

FINANCIAL STATEMENTS

Covenant House California

*Year ended June 30, 2005 with summarized financial information
for the year ended June 30, 2004*

with Report of Independent Auditors

Covenant House California

Financial Statements

Year ended June 30, 2005
with summarized financial information for the year ended June 30, 2004

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Report of Independent Auditors

The Board of Directors
Covenant House California

We have audited the accompanying statement of financial position of Covenant House California (the Organization) as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Covenant House California's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Covenant House California's 2004 financial statements and, in our report dated August 17, 2004, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Organization's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Covenant House California as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

September 9, 2005

Covenant House California
Statements of Financial Position

	June 30	
	2005	2004
Assets		
Cash and cash equivalents	\$ 65,080	\$ 518,816
Investments	7,679,614	8,221,518
Contributions receivable, net	629,855	533,913
Grants receivable	462,500	208,663
Due from affiliates	600	-
Due from Parent	-	24,385
Other receivables	1,119	11,535
Prepaid expenses	140,867	215,736
Deposits	500,000	-
Property and equipment:		
Buildings	7,194,256	7,194,256
Leasehold improvements	387,008	387,008
Furniture and equipment	1,293,775	1,169,325
	<u>8,875,039</u>	<u>8,750,589</u>
Less accumulated depreciation and amortization	(3,929,946)	(3,614,468)
Net property and equipment	<u>4,945,093</u>	<u>5,136,121</u>
Total assets	<u>\$ 14,424,728</u>	<u>\$ 14,870,687</u>
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 438,075	\$ 494,190
Other liabilities	12,037	48,286
Due to Parent	248,005	-
Total liabilities	<u>698,117</u>	<u>542,476</u>
Commitments		
Net assets:		
Unrestricted:		
Undesignated	5,745,136	5,058,798
Investment in property, plant and equipment	4,945,093	5,136,121
Board designated	2,448,382	3,763,190
Total unrestricted	<u>13,138,611</u>	<u>13,958,109</u>
Temporarily restricted	588,000	370,102
Total net assets	<u>13,726,611</u>	<u>14,328,211</u>
Total liabilities and net assets	<u>\$ 14,424,728</u>	<u>\$ 14,870,687</u>

See accompanying notes.

Covenant House California

Statement of Activities

Year ended June 30, 2005

with summarized financial information for the year ended June 30, 2004

	Unrestricted	Temporarily Restricted	2005 Total	2004 Total
Contributions, revenue and reclassifications:				
Contributions:				
Contributions from individuals, foundations and corporations, including legacies and bequests of \$440,180 (\$198,635 in 2004)	\$ 5,887,899	\$ 447,005	\$ 6,334,904	\$ 6,055,154
Support from Parent	41,684	-	41,684	31,000
Contributed services and merchandise	63,384	-	63,384	49,356
Government contracts and grants	1,553,853	-	1,553,853	1,417,322
Special events revenue, less direct benefit to donor costs of \$180,829 (\$136,083 in 2004)	365,228	-	365,228	324,622
Total contributions	7,912,048	447,005	8,359,053	7,877,454
Revenue:				
Investment income:				
Interest and dividends	222,040	-	222,040	313,994
Net realized gain (loss)	76,269	-	76,269	(35,755)
Net unrealized gain (loss)	(64,738)	-	(64,738)	227,134
Other income	11,301	-	11,301	13,112
Total revenue	244,872	-	244,872	518,485
Total contributions and revenue	8,156,920	447,005	8,603,925	8,395,939
Reclassifications:				
Net assets released from restrictions	229,107	(229,107)	-	-
Total contributions, revenue and reclassifications	8,386,027	217,898	8,603,925	8,395,939
Expenses:				
Program services:				
Shelter and Crisis Care	3,223,481	-	3,223,481	2,934,792
Outreach	428,290	-	428,290	444,518
Medical Services	537,508	-	537,508	571,505
Rights of Passage/Supportive Apartments	1,251,845	-	1,251,845	1,304,417
Community Service Center	1,766,258	-	1,766,258	1,926,101
Public Education	56,023	-	56,023	124,577
Total program services	7,263,405	-	7,263,405	7,305,910
Supporting services:				
Management and General	325,257	-	325,257	325,818
Fundraising	1,616,863	-	1,616,863	1,788,667
Total supporting services	1,942,120	-	1,942,120	2,114,485
Total expenses	9,205,525	-	9,205,525	9,420,395
Changes in net assets	(819,498)	217,898	(601,600)	(1,024,456)
Net assets at beginning of year	13,958,109	370,102	14,328,211	15,352,667
Net assets at end of year	\$ 13,138,611	\$ 588,000	\$ 13,726,611	\$ 14,328,211

