting services	<u>471,908</u>
Total expenses	<u>8,185,720</u>
Change in net assets	(310,723)
Net assets, beginning of year	<u>14,920,936</u>
Net assets, end of year	<u>\$ 14,610,213</u>

*The accompanying notes are an integral part of this statement.*

**COVENANT HOUSE NEW JERSEY**  
**Statement of Activities**  
**For the year ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>CONTRIBUTIONS, REVENUES AND OTHER SUPPORT</b>			
Contributions from individuals, foundations and corporations	\$ 1,588,953	\$ 17,483	\$ 1,606,436
Government and private grants and contracts (Note 7)	3,048,522	-	3,048,522
Special events, net of cost of direct benefits to donors of \$234,580	982,732	-	982,732
Support from Parent (Note 3)	<u>3,470,470</u>	<u>-</u>	<u>3,470,470</u>
Total contributions	<u>9,090,677</u>	<u>17,483</u>	<u>9,108,160</u>
Revenues and other support:			
Interest and dividend income	5,483	-	5,483
Realized gain on investments	2,754	-	2,754
Other income	<u>140,017</u>	<u>-</u>	<u>140,017</u>
Total revenues and other support	<u>148,254</u>	<u>-</u>	<u>148,254</u>
Net assets released from restrictions	<u>212,630</u>	<u>(212,630)</u>	<u>-</u>
Total contributions, revenues and other support	<u>9,451,561</u>	<u>(195,147)</u>	<u>9,256,414</u>
<b>EXPENSES</b>			
Program services:			
Shelter and crisis care	2,498,702	-	2,498,702
Outreach	360,928	-	360,928
Behavioral Health/Health services	610,810	-	610,810
RLH Mother/Child	568,272	-	568,272
Community service center	1,302,088	-	1,302,088
Program development	647,647	-	647,647
Nancy's Place	291,033	-	291,033
Rights of passage	<u>1,562,676</u>	<u>-</u>	<u>1,562,676</u>
Total program services	<u>7,842,156</u>	<u>-</u>	<u>7,842,156</u>
Supporting services:			
Management and general	121,974	-	121,974
Fundraising	<u>324,964</u>	<u>-</u>	<u>324,964</u>
Total supporting services	<u>446,938</u>	<u>-</u>	<u>446,938</u>
Total expenses	<u>8,289,094</u>	<u>-</u>	<u>8,289,094</u>
Changes in net assets	1,162,467	(195,147)	967,320
Net assets, beginning of year	<u>13,758,469</u>	<u>195,147</u>	<u>13,953,616</u>
Net assets, end of year	<u>\$ 14,920,936</u>	<u>\$ -</u>	<u>\$ 14,920,936</u>

