

Eva's Village and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Eva's Village and Subsidiaries

Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Eva's Village and Subsidiaries
Paterson, New Jersey

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eva's Village and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2019, the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

Management's Responsibility for the Financial Statements

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

Auditor's 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eva's Village and Subsidiaries as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements of Eva's Village, and Subsidiaries, as of and for the year ended June 30, 2018, were audited by other auditors, whose report, dated March 12, 2019 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1c to the financial statements, as of July 1, 2018, Eva's Village and Subsidiaries, adopted the provisions of Accounting Standards Update 2016-14 Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-For-Profit Entities. Our opinion is not modified with respect to that matter.

Sax LLP

Clifton, New Jersey
December 30, 2019

Eva's Village and Subsidiaries

Consolidated Statements of Financial Position

	June 30,	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 815,288	\$ 605,367
Investments, at fair market value	247,352	214,446
Accounts and grants receivable	706,371	790,248
Contributions receivable, net	451,365	380,000
Prepaid expenses and other assets	88,540	28,405
Total current assets	2,308,916	2,018,466
PROPERTY AND EQUIPMENT, NET	13,799,376	14,319,756
OTHER ASSETS		
Restricted investments, at fair market value	428,181	413,518
Long-term portion of contributions receivable, net	1,825,579	379,889
Tenant trust funds	120,360	160,709
Mortgage receivable, net	4,500,000	4,500,000
Total other assets	6,874,120	5,454,116
TOTAL ASSETS	\$ 22,982,412	\$ 21,792,338
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,391,852	\$ 1,652,169
Line of credit	-	825,000
Due to government agencies	176,817	52,200
Notes payable, current portion	68,582	1,730,497
Total current liabilities	1,637,251	4,259,866
OTHER LIABILITIES		
Long-term portion of notes payable	3,464,673	433,212
Tenant trust funds	120,360	160,709
Total other liabilities	3,585,033	593,921
NET ASSETS		
Without donor restriction	15,408,840	16,391,564
With donor restriction	2,351,288	544,012
Total net assets	17,760,128	16,935,576
TOTAL LIABILITIES AND NET ASSETS	\$ 22,982,412	\$ 21,789,363

See accompanying Notes to Consolidated Financial Statements.

Eva's Village and Subsidiaries

Consolidated Statements of Functional Expenses

Year Ended June 30, 2019

(with summarized financial information for the year ended June 30, 2018)