See accompanying notes.

Covenant House California
Statement of Functional Expenses

Year ended June 30, 2005
with summarized financial information for the year ended June 30, 2004

	Program Services							Supporting Services				Total	
	Shelter and Crisis Care	Outreach	Medical Services	Rights of Passage/ Supportive Apartments	Community Service Center	Public Education	Total	Management and General	Fundraising	Direct Cost of Special Events	Total	2005	2004
Salaries and wages	\$ 1,822,401	\$ 231,290	\$ 269,632	\$ 628,858	\$ 861,769	\$ 27,006	\$ 3,840,956	\$ 93,961	\$ 248,534	\$ -	\$ 342,495	\$ 4,183,451	\$ 4,265,216
Payroll taxes	405,439	46,082	47,871	129,157	166,861	2,545	797,955	12,292	25,938	-	38,230	836,185	766,799
Employee benefits	233,463	31,579	38,935	95,175	117,003	3,351	519,506	15,275	22,539	-	37,814	557,320	550,583
Total salaries and related expenses	2,461,303	308,951	356,438	853,190	1,145,633	32,902	5,158,417	121,528	297,011	-	418,539	5,576,956	5,582,598
Accounting fees	-	-	-	-	-	-	-	31,000	-	-	31,000	31,000	31,000
Medical fees	1,825	406	73,291	1,014	406	-	76,942	-	-	-	-	76,942	107,217
Consulting fees	1,528	277	1,477	883	1,068	2,520	7,753	101	72,176	39,431	111,708	119,461	142,414
Supplies	29,822	3,023	13,182	14,045	17,047	500	77,619	2,777	5,727	-	8,504	86,123	84,686
Telephone	38,294	6,109	3,967	14,473	31,184	3,112	97,139	2,476	42,021	-	44,497	141,636	142,109
Postage and printing	5,345	585	606	1,880	5,820	4,624	18,860	531	1,066,227	28,254	1,095,012	1,113,872	1,393,222
Occupancy:													
Fuel and utilities	52,561	4,696	4,689	25,719	38,414	35	126,114	4,689	91	-	4,780	130,894	122,686
Repairs and maintenance	18,259	2,300	2,122	9,366	20,550	-	52,597	2,033	-	-	2,033	54,630	58,759
Rents and other	37,280	160	160	62,393	118,023	-	218,016	160	-	-	160	218,176	221,018
Equipment	44,835	3,386	4,241	22,202	49,474	69	124,207	3,498	5,561	-	9,059	133,266	154,257
Transportation	25,979	4,300	971	2,732	22,642	2,157	58,781	1,981	8,142	-	10,123	68,904	92,691
Specific assistance to individuals:													
Food	96,519	26,880	7,562	71,468	20,883	-	223,312	-	-	78,706	78,706	302,018	206,469
Medical – drugs/prescriptions	408	-	12,675	14	43	-	13,140	-	-	-	-	13,140	10,273
Clothing, shelter, allowances and other	55,390	15,171	9,373	27,443	81,700	1,381	190,458	109	-	-	109	190,567	221,848
Contributed clothing and merchandise	8,700	4,415	3,815	4,415	5,820	-	27,165	-	-	-	-	27,165	29,614
Temporary help	15,794	14,168	419	1,540	42,695	-	74,616	837	-	-	837	75,453	31,291
Other purchased services	94,905	4,438	919	30,615	61,682	-	192,559	5,173	103,196	34,438	142,807	335,366	194,473
Dues, licenses and permits	2,347	522	541	1,163	1,980	144	6,697	278	4,414	-	4,692	11,389	17,413
Subscriptions and publications	525	87	87	258	565	4	1,526	71	640	-	711	2,237	4,215
Staff recruitment	13,886	808	858	2,424	11,172	-	29,148	1,616	2,487	-	4,103	33,251	29,031
Insurance	49,984	11,899	4,655	25,782	30,119	-	122,439	4,205	-	-	4,205	126,644	109,472
Contributed services and merchandise	8,984	1,169	1,167	12,679	3,930	-	27,929	1,789	1,500	-	3,289	31,218	19,742
Miscellaneous	11,459	920	1,580	2,510	7,303	7,540	31,312	1,008	2,497	-	3,505	34,817	95,915
Bank charges and fees	-	-	-	-	-	-	-	135,753	-	-	135,753	135,753	145,910
Total functional expenses before depreciation	3,075,932	414,670	504,795	1,188,208	1,718,153	54,988	6,956,746	321,613	1,611,690	180,829	2,114,132	9,070,878	9,248,323
Depreciation and amortization	147,549	13,620	32,713	63,637	48,105	1,035	306,659	3,644	5,173	-	8,817	315,476	308,155
Total functional expenses	3,223,481	428,290	537,508	1,251,845	1,766,258	56,023	7,263,405	325,257	1,616,863	180,829	2,122,949	9,386,354	9,556,478
Less cost of direct benefit to donor	-	-	-	-	-	-	-	-	-	(180,829)	(180,829)	(180,829)	(136,083)
Total expenses reported by function on the statement of activities	\$ 3,223,481	\$ 428,290	\$ 537,508	\$ 1,251,845	\$ 1,766,258	\$ 56,023	\$ 7,263,405	\$ 325,257	\$ 1,616,863	\$ -	\$ 1,942,120	\$ 9,205,525	\$ 9,420,395

