

## **Covenant House Texas**

Financial Statements and  
OMB Circular A-133 Financial Report  
Together With Independent Auditors' Report

June 30, 2015 and 2014

**Covenant House Texas**  
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OMB Circular A-133 Financial Report  
Together With Independent Auditors' Report

June 30, 2015

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## Independent Auditors' Report

**Board of Directors  
Covenant House Texas**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Covenant House Texas (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House Texas as of June 30, 2015 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.

***Prior Period Financial Statements***

The financial statements of Covenant House Texas as of June 30, 2014, were audited by other auditors whose report, dated November 5, 2014, expressed an unmodified opinion on those statements.

***Other Matters***

***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*O'Connor Davies, LLP*

New York, New York  
October 13, 2015

## Covenant House Texas

### Statements of Financial Position

	June 30,	
	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,429,691	\$ 2,517,771
Contributions receivable, net	223,563	574,311
Grants receivable	152,991	235,580
Due from Parent	17,334	-
Other receivables	20,274	25,435
Inventory	4,740	3,360
Prepaid expenses	69,945	9,624
Beneficial interest held in trust	98,829	105,027
Promise of continued use of land	1,090,996	1,102,480
Security deposits	12,000	12,000
Restricted cash	40,000	40,000
Property and equipment, net	<u>1,964,606</u>	<u>2,093,111</u>
	<u>\$ 6,124,969</u>	<u>\$ 6,718,699</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 519,475	\$ 442,700
Due to Parent	<u>-</u>	<u>156,923</u>
Total Liabilities	<u>519,475</u>	<u>599,623</u>
Net Assets		
Unrestricted:		
Undesignated	2,058,583	2,554,868
Designated for property and equipment	<u>1,964,606</u>	<u>2,093,111</u>
Total Unrestricted	4,023,189	4,647,979
Temporarily restricted	1,542,305	1,431,097
Permanently restricted	<u>40,000</u>	<u>40,000</u>
Total Net Assets	<u>5,605,494</u>	<u>6,119,076</u>
	<u>\$ 6,124,969</u>	<u>\$ 6,718,699</u>

See notes to financial statements

**Covenant House Texas**

Statement of Activities  
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Branding dollars from Parent	\$ 1,615,000	\$ -	\$ -	\$ 1,615,000
Contributions	1,001,807	380,932	-	1,382,739
Contributed services and merchandise	170,881	-	-	170,881
Government grants and contracts	921,068	-	-	921,068
Special events revenue, net	<u>930,544</u>	<u>-</u>	<u>-</u>	<u>930,544</u>
Total Support and Revenue	<u>4,639,300</u>	<u>380,932</u>	<u>-</u>	<u>5,020,232</u>
<b>OTHER INCOME</b>				
Interest income	865	-	-	865
Other income, net	<u>5,948</u>	<u>(6,198)</u>	<u>-</u>	<u>(250)</u>
Total Other Income	<u>6,813</u>	<u>(6,198)</u>	<u>-</u>	<u>615</u>
Total Support, Revenue, and Other Income Before Net Assets Released	4,646,113	374,734	-	5,020,847
Net assets released from restrictions	<u>263,526</u>	<u>(263,526)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue, and Other Income	<u>4,909,639</u>	<u>111,208</u>	<u>-</u>	<u>5,020,847</u>
<b>EXPENSES</b>				
Program services	4,372,440	-	-	4,372,440
Supporting services				
Management and general	719,721	-	-	719,721
Fundraising	<u>442,268</u>	<u>-</u>	<u>-</u>	<u>442,268</u>
Total Expenses	<u>5,534,429</u>	<u>-</u>	<u>-</u>	<u>5,534,429</u>
Change in net assets	(624,790)	111,208	-	(513,582)
<b>NET ASSETS</b>				
Beginning of year	<u>4,647,979</u>	<u>1,431,097</u>	<u>40,000</u>	<u>6,119,076</u>
End of year	<u>\$ 4,023,189</u>	<u>\$ 1,542,305</u>	<u>\$ 40,000</u>	<u>\$ 5,605,494</u>