*The accompanying notes are an integral part of this statement.*

**COVENANT HOUSE NEW JERSEY**  
**Statement of Functional Expenses**  
**For the year ended June 30, 2010**

	Program Services								Supporting Services					
	Shelter and Crisis Center	Outreach	Behavioral Health/ Services	RLH Mother/Child	Community Service Center	Program Development	Nancy's Place	Rights of Passage	Total	Management and General	Fund - Raising	Cost of Direct Benefits to Donors	Total	Total
Salaries and wages	\$ 1,271,545	\$ 161,979	\$ 284,107	\$ 271,635	\$ 685,927	\$ 289,958	\$ 274,268	\$ 674,350	\$ 3,913,769	\$ 73,010	\$ 246,306	\$ -	\$ 319,316	\$ 4,233,085
Payroll taxes	148,235	18,883	33,121	31,667	79,965	33,803	31,974	78,615	456,263	8,511	28,714	-	37,225	493,488
Employee benefits	206,747	26,337	46,194	44,167	111,528	47,146	44,594	109,646	636,359	11,871	40,048	-	51,919	688,278
Total salaries and related expenses	1,626,527	207,199	363,422	347,469	877,420	370,907	350,836	862,611	5,006,391	93,392	315,068	-	408,460	5,414,851
Faith community	76,797	-	-	-	51,199	-	-	-	127,996	-	-	-	-	127,996
Accounting	15,650	2,154	4,201	3,661	8,442	3,789	3,248	17,501	58,646	12,486	-	-	12,486	71,132
Legal	1,583	280	547	464	1,584	497	412	1,165	6,532	1,583	-	-	1,583	8,115
Consulting	18,732	-	266	3,481	18,015	-	4,094	3,481	48,069	-	263	-	263	48,332
Supplies	31,396	2,026	3,986	9,002	7,145	3,693	6,344	17,267	80,859	630	241	-	871	81,730
Telephone	40,487	3,843	6,708	10,829	71	6,194	8,267	37,193	113,592	24	570	-	594	114,186
Postage and printing	5,093	537	882	1,083	214	758	1,172	1,788	11,527	275	6,017	-	6,292	17,819
Occupancy:														
Fuel and utilities	99,585	10,012	19,080	36,088	4,050	16,583	7,993	70,397	263,788	260	-	-	260	264,048
Repairs and maintenance	35,312	3,128	6,113	13,043	2,342	5,533	4,928	23,325	93,724	-	-	-	-	93,724
Rent and other	14,577	938	1,961	33,213	40	1,956	1,576	6,074	60,335	-	-	-	-	60,335
Equipment	8,884	388	737	9,192	-	637	578	2,742	23,158	-	7	-	7	23,165
Specific assistance to individuals:														
Food	90,540	603	43	3,454	60,181	151	12,853	3,190	171,015	8	64	-	72	171,087
Medical	4,342	-	17,135	85	-	-	2,553	52	24,167	-	-	-	-	24,167
Clothing, allowance and other	61,293	2,237	3,124	6,942	26,499	17,484	9,424	17,998	145,001	111	1,920	-	2,031	147,032
Other purchased services	72,380	13,282	12,262	30,974	13,689	10,958	22,374	65,029	240,948	13,952	7,410	226,989	248,351	489,299
Dues, licenses and permits	3,777	325	2,528	1,887	279	561	911	1,561	11,829	150	40	-	190	12,019
Subscriptions and publications	1,118	-	-	1,059	1,105	-	1,119	1,199	5,600	-	260	-	260	5,860
Insurance	49,950	4,244	8,266	25,161	2,568	7,439	16,681	44,380	158,689	1,286	-	-	1,286	159,975
Miscellaneous	79,695	21,924	14,818	21,966	9,627	13,770	21,080	43,474	226,354	4,297	11,594	-	15,891	242,245
Loss on project abandonment	-	-	-	-	-	-	115,897	-	115,897	-	-	-	-	115,897
Total functional expenses before depreciation and amortization	2,337,718	273,120	466,079	559,053	1,084,470	460,910	592,340	1,220,427	6,994,117	128,454	343,454	226,989	698,897	7,693,014
Depreciation and amortization	256,346	6,064	3,060	35,415	161,141	2,772	6,815	248,082	719,695	-	-	-	-	719,695
Total functional expenses	2,594,064	279,184	469,139	594,468	1,245,611	463,682	599,155	1,468,509	7,713,812	128,454	343,454	226,989	698,897	8,412,709
Less: Cost of direct benefits to donors of special events	-	-	-	-	-	-	-	-	-	-	-	(226,989)	(226,989)	(226,989)
Total expenses reported by function	\$ 2,594,064	\$ 279,184	\$ 469,139	\$ 594,468	\$ 1,245,611	\$ 463,682	\$ 599,155	\$ 1,468,509	\$ 7,713,812	\$ 128,454	\$ 343,454	\$ -	\$ 471,908	\$ 8,185,720

The accompanying notes are an integral part of this statement.

