

**Eva's Village, Inc. and Subsidiaries**

Consolidated Financial Statements

Year Ended June 30, 2020

(with summarized comparative financial information for the Year Ended June 30, 2019)

# Eva's Village, Inc. and Subsidiaries

## Consolidated Financial Statements

Year Ended June 30, 2020

(with summarized comparative financial information for the Year Ended June 30, 2019)

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## Independent Auditor's Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eva's Village, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, Inc. and Subsidiaries as of June 30, 2020, 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**

We have previously audited Eva's Village, Inc. and Subsidiaries' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021 on our consideration of Eva's Village, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Eva's Village, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eva's Village, Inc. and Subsidiaries' internal control over financial reporting and compliance.

*Sax LLP*

Parsippany, New Jersey  
April 19, 2021

# Eva's Village, Inc. and Subsidiaries

## Consolidated Statement of Financial Position

Year Ended June 30, 2020

(with summarized comparative financial information at June 30, 2019)

	June 30,	
	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,965,719	\$ 815,288
Investments	264,930	247,352
Accounts and grants receivable, net	737,624	706,371
Contributions receivable, net	562,253	451,365
Prepaid expenses and other assets	120,476	88,540
Total current assets	4,651,002	2,308,916
<b>PROPERTY AND EQUIPMENT, NET</b>	13,486,142	13,799,376
<b>OTHER ASSETS</b>		
Restricted investments, at fair market value	438,865	428,181
Long-term portion of contributions receivable, net	1,416,804	1,825,579
Restricted cash - tenant trust funds	86,855	120,360
Mortgage receivable, net	4,500,000	4,500,000
Total other assets	6,442,524	6,874,120
<b>TOTAL ASSETS</b>	<b>\$ 24,579,668</b>	<b>\$ 22,982,412</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 1,906,964	\$ 1,391,852
Line of credit	1,600,000	-
Due to government agencies	126,678	176,817
Notes payable, current portion	76,873	68,582
Total current liabilities	3,710,515	1,637,251
<b>OTHER LIABILITIES</b>		
Loan payable - Paycheck Protection Program	1,686,737	-
Long-term portion of notes payable	3,387,781	3,464,673
Tenant trust funds payable	86,855	120,360
Total other liabilities	5,161,373	3,585,033
<b>NET ASSETS</b>		
Without donor restriction	13,702,276	15,408,840
With donor restriction	2,005,504	2,351,288
Total net assets	15,707,780	17,760,128
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,579,668</b>	<b>\$ 22,982,412</b>

See accompanying Notes to Consolidated Financial Statements.

# Eva's Village, Inc. and Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets

Year Ended June 30, 2020

(with summarized comparative financial information for the Year Ended June 30, 2019)

	June 30, 2020			June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE</b>				
Government grants	\$ 3,853,370	\$ -	\$ 3,853,370	\$ 4,267,958
Fees for services	4,118,415	-	4,118,415	4,817,522
Total grants and fees for services	7,971,785	-	7,971,785	9,085,480
Contributions and special events (net of expenses of 2020 and 2019 of \$261,065 and \$406,043, respectively)	4,463,646	378,512	4,842,158	5,068,451
In-kind contributions	112,000	-	112,000	233,373
Estates and trust bequests	112,299	-	112,299	105,732
Rent, tenants	8,272	-	8,272	28,708
Food stamps	81,596	-	81,596	101,265
Miscellaneous income	114,312	-	114,312	112,532
Net assets released from restrictions	734,997	(734,997)	-	-
Total revenue	13,598,907	(356,485)	13,242,422	14,735,541
<b>EXPENSES</b>				
Program services	13,285,851	-	13,285,851	12,053,840
Supporting services				
Management and general	919,655	-	919,655	854,315
Fund raising	1,084,562	-	1,084,562	1,026,816
Total supporting services	2,004,217	-	2,004,217	1,881,131
Total operating expenses	15,290,068	-	15,290,068	13,934,971
<b>Increase (decrease) in net assets from operations</b>	<b>(1,691,161)</b>	<b>(356,485)</b>	<b>(2,047,646)</b>	<b>800,570</b>
<b>OTHER INCOME (EXPENSE)</b>				
Investment income	9,881	19,615	29,496	30,753
Realized and unrealized (loss) on investments	(25,284)	(8,914)	(34,198)	(2,843)
(Loss) on sale of property	-	-	-	(3,928)
Total other income (expense)	(15,403)	10,701	(4,702)	23,982
<b>Increase (decrease) in net assets</b>	<b>(1,706,564)</b>	<b>(345,784)</b>	<b>(2,052,348)</b>	<b>824,552</b>
<b>NET ASSETS, beginning of year</b>	<b>15,408,840</b>	<b>2,351,288</b>	<b>17,760,128</b>	<b>16,935,576</b>
<b>NET ASSETS, end of year</b>	<b>\$ 13,702,276</b>	<b>\$ 2,005,504</b>	<b>\$ 15,707,780</b>	<b>\$ 17,760,128</b>

See accompanying Notes to Consolidated Financial Statements.