See notes to financial statements

**Covenant House Texas**

Statement of Activities  
Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Branding dollars from Parent	\$ 1,575,000	\$ -	\$ -	\$ 1,575,000
Contributions	1,823,915	160,391	-	1,984,306
Contributed services and merchandise	137,436	-	-	137,436
Government grants and contracts	1,144,756	-	-	1,144,756
Special events revenue, net	<u>1,001,301</u>	<u>-</u>	<u>-</u>	<u>1,001,301</u>
Total Support and Revenue	<u>5,682,408</u>	<u>160,391</u>	<u>-</u>	<u>5,842,799</u>
<b>OTHER INCOME</b>				
Interest income	295	-	-	295
Other income, net	<u>(382)</u>	<u>8,294</u>	<u>-</u>	<u>7,912</u>
Total Other Income	<u>(87)</u>	<u>8,294</u>	<u>-</u>	<u>8,207</u>
 Total Support, Revenue, and Other Income Before Net Assets Released	 5,682,321	 168,685	 -	 5,851,006
 Net assets released from restrictions	 <u>79,221</u>	 <u>(79,221)</u>	 <u>-</u>	 <u>-</u>
 Total Support, Revenue, and Other Income	 <u>5,761,542</u>	 <u>89,464</u>	 <u>-</u>	 <u>5,851,006</u>
<b>EXPENSES</b>				
Program services	4,531,301	-	-	4,531,301
Supporting services				
Management and general	657,450	-	-	657,450
Fundraising	<u>385,175</u>	<u>-</u>	<u>-</u>	<u>385,175</u>
Total Expenses	<u>5,573,926</u>	<u>-</u>	<u>-</u>	<u>5,573,926</u>
 Change in net assets	 187,616	 89,464	 -	 277,080
<b>NET ASSETS</b>				
Beginning of year	<u>4,460,363</u>	<u>1,341,633</u>	<u>40,000</u>	<u>5,841,996</u>
 End of year	 <u>\$ 4,647,979</u>	 <u>\$ 1,431,097</u>	 <u>\$ 40,000</u>	 <u>\$ 6,119,076</u>