**COVENANT HOUSE NEW JERSEY**  
**Statement of Functional Expenses**  
For the year ended June 30, 2009

	Program Services								Supporting Services					
	Shelter and Crisis Center	Outreach	Behavioral Health/ Health Services	RLH Mother/Child	Community Service Center	Program Development	Nancy's Place	Rights of Passage	Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total	Total
Salaries and wages	\$ 1,309,254	\$ 224,122	\$ 379,629	\$ 330,048	\$ 706,269	\$ 416,358	\$ 162,028	\$ 771,685	\$ 4,299,393	\$ 75,522	\$ 207,492	\$ -	\$ 283,014	\$ 4,582,407
Payroll taxes	139,237	23,835	40,373	35,100	75,110	44,279	17,231	82,067	457,232	8,032	22,066	-	30,098	487,330
Employee benefits	199,832	34,208	57,943	50,375	107,798	63,549	24,730	117,782	656,217	11,527	31,670	-	43,197	699,414
Total salaries and related expenses	1,648,323	282,165	477,945	415,523	889,177	524,186	203,989	971,534	5,412,842	95,081	261,228	-	356,309	5,769,151
Faith community	-	-	-	-	117,368	-	-	-	117,368	-	-	-	-	117,368
Accounting	12,093	2,070	3,506	3,049	6,524	3,846	1,497	7,128	39,713	9,928	-	-	9,928	49,641
Legal	1,673	-	-	1,673	1,673	-	1,673	1,673	8,365	-	-	-	-	8,365
Medical	-	-	50	-	-	-	-	15	65	-	-	-	-	65
Consulting	2,143	30	691	2,010	2,061	175	1,987	2,070	11,167	146	12,355	-	12,501	23,668
Supplies	42,316	3,594	5,861	11,075	9,630	8,333	5,298	24,511	110,618	1,009	323	-	1,332	111,950
Telephone	41,457	5,618	9,142	13,787	72	10,083	3,936	31,402	115,497	90	536	-	626	116,123
Postage and printing	6,028	1,796	1,797	1,836	255	1,873	691	2,840	17,116	338	5,956	-	6,294	23,410
Occupancy:														
Fuel and utilities	125,405	17,129	30,199	35,327	5,100	28,857	4,019	71,639	317,675	210	-	-	210	317,885
Repairs and maintenance	34,087	3,930	6,369	5,486	2,261	7,282	2,031	26,477	87,923	-	-	-	-	87,923
Rent and other	23,359	2,315	2,875	379	65	5,225	149	8,830	43,197	-	-	-	-	43,197
Equipment	6,419	1,051	2,257	2,457	-	1,653	884	3,946	18,667	-	-	-	-	18,667
Specific assistance to individuals:														
Food	102,525	1,433	90	1,942	68,148	100	4,210	4,708	183,156	8	-	-	8	183,164
Medical	1,017	-	29,338	-	-	-	810	-	31,165	-	-	-	-	31,165
Clothing, allowance and other	57,329	2,126	4,599	8,059	24,786	7,635	9,932	26,024	140,490	137	452	-	589	141,079
Other purchased services	60,312	11,013	13,909	25,250	11,406	14,984	8,202	55,574	200,650	10,256	10,076	234,580	254,912	455,562
Dues, licenses and permits	3,266	381	658	538	241	687	376	5,213	11,360	55	559	-	614	11,974
Subscriptions and publications	1,608	-	-	1,549	1,591	2,505	1,236	1,576	10,065	-	795	-	795	10,860
Staff recruitment	-	-	-	497	-	-	-	-	497	-	-	-	-	497
Insurance	36,546	9,136	7,548	20,689	1,879	8,447	4,642	39,475	128,362	1,206	-	-	1,206	129,568
Miscellaneous	47,662	10,620	10,887	10,073	5,758	18,429	24,009	40,467	167,905	3,510	32,684	-	36,194	204,099
Total functional expenses before depreciation, amortization and accretion of interest	2,253,568	354,407	607,721	561,199	1,147,995	644,300	279,571	1,325,102	7,173,863	121,974	324,964	234,580	681,518	7,855,381
Depreciation, amortization and accretion of interest	245,134	6,521	3,089	7,073	154,093	3,347	11,462	237,574	668,293	-	-	-	-	668,293
Total functional expenses	2,498,702	360,928	610,810	568,272	1,302,088	647,647	291,033	1,562,676	7,842,156	121,974	324,964	234,580	681,518	8,523,674
Less: Cost of direct benefits to donors of special events	-	-	-	-	-	-	-	-	-	-	-	(234,580)	(234,580)	(234,580)
Total expenses reported by function	\$ 2,498,702	\$ 360,928	\$ 610,810	\$ 568,272	\$ 1,302,088	\$ 647,647	\$ 291,033	\$ 1,562,676	\$ 7,842,156	\$ 121,974	\$ 324,964	\$ -	\$ 446,938	\$ 8,289,094

The accompanying notes are an integral part of this statement.

**COVENANT HOUSE NEW JERSEY**  
**Statements of Cash Flows**  
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (310,723)	\$ 967,320
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Amortization of discount on contributions receivable	(7,176)	(17,483)
Amortization of deferred revenue	(97,053)	(97,052)
Amortization of deferred financing costs	12,764	9,362
Donated stock	(41,417)	(39,127)
Loss on abandonment of construction project	115,897	-
Realized loss (gain) on sale of donated stock	354	(2,754)
Depreciation	706,931	658,576
Accretion of interest on conditional asset retirement obligation	-	355
Remediation of conditional asset retirement obligation	6,994	-
Changes in operating assets and liabilities:		
Contributions receivable	324,000	248,441
Other receivables	(5,821)	68,272
Prepaid expenses and other assets	(22,598)	(16,205)
Accounts payable and accrued expenses	(50,823)	(480,611)
Due (from)/to Parent	(7,800)	450,546
Net cash provided by operating activities	<u>623,529</u>	<u>1,749,640</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of donated stock	41,063	41,881
Purchase of property, plant and equipment	<u>(711,464)</u>	<u>(1,850,570)</u>
Net cash used in investing activities	<u>(670,401)</u>	<u>(1,808,689)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in deposits held with bond trustee	(116,408)	(169,702)
Repayments of mortgages	-	(1,015,500)
Cost of obtaining mortgage	(30,187)	(32,687)
Proceeds from mortgage	860,177	651,564
Short-term (repayment to) borrowings from Parent	<u>(538,000)</u>	<u>538,000</u>
Net cash provided by (used in) financing activities	<u>175,582</u>	<u>(28,325)</u>
 Increase (decrease) in cash and cash equivalents	 128,710	 (87,374)
Cash and cash equivalents, beginning of year	<u>756,086</u>	<u>843,460</u>
Cash and cash equivalents, end of year	<u>\$ 884,796</u>	<u>\$ 756,086</u>
 Supplemental disclosure of cash flow information:		
Construction payables	<u>\$ -</u>	<u>\$ 92,819</u>
Cash paid for interest	<u>\$ 3,102</u>	<u>\$ 36,615</u>

*The accompanying notes are an integral part of these statements.*

# COVENANT HOUSE NEW JERSEY

## Notes to Financial Statements

June 30, 2010 and 2009

---

### 1. ORGANIZATION

Covenant House New Jersey (the “Organization”), a not-for-profit organization, is an operating affiliate of Covenant House (the “Parent”), providing outreach, crisis care and referral services, Rights of Passage and community service centers to youths in New Jersey. The Parent is the sole member of the Organization and is itself a private, not-for-profit agency which provided shelter, food, clothing, counseling, medical attention, crisis intervention and other services through its affiliates to over 51,000 and 67,000 runaway and homeless youths during fiscal 2010 and 2009, respectively.