	Recovery, Medical, Housing and Family Services								Food, Education, and Training Services				Supporting Services				
	Halfway House, Transitional Housing & Childcare	Outpatient, MWRAP & New IOT	Admissions	OORP	Recovery Community Center	Outpatient Mental Health	Medical & Dental Clinic	Total	Shelters & Apartments	Community Kitchen	Culinary School	Total	General and Administration	Fundraising	Total Supporting Services	2019	2018
Salaries	\$ 2,229,202	\$ 1,194,377	\$ 89,797	\$ 59,643	\$ 204,355	\$ 158,863	\$ 284,539	\$ 4,220,776	\$ 1,116,203	\$ 335,134	\$ 295,565	\$ 1,746,902	\$ 586,352	\$ 688,333	\$ 1,274,685	\$ 7,242,363	\$ 6,752,395
Employee health and retirement benefits	305,580	158,524	14,724	7,808	51,378	21,634	35,506	595,154	168,446	45,830	33,372	247,648	36,747	49,718	86,465	929,267	892,930
Payroll taxes	260,344	172,374	18,284	3,757	22,279	28,304	24,657	529,999	117,125	40,852	27,260	185,237	47,199	54,838	102,037	817,273	746,882
Total salaries and fringe	<u>2,795,126</u>	<u>1,525,275</u>	<u>122,805</u>	<u>71,208</u>	<u>278,012</u>	<u>208,801</u>	<u>344,702</u>	<u>5,345,929</u>	<u>1,401,774</u>	<u>421,816</u>	<u>356,197</u>	<u>2,179,787</u>	<u>670,298</u>	<u>792,889</u>	<u>1,463,187</u>	<u>8,988,903</u>	<u>8,392,207</u>
Professional fees	291,538	191,385	9,127	171,286	18,830	64,788	163,852	910,806	90,026	14,137	6,810	110,973	61,166	10,768	71,934	1,093,713	1,107,879
Donated professional services	-	-	-	-	-	-	191,373	191,373	-	-	-	-	-	250	250	191,623	188,134
Food	193,404	647	73	221	14,479	182	320	209,326	92,567	235,117	54,050	381,734	182	2,095	2,277	593,337	622,375
Supplies	217,008	37,710	8,346	3,410	19,950	7,590	34,802	328,816	78,524	38,611	41,560	158,695	12,981	109,281	122,262	609,773	549,832
Training	7,347	9,310	948	5,693	1,441	639	2,852	28,230	1,972	1,892	173	4,037	173	133	306	32,573	36,308
Travel	10,798	12,330	102	2,207	403	2,360	92	28,292	1,078	352	6,124	7,554	956	1,019	1,975	37,821	33,932
Occupancy	282,482	170,265	8,210	315	21,923	11,491	43,160	537,846	73,527	58,869	40,300	172,696	5,912	8,415	14,327	724,869	555,638
Telephone and internet	73,815	14,236	4,946	5,503	6,792	2,718	6,873	114,883	32,380	6,692	5,772	44,844	9,646	9,197	18,843	178,570	74,466
Repairs and maintenance	97,693	14,475	1,356	445	5,950	8,985	9,527	138,431	30,657	33,445	9,208	73,310	5,002	548	5,550	217,291	312,829
Property taxes	10,357	9,220	361	350	525	874	874	22,561	2,773	874	1,049	4,696	2,235	350	2,585	29,842	28,835
Fundraising expense	-	-	-	-	-	-	-	-	-	-	-	-	-	50,832	50,832	50,832	150,912
Interest and bank fees	82,656	9,264	1,853	1,853	2,779	4,632	4,632	107,669	35,116	6,820	5,563	47,499	15,220	-	15,220	170,388	88,281
Other taxes, permits, and fees	14,595	4,041	711	362	636	1,494	2,274	24,113	4,463	1,183	1,552	7,198	157	78	235	31,546	48,039
Bank charges	3,923	1,249	284	121	323	318	351	6,569	1,518	479	398	2,395	5,561	28,678	34,239	43,203	13,045
Insurance	52,092	5,732	5,900	5,229	5,904	4,889	24,937	104,683	16,567	15,528	6,992	39,087	3,802	345	4,147	147,917	144,465
Miscellaneous	60,265	5,404	-	-	1,962	460	7,047	75,138	23,471	1,833	1,150	26,454	5,167	8,743	13,910	115,502	45,240
Total	<u>1,397,973</u>	<u>485,268</u>	<u>42,217</u>	<u>196,995</u>	<u>101,897</u>	<u>111,420</u>	<u>492,966</u>	<u>2,828,736</u>	<u>484,639</u>	<u>415,832</u>	<u>180,701</u>	<u>1,081,172</u>	<u>128,160</u>	<u>230,732</u>	<u>358,892</u>	<u>4,268,800</u>	<u>4,000,210</u>
Depreciation expense	284,452	40,989	14,373	12,775	21,293	33,003	46,311	453,196	84,640	40,989	39,391	165,020	55,857	3,195	59,052	677,268	621,870
Total functional expenses	<u>\$ 4,477,551</u>	<u>\$ 2,051,532</u>	<u>\$ 179,395</u>	<u>\$ 280,978</u>	<u>\$ 401,202</u>	<u>\$ 353,224</u>	<u>\$ 883,979</u>	<u>\$ 8,627,861</u>	<u>\$ 1,971,053</u>	<u>\$ 878,637</u>	<u>\$ 576,289</u>	<u>\$ 3,425,979</u>	<u>\$ 854,315</u>	<u>\$ 1,026,816</u>	<u>\$ 1,881,131</u>	<u>\$ 13,934,971</u>	<u>\$ 13,014,287</u>

See accompanying Notes to Consolidated Financial Statements.

Eva's Village and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets

Year Ended June 30, 2019

(with summarized financial information for the year ended June 30, 2018)

	June 30, 2019			June 30, 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Government grants	\$ 4,267,958	\$ -	\$ 4,267,958	\$ 7,700,469
Fees for services	4,817,522	-	4,817,522	63,000
Total grants and fees for services	9,085,480	-	9,085,480	7,763,469
Contributions and special events (net of expenses of 2019 and 2018 of \$406,043 and \$400,277, respectively)	2,525,569	2,542,882	5,068,451	3,343,049
In-kind contributions	233,373	-	233,373	331,884
Estates and trust bequests	105,732	-	105,732	188,859
Rent, tenants	28,708	-	28,708	64,224
Food stamps	101,265	-	101,265	95,950
Miscellaneous income	112,532	-	112,532	172,369
Net assets released from restrictions	735,606	(735,606)	-	-
Total revenue	12,928,265	1,807,276	14,735,541	11,959,804
EXPENSES				
Program services	12,053,840	-	12,053,840	11,080,765
Supporting services				
Management and general	854,315	-	854,315	830,518
Fund raising	1,026,816	-	1,026,816	1,103,004
Total supporting services	1,881,131	-	1,881,131	1,933,522
Total operating expenses	13,934,971	-	13,934,971	13,014,287
Increase (decrease) in net assets from operations	(1,006,706)	1,807,276	800,570	(1,054,483)
OTHER INCOME (EXPENSE)				
Investment income	30,753	-	30,753	31,507
Realized and unrealized gain (loss) on investments	(2,843)	-	(2,843)	(8,341)
Gain (loss) on sale of property	(3,928)	-	(3,928)	-
Total other income (expense)	23,982	-	23,982	23,166
Increase (decrease) in net assets	(982,724)	1,807,276	824,552	(1,031,317)
NET ASSETS, beginning of year	16,391,564	544,012	16,935,576	17,966,893
NET ASSETS, end of year	\$ 15,408,840	\$ 2,351,288	\$ 17,760,128	\$ 16,935,576

See accompanying Notes to Consolidated Financial Statements.