## Eva's Village, Inc. and Subsidiaries

### Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

(with summarized comparative financial information for the Year Ended June 30, 2019)

	Behavioral Health, Peer Recovery, and Medical Services				Food, Shelter, Education, and Training Services					Supporting Services					
	Behavioral Health	Peer Recovery	Medical & Dental Clinic	Total	Shelter	Apartments	Community Kitchen	Culinary School	Total	Total Program Expense	Administration	Fundraising	Total Supporting Services	2020	2019
Salaries	\$ 4,583,420	\$ 430,990	\$ 253,810	\$ 5,268,220	\$ 803,290	\$ 51,890	\$ 400,420	\$ 343,620	\$ 1,599,220	\$ 6,867,440	\$ 507,370	\$ 697,770	\$ 1,205,140	\$ 8,072,580	\$ 7,242,363
Employee health and retirement benefits	737,700	84,250	50,630	872,580	138,090	17,260	63,920	58,070	277,340	1,149,920	19,490	91,560	111,050	1,260,970	1,087,635
Payroll taxes	438,470	43,990	22,870	505,330	77,740	4,800	36,960	29,690	149,190	654,520	13,640	58,730	72,370	726,890	658,905
Total salaries and fringe	5,759,590	559,230	327,310	6,646,130	1,019,120	73,950	501,300	431,380	2,025,750	8,671,880	540,500	848,060	1,388,560	10,060,440	8,988,903
Professional fees	751,220	153,320	148,030	1,052,570	71,600	1,970	39,800	14,660	128,030	1,180,600	200,470	17,870	218,340	1,398,940	1,093,713
Donated professional services	-	-	10,000	10,000	-	-	-	-	-	10,000	60,000	-	60,000	70,000	191,623
Food	220,460	12,440	140	233,040	60,120	50	225,960	30,090	316,220	549,260	620	440	1,060	550,320	593,337
Supplies	242,980	19,920	24,410	287,310	60,010	250	48,040	26,980	135,280	422,590	18,810	99,160	117,970	540,560	609,773
Training	10,900	510	440	11,850	1,540	480	770	4,390	7,180	19,030	210	520	730	19,760	32,573
Travel	18,450	1,870	240	20,560	360	-	700	3,900	4,960	25,520	420	1,310	1,730	27,250	37,821
Occupancy and utilities	344,851	20,310	61,350	426,511	37,340	1,910	70,190	72,400	181,840	608,351	12,240	1,100	13,340	621,691	743,715
Telephone and internet	242,610	22,770	9,140	274,520	43,670	540	17,010	7,750	68,970	343,490	4,540	17,080	21,620	365,110	178,570
Repairs and maintenance	166,880	13,610	7,290	187,780	71,220	50	23,010	8,370	102,650	290,430	15,270	670	15,940	306,370	217,291
Property taxes	26,540	1,180	1,210	28,930	2,620	20	2,680	710	6,030	34,960	5,080	190	5,270	40,230	29,842
Fundraising expense	-	-	-	-	-	-	-	-	-	-	-	320,110	320,110	320,110	50,832
Interest and bank fees	133,070	5,130	5,260	143,460	11,400	110	13,540	3,080	28,130	171,590	23,200	820	24,020	195,610	170,388
Other taxes, permits, and fees	14,930	790	2,150	17,870	1,490	10	1,350	1,370	4,220	22,090	1,360	650	2,010	24,100	31,546
Bank charges	8,160	600	520	9,280	1,370	120	1,100	490	3,080	12,360	(510)	20,310	19,800	32,160	43,203
Insurance	84,830	7,980	27,020	119,830	13,370	850	10,210	10,490	34,920	154,750	1,790	10,130	11,920	166,670	147,917
Miscellaneous	73,740	4,270	790	78,800	11,340	20	1,760	1,150	14,270	93,070	12,226	1,780	14,006	107,076	96,656
Total	2,339,621	264,700	297,990	2,902,311	387,450	6,380	456,120	185,830	1,035,780	3,938,091	355,726	492,140	847,866	4,785,957	4,268,800
Depreciation expense	415,660	40,040	34,930	490,630	79,190	700	77,910	27,450	185,250	675,880	23,429	5,427	28,856	704,736	677,268
Total functional expenses	8,514,871	863,970	660,230	10,039,071	1,485,760	81,030	1,035,330	644,660	3,246,780	13,285,851	919,655	1,345,627	2,265,282	15,551,133	13,934,971
Less: donor received benefits	-	-	-	-	-	-	-	-	-	-	-	(261,065)	(261,065)	(261,065)	-
Net functional expenses	<b>\$ 8,514,871</b>	<b>\$ 863,970</b>	<b>\$ 660,230</b>	<b>\$ 10,039,071</b>	<b>\$ 1,485,760</b>	<b>\$ 81,030</b>	<b>\$ 1,035,330</b>	<b>\$ 644,660</b>	<b>\$ 3,246,780</b>	<b>\$ 13,285,851</b>	<b>\$ 919,655</b>	<b>\$ 1,084,562</b>	<b>\$ 2,004,217</b>	<b>\$ 15,290,068</b>	<b>\$ 13,934,971</b>