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

Covenant House Alaska	Covenant House Vancouver
Covenant House California	Covenant House Washington, D.C.
Covenant House Florida	Covenant House Western Avenue
Covenant House Georgia	Covenant House International Foundation
Covenant House Michigan	Asociación Casa Alianza (Guatemala)
Covenant House Missouri	Asociacion La Alianza (Guatemala)
Covenant House New Orleans	Casa Alianza Internacional
Covenant House New York/Under 21	Casa Alianza De Honduras
Covenant House Pennsylvania/Under 21	Casa Alianza Nicaragua
Covenant House Texas	Fundacion Casa Aliana Mexico, I.A.P.
Covenant House Toronto	Testamentum

Asociacion Casa Alianza (Guatemala) ceased operations in fiscal 2009 and was legally dissolved in fiscal 2010. A new nonprofit organization, Asociacion La Alianza (Guatemala), was established in Guatemala during fiscal 2010 and commenced operations in April, 2010, as a member of Covenant International Foundation.

#### **Faith Community**

Contributed services were provided by Covenant House Faith Community (the “Community”) members. Community members are full-time volunteers who commit themselves to a year of service to runaway and homeless youths. Room and board, a \$15 stipend per week, health insurance and reimbursement for other personal expenses are provided to Community members by the Organization. The expenses associated with Community members totaled approximately \$119,800 and \$117,400 for the years ended June 30, 2010 and 2009, respectively, and are reported in the accompanying financial statements.

#### **Components of Program and Supporting Services**

The *Shelter* and *Crisis Care* program provides crisis care, shelter, food, clothing, counseling and legal advice to abandoned and runaway youths.

The *Outreach* program is an effort to reach youths who are on the streets for various reasons. Outreach vans search the city streets at night, seeking out these youths, providing them with food, a trained counselor and referrals to shelters and health services, if needed. Youths are also referred to the Organization’s Community Service Center where they receive ongoing counseling.

# COVENANT HOUSE NEW JERSEY

## Notes to Financial Statements

June 30, 2010 and 2009

---

*Behavioral Health/Health Services* provides youths in the program with needed medical attention by referral to outside medical sources.

The *RLH Mother/Child* program provides emergency shelter, food and counseling to homeless mothers under the age of 21 and their children. Services provided under the program are through a collaboration agreement with Raphael's Life House (see Note 9).

The *Community Service Center* program provides comprehensive services to youths which include meeting basic needs such as food, clothing, shower, laundry facilities, crisis intervention counseling, ongoing case management, preventive intervention and aftercare for those who participate in the Rights of Passage program.

*Program Development* is the costs related to developing and sustaining new and existing programs, including the related funding sources.

*Nancy's Place* provides supportive housing for youths with mental health disorders.

The *Rights of Passage* provides transitional home services for up to 18 months to youths, including individual counseling and help with completing their education, finding jobs and housing.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of Presentation**

The Organization prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP").

### **Net Asset Classification**

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Unrestricted - Consist of resources available for the general support of the Organization's operations.

Undesignated - Represent funds that may be used at the discretion of the Organization's management and Board of Directors.

# COVENANT HOUSE NEW JERSEY

## Notes to Financial Statements

### June 30, 2010 and 2009

---

Investment in Property, Plant and Equipment - Consists of the net book value of property, plant and equipment and unamortized deferred financing costs, less any capital related debt obligations and deferred revenue.

Board-Designated - Represent funds set aside at the discretion of the Organization's Board of Directors for quasi-endowment purposes or specified program initiatives. Board approval is needed for use or borrowings from these invested funds. The Organization had no board-designated funds at June 30, 2010 and 2009.

Temporarily restricted - represent amounts restricted by donors 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 either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of unrestricted net assets. At June 30, 2010 and 2009, the Organization had no temporarily restricted net assets.

#### **Functional Expense Allocation**

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

#### **Contributions**

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give are discounted to reflect the present value of future cash flows using an appropriate discount rate assigned in the year in which the respective pledge originates. Amortization of the discount on contributions is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. Contributions of securities or other tangible assets are recorded at fair value at the date of gift.

It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class. Contributions that the donor requires to be used to acquire or construct long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted support. The Organization reflects the expiration of such donor-imposed restrictions when long-lived assets have been acquired or constructed, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# **COVENANT HOUSE NEW JERSEY**

## **Notes to Financial Statements**

### **June 30, 2010 and 2009**

---

If necessary, management will provide an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make planned payments. Such allowances are based upon several factors including, but not limited to, historical collection experience and the nature of the fundraising activity. As of June 30, 2010 and 2009, no allowance for doubtful accounts was determined to be necessary.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid financial instruments with original maturities of three months or less from the date of purchase to be cash equivalents. Substantially all of the Organization's cash and cash equivalents at June 30, 2010 and 2009 were on deposit with one financial institution. The Organization routinely monitors the creditworthiness of this financial institution and believes the risk of nonperformance to be remote. The Organization has not experienced, nor does it anticipate nonperformance by this financial institution. Cash and cash equivalents include approximately \$82,000 and \$61,000 at June 30, 2010 and 2009, respectively, of cash held in escrow on behalf of youth to whom services are provided.