See notes to financial statements

**Covenant House Texas**  
Statement of Functional Expenses  
Year Ended June 30, 2015

	Program Services							Supporting Services			Direct Benefit to Donors	Total	
	Shelter and Crisis Care	Mother/Child	Outreach	Medical Services	Rights of Passage	Community Service Center	Public Education	Total Program Services	Mangement and General	Fundraising			Total Supporting Services
Salaries and wages	\$ 1,124,637	\$ 336,742	\$ 78,823	\$ 219,664	\$ 558,059	\$ 81,410	\$ 47,330	\$ 2,446,665	\$ 344,027	\$ 243,330	\$ 587,357	\$ -	\$ 3,034,022
Payroll taxes	89,440	26,787	6,101	16,553	44,886	6,183	3,712	193,662	25,578	18,764	44,342	-	238,004
Employee benefits	<u>168,057</u>	<u>53,263</u>	<u>19,405</u>	<u>39,998</u>	<u>92,683</u>	<u>24,879</u>	<u>10,232</u>	<u>408,517</u>	<u>92,387</u>	<u>38,543</u>	<u>130,930</u>	-	<u>539,447</u>
Total Salaries and Related Expenses	1,382,134	416,792	104,329	276,215	695,628	112,472	61,274	3,048,844	461,992	300,637	762,629	-	3,811,473
Accounting fees	-	-	-	-	-	-	-	-	49,735	-	49,735	-	49,735
Medical fees	704	196	-	148,541	13,440	-	-	162,881	-	-	-	-	162,881
Other professional fees	-	-	-	-	-	-	-	-	25,000	25,800	50,800	-	50,800
Supplies	19,892	7,078	1,873	23,967	8,335	1,227	-	62,372	4,510	8,195	12,705	16,292	91,369
Telephone	6,328	1,951	2,676	1,704	4,573	695	-	17,927	12,103	1,391	13,494	-	31,421
Postage, printing and mailing lists	904	252	102	-	46	-	-	1,304	1,831	38,861	40,692	13,941	55,937
Occupancy													
Fuel and utilities	45,527	12,713	-	-	30,428	-	-	88,668	7,087	9,268	16,355	-	105,023
Property lease	6,110	1,706	-	-	2,606	-	-	10,422	772	290	1,062	-	11,484
Repairs and maintenance	12,089	4,726	967	967	10,214	967	-	29,930	525	-	525	-	30,455
Other	28,798	8,042	-	-	20,518	-	-	57,358	2,729	1,026	3,755	-	61,113
Rent and repair of equipment	8,372	2,730	280	280	13,379	280	-	25,321	8,193	4,085	12,278	-	37,599
Travel and vehicle costs	24,695	7,463	11,210	470	19,966	3,769	-	67,573	16,442	3,867	20,309	-	87,882
Specific assistance to individuals													
Food	50,082	13,985	8,403	-	39,327	24	-	111,821	-	-	-	-	111,821
Donated food	62,599	17,480	-	-	-	-	-	80,079	-	-	-	-	80,079
Clothing, travel and miscellaneous	45,664	12,779	3,581	1,160	62,068	3,796	-	129,048	-	-	-	-	129,048
Donated clothing, travel and miscellaneous	44,428	12,616	-	16,177	-	-	-	73,221	-	-	-	-	73,221
Other purchased services	95,173	28,668	1,498	4,186	62,024	1,498	-	193,047	63,472	28,672	92,144	169,894	455,085
Donated other purchased services	10,376	2,897	-	-	-	-	-	13,273	915	3,392	4,307	-	17,580
Dues, licenses and permits	3,189	1,053	244	997	1,091	166	-	6,740	5,473	622	6,095	-	12,835
Subscriptions and publications	1,777	496	-	90	1,363	-	-	3,726	1,832	177	2,009	-	5,735
Staff recruitment	-	-	-	-	-	-	-	-	400	-	400	-	400
Insurance	18,239	5,194	72	2,252	8,322	72	-	34,151	8,607	3,816	12,423	-	46,574
Miscellaneous	2,118	916	22	1,847	7,917	22	-	12,842	11,192	6,879	18,071	504	31,417
Bank charges and fees	-	-	-	-	-	-	-	-	<u>23,858</u>	-	<u>23,858</u>	<u>1,581</u>	<u>25,439</u>
Total Functional Expenses Before Depreciation and Amortization	1,869,198	559,733	135,257	478,853	1,001,245	124,988	61,274	4,230,548	706,668	436,978	1,143,646	202,213	5,576,407
Depreciation and amortization	<u>54,463</u>	<u>15,227</u>	<u>2,145</u>	<u>593</u>	<u>69,437</u>	<u>27</u>	<u>-</u>	<u>141,892</u>	<u>13,053</u>	<u>5,290</u>	<u>18,343</u>	<u>-</u>	<u>160,235</u>
Total Functional Expenses	1,923,661	574,960	137,402	479,446	1,070,682	125,015	61,274	4,372,440	719,721	442,268	1,161,989	202,213	5,736,642
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(202,213)	(202,213)
Total Expenses Reported by Function on the Statement of Activities	\$ 1,923,661	\$ 574,960	\$ 137,402	\$ 479,446	\$ 1,070,682	\$ 125,015	\$ 61,274	\$ 4,372,440	\$ 719,721	\$ 442,268	\$ 1,161,989	\$ -	\$ 5,534,429