See accompanying notes.

Covenant House California

Statements of Cash Flows

	Year ended June 30	
	2005	2004
Operating activities		
Changes in net assets	\$ (601,600)	\$ (1,024,456)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	315,476	308,146
Net realized and unrealized gain on investments	(11,531)	(191,379)
Contributions restricted for building acquisition and renovation	(447,005)	(154,000)
Changes in operating assets and liabilities:		
Receivables	(339,363)	207,167
Prepaid expenses	74,869	(23,447)
Other assets	(500,000)	10,251
Accounts payable and accrued expenses	(56,116)	(18,380)
Due to (from) Parent	271,790	(9,622)
Other liabilities	(36,249)	14,258
Net cash used in operating activities	(1,329,729)	(881,462)
Investing activities		
Purchase of investments	(557,818)	(482,193)
Proceeds from sales and maturities of investments	1,111,254	428,576
Purchases of property and equipment and construction in progress	(124,448)	(69,652)
Net cash provided by (used in) investing activities	428,988	(123,269)
Financing activities		
Contributions restricted for building acquisition and renovation	447,005	154,000
	447,005	154,000
Net decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of year	(453,736)	(850,731)
Cash and cash equivalents at end of year	518,816	1,369,547
	\$ 65,080	\$ 518,816
Noncash financing activities:		
Contributions restricted for building acquisition	\$ 447,005	\$ 154,000

See accompanying notes.

Covenant House California

Notes to Financial Statements

June 30, 2005

1. Organization

Covenant House California (CHC or the Organization), a not-for-profit organization which was incorporated in October 1986, is an affiliate of Covenant House (the Parent), providing shelter and crisis care and outreach services to youth in the Los Angeles and Oakland, California, areas. The Parent is the sole member of CHC and is itself a private, not-for-profit agency, which, through its affiliates, offered shelter, food, clothing, counseling, medical attention, crisis intervention and other services to over 70,800 runaway and homeless youths during fiscal year 2005.

Covenant House Western Avenue (CHWA) is a separate corporation and an affiliate of CHC. It was established to hold land upon which a building for CHC's programs in Los Angeles, California, was constructed. CHC does not currently pay any land usage fees to CHWA. The land cost has been combined with CHC property for reporting purposes.