Eva's Village and Subsidiaries

Consolidated Statements of Cash Flows

	Years Ended June 30,	
	2019	2018
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Change in net assets	\$ 824,552	\$ (1,031,317)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities		
Depreciation	677,268	621,870
Amortization of bond premium	7,929	7,929
Donated investments	-	(6,137)
Realized and unrealized (gains) losses on investments	2,843	8,341
Discount on contributions receivable	152,037	(97,285)
(Gain) and loss on disposals	(630)	-
Changes in operating assets and liabilities		
(Increase) decrease in		
Accounts and grants receivable	83,877	(182,777)
Contributions receivable	(1,669,092)	(63,747)
Prepaid expenses and other assets	(60,135)	17,449
Tenant trust funds	40,349	(40,831)
Increase (decrease) in		
Accounts payable and accrued expenses	(260,317)	462,634
Due to government agencies	124,617	(29,213)
Tenant trust funds	(40,349)	40,831
	(117,051)	(292,253)
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES		
Purchase of investments	(61,316)	(37,849)
Proceeds from sale of investments	-	6,046
Purchases of property and equipment	(183,615)	(883,226)
Proceeds from sale of property and equipment	27,357	-
	(217,574)	(915,029)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES		
Proceeds (repayments) of line of credit	(825,000)	825,000
Repayments of notes payable	(1,730,454)	(114,670)
Proceeds from notes payable	3,100,000	463,379
	544,546	1,173,709
Net Increase (decrease) in cash	209,921	(33,573)
CASH AND CASH EQUIVALENTS, beginning of year	605,367	638,940
CASH AND CASH EQUIVALENTS, end of year	\$ 815,288	\$ 605,367
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 170,388	\$ 88,281
NON-CASH INVESTING ACTIVITIES		
Deferred interest on mortgage receivable	\$ 179,865	\$ 174,626

See accompanying Notes to Consolidated Financial Statements.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Eva's Village and Subsidiaries ("Eva's" or the "Organization") is presented to assist in understanding Eva's consolidated financial statements. The consolidated financial statements and notes are representations of Eva's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as promulgated in Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification") and have been consistently applied in the preparation of the consolidated financial statements.

a. Basis of Consolidation

The accompanying consolidated financial statements include the accounts of Eva's Village, Inc. and its wholly owned subsidiaries, Eva's Kitchen, Inc. and Eva's Catering, Inc. All material intercompany balances and transactions have been eliminated in the consolidation.

b. Nature of Activities

Eva's Village, Inc. has been providing care to the disenfranchised community for over 38 years in Paterson. The Organization's mission is to provide care and support for people who are struggling with poverty, hunger, homelessness, and addiction. Guided by our founder's words, "When you take somebody's hand, you cannot let it go until they can stand on their own two feet," we have expanded over the years from a soup kitchen to a complex three-block operation offering 20+ services including Substance Use Treatment; Peer Support and Outreach; Medical, Mental Health, and Dental Clinics; a Community Kitchen; Emergency Overnight Shelters, Transitional and Permanent Housing; a Culinary School; a Workforce Development program, and Childcare and Education services. We have a unique campus model of interconnected community support services that draws people in by meeting simple human needs and provides a firm foundation for sustainable recovery.

Eva's Village, Inc. was formed in July 1998 as the result of the combination of Eva's Sheltering Programs, Inc. (formed in December 1988) and Eva's Kitchen, Inc. (formed April 1982). Eva's Village, Inc. is a New Jersey not-for-profit corporation. Eva's is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

During fiscal year 2015, the Board of Directors approved the creation of Eva's Kitchen, Inc. and Eva's Catering, Inc. which are "C" Corporations wholly owned by Eva's Village, Inc. and controlled by the Board of Directors. Each entity has a separate Board of Directors.

Eva's Kitchen, Inc. was an ecommerce company that was created to produce and sell cookies and brownies and disburse the net profits to Eva's Village, Inc. to help fund its mission and programs. The company operations launched during the 2015 holiday season, but at the end of fiscal year 2017 the business was revisited and became a seasonal business. In September 2017, the Board of Directors decided to dissolve this "C" Corporation.

