

THE COVERING HOUSE
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

THE COVERING HOUSE

CONTENTS

	<u>Pages</u>
Independent Auditors' Report	
Financial Statements	
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis	1
Statement of Support, Revenue, and Expenses - Modified Cash Basis	2
Statement of Functional Expenses - Modified Cash Basis	3
Statement of Cash Flows - Modified Cash Basis	4
Notes to Financial Statements	5-9



**Fick, Eggemeyer
& Williamson**

Certified Public Accountants, PC

CPA
MEMBERS OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Covering House

We have audited the accompanying financial statements of The Covering House (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2020, and the related statements of support, revenue, and expense - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

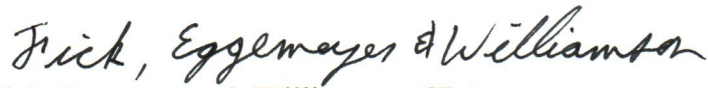
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of The Covering House as of December 31, 2020, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



Fick, Eggemeyer, & Williamson, CPAs
Saint Louis, Missouri
February 26, 2021

THE COVERING HOUSE
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	933,868
		933,868
Total current assets		933,868

NONCURRENT ASSETS

Property and equipment, net of accumulated depreciation		727,959
		727,959
Total noncurrent assets		727,959
Total assets	\$	1,661,827

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Credit card payable	\$	3,560
Payroll liabilities		17,087
Total current liabilities		20,647

NONCURRENT LIABILITIES

None		-
		-
Total noncurrent liabilities		-
Total liabilities		20,647

NET ASSETS

Without donor restrictions		1,319,122
With donor restrictions		322,058
Total net assets		1,641,180
Total liabilities and net assets	\$	1,661,827

See accompanying notes and independent auditors' report

THE COVERING HOUSE
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor restrictions	With Donor restrictions	Total
SUPPORT AND REVENUE			
Contributed support	\$ 702,658	\$ 312,000	\$ 1,014,658
Grants	269,684	25,000	294,684
Program	215,416	-	215,416
Events	96,578	-	96,578
PPP loan proceeds	183,300	-	183,300
Non-cash contributions			
Stock	21,885	-	21,885
In-kind	15,528	-	15,528
Other	936	-	936
	<u>1,505,985</u>	<u>337,000</u>	<u>1,842,985</u>
Net assets released from restrictions			
Satisfaction of restrictions	56,274	(56,274)	-
	<u>1,562,259</u>	<u>280,726</u>	<u>1,842,985</u>
EXPENSES			
Program expenses	878,487	-	878,487
	<u>878,487</u>	<u>-</u>	<u>878,487</u>
Supporting services			
Administrative expenses	200,420	-	200,420
Fundraising	22,713	-	22,713
	<u>223,133</u>	<u>-</u>	<u>223,133</u>
Total expenses	1,101,620	-	1,101,620
	<u>460,639</u>	<u>280,726</u>	<u>741,365</u>
Changes in net assets from operations			
INVESTMENT ACTIVITIES			
Interest and dividends	701	-	701
	<u>701</u>	<u>-</u>	<u>701</u>
Total investment activities			
Changes in net assets	461,340	280,726	742,066
Net assets - beginning of year	857,782	41,332	899,114
Net assets - end of year	<u>\$ 1,319,122</u>	<u>\$ 322,058</u>	<u>\$ 1,641,180</u>

See accompanying notes and independent auditors' report

THE COVERING HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Expenses	Administrative Expenses	Fundraising	Total
Office expense	\$ 1,066	\$ 17,397	\$ -	\$ 18,463
Professional fees	7,959	2,313	-	10,272
Contributed supplies	15,528	-	-	15,528
Depreciation	7,962	-	-	7,962
Facilities and equipment	20,400	15,299	-	35,699
Phone and internet	1,034	443	-	1,477
Insurance	24,331	6,864	-	31,195
Payroll and payroll taxes	720,249	158,104	-	878,353
Travel and meetings	430	-	-	430
Awareness and education	10,091	-	-	10,091
Clinical expenses	12,763	-	-	12,763
Education/life skills programs	4,722	-	-	4,722
Program training and materials	3,738	-	-	3,738
Community based services	10,072	-	-	10,072
Fundraising and events	-	-	22,713	22,713
Residential home	29,315	-	-	29,315
Miscellaneous	8,827	-	-	8,827
Total	\$ 878,487	\$ 200,420	\$ 22,713	\$ 1,101,620

See accompanying notes and independent auditors' report

THE COVERING HOUSE
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$	742,066
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation		7,962
Non-cash contributions - stock		(21,885)
Changes in assets and liabilities:		
Increase (decrease) in credit card payable		(3,140)
Increase (decrease) in payroll liabilities		(27,773)
		697,230

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments		21,885
Purchase of property and equipment		(28,906)
		(7,021)

CASH FLOWS FROM FINANCING ACTIVITIES

None		-
		-
Net increase (decrease) in cash and cash equivalents		
		690,209
Cash and cash equivalents - beginning of year		
		243,659
Cash and cash equivalents - end of year		
	\$	933,868

See accompanying notes and independent auditors' report

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Covering House (the “Organization”) was established as a place of refuge and restoration for girls under the age of 18 who have been victims of sexual exploitation or trafficking.

