

COVENANT TO CARE FOR CHILDREN, INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

COVENANT TO CARE FOR CHILDREN, INC.

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to the Financial Statements	8-14

Zackin

Zimyeski

Sullivan

Certified  
Public  
Accountants  
LLC

One Exchange Place  
21 West Main Street  
Sixth Floor  
Waterbury  
Connecticut  
06702-2013  
Telephone  
203 • 753 • 2200  
Facsimile  
203 • 756 • 1608  
[www.zzscpa.com](http://www.zzscpa.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Covenant to Care for Children, Inc.

### Opinion

We have audited the accompanying financial statements of Covenant to Care for Children, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant to Care for Children, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Covenant to Care for Children, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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.

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

To the Board of Directors of  
Covenant to Care for Children, Inc.

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

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

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

ZACKIN ZIMYESKI SULLIVAN  
Certified Public Accountants, LLC  
Waterbury, CT

December 2, 2022

COVENANT TO CARE FOR CHILDREN, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 158,613	\$ 119,119
Grants Receivable	5,000	5,000
Prepaid Expenses	4,635	4,722
Total Current Assets	<u>168,248</u>	<u>128,841</u>
 PROPERTY AND EQUIPMENT, NET	 13,568	 13,574
<b>OTHER ASSETS</b>		
Security Deposits	<u>3,005</u>	<u>3,005</u>
 TOTAL ASSETS	 <u>\$ 184,821</u>	 <u>\$ 145,420</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 8,242	\$ 2,160
Accrued Payroll	3,886	3,874
Accrued Vacation	7,618	7,833
Accrued Expenses	9,930	9,930
Total Current Liabilities	<u>29,676</u>	<u>23,797</u>
 <b>NET ASSETS</b>		
Without Donor Restrictions	114,411	38,829
With Donor Restrictions	<u>40,734</u>	<u>82,794</u>
Total Net Assets	<u>155,145</u>	<u>121,623</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 184,821</u>	 <u>\$ 145,420</u>

See accompanying notes to the financial statements

COVENANT TO CARE FOR CHILDREN, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Donated Goods and Services	\$ 291,861	\$ -	\$ 291,861	\$ 332,525	\$ -	\$ 332,525
Government Grants	264,431	-	264,431	255,353	-	255,353
Foundations	60,000	56,200	116,200	2,500	76,367	78,867
Individuals	30,931	-	30,931	32,179	-	32,179
Corporations	19,144	-	19,144	22,267	-	22,267
Religious Community	9,899	-	9,899	4,430	-	4,430
Special Projects	717	-	717	2,003	-	2,003
Events	4,717	-	4,717	58	-	58
United Way	470	-	470	418	-	418
Interest and Dividend Income	173	-	173	83	-	83
Total Support and Revenue	<u>682,343</u>	<u>56,200</u>	<u>738,543</u>	<u>651,816</u>	<u>76,367</u>	<u>728,183</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>						
Satisfaction of Program Restrictions	98,260	(98,260)	-	65,916	(65,916)	-
<b>TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>						
	780,603	(42,060)	738,543	717,732	10,451	728,183
<b>EXPENSES</b>						
Program Services	627,160	-	627,160	679,499	-	679,499
Management and General	72,878	-	72,878	30,196	-	30,196
Fundraising	4,983	-	4,983	11,312	-	11,312
Total Expenses	<u>705,021</u>	<u>-</u>	<u>705,021</u>	<u>721,007</u>	<u>-</u>	<u>721,007</u>
<b>NET CHANGE IN NET ASSETS</b>	75,582	(42,060)	33,522	(3,275)	10,451	7,176
<b>NET ASSETS, BEGINNING OF THE YEAR</b>	<u>38,829</u>	<u>82,794</u>	<u>121,623</u>	<u>42,104</u>	<u>72,343</u>	<u>114,447</u>
<b>NET ASSETS, END OF THE YEAR</b>	<u>\$ 114,411</u>	<u>\$ 40,734</u>	<u>\$ 155,145</u>	<u>\$ 38,829</u>	<u>\$ 82,794</u>	<u>\$ 121,623</u>

See accompanying notes to the financial statements

COVENANT TO CARE FOR CHILDREN, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022

PAGE 1 OF 2  
(continued)