#### **Property, Plant and Equipment**

The Organization capitalizes property, plant and equipment with a cost of \$5,000 or more and with useful lives greater than one year. Property, plant and equipment, including those assets purchased with funds from grantors who retain a reversionary interest, are recorded at cost less accumulated depreciation. Depreciation is computed on the straight-line basis, using the half year convention, over the estimated useful lives of the assets which range from 3 to 33 years. Maintenance, repairs, and minor improvements are charged to operations as incurred. Major improvements, which substantially extend the useful lives of assets, are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts of the Organization and the resulting gain or loss, if any, is reflected in the accompanying statements of activities.

#### **Government Contracts and Grants**

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under the grant or contract agreement, or it is recognized as revenue in the period in which services are rendered. The unearned portions of grants/loans are reflected as deferred revenue in the statement of financial position and are being amortized over the period of the respective grant/loan agreement.

#### **Special Events**

Revenue and expenses incurred relative to special events are recognized upon occurrence of the respective event.

#### **Fair Value Measurements**

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also

**COVENANT HOUSE NEW JERSEY**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

---

prioritizes the use of market-based information within the measurement of fair value over entity specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of the respective financial instrument as of the measurement date.

Financial instruments classified as Level 1 are based on quoted prices available in active markets for identical investments as of the measurement date. Financial instruments classified as Level 2 are based on pricing inputs other than quoted prices available in active markets, which are either directly or indirectly observable as of the measurement date. Financial instruments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. At June 30, 2010 and 2009, the Organization had no Level 3 financial instruments.

In fiscal 2010, the Organization adopted new FASB guidance related to fair value measurements and disclosure of investments in certain entities that do not have a quoted market price but that calculate NAV per share or its equivalent. As a practical expedient, the guidance permits, but does not require, the Organization to measure fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. As a result of applying the practical expedient, the fair value of the Organization's investment in a non-exchange traded money market fund was determined based on the reported NAV per share beginning with the June 30, 2010 valuation. The adoption of this guidance did not have a material impact on the fair values of applicable investments; however, the use of the practical expedient required additional disclosures.

**Fair Value of Financial Instruments**

The estimated fair values of the Organization's financial instruments have been determined by the Organization using appropriate market information and valuation methodologies. Considerable judgment is required to develop the estimates of fair value; thus, the estimates provided herein are not necessarily indicative of the amounts that could be realized in a current market exchange.

The carrying amounts of cash and cash equivalents, contributions receivable, other receivables, prepaid expenses and other assets, and accounts payable and accrued expenses and other liabilities reported in the accompanying statements of financial position approximate fair value due to the short maturity of these financial instruments.

The fair value of deposits held with trustee reported on the accompanying statements of financial position is based on the values of the underlying securities as determined by the respective trustee as of the measurement date. At June 30, 2010 and 2009, the Organization's deposits held with bond trustee were classified as Level 2 within the fair value hierarchy.

**COVENANT HOUSE NEW JERSEY**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

---

The Organization uses NAV to determine the fair value of all the underlying investments which: (a) do not have a readily determinable fair value, and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, as defined by ASC Topic 740. The following table lists such investments by major category:

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Non-exchange traded money market fund	Seeks current income consistent with preservation of capital and liquidity by investing in a diversified portfolio comprised of short-term U.S. government securities	\$ 507,109	1	N/A	N/A	Daily redemption with no advance notice	N/A	N/A

**Tax-Exempt Status**

The Organization is qualified as a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”). Accordingly, it is not subject to federal income taxes under Section 501(a) of the Code. As a not-for-profit organization, the Organization is also exempt from State of New Jersey income and sales taxes. The Organization has been classified as a publicly-supported charitable organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

**Conditional Asset Retirement Obligation**

Asset retirement obligations include, but are not limited to, certain types of environmental issues that are legally required for remediation upon an asset’s retirement as well as contractually required asset retirement obligations. Conditional asset retirement obligations (“CARO”) are obligations whose settlement may be conditional on a future event and/or where the timing or method of such settlement may be uncertain. The Organization had previously recognized a CARO with respect to required asbestos remediation for a building which was demolished during fiscal 2010. Prior to demolition of the building, the required asbestos remediation was completed. As of June 30, 2010 and 2009, the CARO was \$0 and \$6,994, respectively. For the years ended June 30, 2010 and 2009, the accretion of interest relating to the CARO totaled \$0 and \$355, respectively. The capitalized CARO was fully depreciated as of June 30, 2009 and since the remediation occurred during fiscal 2010, the cost and accumulated depreciation have been removed from the books of the Organization.