See accompanying Notes to Consolidated Financial Statements.

# Eva's Village, Inc. and Subsidiaries

## Consolidated Statement of Cash Flows

Year Ended June 30, 2020

(with summarized comparative financial information for the Year Ended June 30, 2019)

	<b>Years Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (2,052,348)	\$ 824,552
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities		
Depreciation	704,736	677,268
Amortization of bond premium	6,551	7,929
Realized and unrealized losses on investments	34,198	2,843
Discount on contributions receivable	(42,074)	81,926
(Gain) on disposals	-	(630)
Changes in operating assets and liabilities		
(Increase) decrease in assets		
Accounts and grants receivable	(31,253)	83,877
Contributions receivable	339,961	(1,598,981)
Prepaid expenses and other assets	(31,936)	(63,110)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	515,112	(260,317)
Due to government agencies	(50,139)	124,617
Tenant trust funds payable	(33,505)	(40,352)
	<b>(640,697)</b>	<b>(160,378)</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>		
Purchase of investments	(87,285)	(61,316)
Proceeds from sale of investments	18,273	-
Purchases of property and equipment	(430,143)	(180,640)
Proceeds from sale of property and equipment	38,642	27,357
	<b>(460,513)</b>	<b>(214,599)</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>		
Proceeds from loan payable - Paycheck Protection Program	1,686,737	-
Proceeds (repayments) from line of credit	1,600,000	(825,000)
Repayments of notes payable	(68,601)	(1,730,454)
Proceeds from notes payable	-	3,100,000
	<b>3,218,136</b>	<b>544,546</b>
<b>Net increase in cash, cash equivalents, and restricted cash</b>	2,116,926	169,572
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of year</b>	<b>935,648</b>	<b>766,076</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of year</b>	<b>\$ 3,052,574</b>	<b>\$ 935,648</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash paid for interest	<b>\$ 195,612</b>	<b>\$ 170,388</b>
<b>NON-CASH INVESTING ACTIVITIES</b>		
Deferred interest on mortgage receivable	<b>\$ 185,261</b>	<b>\$ 179,865</b>

See accompanying Notes to Consolidated Financial Statements.



# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies

This summary of significant accounting policies of Eva's Village, Inc. 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 ("GAAP") 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.

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. Both entities did not have any activity in 2020 and 2019.

#### c. Financial Statement Presentation

The Organization applies 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. See Note 2 for disclosures required under ASU 2016-14 regarding liquidity and availability of financial assets.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies - Continued

#### *c. Financial Statement Presentation - Continued*

The financial statements include certain prior year summarized comparative information in total, but not by net asset class of functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the financial statements for June 30, 2019, from which the summarized information was derived.

#### *d. Revenue Recognition*

The Organization receives funding through government grants, fee for service programs, and contributions. Government grants that are cost-reimbursement in nature often receive funding in advance of costs being spent in accordance with the grant agreements. Funds received in advance of expenditures are reflected as a liability until expenditures are incurred and then revenue will be recognized. If funds received are not spent by the end of the contract period, they are reflected as a liability due to government agencies on the consolidated statement of financial position.