	Program Services	Management and General	Fundraising	Total
<b>FUNCTIONAL EXPENSES</b>				
Salaries and Related Expenses				
Payroll	\$ 181,944	\$ 45,340	\$ -	\$ 227,284
Payroll Taxes	15,298	3,824	-	19,122
Employee Benefits	11,247	2,812	-	14,059
Total Salaries and Related Expenses	208,489	51,976	-	260,465
Direct Assistance				
Clothing and Donated Goods	291,861	-	-	291,861
Food Pantry	284	-	-	284
Total Direct Assistance	292,145	-	-	292,145
Operating Expenses				
Foundation Expenditures	47,581	-	-	47,581
Rent	25,408	6,352	-	31,760
Insurance	18,746	4,686	-	23,432
Depreciation	1,703	426	-	2,129
Professional Fees	12,240	3,060	4,906	20,206
Dues and Subscriptions	5,834	1,459	-	7,293
Printing/Copying	3,788	947	-	4,735
Telephone	2,495	624	-	3,119
Travel	560	561	-	1,121
Utilities	3,920	980	-	4,900
Postage	1,145	286	-	1,431
Office Supplies	1,386	497	-	1,883
Miscellaneous	57	485	-	542
Repairs and Maintenance	128	32	-	160
Payroll Service	858	215	-	1,073
Equipment Rental	677	169	-	846
Training and Meetings	-	123	77	200
Total Operating Expenses	126,526	20,902	4,983	152,411
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 627,160</b>	<b>\$ 72,878</b>	<b>\$ 4,983</b>	<b>\$ 705,021</b>

See accompanying notes to the financial statements

COVENANT TO CARE FOR CHILDREN, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

PAGE 2 OF 2  
(continued)

	Program Services	Management and General	Fundraising	Total
<b>FUNCTIONAL EXPENSES</b>				
Salaries and Related Expenses				
Payroll	\$ 193,245	\$ 15,199	\$ 8,685	\$ 217,129
Payroll Taxes	15,730	1,237	707	17,674
Employee Benefits	13,959	1,098	627	15,684
Total Salaries and Related Expenses	222,934	17,534	10,019	250,487
Direct Assistance				
Clothing and Donated Goods	332,525	-	-	332,525
Food Pantry	131	-	-	131
Total Direct Assistance	332,656	-	-	332,656
Operating Expenses				
Foundation Expenditures	33,910	-	-	33,910
Rent	27,563	3,759	-	31,322
Insurance	17,844	2,433	-	20,277
Depreciation	2,443	333	-	2,776
Professional Fees	15,702	2,141	-	17,843
Dues and Subscriptions	7,117	971	-	8,088
Printing/Copying	2,959	694	971	4,624
Telephone	3,886	530	-	4,416
Travel	1,460	199	-	1,659
Utilities	4,500	614	-	5,114
Postage	981	230	322	1,533
Office Supplies	1,068	146	-	1,214
Miscellaneous	731	100	-	831
Repairs and Maintenance	1,837	251	-	2,088
Payroll Service	986	135	-	1,121
Equipment Rental	605	83	-	688
Training and Meetings	317	43	-	360
Total Operating Expenses	123,909	12,662	1,293	137,864
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 679,499</b>	<b>\$ 30,196</b>	<b>\$ 11,312</b>	<b>\$ 721,007</b>

See accompanying notes to the financial statements

COVENANT TO CARE FOR CHILDREN, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 33,522	\$ 7,176
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities:		
Depreciation	2,129	2,776
Changes in Assets and Liabilities		
Decrease in Grants Receivable	-	1,860
Decrease (Increase) in Prepaid Expenses	87	(358)
Decrease in Inventory	-	209
Increase (Decrease) in Accounts Payable	6,082	(4,468)
Increase in Accrued Payroll	12	2,070
(Decrease) Increase in Accrued Vacation	(215)	335
Increase in Accrued Expenses	-	8,093
Net Cash Provided by Operating Activities	<u>41,617</u>	<u>17,693</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	<u>(2,123)</u>	<u>-</u>
Net Cash (Used) by Investing Activities	(2,123)	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>39,494</b>	<b>17,693</b>
<b>CASH - BEGINNING</b>	<u>119,119</u>	<u>101,426</u>
<b>CASH - ENDING</b>	<u><u>\$ 158,613</u></u>	<u><u>\$ 119,119</u></u>

See accompanying notes to the financial statements

COVENANT TO CARE FOR CHILDREN, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

1. NATURE OF THE ORGANIZATION

Covenant to Care for Children, Inc. (hereinafter “the Organization”) is a nonprofit Connecticut corporation established to connect social workers and other professionals with faith and/or community-based organizations throughout Connecticut, in order to provide programs, goods, and services to abused, neglected, and impoverished children and to the families working to provide them with safe, nurturing environments. Its goal is that children have the opportunity to become healthy and productive adults through recreational, educational and social activities, foster parent recruitment and support, and child welfare awareness.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Covenant to Care for Children, Inc. is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who is responsible for their integrity and objectivity. These accounting policies are in accordance with accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

a. Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting, whereby income is recognized when it becomes available and measurable, and expenses are recognized when the liability is incurred, if measurable.