CHC is affiliated with the following additional not-for-profit organizations through common control by its Parent:

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

Covenant House California

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies

Summarized Financial Information for Fiscal 2004

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the financial statements of the Organization for the year ended June 30, 2004, from which the summarized information was derived.

Fund Accounting and Net Asset Classification

To ensure compliance with restrictions placed on the resources available to the Organization, the Organization's accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources are classified for accounting and reporting into funds established according to their nature and purposes. In the financial statements, funds that have similar characteristics have been combined into two net asset categories: temporarily restricted and unrestricted.

- Temporarily restricted net assets contain time and donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.
- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The Organization's Board of Directors has designated a portion of the unrestricted net assets of the Organization for facility improvements and program development as follows:

	June 30	
	2005	2004
Building/parking lot	\$ 2,394,382	\$ 3,320,000
Computer upgrades	54,000	54,000
Program development	-	389,190
Total	<u>\$ 2,448,382</u>	<u>\$ 3,763,190</u>

Covenant House California

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Organization records earned revenues on an accrual basis; investment income is recognized in accordance with policies enumerated below. 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, certain contributed services and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met.

As of June 30, 2005, the Organization had been approved for a number of government cost reimbursable grants, in which conditions stipulated in the grant agreements have not been met. Accordingly, these grants are considered conditional promises to give and are not included in the accompanying financial statements. Reimbursements of \$3,433,132 are expected to be received under such grants over the next year (including \$1,953,000 for the building purchase in Oakland, California, and for building improvements at the Los Angeles location). Revenue from cost reimbursable grants is recorded to the extent of expenses incurred applicable to the grant.

Temporarily Restricted Contributions

CHC records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class activity.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., building improvements, furniture, fixtures and equipment) are reported as temporarily restricted. CHC reflects the expiration of the donor-imposed restriction when the long-lived assets have been placed in service, at which time temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Covenant House California

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Contributed Services and Merchandise

Contributed services are recognized as revenue if the services received, create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. Contributed services and promises to contribute services that do not meet the above criteria are not recognized as revenues and are not reported in the accompanying financial statements.

Contributions of clothing and merchandise are valued at the estimated fair market value at the date of receipt and recognized as revenue when received and expensed from inventory when used.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, CHC considers highly liquid investments purchased with a maturity of three months or less, other than those held in the long-term investment portfolio, to be cash equivalents.

Investments and Investment Income

The investments of the Organization are valued at quoted market prices with realized and unrealized gains (losses) included in investment income. Investment income is comprised of interest, dividends, realized and unrealized gains (losses). Interest and dividends are recognized as earned.

Functional Expense Allocation

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

Covenant House California

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at the fair market value at the date of gift, less accumulated depreciation and amortization. Furniture and equipment is depreciated on a straight-line basis over the estimated useful life of five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the term of the lease or their estimated useful lives. The building is depreciated on a straight-line basis over 30 years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, additions to net assets and deductions from net assets. Actual results could differ from those estimates.

3. Components of Program and Supporting Services

The *Shelter and Crisis Care* program provides crisis care, shelter, food, clothing and counseling to abandoned and runaway youths in the Los Angeles area.

The *Outreach* program is an effort to reach youths who would otherwise not find their way to the shelter. Outreach vans cruise the city streets every night, searching out these youths and providing them with food, a trained counselor and a safe ride to the shelter.

The *Medical Services* center provides on-site comprehensive emergency medical services to both shelter and outreach youths including medical exams, physical exams, routine laboratory testing, pharmacy services, health education, psychological assessment, HIV/AIDS counseling and testing, etc.

Rights of Passage/Supportive Apartments provides transitional home services for up to 18 months for youths, which include education, job placement, and housing.

The *Community Service Center* program provides comprehensive services to youths who left the Covenant House Crisis Center, and other youths in the community who need support to maintain themselves in stable living situations. Services provided include substance abuse counseling and employment skills training.

Covenant House California

Notes to Financial Statements (continued)

3. Components of Program and Supporting Services (continued)

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 help these families to improve their home environment.