Fee for service revenue is recognized as services are provided to consumers.

The Organization applies ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Contributions, including unconditional pledges, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Pledges contributed 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. Pledges receivable in excess of one year are recorded net of discount.

#### *e. Cash and Cash Equivalents*

The Organization considers financial assets with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consists of demand deposit accounts and certificates of deposit. However, money market funds that are held as a portion of Eva's investment portfolio are classified as investments.

#### *f. 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 donor restricted net assets for the gains and losses that are restricted for the support of certain of Eva's programs.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies - Continued

#### *g. Allowance for Doubtful Accounts 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 receivable of \$-0- and \$40,000 as of June 30, 2020 and 2019, respectively.

#### *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 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 in 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 \$70,000 and \$191,373 for the years ended June 30, 2020 and 2019, 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 for each of the years ended June 30, 2020 and 2019. The donated space is reflected as an in-kind contribution and an expense in the accompanying consolidated financial statements at the estimated value of the space.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 1 - Summary of Significant Accounting Policies - Continued

#### *j. In-kind Contributions - Continued*

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, 2020 or 2019. 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, 2020, 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 2016 are closed.

#### *l. Estimates*

The preparation of the consolidated financial statements in accordance with GAAP 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 2019 amounts have been reclassified to conform to the 2020 presentation.

#### *n. Recent Accounting Pronouncements*

In 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Per this ASU, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statement of cash flows. The standard was implemented in these consolidated financial statements.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *n. Recent Accounting Pronouncements - Continued*

Cash and restricted cash are presented in more than one-line item within the consolidated statements of financial position. The following provides a reconciliation of cash and restricted cash as shown in the consolidated statements of cash flows:

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 2,965,719	\$ 815,288
Restricted cash - tenant trust funds	86,855	120,360
Total cash, cash equivalents, and restricted cash shown in the statements of cash flows	<u>\$ 3,052,574</u>	<u>\$ 935,648</u>

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all entities that receive or make contributions. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU No. 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Organization adopted the standard prospectively for contributions received for the fiscal year ended June 30, 2020. The adoption of the standard resulted in grants, including government grants, being accounted for as contributions than were under previous guidance. Any funds received in advance from grant agencies that were not spent in accordance with the allowable budgets are considered conditional and therefore recognized as a liability. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not material to the consolidated financial statements or disclosures.

#### *o. Pending Accounting Pronouncements*

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard outlines a single comprehensive model for organizations to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance including industry-specific guidance. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. Transfer of control is not the same as transfer of risks and rewards, as it is considered in current guidance. The Organization will also need to apply new guidance to determine whether revenue should be recognized over time or at a point in time.

This standard will be effective for annual reporting periods beginning after December 15, 2019, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*o. Pending Accounting Pronouncements - Continued*

In 2016 the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard and all subsequent related standards are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU addresses presentation and disclosure requirements for not-for-profit entities for contributed non-financial assets. The ASU is effective for annual periods beginning after June 15, 2021.

*p. Subsequent Events*

The Organization has evaluated subsequent events for recognition or disclosure through April 19, 2021, the date the financial statements were available to be issued.

### Note 2 - Liquidity and Availability

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

	June 30,	
	2020	2019
Cash and cash equivalents	\$ 2,814,160	\$ 623,691
Investments	264,930	247,352
Accounts and grants receivable	737,624	706,371
Contributions receivable	562,253	451,365
	<u>\$ 4,378,967</u>	<u>\$ 2,028,779</u>

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, of which the Organization has drawn \$1,600,000 as of June 30, 2020.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### 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 consolidated 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:

	June 30,	
	2020	2019
Grants receivable	\$ 370,181	\$ 337,500
Other receivables	367,443	408,871
	<u>737,624</u>	<u>746,371</u>
Less allowance for doubtful accounts	-	40,000
	<u>\$ 737,624</u>	<u>\$ 706,371</u>

### 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% for each of the years ended June 30, 2020 and 2019. Contributions are expected to be collected as follows at June 30:

	June 30,	
	2020	2019
One year or less	\$ 562,253	\$ 451,365
Long-term pledge	1,526,767	1,977,616
	<u>2,089,020</u>	<u>2,428,981</u>
Less discount on contributions receivable	109,963	152,037
	<u>\$ 1,979,057</u>	<u>\$ 2,276,944</u>