Eva's Catering, Inc. is a corporation that is designed to provide catering services (prepared meals) for local entities. The net profits of this will also be disbursed to Eva's Village, Inc. to help fund the mission and programs. The activity in this company has been minimal to date.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - Continued

c. Financial Statement Presentation

Effective July 1, 2018, the Organization adopted the provisions of ASU 2016-14 - Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires the organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The net asset without donor restrictions category represents net assets that are not subject to donor-imposed restrictions and the net asset with donor restrictions category represents net assets that are subject to time or purpose donor-imposed restrictions. There have been no reclassifications of net assets originally reported as net assets with donor restrictions or to net assets without donor restrictions as a result of the new pronouncement. See Note 2 for disclosures required under ASU 2016-14 regarding liquidity and availability of financial assets.

d. Cash and Cash Equivalents

Cash consists of demand deposit accounts and certificates of deposit. Money market funds, held as a portion of Eva's investment portfolio, are classified as investments.

e. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values based on quoted market prices in the statement of financial position. Unrealized gains and losses are included in the changes in unrestricted net assets for the gains and losses that are unrestricted, and in the changes in temporarily restricted net assets for the gains and losses that are restricted for the support of certain of Eva's programs.

f. Contributions

Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Pledges are recognized when the conditions on which they depend are substantially met. Bequests are recognized when Eva's receives notification that the probate court has declared the will valid. Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Conditional pledges are recognized as income when the conditions of the pledge are met.

g. Allowance for Doubtful Accounts, Grants, and Contributions Receivable

Eva's determines whether an allowance of uncollectible accounts, grants, and contributions receivable should be provided. Such estimates are based on management's assessment of the aged basis of Eva's receivables, current economic conditions, and historical experience. Management has estimated an allowance for doubtful accounts of \$40,000 as of June 30, 2019 and 2018, respectively.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - Continued

h. Property and Equipment

Property and equipment are recorded at cost, or for donated items, at the fair market value of the asset on the date of acquisition. Depreciation of buildings, equipment, and leasehold improvements is recorded using the straight-line method based on the estimated useful lives of the assets.

Buildings and improvements	5-39 years
Furniture and fixtures	5-10 years
Office, computers, and other equipment	5-10 years
Vehicles	5 years

The costs of assets sold or otherwise disposed and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expense as incurred; replacements and betterments that extend the useful lives are capitalized.

i. Functional Allocation of Expenses

The costs of providing various programs and support services have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services based on management's best estimates of time and effort. Remaining expenses are allocated based on the salary allocation.

j. In-kind Contributions

Eva's receives donated services from specialized providers and other volunteers that create or enhance non-financial assets and allow Eva's to fulfill their missions. Donated specialized services have been recognized on the accompanying consolidated financial statements. These donated services require medical and other professional skills, and would typically need to be purchased if not provided by donation. Such specialized donated services amounted to \$191,373 and \$281,310 for the years ended June 30, 2019 and 2018, respectively. In addition, Eva's uses various volunteers to carry out organizational activities such as distributing food to the needy and homeless, the value of these services has not been reflected on the accompanying consolidated financial statements.

The space at Prince Street in Paterson, New Jersey is donated for Eva's Kitchen's program use. The rental value of the space was estimated to be \$42,000 and \$50,574 for the years ended June 30, 2019 and 2018, respectively. The donated space is reflected as an in-kind contribution and an expense in the accompanying financial statements at the estimated value of the space.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. It is Eva's policy to apply a time restriction that expires over the useful life of the applicable property and equipment. Annually, as the time restrictions expire, Eva's reclassifies net assets with donor restrictions to net assets without donor restriction. There were no donations of property and equipment during the years ended June 30, 2019 or 2018.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies - Continued

j. In-kind Contributions - Continued

Since Eva's acts as an agent for the distribution of donated food, clothing, furniture, and other items, such amounts have been excluded from the accompanying consolidated financial statements.

k. Uncertain Tax Positions

As of June 30, 2019, management believes that based on an evaluation of Eva's tax positions that any liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating Eva's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as part of the income tax position. Income tax returns are filed in the U.S. federal jurisdiction, and state jurisdictions. U.S. federal and state income tax returns prior to fiscal year 2014 are closed.

l. Estimates

The preparation of the consolidated financial statements in accordance 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

m. Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation.

n. Subsequent Events

The Organization has evaluated subsequent events for recognition or disclosure through December 30, 2019, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Eva's Village and Subsidiaries' financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	623,691
Investments		247,352
Accounts and grants receivable		706,371
Contributions receivable		451,365
	\$	<u>2,028,779</u>

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 2 - Liquidity and Availability - Continued

As part of Eva's Village liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization is heavily funded by cost reimbursement and fee for service government contracts and does a substantial amount of fundraising to fund programs. To help manage unanticipated liquidity needs, Eva's Village, Inc. and Subsidiaries has available lines of credit in the amount of \$2,500,000, which it could draw upon.

Note 3 - Financial Instruments

Financial instruments that potentially subject Eva's to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts and grants receivable, contributions receivable, and mortgage receivable. Eva's maintain their cash in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Cash and cash equivalents are maintained at financial institutions. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. Investments are exposed to various risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements. Risk relating to accounts and grants receivable is limited due to the fact that the receivables are mainly derived from governmental agencies and have short payment terms. Concentration of credit risk with respect to contributions receivable is reduced due to the fact that the receivables are primarily from board members, not for profit organizations and other local philanthropists, and with regards to the mortgage receivable, by the contractual obligations of the mortgagee.