See notes to financial statements



**Covenant House Texas**  
Statement of Functional Expenses  
Year Ended June 30, 2014

	Program Services							Supporting Services			Direct Benefit to Donors	Total	
	Shelter and Crisis Care	Mother/ Child	Outreach	Medical Services	Rights of Passage	Community Service Center	Public Education	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries and wages	\$ 1,016,223	\$ 290,480	\$ 107,045	\$ 234,184	\$ 572,529	\$ 105,506	\$ 45,583	\$ 2,371,550	\$ 325,835	\$ 203,842	\$ 529,677	\$ -	\$ 2,901,227
Payroll taxes	98,417	28,611	9,680	20,888	52,851	9,716	3,747	223,910	25,384	16,717	42,101	-	266,011
Employee benefits	<u>175,662</u>	<u>49,039</u>	<u>27,029</u>	<u>29,357</u>	<u>96,437</u>	<u>24,650</u>	<u>8,857</u>	<u>411,031</u>	<u>94,210</u>	<u>26,766</u>	<u>120,976</u>	-	<u>532,007</u>
Total Salaries and Related Expenses	1,290,302	368,130	143,754	284,429	721,817	139,872	58,187	3,006,491	445,429	247,325	692,754	-	3,699,245
Accounting fees	-	-	-	-	-	-	-	-	48,760	-	48,760	-	48,760
Medical fees	-	-	-	141,772	18,300	-	-	160,072	-	-	-	-	160,072
Other professional fees	20	5	-	-	-	-	-	25	-	25,800	25,800	-	25,825
Supplies	18,575	7,193	1,374	27,543	6,665	1,577	-	62,927	6,407	5,547	11,954	11,857	86,738
Telephone	8,505	2,346	3,944	2,407	5,818	1,049	-	24,069	3,037	1,812	4,849	-	28,918
Postage, printing and mailing lists	416	138	233	486	65	33	-	1,371	1,638	30,408	32,046	10,474	43,891
Occupancy													
Fuel and utilities	42,799	15,413	3,881	3,881	46,449	3,881	-	116,304	3,566	2,444	6,010	-	122,314
Property lease	5,733	1,421	54	440	2,606	168	-	10,422	772	290	1,062	-	11,484
Repairs and maintenance	9,854	6,153	1,549	1,634	115,805	1,549	-	136,544	2,621	2,928	5,549	-	142,093
Other	20,132	6,232	1,569	1,569	22,410	1,569	-	53,481	4,635	2,807	7,442	-	60,923
Rent and repair of equipment	11,564	870	24	24	6,786	24	-	19,292	2,142	290	2,432	-	21,724
Travel and vehicle costs	23,688	8,401	17,573	4,043	22,915	7,022	-	83,642	13,028	4,959	17,987	-	101,629
Specific assistance to individuals													
Food	53,492	7,407	7,140	-	39,528	61	-	107,628	-	-	-	-	107,628
Donated food	85,332	13,272	-	-	-	-	-	98,604	-	-	-	-	98,604
Clothing, travel and miscellaneous	65,428	11,935	19,345	-	65,310	3,256	-	165,274	-	-	-	-	165,274
Donated clothing, travel and miscellaneous	19,734	5,753	697	697	1,394	697	-	28,972	-	-	-	-	28,972
Other purchased services	109,144	19,841	1,167	7,084	75,403	1,167	-	213,806	51,468	39,057	90,525	196,114	500,445
Donated other purchased services	1,834	660	166	166	2,306	166	-	5,298	4,163	400	4,563	-	9,861
Dues, licenses and permits	1,890	724	210	295	612	145	-	3,876	5,851	1,656	7,507	-	11,383
Subscriptions and publications	2,868	604	70	70	1,824	70	-	5,506	120	935	1,055	-	6,561
Staff recruitment	-	-	-	-	-	-	-	-	550	-	550	-	550
Insurance	13,882	4,999	1,259	3,052	10,670	1,259	-	35,121	8,068	2,877	10,945	-	46,066
Miscellaneous	21,821	7,563	1,830	4,073	5,591	1,899	-	42,777	14,329	10,350	24,679	3,899	71,355
Bank charges and fees	-	-	-	-	-	-	-	-	<u>27,185</u>	-	<u>27,185</u>	<u>5,426</u>	<u>32,611</u>
Total Functional Expenses Before Depreciation and Amortization	1,807,013	489,060	205,839	483,665	1,172,274	165,464	58,187	4,381,502	643,769	379,885	1,023,654	227,770	5,632,926
Depreciation and amortization	<u>42,359</u>	<u>13,949</u>	<u>5,241</u>	<u>3,690</u>	<u>81,436</u>	<u>3,124</u>	-	<u>149,799</u>	<u>13,681</u>	<u>5,290</u>	<u>18,971</u>	-	<u>168,770</u>
Total Functional Expenses	1,849,372	503,009	211,080	487,355	1,253,710	168,588	58,187	4,531,301	657,450	385,175	1,042,625	227,770	5,801,696
Less: cost of direct benefits to donors	-	-	-	-	-	-	-	-	-	-	-	(227,770)	(227,770)
Total Expenses Reported by Function on the Statement of Activities	<u>\$ 1,849,372</u>	<u>\$ 503,009</u>	<u>\$ 211,080</u>	<u>\$ 487,355</u>	<u>\$ 1,253,710</u>	<u>\$ 168,588</u>	<u>\$ 58,187</u>	<u>\$ 4,531,301</u>	<u>\$ 657,450</u>	<u>\$ 385,175</u>	<u>\$ 1,042,625</u>	<u>\$ -</u>	<u>\$ 5,573,926</u>