**Income Taxes**

The Organization adopted ASC 740-10 as of July 1, 2009. ASC 740-10 clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This section provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the

# COVENANT HOUSE NEW JERSEY

## Notes to Financial Statements

### June 30, 2010 and 2009

---

tax position may be challenged. The Organization is exempt from income tax under IRC section 501(c)(3), though they are subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded under the Code. The tax years ending 2007, 2008 and 2009 are still open to audit for both federal and state purposes. The adoption of ASC 740-10 did not have any impact on the Organization's financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, the most significant of which relate to the determination of conditional asset retirement obligations, the estimated useful lives assigned to fixed assets and allowances for potentially uncollectible contributions and other receivables. Actual results could differ from those estimates.

### 3. RELATED PARTY TRANSACTIONS

The Parent provides financial support as well as management and organizational support for its affiliated organizations. It also conducts fundraising activities for its own programs and the programs of its affiliates. Contributions, including promises to give, totaled approximately \$51.7 and \$55.9 million for the Parent for the years ended June 30, 2010 and 2009, respectively. Contributions received by the Parent are generally not specifically restricted by donors to specific affiliates.

In fiscal 2009, the Parent changed its policy of allocating contributions to its affiliates. It combined contributions received from individuals, corporations and foundations plus a parent subsidy and appropriated "Branding Dollars" or "Contributions Received by the Parent" to each Covenant House affiliate.

"Branding Dollars" or "Contributions Received from Parent" and allocated to affiliates, based on the Parent's policy, approximated \$33.8 million and \$32.7 million in fiscal 2010 and 2009, respectively. In fiscal 2010 and 2009, the Organization received \$3,472,000 and \$3,470,470, respectively, in Support from Parent or "Branding Dollars."

The Parent allocated to the Organization various costs, which represent the Organization's proportionate share of such costs, for fiscal 2010 and 2009, respectively:

	<u>2010</u>	<u>2009</u>
Workmens's compensation and casualty insurance	\$ 234,000	\$ 221,000
Life insurance	11,000	11,000
General office service costs	5,000	10,000
Audit fees (for 2009 audit)	56,000	-
Group health insurance (effective May, 2010)	89,000	-

**COVENANT HOUSE NEW JERSEY**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

---

Amounts due from/(to) the Parent at June 30, 2010 and 2009, result from timing differences between contributions collected by the Parent on the Organization's behalf and advances of support from Parent, which do not bear interest. Amounts due from the Parent at June 30, 2010 and 2009 totaled \$21,674 and \$13,874, respectively. Additionally, at June 30, 2009, the Organization had a variable rate interest-bearing debt obligation to the Parent totaling \$538,000, the proceeds of which were used to support the Organization's operating activities. The debt obligation was satisfied in fiscal 2010 from the proceeds of a mortgage loan from the New Jersey Housing and Mortgage Finance Agency (see Note 12).

**4. CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net, consisted of the following unconditional promises to give at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Amounts expected to be collected in:		
Less than one year	\$ 130,000	\$ 302,000
One to three years	<u>-</u>	<u>152,000</u>
	130,000	454,000
Less: Discount to present value (at a rate of approximately 5%)	<u>-</u>	<u>(7,176)</u>
	<u>\$ 130,000</u>	<u>\$ 446,824</u>

**5. PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment, net, at June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$ 18,198,373	\$ 17,422,119
Furniture and equipment	<u>1,591,532</u>	<u>1,520,603</u>
	19,789,905	18,942,722
Less: Accumulated depreciation	<u>(5,511,049)</u>	<u>(4,804,118)</u>
	14,278,856	14,138,604
Land	1,377,180	1,377,180
Construction-in-progress	<u>108,791</u>	<u>360,407</u>
	<u>\$ 15,764,827</u>	<u>\$ 15,876,191</u>

Depreciation expense totaled \$706,931 and \$658,931 for the years ended June 30, 2010 and 2009, respectively.

**COVENANT HOUSE NEW JERSEY**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

---

**6. DEFERRED REVENUE**

In fiscal 1996, the Organization was awarded a special-purpose grant/loan of \$1,000,000 from the city of Atlantic City (the "City") New Jersey, funded by the U.S. Department of Housing and Urban Development ("HUD"), to be used for the construction and renovation of a new shelter facility. The grant provides that if the Organization were to cease utilization of the facility in its program activities, the Organization would be obligated to the City for the amount of the grant.

In fiscal 2001 and 2002, the Organization was awarded special-purpose grant/loans of \$750,000 and \$150,500, respectively, from the State of New Jersey Department of Community Affairs ("DCA") as a pass-through from HUD, for the construction and renovation of the Newark Crisis Center and the acquisition of the Newark Rights of Passage ("ROP") facility, respectively. Under the terms of both grant/loans, a ten-year mortgage on the properties was taken out by the Organization with DCA as the mortgagor. The mortgage, which is secured by the property, is to be forgiven in equal installments over its term commencing in fiscal 2002. In the event the Organization ceases utilization of the facilities for its program activities, the Organization would be obligated to DCA for the unamortized amount of the mortgage. Accordingly, the grant/loans have been recorded as deferred revenue and are being amortized on a straight-line basis into government and private grants and contracts revenue over the terms of the mortgages. At June 30, 2010 and 2009, the unamortized balance of the notes were \$90,050 and \$180,100, respectively, and are reflected as deferred revenue in the accompanying statements of financial position.