Note 4 - Accounts and Grants Receivable

Accounts and grants receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Grants receivables	\$ 337,500	\$ 713,305
Other receivables	408,871	116,943
	<u>746,371</u>	<u>830,248</u>
Less allowance for doubtful accounts	<u>40,000</u>	<u>40,000</u>
	<u>\$ 706,371</u>	<u>\$ 790,248</u>

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 5 - Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates of 2.49% and 2.91% for the years ended June 30, 2019 and 2018, respectively. Contributions are expected to be collected as follows at June 30:

	2019	2018
One year or less	\$ 451,365	\$ 380,000
Long-term pledge	1,977,616	450,000
	2,428,981	830,000
Less discount on contributions receivable	152,037	70,111
	\$ 2,276,944	\$ 759,889

Note 6 - Mortgage Receivable

Eva's Village Apartments, LP ("EVALP") is a for profit entity owned 99.99% by 481 Enterprise Affordable Housing Fund I, LLLP ("481"), 0.005% by Slater Street Development, Inc. ("SSDI"), and 0.005% by Eva's Village Apartments GP, Inc. ("EAGP"). SSDI and EAGP are general partners and 481 is a limited partner. EAGP is wholly owned by Eva's Village, Inc. Mortgages receivable consist of the following at June 30:

	2019	2018
Eva's Village, Inc. entered into two separate promissory notes and mortgage agreements with EVALP, in which it loaned \$100,000 and \$400,000. The mortgages have a stated interest of 3% compounded annually with interest and principal payments payable out of the available cash flow of EVALP. The mortgages are secured by the property. The entire balances of the mortgages are due and payable on December 31, 2040. The funds for the mortgages were provided from grants received from Housing Opportunities for Persons with AIDS and the United States Department of Housing and Urban Development, respectively, for this project.	\$ 679,291	\$ 665,501
Eva's Village, Inc. entered into a \$4,000,000 Grant and Deed Restriction and Regulatory Agreement with the New Jersey Housing and Mortgage Finance Agency (the Agreement). Under the Agreement, Eva's will loan the grant funds to EVALP and EVALP agreed to comply with terms of the Agreement. Advances under the Agreement will be made based upon the submission of approved requisitions. The borrowings by EVALP are evidenced by a note and a mortgage. The note has a stated interest of 3% compounded annually and is secured by the property. The entire balance and accrued interest is due on December 31, 2040.	5,496,078	5,330,003
Less deferred interest	6,175,369 1,675,369	5,995,504 1,495,504
	\$ 4,500,000	\$ 4,500,000

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 6 - Mortgage Receivable - Continued

Eva's has deferred the interest on the above mortgages receivable until the due date of December 31, 2040.

Note 7 - Investments

Investment securities are stated at fair value and are summarized as follows at June 30:

	2019		2018	
	Amortized cost	Fair value	Amortized cost	Fair value
Cash fund	\$ 77,442	\$ 80,333	\$ 50,968	\$ 50,968
U.S. treasury bonds	350,942	350,739	340,762	362,550
Mutual funds	141,233	244,461	116,817	214,446
	<u>569,617</u>	<u>\$ 675,533</u>	<u>\$ 508,547</u>	<u>\$ 627,964</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2019		
	Without donor restriction	With donor restriction	Total
Interest from cash and cash equivalents	\$ 1,864	\$ -	\$ 1,864
Dividends and interest	10,344	18,545	28,889
Realized and unrealized gains (losses)	1,039	(3,882)	(2,843)
	<u>\$ 13,247</u>	<u>\$ 14,663</u>	<u>\$ 27,910</u>

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Interest from cash and cash equivalents	\$ 1,588	\$ -	\$ 1,588
Dividends and interest	12,237	17,682	29,919
Realized and unrealized gains (losses)	10,393	(18,734)	(8,341)
	<u>\$ 24,218</u>	<u>\$ (1,052)</u>	<u>\$ 23,166</u>

Note 8 - Fair Value Measurements

The Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that Eva's have the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active; and

Level 3 - Inputs that are unobservable.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 8 - Fair Value Measurements - Continued

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by Eva's. Eva's consider observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to Eva's perceived risk of that investment.