*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 the donor has stipulated the funds be maintained in perpetuity.

b. Recognition of Support and Revenue

Support and revenue consists of state governmental grants and contracts; and individual, corporate, foundation and religious organization contributions. Entitlement to cost reimbursement grants and contracts is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures.

Entitlement to performance-based grants and contracts are based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved.

COVENANT TO CARE FOR CHILDREN, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. New Accounting Pronouncement

The Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers. The ASU provides new revenue recognition guidance that superseded existing revenue recognition guidance.

The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers which reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenue. The Organization adopted ASU 2014-09 on July 1, 2020, using the modified retrospective method of transition. The organization performed an analysis of revenue streams and transactions under ASU 2014-09. The new standard also requires enhanced disclosures related to the disaggregation of revenue and significant judgements made in measurement and recognition. There was no cumulative effect of applying ASU 2014-09.

d. Cash Equivalents

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

e. Contributions

Contributions are recorded when pledges are made by the respective donors. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Contributions received are recorded as with or without donor restrictions support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified and reported in the statement of activities as net assets released from restrictions. The Organization’s policy is to present net assets with donor restrictions received during the year whose restrictions are also met during the current year as net assets without donor restrictions.

f. Receivables and Allowance for Doubtful Accounts

Grants receivable consists of grants unconditionally pledged to the Organization. Receivables are written off and charged against current income whenever it is determined that they are uncollectible; therefore, no allowance for doubtful accounts is reflected in the financial statements.

COVENANT TO CARE FOR CHILDREN, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Property and Equipment

Property and equipment is capitalized and carried at cost or, if donated, at the approximated fair value at the date of donation. The Organization reports gifts of office equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Minor replacements, maintenance and repairs under \$1,000 are charged to expense as incurred. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities. Depreciation expense was \$2,129 and \$2,776 for the years ended June 30, 2022 and 2021, respectively.

h. Functional Expense Allocations

The majority of expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly. Other expenses by function are allocated to components of these services based on allocation factors determined by management and may change from year to year.

The expenses that are allocated including the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll and Related	Time and Effort
Printing/Copying	Usage
Postage	Usage

i. In-kind Contributions

These include donated goods consisting of food, clothing, and other donated items, which are recognized according to Goodwill thrift shop valuation guides. The donated goods are used to support the Organization's activities as described in Note 1.

There were in-kind contributions of this type of \$291,861 and \$332,525 for the years ended June 30, 2022 and 2021.

The Organization recognizes donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements. No donated services have been recognized in the accompanying financial statements. However, the Organization benefits from more than 20,000 volunteer hours per year.

COVENANT TO CARE FOR CHILDREN, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Compensated Absences

Employees of the Organization are entitled to paid vacation depending on job classification, length of service, and other factors. The Organization allows carryover of unused vacation days, with the amount of days carried over based on the employee's length of service.

k. Fair Value of Financial Instruments

The carrying value of cash, grants receivable, accounts payable and accrued liabilities approximated their fair values due to the short maturity of these instruments.

l. Income Taxes

The Organization qualifies for an exemption from federal and state income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The Organization is not required to file an informational return in the U.S. federal jurisdiction.

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 periods. Accordingly, actual results could differ from those estimates.

n. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

3. DATE OF MANAGEMENT'S REVIEW

The Organization has evaluated subsequent events for potential recognition or disclosure in the financial statements through December 2, 2022, the date upon which the financial statements were available to be issued.

COVENANT TO CARE FOR CHILDREN, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

4. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30:

Financial assets at year end:		<u>2022</u>	
Cash and cash equivalents	\$	158,613	
Grants Receivable		<u>5,000</u>	
Total Financial Assets		<u>163,613</u>	
Less amount not available to be used within one year:			
Net assets with donor restrictions	\$	<u>(40,734)</u>	
Financial assets available to meet general expenditures over the next twelve months		<u>\$ 122,879</u>	

5. COMMITMENTS AND CONTINGENCIES

The Organization participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Organization, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

6. STATEMENT OF CASH FLOWS

Supplemental disclosures are required for cash disbursed for income taxes and interest and noncash transactions. During the years ended June 30, 2022 and 2021, no cash was disbursed for income taxes or interest. There were no noncash transactions, other than donated goods (see Note 2j.), for the years ended June 30, 2022 and 2021.