See notes to financial statements

**Covenant House Texas**  
Statement of Cash Flows

	Year Ended June 30,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (513,582)	\$ 277,080
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	160,235	168,770
Recognition of continued use of land	11,484	11,484
Change in value of beneficial interest held in trust	6,198	(8,294)
Changes in operating assets and liabilities:		
Contributions receivable	350,748	(571,811)
Grants receivable	82,589	110,599
Due from Parent	(17,334)	-
Other receivables	5,161	51,697
Inventory	(1,380)	(874)
Prepaid expenses and other assets	(60,321)	38,184
Accounts payable and accrued expenses	76,775	73,923
Due to Parent	<u>(156,923)</u>	<u>121,372</u>
 Net Cash from Operating Activities	 (56,350)	 272,130
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(31,730)</u>	<u>(18,179)</u>
 Net Change in Cash and Cash Equivalents	 (88,080)	 253,951
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>2,517,771</u>	<u>2,263,820</u>
 End of year	 <u>\$ 2,429,691</u>	 <u>\$ 2,517,771</u>

## Covenant House Texas

Notes to Financial Statements  
June 30, 2015 and 2014

### 1. Organization and Nature of Operations

Covenant House Texas (the "Organization"), a not-for-profit organization, is an operating affiliate of Covenant House (the "Parent"), a New York-based organization. The Organization provides shelter, residential services, community services, and outreach services to youth in the Houston, TX metropolitan area. The Parent is the sole member of the Organization and is itself a private not-for-profit organization which, through its affiliates, provided shelter, food, clothing, counseling, medical attention, crisis intervention, public education, and other services to 51,173 (unaudited) and 57,364 (unaudited) runaway and homeless youths during the years ended June 30, 2015 and 2014.

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

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

The Organization operates as a not-for-profit organization and has been recognized by the Internal Revenue Service as an organization exempt from income taxation pursuant to Internal Revenue Code Section 501 (c)(3) on its income other than unrelated business income. The Organization is also exempt from Texas income and sales taxes.

## **Covenant House Texas**

Notes to Financial Statements  
June 30, 2015 and 2014

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly actual results could differ from those estimates.

#### ***Net Assets Presentation***

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets represent those resources that have been designated by the donor to be held and invested in perpetuity.

#### ***Revenue Recognition***

The Organization records earned revenues on an accrual basis. In addition, 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. 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. Event revenues, net of related costs with a direct-benefit to donors, are recorded as unrestricted contributions since such funds can be used for general operations unless there are donor-imposed restrictions. Costs to generate restricted and unrestricted donations and grants are expensed as incurred.

#### ***Functional Allocation of Expenses***

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

## **Covenant House Texas**

Notes to Financial Statements  
June 30, 2015 and 2014

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

#### ***Fair Value of Financial Instruments***

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

#### ***Property and Equipment***

The Organization follows the practice of capitalizing all expenditures for property and equipment with a cost in excess of \$1,000. Property and equipment are reported at cost at the date of acquisition or at their fair values at the date of donation. Building improvements are capitalized, whereas minor costs of repairs and maintenance are expensed as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

Long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the carrying amount of the long-lived asset (or asset group) exceeds its fair value and the carrying amount is not recoverable, an impairment loss is recognized. An impairment loss is measured as the amount by which the long-lived asset (or asset group) exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted fair values and third-party independent appraisals, as considered necessary.

#### ***Contributions Receivable***

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

#### ***Allowance for Doubtful Accounts***

The Organization maintains an allowance for doubtful accounts for estimated losses that may result from the inability of its donors to make required payments. Such allowances are estimated based upon several factors including, but not limited to, historical experience and

## **Covenant House Texas**

Notes to Financial Statements  
June 30, 2015 and 2014

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

the financial condition of the donor. Uncollectible accounts are written off based upon the amount of time they have been outstanding and management's expected collectability.