The classification of Eva's investment securities at fair value are as follows:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Cash fund	\$ 80,333	\$ -	\$ -	\$ 80,333
U.S treasury bonds	350,739	-	-	350,739
Mutual funds	244,461	-	-	244,461
	\$ 675,533	\$ -	\$ -	\$ 675,533
	June 30, 2018			
	Level 1	Level 2	Level 3	Total
Cash fund	\$ 50,968	\$ -	\$ -	\$ 50,968
U.S treasury bonds	362,550	-	-	362,550
Mutual funds	214,446	-	-	214,446
	\$ 627,964	\$ -	\$ -	\$ 627,964

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 9 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land, building, and building improvements	\$ 19,222,872	\$ 19,135,491
Furniture and fixtures	734,943	769,762
Office equipment	48,539	48,539
Equipment	746,383	730,646
Vehicles	347,956	340,437
Computer equipment	<u>618,014</u>	<u>561,086</u>
	21,718,707	21,585,961
Less accumulated depreciation	<u>8,547,466</u>	<u>7,884,990</u>
	13,171,241	13,700,971
Construction in progress	<u>628,135</u>	<u>618,785</u>
	<u>\$ 13,799,376</u>	<u>\$ 14,319,756</u>

Depreciation expense was \$677,268 and \$621,870 for the years ended June 30, 2019 and 2018, respectively.

Note 10 - Lines of Credit

In April 2012, Eva's obtained a secured line of credit for \$750,000 to fund capital requirements and to purchase land and buildings. The line of credit was renewed in May 14, 2018 for \$1,100,000 and is collateralized by Eva's receivables and bears interest on outstanding balances at the bank's floor rate of 3.25%. At June 30, 2018, the balance outstanding was \$825,000. The balance on the line of credit was paid off in July 2018 and expired in January 2019.

In June 2018, Eva's obtained another secured line of credit for \$2,000,000 to fund working capital requirements. The line of credit is collateralized by Eva's inventory, chattel paper, accounts, equipment and general intangibles and all fixtures located at 393-397 Main Street and 18-20 Jackson Street. The line of credit bears interest on outstanding balances at the Prime rate as published in the Wall Street Journal with a floor of 5.50%. There was no balance outstanding as of June 30, 2019. The line of credit matures on June 15, 2020.

In June 2019 Eva's obtained another secured line of credit for \$500,000 to fund project costs relative to housing and programs provided to low income individuals. The line of credit is collateralized by a lien on business assets, two mortgage liens, two fixture filings, and two Assignments of Leases and Rents. The line of credit bears interest on outstanding balances at the Prime rate as published in the Wall Street Journal with a floor of 5.50%. There was no balance outstanding as of June 30, 2019. The line of credit matures on June 15, 2020.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 10 - Lines of Credit - Continued

In June 2019 Eva's obtained another secured line of credit for \$500,000 for working capital, \$52,000 is being held against the line of credit as collateral for business credit cards and the rest of the \$500,000, \$448,000 is the undisbursed funds for which the Organization may use via their business credit cards. The line of credit is collateralized by a lien on business assets, two mortgage liens, two UCC fixture filings, and two Assignments of Leases and Rents. The line of credit bears interest on outstanding balances at the Prime rate as published in the Wall Street Journal with a floor of 5.50%. There was no balance outstanding as of June 30, 2019. The line of credit matures on June 15, 2020.

Note 11 - Notes and Mortgages Payable

Notes and mortgages payable consist of the following at June 30:

	2019	2018
<p>In August 2008, Eva's obtained a long-term note in the amount of \$2,640,000 for the refinancing of the land and buildings located at 25-31 Jackson Street. The note, which is collateralized by the land and buildings, bears interest at UBOR plus 1.55%, payable in monthly principal installments of \$9,167, plus interest with a maturity date of November 2018, which was extended until March 2019. This loan was refinanced and Eva's has continued making payments subsequent to the year end.</p>	\$ -	\$ 1,705,000
<p>In June 2018, Eva's obtained a long-term note in the amount of \$200,000 to acquire property located at 26 Spring Street. The note which is collateralized by the land and buildings, bears a fixed interest of 4.5% for the first five years and then an adjustment is made for a five year term thereafter equal to Federal Home Loan Bank of NY fixed advanced rate plus 150 basis points. The loan is payable in monthly principal installments of \$1,272.52 up to July 15, 2023 and \$1,294.16 thereafter. The loan maturity date is July 15, 2028. All outstanding principal, interest, and any other sums outstanding will be due at maturity.</p>	194,270	200,000
<p>In April 2018, Eva's obtained a business loan in the amount of \$237,179 to be used in business operations. The loan, which is secured by a lien on all business equipment and ancillaries listed on the agreement, will be amortized over six years with a fixed interest rate of 4.5%, and monthly payments of \$2,141.</p>	219,246	234,552
<p>In January 2018, Eva's obtained a business loan in the amount of \$26,200 to finance the purchase of equipment. The loan, which is collateralized by the equipment purchased, will be amortized over four years with a fixed interest rate of 10.64%, and monthly payments of \$565.00.</p>	19,739	24,157
<p>Balance forward</p>	433,255	2,163,709

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 11 - Notes and Mortgages Payable - Continued

Balance forwarded	\$ 433,255	\$ 2,163,709
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In June 2019, Eva's obtained a commercial mortgage note in the amount of \$1,600,000 to finance property at 393-397 Main Street. The note, which is collateralized by the property, bears interest at an initial rate of 4.95% until July 15, 2024 where it will be reset to a rate equal to the five year Federal Home Loan Bank of New York Fixed Advance Rate plus two and three eighths of a percent (2.375%) to be fixed thirty days prior to the Adjustment Date, rounded up to the next highest .125%. The loan is payable in sixty equal payments of \$8,612.10 principal and interest based on the initial loan amount, the initial rate and a thirty year amortization schedule. The loan matures on July 15, 2029 with a principal payment amount of \$1,305,660.25 upon maturity date.

