

THE COVERING HOUSE
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2021

THE COVERING HOUSE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of The Covering House

Opinion

We have audited the accompanying financial statements of The Covering House (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Covering House as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Covering House and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Covering House's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Covering House's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Fick, Eggemeyer & Williamson, CPAs

Fick, Eggemeyer & Williamson, CPAs
Saint Louis, Missouri
February 21, 2022

THE COVERING HOUSE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,263,570
Accounts receivable		55,507
Prepaid expenses		13,794

Total current assets 1,332,871

NONCURRENT ASSETS

Property and equipment, net of accumulated depreciation		<u>935,735</u>
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Total noncurrent assets 935,735

Total assets \$ 2,268,606

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	448
Payroll liabilities		19,926
Client funds		1,400
Credit card payable		6,622

Total current liabilities 28,396

NONCURRENT LIABILITIES

None		<u>-</u>
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Total noncurrent liabilities -

Total liabilities 28,396

NET ASSETS

Without donor restrictions	1,754,935
With donor restrictions	485,275

Total net assets 2,240,210

Total liabilities and net assets \$ 2,268,606

See accompanying notes and independent auditors' report

THE COVERING HOUSE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor restrictions	With Donor restrictions	Total
SUPPORT AND REVENUE			
Contributed support	\$ 881,293	\$ 213,850	\$ 1,095,143
Grants	275,100	45,000	320,100
Program	185,689	-	185,689
Events	132,243	-	132,243
PPP loan forgiveness	183,300	-	183,300
Non-cash contributions			
Stock	32,100	-	32,100
In-kind	41,603	-	41,603
Other	67	-	67
	<u>1,731,395</u>	<u>258,850</u>	<u>1,990,245</u>
Total support and revenue			
	1,731,395	258,850	1,990,245
Net assets released from restrictions			
Satisfaction of restrictions	<u>95,633</u>	<u>(95,633)</u>	<u>-</u>
Total	<u>1,827,028</u>	<u>163,217</u>	<u>1,990,245</u>
EXPENSES			
Program expenses	<u>985,048</u>	<u>-</u>	<u>985,048</u>
Total program services	<u>985,048</u>	<u>-</u>	<u>985,048</u>
Supporting services			
Administrative expenses	221,349	-	221,349
Fundraising	<u>36,748</u>	<u>-</u>	<u>36,748</u>
Total supporting services	<u>258,097</u>	<u>-</u>	<u>258,097</u>
Total expenses	<u>1,243,145</u>	<u>-</u>	<u>1,243,145</u>
Changes in net assets from operations	<u>583,883</u>	<u>163,217</u>	<u>747,100</u>
INVESTMENT ACTIVITIES			
Interest	617	-	617
Gain/(loss) on disposal of equipment	<u>(884)</u>	<u>-</u>	<u>(884)</u>
Total investment activities	<u>(267)</u>	<u>-</u>	<u>(267)</u>
Changes in net assets	583,616	163,217	746,833
Net assets - beginning of year	<u>1,171,319</u>	<u>322,058</u>	<u>1,493,377</u>
Net assets - end of year	<u>\$ 1,754,935</u>	<u>\$ 485,275</u>	<u>\$ 2,240,210</u>

See accompanying notes and independent auditors' report

THE COVERING HOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Expenses	Administrative Expenses	Fundraising	Total
Office expense	\$ 1,001	\$ 16,339	\$ -	\$ 17,340
Professional fees	6,634	1,928	-	8,562
Contributed supplies	22,521	-	-	22,521
Depreciation	14,452	-	-	14,452
Facilities and equipment	32,456	24,341	-	56,797
Phone and internet	1,210	518	-	1,728
Insurance	25,934	7,315	-	33,249
Payroll and payroll taxes	778,581	170,908	-	949,489
Travel and meetings	2,788	-	-	2,788
Awareness and education	13,133	-	-	13,133
Clinical expenses	16,718	-	-	16,718
Education/life skills programs	13,431	-	-	13,431
Program training and materials	6,903	-	-	6,903
Community based services	4,481	-	-	4,481
Fundraising and events	-	-	36,748	36,748
Residential home	37,184	-	-	37,184
Other	7,621	-	-	7,621
Total	<u>\$ 985,048</u>	<u>\$ 221,349</u>	<u>\$ 36,748</u>	<u>\$ 1,243,145</u>