COVENANT TO CARE FOR CHILDREN, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Leasehold Improvements	\$ 39,046	\$ 39,046
Office Equipment	17,289	15,166
Vehicles	61,851	61,851
Total Property and Equipment	118,186	116,063
Less: Accumulated Depreciation	(104,618)	(102,489)
Property and Equipment, Net	\$ 13,568	\$ 13,574

8. OPERATING LEASES

The Organization is leasing an office space in Hartford. The lease term is March 1, 2014 through February 28, 2024 and may be extended for one additional five (5) year period with a mutually agreed upon increase in rate. Rent expense was \$31,760 and \$31,322 for the years ended June 30, 2022 and 2021, respectively.

At June 30, 2022, future minimum lease payments are:

June 30,	
2023	31,065
2024	20,710
Total	\$ 51,775

Effective October 1, 2017, the Organization rents additional storage space for \$100 per month, on a month-to-month basis.

COVENANT TO CARE FOR CHILDREN, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

9. NET ASSETS

Net assets with donor restrictions were as follows for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Specific Purpose		
Auerbach Grant (HFPG)	\$ -	\$ 5,609
Betty Knox Foundation	2,000	-
Community Foundation of Middlesex County	-	3,000
Ensworth Charitable Foundation	7,259	13,610
Evelyn S. and K.E. Barrett Foundation	-	7,500
Farmington Bank Foundation	-	8,500
First Congregational Church of Madison	10,000	10,000
Gen Re Corporation	45	45
Lindberg Grant (HFPG)	-	299
McPhee Foundation	231	6,432
People's United Community Foundation	4,000	4,300
Simsbury Junior Woman's Club	500	500
Strategic Planning (HFPG)	3,099	7,360
Walmart Foundation	8,857	9,141
Wells Fargo	4,743	6,154
Wrobel Grant (HFPG)	-	344
Total Specific Purpose	<u>\$ 40,734</u>	<u>\$ 82,794</u>

Net assets without donor restrictions for the years ended June 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Undesignated	<u>\$ 114,411</u>	<u>\$ 38,829</u>

10. CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of grants receivable.

- Grants Receivable – The Organization receives a significant portion of its support and revenue from a state grant passed through the State of Connecticut. As with all governmental funding, this grant is subject to reduction or termination in future years. Any significant reduction in this grant could have a negative impact on the Organization's program services.
- Cash – The Organization maintains cash balances in several checking and money market accounts. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. There were no uninsured balances at June 30, 2022 and 2021.

Zackin  
Zimyeski  
Sullivan

Certified  
Public  
Accountants  
LLC

One Exchange Place  
21 West Main Street  
Sixth Floor  
Waterbury  
Connecticut  
06702-2013  
Telephone  
203 • 753 • 2200  
Facsimile  
203 • 756 • 1608  
www.zzscca.com

December 2, 2022

To the Board of Directors  
Covenant to Care for Children, Inc.  
1477 Park Street, 2A  
Hartford, CT 06106

We have audited the financial statements of Covenant to Care for Children, Inc. for the years ended June 30, 2022 and 2021, and will issue our report thereon dated December 2, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 2, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Covenant to Care for Children, Inc. are described in Note 2 to the financial statements. As described in Note 2, the Organization changed accounting policies related to revenue recognition by adopting FASB Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers in 2021. Accordingly, the accounting change has been applied using the modified retrospective approach. We noted no transactions entered into by the Organization during the prior year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the functional allocation of expenses shared between programs, and management and general is based on a reasonable and consistent basis using factors such as time and effort, square footage, and total direct expenses. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

To the Board of Directors  
Covenant to Care for Children, Inc.  
December 2, 2022  
Page 2

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 2, 2022.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Directors  
Covenant to Care for Children, Inc.  
December 2, 2022  
Page 3

This information is intended solely for the use of the Board of Directors and management of Covenant to Care for Children, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Zackin Zimyeski Sullivan". The signature is written in a cursive style with a large initial "Z".

ZACKIN ZIMYESKI SULLIVAN  
Certified Public Accountants, LLC