	1,600,000	-
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In June 2019, Eva's obtained a commercial mortgage note in the amount of \$1,600,000 to finance property at 18-20 Jackson Street. The note, which is collateralized by the property, bears interest at an initial rate of 4.95% until July 15, 2024 where it will be reset to a rate equal to the five year Federal Home Loan Bank of New York Fixed Advance Rate plus two and three eighths of a percent (2.375%) to be fixed thirty days prior to the Adjustment Date, rounded up to the next highest .125%. The loan is payable in sixty equal payments of \$8,073.85 principal and interest based on the initial loan amount, the initial rate and a thirty year amortization schedule. The loan matures on July 15, 2029 with a principal payment amount of \$1,224,056.27 due upon maturity date.

	1,500,000	-
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Total notes payable	3,533,255	2,163,709
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Current portion	68,582	1,730,497
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Long term portion	\$ 3,464,673	\$ 433,212
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Annual principal payments due on the aforementioned borrowings are as follows:

Year ending June 30,		
2020	\$	68,582
2021		76,873
2022		81,039
2023		81,986
2024		213,399
2025 and thereafter		3,011,376
	\$	3,533,255

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 12 - Net Assets with Donor Restrictions

Net assets with donor restrictions were held for the following purposes at June 30:

	2019	2018
Playground	\$ 12,319	\$ -
Dental clinic	-	50,000
Executive director- discretionary	-	3,580
Childcare and education	2,461	30,000
Children's summer camp	-	26,634
OORP	-	2,798
Endowment	431,000	431,000
The Culinary School Laconte Pledge	1,905,508	-
	\$ 2,351,288	\$ 544,012

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows during the years ended June 30:

	2019	2018
Medical and dental clinic	\$ 127,000	\$ 154,600
Family shelter	-	184,982
Kitchen- food	217,737	151,601
Shelter for women with children	25,530	-
Men's shelter	6,600	-
Women's shelter	1,975	-
Social enterprise	-	598,087
Workforce development	-	20,000
Childcare and education	73,732	27,350
Children's programs/summer camp	27,173	26,318
Transitional for women with children	25,660	-
Halfway house for women with children	26,891	-
Halfway house for men	50	-
Mental health	2,250	-
Recovery center	1,600	-
OORP	7,700	-
The Culinary School	189,181	-
Exec dire disc	3,580	-
Investment income	17,682	-
Unrealized gain/loss	(18,735)	-
	\$ 735,606	\$ 1,162,938

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 12 - Net Assets with Donor Restrictions - Continued

The following is a summary of the changes in net assets with donor restrictions for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Donor restricted net assets, beginning of the year	\$ 544,012	\$ 650,222
Contributions and investment returns received during the year	2,542,882	1,056,728
Releases satisfying donor restrictions during the year	<u>(735,606)</u>	<u>(1,162,938)</u>
Donor restricted net assets, end of year	<u>\$ 2,351,288</u>	<u>\$ 544,012</u>

The net assets with donor restrictions consist of two donor-restricted endowment funds.

The Board of Directors of Eva's is responsible for the long-term investment policies for donor-restricted endowment funds, unless otherwise specified by the donor. The Board of Directors has established a policy whereby 100% of average earnings on donor-restricted endowment funds are to be distributed each year to fund specific programs of Eva's. No such distribution shall be made to the extent it would reduce the value below the endowed corpus.

Eva's interprets the UPMIFA of the State of New Jersey, requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Eva's classify as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure re by Eva's in a manner consistent with the standard of prudence prescribed by UPMIFA.

Eva's permanently restricted net assets consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
John Crimi Endowment Fund	\$ 111,000	\$ 111,000
Eleanor M. Weisbrod Endowment Fund	<u>320,000</u>	<u>320,000</u>
	<u>\$ 431,000</u>	<u>\$ 431,000</u>

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 12 - Net Assets with Donor Restriction - Continued

Changes in endowment net assets are as follows:

	June 30, 2019		
	Without Donor Restriction	Donor Restricted	Total
Endowment net assets, beginning of year	\$ (17,482)	\$ 431,000	\$ 413,518
Investment return:			
Investment Income	18,545	-	18,545
Net, realized and unrealized loss	(3,882)	-	(3,882)
Total Investment return	14,663	-	14,663
Endowment net assets, end of year	\$ (2,819)	\$ 431,000	\$ 428,181
	June 30, 2018		
	Without Donor Restriction	Donor Restricted	Total
Endowment net assets, beginning of year	\$ (16,430)	\$ 431,000	\$ 414,570
Investment return:			
Investment Income	17,682		17,682
Net, realized and unrealized loss	(18,734)		(18,734)
Total Investment return	(1,052)		(1,052)
Endowment net assets, end of year	\$ (17,482)	\$ 431,000	\$ 413,518