#### ***Donated Goods and Services***

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

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

Volunteers, including the board of directors, have made significant contributions of time to the Organization's policy-making, program, and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services and, accordingly, is not reflected in the accompanying financial statements.

#### ***Inventory***

Inventory consists of material and supplies which, if purchased, are stated at the lower of cost or market under the average cost method, or if donated, at the fair value at the date of donation.

#### ***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs were \$21,778 and \$14,802 for the years ended June 30, 2015 and 2014.

#### ***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, 2012.

#### ***Reclassification***

Certain accounts in the 2014 financial statements have been reclassified to conform to the current year financial statement presentation.

## **Covenant House Texas**

Notes to Financial Statements  
June 30, 2015 and 2014

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

#### ***Subsequent Events***

Management evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 13, 2015.

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

##### *Shelter and Crisis Care*

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

##### *The Mother/Child*

The Mother/Child program provides emergency shelter, food, and counseling to homeless mothers under the age of 21 and their children.

##### *Outreach*

The Outreach program is an effort to reach youths who are on the streets for various reasons. Outreach vans cruise the city streets day and night searching for these youths and providing them with food, a trained counselor, and referrals to shelters and health and other services, if needed. Youths are also referred to the Organization's Community Service Center (CSC); there they receive ongoing counseling and other services.

##### *Medical Services*

Medical Services includes clinics maintained by the Organization to provide youths in the programs with needed medical attention. Youths who are not residents may also receive medical care.

##### *Rights of Passage*

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

Rights of Passage Apartment Living Program (ROPAL) is the second tier of the transitional living process. It is an off-campus apartment living program that enables young adults to further transition to independence over the period of one year. After successfully completing the program the young person has the option to renew his or her apartment lease as a resident entirely independent of Covenant House Texas.

## Covenant House Texas

Notes to Financial Statements  
June 30, 2015 and 2014

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

#### *Community Service Center (CSC)*

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

#### *The Public Education*

The Public Education program informs and educates the public on how to identify potential "runaway" and "throwaway" adolescents, the public and private resources available to help such adolescents before they leave home and the public support services available to these families to improve the home environment.

#### *Management and General*

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

#### *Fundraising*

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

#### *Direct Benefit-to-Donor Costs*

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

### 3. Grants, Contributions, and Other Receivables

Grants, contributions, and other receivables as of June 30 consist of the following:

	<u>2015</u>	<u>2014</u>
Contributions	\$ 223,563	\$ 574,311
Grants	152,991	235,580
Other	20,274	25,435



## Covenant House Texas

Notes to Financial Statements  
June 30, 2015 and 2014

### 4. Property and Equipment, net

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

	2015	2014
Land	\$ 4,310	\$ 4,310
Property and improvements	3,666,446	3,663,805
Furniture and equipment	449,791	434,058
Vehicles	127,346	122,400
Computer hardware and software	72,729	64,319
Covenant House Texas video	26,452	26,452
Donated mineral royalty interests	669	669
	4,347,743	4,316,013
Accumulated depreciation and amorization	<u>(2,383,137)</u>	<u>(2,222,902)</u>
	<u>\$ 1,964,606</u>	<u>\$ 2,093,111</u>

Depreciation expense was \$160,165 and \$168,239 for the years ended June 30, 2015 and 2014.

### 5. Fair Value Measurements

The following are major categories of assets limited as to use measured at fair value, categorized by the fair value hierarchy for those assets measured at fair value at June 30, 2015:

	Level 3	Total
Beneficial interest held in trusts	\$ 98,829	\$ 98,829
Cash		\$ 2,469,691

The following table summarizes the changes in fair value associated with the Organization's Level 3 financial assets for the year ended June 30, 2015:

Balance as of June 30, 2014	\$ 105,027
Change in fair value	<u>(6,198)</u>
Balance as of June 30, 2015	<u>\$ 98,829</u>

## Covenant House Texas

Notes to Financial Statements  
June 30, 2015 and 2014

### 5. Fair Value Measurements (*Continued*)

The following are major categories of assets limited as to use measured at fair value, categorized by the fair value hierarchy for those assets measured at fair value at June 30, 2014:

	<u>Level 3</u>	<u>Total</u>
Beneficial interest held in trusts	\$ 105,027	\$ 105,027
Cash		\$ 2,557,771

The following table summarizes the changes in fair value associated with the Organization's Level 3 financial assets for the year ended June 30, 2014:

Balance as of June 30, 2013	\$ 96,733
Change in fair value	<u>8,294</u>
Balance as of June 30, 2014	<u>\$ 105,027</u>

The Organization's policy is to recognize transfers in and transfers out of levels as of the actual date of the event or change in circumstance that caused the transfer.