During fiscal 2001, the Organization was awarded a grant/loan of \$100,000 from the Department of Human Services, State of New Jersey, in order to finance the renovation/improvement, including a sprinkler system, for the Newark Rights of Passage facility. An additional amount of \$18,375 was subsequently added during fiscal 2006 to finance additional costs at the facility. Pursuant to the facility restriction clause and other terms of the capital funding agreement, the amount of the note is to be reduced by 5% annually one year after the anniversary date, provided that the Organization maintains the new facility for the ROP program only. Accordingly, the grant/loan has been recorded as deferred revenue and is being amortized on a straight-line basis into government and private grants and contracts revenue over the term of the mortgage. At June 30, 2010 and 2009, the unamortized balance of the note was \$69,700 and \$75,619, respectively, and is reflected as deferred revenue in the accompanying statements of financial position.

The Organization has not expressed nor does it have any intention to use the facilities referred to above for any purposes other than program activities for the foreseeable future.

During fiscal 2006, the Organization was awarded a grant/loan of \$21,675 from the Department of Human Services, State of New Jersey, in order to finance the renovation/improvement of its Newark Crisis Center. Pursuant to the terms of the capital funding agreement, the amount of the note is to be reduced by 5% annually one year after the anniversary date. Accordingly, the grant/loan has been recorded as deferred revenue and is being amortized on a straight-line basis into government and private grants and contracts revenue over the term of the mortgage. At June 30, 2010 and 2009, the unamortized balance of the note was \$17,340 and \$18,424, respectively, and is reflected as deferred revenue in the accompanying statements of financial position.

**COVENANT HOUSE NEW JERSEY**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

---

**7. GOVERNMENT AND PRIVATE GRANTS AND CONTRACTS**

Government and private grants and contract revenue for the years ended June 30, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
U.S. Department of Health and Human Services	\$ 12,393	\$ 25,000
U.S. Department of Housing and Urban Development	329,772	1,106,826
U.S. Department of Justice	111,784	50,000
State of New Jersey Department of Community Affairs	664,150	90,050
State of New Jersey Department of Health and Senior Services	-	11,665
State of New Jersey Housing and Mortgage Finance Agency	-	477,313
State of New Jersey Department of Children and Families	660,528	916,422
Various other private grants	423,707	371,246
	<u>\$ 2,202,334</u>	<u>\$ 3,048,522</u>

In accordance with the terms of certain government and private grants and contracts, the records of the Organization are subject to audit after the date of final payment of the contracts. The Organization is liable for any disallowed costs; however, management of the Organization believes that the amount of costs disallowed, if any, would not be significant.

As of June 30, 2010 and 2009, the Organization had been approved for a number of government cost reimbursable grants in which conditions stipulated in the grant agreements have not yet been met. Accordingly, revenue pertaining to these grants has not been recognized in the accompanying financial statements.

**8. BENEFIT PLANS**

The Organization participates in a defined benefit pension plan 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. The Organization was not required to contribute to the defined benefit pension plan for fiscal 2010 and 2009. Effective December 31, 2006, the Parent froze service credits in the defined benefit pension plan. Compensation increases will continue to apply within the plan structure for those participants who have attained at least 45 points (age plus years of service) as of December 31, 2006. The Parent has further amended the plan effective August 1, 2009 to cease adjustments in the accrued benefit due to salary increases so that no further benefits will accrue under the plan after that date.

# **COVENANT HOUSE NEW JERSEY**

## **Notes to Financial Statements**

### **June 30, 2010 and 2009**

---

The Organization also provides its employees with the option to enroll in a Section 403(b) savings plan, exclusively on a payroll deduction basis. Employee-contributed balances in this plan are fully vested at all times. As of January 1, 2007, the Organization instituted a new Section 403(b) plan with enhanced investment opportunities, a provision for the employer to provide matching contributions and the ability of employees to borrow against their vested balances. The Organization will match 50% of employee contributions to the Plan, to a maximum of 6% of compensation. The matching contributions have been stopped as of June 30, 2009 and were suspended for fiscal 2010. As of the date of this report, no decision has been made on when the employer match portion would resume. The annual employer contribution to the 403(b) plan was not suspended and remains intact. In addition, the Organization will make an additional annual retirement account contribution of 1% to 9% of compensation to all current employees, based on age and years of service. The Organization's contribution to the Section 403(b) savings plan for fiscal 2010 and 2009 totaled \$108,460 and \$91,527, respectively. Employer match and retirement account contributions are fully vested after three years of service.