Note 13 - Pension and Cafeteria Plans

Eva's sponsors a tax deferred annuity program under IRC 403(b) for eligible employees. The Plan includes provisions for mandatory employer contributions amounting to 2% of the eligible employee's salary. Pension expense under the Plan amounted to \$75,719 and \$71,119 for the years ended June 30, 2019 and 2018, respectively. It is Eva's policy to fund the pension cost as incurred.

Eva's also maintains a Section 125 Cafeteria Plan allowing employees to use pretax dollars to pay eligible Medical premiums and expenses.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 14 - Special Events Support

Special events support for the years ended June 30, 2019 and 2018 consisted of the following:

Event	2019		
	Gross support	Expenses	Net support
Dinner gala	\$ 927,955	\$ 99,656	\$ 828,299
Lawyers and accountants dinner	164,122	28,260	135,862
Golf outing	288,031	134,683	153,348
Fashion Show	218,185	88,021	130,164
Casino night	145,584	55,423	90,161
Total	\$ 1,743,877	\$ 406,043	\$ 1,337,834

Event	2018		
	Gross support	Expenses	Net support
Dinner gala	\$ 670,344	\$ 111,937	\$ 558,407
Lawyers and accountants dinner	114,923	21,955	92,968
Golf outing	567,366	227,225	340,141
Casino night	137,614	39,160	98,454
Total	\$ 1,490,247	\$ 400,277	\$ 1,089,970

The following schedule summarizes the special event revenue classification in the statement of activities for the years ended June 30:

	2019	2018
Special events revenue, net	\$ 1,743,877	\$ 1,049,190
Donor restricted special event revenue	-	40,780
	\$ 1,743,877	\$ 1,089,970

Note 15 - Litigation

Eva's is involved in litigation arising in the normal course of their operations. Management believes that the amount of losses that might be sustained beyond existing insurance coverage would not have a material effect on the accompanying financial statements.

Note 16 - Commitments

During fiscal year 2019, Eva's switched lease providers as of July 2019, cancelling their lease agreement with Leaf and switching to Stewart, A Xerox Company. Stewart compensated the Organization for the last 6 months of the Leaf lease that ended as of December 2019 as per cancellation agreement. Rent expense for these leases were \$22,536 and \$22,536 for the fiscal years ended June 30, 2019 and 2018, respectively.

Eva's Village and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended June 30, 2019 and 2018

Note 16 - Commitments - Continued

Minimum annual rental commitments for the remaining term of Eva's noncancelable operating lease are as follows:

Year ending June 30:

2020	\$ 81,827
2021	70,559
2022	70,559
2023	70,559
2024	70,559
	<u>70,559</u>
	<u>\$ 364,063</u>

Note 17 - Significant Source of Support

Eva's received approximately 57% and 57% of its governmental support from the New Jersey Department of Human Services, Division of Mental Health and Addiction Services during the fiscal years ended June 30, 2019 and 2018, respectively. The New Jersey Department of Human Services Division of Mental Health and Addiction Services - Drug Court, comprised approximately 14% and 40 % of Eva's total support and revenue for the years then ended, respectively.

Note 18 - Related Parties

During the years ended June 30, 2019 and 2018, Eva's paid \$-0- and \$66,379, respectively, for construction services to a company owned by a member of the Board of Directors.

Note 19 - Management Plans

Over the last several years, non-profit social service agencies like Eva's, have faced funding challenges as the opioid epidemic has continued to increase and the need for services has grown while the reimbursement rates for most services have remained flat. In addition, the funding for these services is moving increasingly to Fee for Service from a Cost-Based-Reimbursement model requiring an investment in more sophisticated processes and systems.

During the year ended June 30, 2019, Eva's addressed its challenges by stepping up its development efforts, refinancing debt and increasing the Line of Credit. The results of these efforts can be seen in an improved liquidity position (see Note 2), increased development revenue (see "Contributions and Special Events" Revenue on the Consolidated Statements of Activities and Change in Net Assets") and a stronger statement of financial position. In addition, as a result of Eva's increased development efforts, the entity was able to secure a two million-dollar pledge commitment in fiscal year ended June 30, 2019. This pledge will provide resources over a five-year period.

The management team will continue efforts to strengthen Eva's to provide a strong, sustainable financial foundation so it can continue to provide compassionate, effective services to those in need in the community it serves. Eva's development activities will continue to focus on the growth of private funds and management is implementing changes to current systems and processes to increase efficiency and mitigate the fast-paced, ever-increasing costs associated with the delivery of healthcare services.