### 6. Beneficial Interest Held in Trust

The Organization is a beneficiary in a charitable remainder trust established by a donor. Under the provisions of these trusts, the Organization may receive income generated from donated assets controlled by third parties and may share this income with the donor or the donor's designee until such time as stated in the arrangement (usually upon the death of the donor or the donor's designee) at which time the remaining assets are generally unrestricted for the Organization's use. The Organization reports these trusts as an asset and temporarily restricted contributions revenue at the present value of the estimated future benefits to be received. Adjustments to the receivable to reflect amortization of the discount and changes in actuarial assumptions are recognized in the non-operating section of the statement of activities as changes in value of split-interest agreements.

### 7. Operating Leases

The Organization has entered into various operating leases for physical plant facilities, office space, and equipment. These leases expire at various dates through May 2020.

Lease expense was \$56,924 and \$41,444 for the years ended June 30, 2015 and 2014.

## Covenant House Texas

Notes to Financial Statements  
June 30, 2015 and 2014

### 7. Operating Leases (*continued*)

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

2016	\$ 13,275
2017	8,690
2018	8,690
2019	8,690
2020	<u>2,184</u>
	<u>\$ 41,529</u>

### 8. Commitments and Contingencies

The Organization has a contract with Baylor College of Medicine (“Baylor”) whereby Baylor provides medical services for the youth staying at the Organization. This contract, which will expire on February 29, 2016, provided for payments of \$61,152 to Baylor during the 12 months ended June 30, 2015.

The Organization entered into a consulting agreement with Baylor whereby Baylor provided psychiatric mental health services for the youth staying at the Organization. This agreement provided for payments of \$60,000 to Baylor during the 12 months ended June 30, 2015.

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.

### 9. Related Party Transactions

The Parent combines contributions received from individuals, corporations and foundations plus a Parent subsidy and appropriates funds classified as “Branding Dollars” or “Contributions Received from Parent” to each Covenant House affiliate. Total funds allocated to affiliates, based on the Parent’s policy, approximated \$31.3 and \$33.1 million for the years ended June 30, 2015 and 2014. In 2015 and 2014, the Organization received \$1,615,000 and \$1,575,000 in contributions from the Parent.

The Parent provides financial support as well as management and organizational support for its affiliated organizations. The Parent conducts fundraising activities for its own programs and the programs of the affiliates. Contributions and promises to give totaled approximately \$60.8 and \$57.8 million for the Parent in years ended June 30, 2015 and 2014. Contributions received from the Parent are generally not specifically restricted by donors to specific affiliates.

## Covenant House Texas

Notes to Financial Statements  
June 30, 2015 and 2014

### 9. Related Party Transactions *(continued)*

In fiscal year 2011, the Parent sold buildings which it owned to the Organization. Subsequent to the sale of the buildings, the Parent entered into a 99 year lease with the Organization to use the land on which the purchased buildings are situated. During 2013, the Organization recognized a promise of continued use of land and a corresponding receivable at the book value of the property held by the Parent in the amount of \$1,125,448. This transaction was reflected in temporarily restricted net assets. Net assets are released from restriction over the life of the lease and classified as rent expense at a rate of \$11,484 annually, recognizing the use of the land.

### 10. Retirement Plan

Effective January 1, 2007, the Parent adopted a defined contribution 403(b) savings and retirement plan, covering the Organization and its domestic affiliates. Employees are immediately eligible to participate in the plan. Employees who work at least 1,000 hours per year are eligible to receive an employer contribution. The Organization makes annual contributions into the plan on behalf of employees ranging from 1% to 9% of employee compensation determined using a formula based on points, which equal the sum of age and years of service. Employer contributions to the plan are 100% vested after employees have completed three years of service. Total expense related to the 403(b) plan was \$206,492 and \$190,709 for the years ended June 30, 2015 and 2014.