#### **9. RAPHAEL'S LIFE HOUSE**

In June 2003, the Organization entered into a collaboration agreement with the Board of Directors of Raphael's Life House ("RLH"), an entity independent of the Organization, to manage the day-to-day operations of a 12-bed Transitional Living Program which provides shelter to pregnant and mothering young women between the ages of 18 and 23 at a convent in Elizabeth, NJ. Each woman can reside at the facility with her child while she works with a service manager to develop and execute a case plan that will guide the youth to obtain independence. RLH had previously operated this program.

Under the terms of the agreement, RLH and the Organization will agree upon annual fundraising goals for RLH and the Organization and both are required to use their best efforts to meet their respective goals. However, if RLH cannot meet its goal, the Organization is required to fund the shortfall. Costs incurred by RLH for the years ended June 30, 2010 and 2009 did not exceed the Organization's funding level. The agreement will continue in effect until terminated and either party can terminate with 90 days' written notice to the other party. On April 27, 2009, the Organization purchased from the Archdiocese of Newark the land and building used for this program for approximately \$564,000. In fiscal 2010, extensive renovation of the premises was completed at a cost of approximately \$775,000. Further renovation of the premises is scheduled for fiscal 2011, to be financed by a loan from the State of New Jersey Department of Community Affairs (see Note 13 – Subsequent Events).

#### **10. LOAN FOR ATLANTIC CITY CAPITAL PROJECT**

In May 2006, the Organization secured a long-term loan from the Corporation for Supportive Housing ("CSH") for \$528,000. The proceeds were used for the acquisition of land and related fees for a new transitional living program facility in Atlantic City, NJ. The Organization entered into an agreement to buy the related real estate on August 9, 2005. The loan bears interest at a rate of 5% per annum due at the maturity date along with the full principal balance. This loan was refinanced as part of new funding received from the New Jersey Housing and Mortgage Finance Agency ("NJHMFA") which totaled approximately \$4,000,000, \$3,300,000 of which was received via a grant and \$700,000 was a loan, which was entered into on March 17, 2008.

# **COVENANT HOUSE NEW JERSEY**

## **Notes to Financial Statements**

### **June 30, 2010 and 2009**

---

The initial mortgage term for the \$700,000 loan is for a 15-month construction period, followed by a 15-year permanent mortgage, with 0% interest for the entire term. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled \$241,912 and \$238,871 at June 30, 2010 and 2009, respectively. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. The property serves as collateral for the loan.

#### **11. MONTCLAIR (NANCY'S PLACE) AND NEWARK CAPITAL PROJECTS**

The Organization acquired a residential property in Montclair, NJ for a transitional living program, to serve youths with mental disabilities. The Montclair purchase and approximately half of two adjacent residential properties purchased in Newark for the transitional living program were covered by temporary financing of \$1,015,500 obtained through CSH, on March 20, 2008. In accordance with terms of the agreement, partial payments aggregating \$775,466 were made. These payments were made using grant funds awarded to the Organization from HUD. At June 8, 2009, the remaining balance of \$240,034 was refinanced by the NJHMFA into a new permanent mortgage in the amount of \$651,564. This mortgage is payable without interest over a period of 15 years. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled \$153,654 and \$151,830 at June 30, 2010 and 2009, respectively. To the extent that principal payments are not covered by cash flows, the payment of principal will be deferred until the end of the mortgage term. The property serves as collateral for the mortgage.

#### **12. MONTCLAIR (NANCY'S PLACE) PERMANENT FINANCING**

On October 6, 2009, the Organization obtained permanent financing for this property in the amount of \$860,177 from NJHMFA. Of this amount, \$538,000 was used to repay the existing debt obligation to the Parent (Note 3), \$109,729 was applied to fund required escrow balances, \$30,187 was applied to financing expenses and capitalized as deferred financing costs in the accompanying statements of financial position and the balance of \$182,261 was received by the Organization, as cost reimbursement for construction costs previously incurred. This mortgage is payable without interest over a period of 15 years. Repayment will be made from twenty-five (25%) percent of the project's available cash flows after payment of operating expenses and funding of all required escrows, pursuant to the loan agreement, which totaled \$111,543 at June 30, 2010. To the extent that principal payments are not covered by cash flows, the payment of principal is deferred until the end of the mortgage term. The property serves as collateral for the mortgage.

#### **13. SUBSEQUENT EVENTS**

The Organization evaluated its June 30, 2010 financial statements for subsequent events through December 9, 2010, the date the financial statements were available to be issued. The Organization is not aware of any material subsequent events which required recognition or disclosure in the accompanying financial statements, except as detailed below.

**COVENANT HOUSE NEW JERSEY**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

---

In August 2010, the Organization decided to terminate all activity in connection with the construction of a facility in Galloway Township, New Jersey, previously identified as Nancy's Place South. At June 30, 2010 there were accumulated project costs of \$127,897. Of this amount, \$12,000 represents a refundable deposit on the purchase of the land. The balance of \$115,897 has been expensed at June 30, 2010.

In July 2010, the Organization closed on a mortgage loan of \$438,150 from DCA for further renovation of Raphael's Life House. The funds will be made available to the Organization as construction costs are incurred.