Fund-raising services are related to the activities of the development department in raising general and specific contributions.

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

Direct Benefit to Donor Costs are those costs incurred in connection with special events related to items benefiting attendees of special events, such as meals and entertainment.

4. Investments

Income earned from investments is recorded as unrestricted, except where the instructions of the donor specify otherwise.

The fair values of investment balances at June 30 are as follows:

	<u>2005</u>	<u>2004</u>
Money market funds	\$ 286,873	\$ 5,434,431
Common stock	180,881	6,674
Corporate debt securities	–	818,934
Mutual funds	7,211,860	218,522
U.S. government securities	–	1,742,957
	<u>\$ 7,679,614</u>	<u>\$ 8,221,518</u>

Covenant House California

Notes to Financial Statements (continued)

5. Related Party Transactions

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 its affiliates. Contributions and promises to give for the Parent totaled approximately \$30.6 million and \$28.9 million in the fiscal years ended 2005 and 2004, respectively. Fundraising expenses incurred by the Parent and allocated to affiliates totaled approximately \$8.3 and \$9.8 million in the fiscal years ended 2005 and 2004, respectively. Support from the Parent to all affiliates arising from these activities was approximately \$20.4 and \$20.0 million in the fiscal years ended 2005 and 2004, respectively. Of this amount, the Organization received \$42,000 and \$31,000 in the fiscal years ended 2005 and 2004, respectively.

In addition, the Parent conducts fundraising activities on behalf of certain affiliates for which costs are allocated to the respective affiliates. Contributions arising from these fundraising activities are recorded by the respective affiliates. In fiscal 2005 and 2004, expenses of \$1,195,353 and \$1,467,322, respectively, were charged by the Parent for such fundraising and other activities carried out on behalf of Covenant House affiliate, which are recorded as fundraising, management, and general activities in the statement of activities.

6. Tax-Exempt Status

Covenant House California is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. As a not-for-profit organization, CHC is exempt from state income taxes under Section 23701-D of the California Bank and Corporation Tax Law. CHC has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable contribution deduction for donors.

7. Pension Plan

CHC participates in a defined benefit pension plan sponsored by the Parent covering substantially all of the employees of the Parent and its domestic affiliates. Benefits are generally based on years of service and final average salary. CHC's pension expense was \$218,139 and \$225,956 for the years ended June 30, 2005 and 2004, respectively. Separate participant data for CHC is not available.

Covenant House California

Notes to Financial Statements (continued)

8. Contributions

CHC is the recipient of several multi-year contributions that are expected to be realized in the following periods:

	2005	2004
In one year or less	\$ 366,521	\$ 317,811
Between one and five years	350,334	303,102
Over five years	-	-
Discount factor of 8.0%	(87,000)	(87,000)
Contributions receivable at present value	\$ 629,855	\$ 533,913

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2005	2004
Time restrictions:		
Capital campaign	\$ 588,000	\$ 154,000
Tenth anniversary/major gifts	-	216,102
	\$ 588,000	\$ 370,102

Net assets released from restrictions were used for the Shelter and Crisis Care Program.

10. Lease Commitments

CHC is obligated under certain noncancelable operating lease agreements covering buildings and office equipment that will expire in 2009. Future minimum lease payments due under these obligations for the years ending June 30 are as follows:

2006	\$ 219,839
2007	174,363
2008	80,568
2009	80,302
2010	73,548
	\$ 628,620

Covenant House California

Notes to Financial Statements (continued)

11. Allocation of Joint Costs

Covenant House has adopted the requirements of the AICPA's Statement of Position 98-2, "Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Include Fund Raising," (SOP 98-2). The joint costs of certain informational mailings that contain an appeal for funds are allocated between the public education program and fundraising. No such joint costs were incurred during fiscal 2005 or 2004.

12. Government Grants and Contracts

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

13. Oakland, California, Property Purchase

A building for CHC's programs in Oakland, California, was purchased during fiscal 2005 for approximately \$3.4 million in cash. The purchase transaction is currently in escrow. CHC has entered into various contracts as of June 30, 2005, related to the rehabilitation of the building for program purposes.