### 11. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of purpose restricted contributions as follows:

	2015	2014
Shelter and crisis care	\$ 271,474	\$ 201,268
Medical services	49,006	20,322
Rights of passage	32,000	2,000
Promise of continued use of land	1,090,996	1,102,480
Beneficial interest held in trust	<u>98,829</u>	<u>105,027</u>
	<u>\$ 1,542,305</u>	<u>\$1,431,097</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specific by donors during the years ended June 30, are as follows:

	2015	2014
Shelter and crisis care	\$ 105,726	\$ 55,602
Medical services	146,316	10,394
Rights of passage	-	1,741
Promise of continued use of land	<u>11,484</u>	<u>11,484</u>
	<u>\$ 263,526</u>	<u>\$ 79,221</u>

## **Covenant House Texas**

Notes to Financial Statements  
June 30, 2015 and 2014

### **12. Permanently Restricted Net Assets**

Permanently restricted net assets are restricted in perpetuity. These assets have been restricted by donors for the establishment of a Covenant House Texas endowment fund. As of June 30, 2015, an endowment has not yet been established. Income earned from the endowment fund investments is available for unrestricted use.

### **13. Concentration of Credit Risk**

Financial instruments which potentially subject the Organization to a concentration of credit risk consist principally of cash deposits with financial institutions and receivables. As of June 30, 2015 and 2014, cash in banks in excess of federally insured limits was \$1,929,763 and \$2,011,859. These deposits are maintained at financial institutions and the Organization has not experienced any losses.

\* \* \* \* \*

**Covenant House Texas**

OMB Circular A-133  
Schedules and Reports

June 30, 2015

**Covenant House Texas**

Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Direct Programs			
Continuum of Care Program		14.267	\$ <u>770,800</u>
Pass-through City of Houston			
Emergency Solutions Grants Program	FC 33544	14.231	95,448
Community Development Block Grants/Entitlement Grants	FC 33544	14.218	16,064
Pass-through County of Harris			
Emergency Solutions Grants Program	2015-0032B	14.231	<u>6,502</u>
Total Pass-through Department of Housing and Urban Development			<u>118,014</u>
Total Department of Housing and Urban Development			<u>888,814</u>
<u>Department of Homeland Security</u>			
Pass-through United Way			
Emergency Food and Shelter National Board Program	LRO-005	97.024	<u>32,254</u>
Total Department of Homeland Security			<u>32,254</u>
Total Expenditures of Federal Awards			\$ <u>921,068</u>

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

## **Covenant House Texas**

### Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

#### **1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Covenant House Texas (the "Organization") under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

#### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### **3. Subrecipients**

For the year ended June 30, 2015, the Organization provided no funds to subrecipients.



**Report on Internal Control Over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed in Accordance  
With Government Auditing Standards**

**Independent Auditors' Report**

**Board of Directors  
Covenant House Texas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Covenant House Texas (the "Organization"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Connor Davies, LLP*

New York, New York  
October 13, 2015

**Report on Compliance For Each Major Federal Program and Report on Internal Control  
Over Compliance Required by OMB Circular A-133**

**Independent Auditors' Report**

**Board of Directors  
Covenant House Texas**

**Report on Compliance for Each Major Federal Program**

We have audited Covenant House Texas' (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*O'Connor Davies, LLP*

New York, New York  
October 13, 2015

**Covenant House Texas**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_yes no

Significant deficiency(ies) identified? \_\_\_\_\_yes none reported

Noncompliance material to financial statements noted? \_\_\_\_\_yes no

**Federal Awards**

Internal control over major Federal programs:

Material weakness(es) identified? \_\_\_\_\_yes no

Significant deficiency(ies) identified? \_\_\_\_\_yes none reported

Type of auditors' report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A - 133? \_\_\_\_\_yes no

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes \_\_\_\_\_no

**Section II- Financial Statement Findings**

During our audit, we noted no material findings for the year ended June 30, 2015.

**Section III- Federal Award Findings and Questioned Costs**

During the audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

**Section IV- Prior Year Findings**

There were no prior year financial statement findings or federal award findings and questioned costs.