Basis of Accounting

The financial statements of the Organization have been prepared on the modified cash basis of accounting. The modified cash basis differs from generally accepted accounting principles because certain revenues are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Modifications to the cash basis include fixed assets, credit card payable, and payroll liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with the modified cash basis of accounting. The Organization reports information regarding its financial position as activities according to the following net asset classifications:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby that the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of support, revenue, and expenses - modified cash basis.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2013. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2020, no amounts have been recognized for uncertain tax positions. The Organization’s tax returns filed for 2017 and prior are closed.

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Program Services

The Organization's primary purpose is to provide refuge and restoration for girls who have experienced sexual exploitation or trafficking. It provides various services including life skills, therapeutic services, supportive adult programs, residential housing, outpatient services, and preventative programs.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost or, in the case of donated property, at its estimated fair market value on the date of the donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Currently, assets are depreciated over useful lives ranging from 5 to 30 years. Expenditures for repairs and maintenance are charged to operating expenses as incurred. Prior to 2014, the Organization did not capitalize and depreciate fixed assets. As a result, any assets acquired prior to 2014 have been omitted from the 2020 financial statements. The Organization believes that total omitted assets are immaterial.

Depreciation expense for the year ended December 31, 2020 was \$7,962.

Measure of Operations

The statement of support, revenue, and expenses - modified cash basis reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's program services and support services. Nonoperating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual and nonrecurring nature.

Donated Services

A number of volunteers contribute services to the Organization. No amounts have been recognized in the accompanying statement of support, revenue, and expenses - modified cash basis because the criteria for recognition of such volunteer effort under non-profit guidelines have not been satisfied.

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2020 follows:

Building	\$ 400,000
Leasehold improvements	32,762
Vehicle	18,399
Equipment	23,044
Total property and equipment	<u>474,205</u>
Accumulated depreciation	<u>(33,562)</u>
Total depreciable assets, net	440,643
Construction in progress	287,316
Property and equipment, net	<u><u>\$ 727,959</u></u>

NOTE 3 - OPERATING LEASES

In September 2015, the Organization entered into a 60-month lease with Daniels Realty for office space. In June 2020, the Organization extended the lease for an additional term of 12 months. The current lease calls for monthly payments of \$3,150, and the lease expires September 2021.

The Organization also leases a house in Dittmer, Missouri, on a verbal month-to-month lease. The current rent is \$1 per year and the agreement stipulates that the Organization will reimburse the owner for insurance.

Future minimum lease payments for the year ending December 31, 2021 are \$28,350.

Rent expense associated with these leases totaled \$34,997 for the year ended December 31, 2020.

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statements of support, revenue, and expenses - modified cash basis. Accordingly, certain costs have been allocated between fundraising, administration, or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 - NON-CASH CONTRIBUTIONS

The Organization receives donations of services, products, and securities. The amounts of these donations are recorded in the financial statements at their fair market values at the time of donation. The Organization received \$37,413 in non-cash contributions for the year ended December 31, 2020.

NOTE 6 - NOTE PAYABLE

In April 2020, the Organization received loan proceeds in the amount of \$183,300 under the Paycheck Protection Program (“PPP”). The PPP is administered by the Small Business Administration. The loan and accrued interest are forgivable after eight to twenty-four weeks as long as the Organization uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. The amount of loan forgiveness may be reduced if the Organization reduces payroll during the eight to twenty-four week period. The unforgiven portion of the PPP loan is payable over a two-year period at an interest rate of 1%, with a deferral of payments for the first six months. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. The Organization intends to use the proceeds for purposes consistent with the PPP. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness. As of December 31, 2020, the Organization had not yet requested loan forgiveness. The loan proceeds are recorded as PPP loan proceeds on the statement of support, revenue, and expenses - modified cash basis. The loan balance as of December 31, 2020 was \$183,300.

NOTE 7 - AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	<u>\$ 933,868</u>
Total financial assets at year-end	<u>933,868</u>
Less amounts not available for general expenditures within one year	
Net assets with period restrictions in excess of one year	-
Net assets with purpose restrictions	<u>322,058</u>
Total amounts not available to meet general expenditures within one year	<u>322,058</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 611,810</u></u>

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions as of December 31, 2020 are restricted as follows:

	<u>Purpose</u>	<u>Period</u>
East Missouri Foundation - transitional living	\$ 10,000	\$ -
Jefferson Memorial - utilities, food, supplies	23,013	-
Construction	289,045	
Total	<u>\$ 322,058</u>	<u>\$ -</u>

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 26, 2021, the date which the financial statements were available for issue, and noted no reportable events.