See accompanying notes and independent auditors' report

THE COVERING HOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$	746,833
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation		14,452
Debt forgiveness income - Paycheck Protection Program		(183,300)
Non-cash contributions - stock		(32,100)
(Gain)/loss on disposal of equipment		884
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(18,686)
(Increase) decrease in prepaid expenses		(13,416)
Increase (decrease) in accounts payable		(22,228)
Increase (decrease) in payroll liabilities		2,839
Increase (decrease) in client funds		1,400
Increase (decrease) in credit card payable		<u>3,062</u>
Net cash provided by (used in) operating activities		<u>499,740</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of investments		32,100
Purchase of property and equipment		<u>(202,138)</u>
Net cash provided by (used in) investing activities		<u>(170,038)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

None		<u>-</u>
Net cash provided by (used in) financing activities		<u>-</u>
Net increase (decrease) in cash and cash equivalents		329,702
Cash and cash equivalents - beginning of year		<u>933,868</u>
Cash and cash equivalents - end of year	\$	<u><u>1,263,570</u></u>

See accompanying notes and independent auditors' report

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 accrual basis of accounting. 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 accrual 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 that are 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 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 are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities

Cash and Cash Equivalents

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

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, 2021, no amounts have been recognized for uncertain tax positions. The Organization’s tax returns filed for 2018 and prior are closed.

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at cost or, in the case of donated assets, at their estimated fair market value on the date of 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.

Depreciation expense for the year ended December 31, 2021 was \$14,452.

Measure of Operations

The statement of activities 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.

Contributed Services

A number of volunteers contributed services to the Organization. Only the contributed services that meet the reporting criteria for recognition have been reported at the fair market value for the services provided. Contributed services that do not meet the reporting criteria have not been included in the financial statements.

New Accounting Pronouncement

On January 1, 2021, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which replaces previously existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of ASU 2014-09 has no impact on the previously reported financial statements.

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Accounts Receivable

Accounts receivable are recorded at cost, and the Organization considers all receivables to be fully collectible. As a result, the allowance for doubtful accounts as of December 31, 2021 was \$0.

Investments

The Organization has adopted “Accounting for Certain Investments Held by Non-Profit Organizations.” Under the standard investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2021 follows:

Building	\$ 400,000
Leasehold improvements	32,762
Vehicle	45,549
Equipment	<u>19,732</u>
Total property and equipment	498,043
Accumulated depreciation	<u>(40,284)</u>
Total depreciable assets, net	457,759
Construction in progress	<u>477,976</u>
Property and equipment, net	<u><u>\$ 935,735</u></u>

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 - OPERATING LEASES

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

On April 1, 2021, the Organization entered into a 12-month lease with Maritz Holdings, Inc. for the use of office space. The lease will default to month-to-month after the initial lease term has expired. Maritz Holdings, Inc. would charge a fair market rate of \$4,771 per month but is providing the Organization a discounted rate. Monthly payments are \$250 for the first 12 months, with annual escalations of \$25 for each additional 12 months the space is occupied.

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 are as follows:

For the year ending December 31:

2022	\$	3,225
2023		3,525
2024		<u>900</u>
Total	\$	<u><u>7,650</u></u>

Rent expense associated with these leases totaled \$35,941 for the year ended December 31, 2021.

NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. 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.

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 \$54,621 in non-cash contributions for the year ended December 31, 2021.

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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. On May 12, 2021, the entire loan balance was forgiven and \$183,300 was recorded as PPP loan forgiveness on the statement of activities. The balance as of December 31, 2021 was \$0.

NOTE 7 - AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets as of December 31, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 1,263,570
Accounts receivable	<u>55,507</u>
Total financial assets at year-end	<u>1,319,077</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>485,275</u>
Total amounts not available to meet general expenditures within one year	<u>485,275</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 833,802</u></u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions as of December 31, 2021 are restricted as follows:

	<u>Purpose</u>	<u>Period</u>
Episcopal Presbyterian - therapy	\$ 12,332	\$ -
Jefferson Memorial - education and therapy	22,712	-
Construction	<u>450,231</u>	<u>-</u>
Total	<u><u>\$ 485,275</u></u>	<u><u>\$ -</u></u>

THE COVERING HOUSE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Organization maintains various deposit accounts at Central Bank. Each depositor is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021, \$320,007 of deposits were covered by FDIC and \$959,609 were covered by pledged securities.

NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 21, 2022, the date which the financial statements were available for issue, and noted no reportable events.