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### 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:

	June 30,	
	<u>2020</u>	<u>2019</u>
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.	\$ 706,716	\$ 679,291
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.	<u>5,653,914</u>	<u>5,496,078</u>
	6,360,630	6,175,369
Less deferred interest	<u>1,860,630</u>	<u>1,675,369</u>
	<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>

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



# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 7 - Investments

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

	June 30,		June 30,	
	2020	2020	2019	2019
	Amortized cost	Fair value	Amortized cost	Fair value
Cash fund	\$ 104,198	\$ 104,198	\$ 77,442	\$ 80,333
U.S. treasury bonds	320,000	335,274	350,942	350,739
Stocks	44,018	54,853	-	-
Mutual funds	188,689	209,470	141,233	244,461
	<u>\$ 656,905</u>	<u>\$ 703,795</u>	<u>\$ 569,617</u>	<u>\$ 675,533</u>

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

	June 30, 2020		
	Without donor restriction	With donor restriction	Total
Interest from cash and cash equivalents	\$ 3,284	\$ -	\$ 3,284
Dividends and interest	6,597	19,615	26,212
Realized and unrealized (losses)	(25,284)	(8,914)	(34,198)
	<u>\$ (15,403)</u>	<u>\$ 10,701</u>	<u>\$ (4,702)</u>

  

	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>

### 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, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### 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, 2020			Total
	Level 1	Level 2	Level 3	
Cash fund	\$ 104,198	\$ -	\$ -	\$ 104,198
U.S treasury bonds	335,274	-	-	335,274
Stock	54,853	-	-	54,853
Mutual funds	209,470	-	-	209,470
	<u>\$ 703,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 703,795</u>

  

	June 30, 2019			Total
	Level 1	Level 2	Level 3	
Cash fund	\$ 80,333	\$ -	\$ -	\$ 80,333
U.S treasury bonds	350,739	-	-	350,739
Mutual funds	244,461	-	-	244,461
	<u>\$ 675,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 675,533</u>

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 9 - Property and Equipment

Property and equipment consist of the following:

	June 30,	
	2020	2019
Land, building, and building improvements	\$ 19,568,407	\$ 19,222,872
Furniture and fixtures	734,943	734,943
Office equipment	48,539	48,539
Equipment	765,633	746,383
Vehicles	352,956	347,956
Computer equipment	678,373	618,014
	22,148,851	21,718,707
Less accumulated depreciation	9,252,202	8,547,466
	12,896,649	13,171,241
Construction in progress	589,493	628,135
	<u>\$ 13,486,142</u>	<u>\$ 13,799,376</u>

Depreciation expense was \$704,736 and \$677,268 for the years ended June 30, 2020 and 2019, respectively.

### Note 10 - Lines of Credit

Eva's has a 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 receivable, 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%. The balance outstanding was \$1,600,000 and \$-0- as of June 30, 2020 and 2019, respectively. The line of credit maturity date was extended to May 15, 2021. In accordance with the agreement, Eva's is required to maintain certain financial covenants. As of June 30, 2020, the Organization was not in compliance with the covenants.

Eva's has a second 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, 2020 and 2019. The line of credit maturity date was extended to May 10, 2021. In accordance with the agreement, Eva's is required to maintain certain financial covenants. As of June 30, 2020, the Organization was not in compliance with the covenants.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 10 - Lines of Credit - Continued

Eva's has a third 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, 2020 and 2019. The line of credit maturity date was extended to May 15, 2021. In accordance with the agreement, Eva's is required to maintain certain financial covenants. As of June 30, 2020, the Organization was not in compliance with the covenants.

### Note 11 - Notes and Mortgages Payable

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

	June 30,	
	2020	2019
<p>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.</p>	\$ 1,578,751	\$ 1,600,000
<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>	187,753	194,270
<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>	203,233	219,246
<p>Balance forward</p>	1,969,737	2,013,516

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 11 - Notes and Mortgages Payable - Continued

	June 30,	
	2020	2019
Balance forwarded	\$ 1,969,737	\$ 2,013,516
 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.	14,836	19,739
 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.	1,480,081	1,500,000
Total notes payable	3,464,654	3,533,255
Current portion	76,873	68,582
Long-term portion	\$ 3,387,781	\$ 3,464,673

Annual principal payments due on the aforementioned borrowings are as follows:

Years ending June 30,	
2021	\$ 76,873
2022	81,039
2023	81,986
2024	213,399
2025	66,449
2026 and thereafter	2,944,908
	\$ 3,464,654

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 12 - Loan Payable - Paycheck Protection Program

In April 2020, the Organization obtained funding through the Columbia Bank in the total amount of \$1,686,737, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted March 27, 2020. The loan is eligible for forgiveness if Eva's Village, Inc. and Subsidiaries adheres to the terms of the program which were to spend at minimum 60% of funds on payroll costs and expend all funds within 24 weeks of funding by bank. The loan matures in the month of April 2022 unless the Organization and lender mutually agree to extend the maturity of the loan from two years to five years. The loan bears interest at a rate of 1% per annum and the loan is unsecured and does not require personal guarantees. Equal monthly payments are allowed to be deferred for at least ten months after the end of the loan forgiveness cover period. The note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses.

### Note 13 - Net Assets with Donor Restrictions

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

	June 30,	
	2020	2019
Playground	\$ 12,319	\$ 12,319
Childcare and education	-	2,461
Shelter for women with children	1,835	-
Community kitchen	21,428	-
Endowment	431,000	431,000
The Culinary School	1,538,922	1,905,508
	<u>\$ 2,005,504</u>	<u>\$ 2,351,288</u>

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 13 - 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:

	June 30,	
	2020	2019
Donor restricted net assets, beginning of the year	\$ 2,351,288	\$ 544,012
Contributions and investment returns received during the year	378,512	2,542,882
Releases satisfying donor restrictions during the year	(724,296)	(735,606)
Donor restricted net assets, end of year	<u>\$ 2,005,504</u>	<u>\$ 2,351,288</u>

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

	June 30,	
	2020	2019
Medical and dental clinic	\$ -	\$ 127,000
Community kitchen	206,963	216,684
Shelter for women with children	148,286	25,530
Men's shelter	-	6,600
Women's shelter	-	1,975
Childcare and education	2,461	73,732
Children's programs/summer camp	-	27,173
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	366,586	189,181
Exec dire disc	-	3,580
	<u>\$ 724,296</u>	<u>\$ 735,606</u>

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 13 - Net Assets with Donor Restrictions - Continued

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 classifies 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 by Eva's in a manner consistent with the standard of prudence prescribed by UPMIFA.

Eva's donor restricted net assets (endowments) consist of the following at June 30:

	June 30,	
	2020	2019
John Crimi Endowment Fund	\$ 111,000	\$ 111,000
Eleanor M. Weisbrod Endowment Fund	320,000	320,000
	<u>\$ 431,000</u>	<u>\$ 431,000</u>



# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 13 - Net Assets with Donor Restriction - Continued

Changes in endowment net assets are as follows:

	June 30, 2020		
	Without Donor Restriction	Donor Restricted	Total
Endowment net assets, beginning of year	\$ (2,819)	\$ 431,000	\$ 428,181
Investment return			
Investment Income	19,615	-	19,615
Net, realized and unrealized loss	(8,914)	-	(8,914)
Total Investment return	10,701	-	10,701
Endowment net assets, end of year	\$ 7,882	\$ 431,000	\$ 438,882
	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

### Note 14 - 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 \$78,402 and \$75,719 for the years ended June 30, 2020 and 2019, 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, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 15 - Special Events Support

Special events support for the years ended June 30, 2020 and 2019 consisted of the following:

Event	Year Ended June 30, 2020		
	Gross support	Expenses	Net support
Dinner gala	\$ 1,163,925	\$ 99,788	\$ 1,064,137
Chef's tasting dinner	198,573	81,161	117,412
Golf outing	16,375	2,262	14,113
Fashion show	193,986	77,024	116,962
Casino night	23,170	830	22,340
<b>Total</b>	<b>\$ 1,596,029</b>	<b>\$ 261,065</b>	<b>\$ 1,334,964</b>

  

Event	Year Ended June 30, 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
<b>Total</b>	<b>\$ 1,743,877</b>	<b>\$ 406,043</b>	<b>\$ 1,337,834</b>

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

	June 30,	
	2020	2019
Special events revenue, net	\$ 1,596,029	\$ 1,743,877
Donor restricted special event revenue	-	-
	<b>\$ 1,596,029</b>	<b>\$ 1,743,877</b>

### Note 16 - 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 consolidated financial statements.

### Note 17 - 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 \$81,827 and \$22,536 for the fiscal years ended June 30, 2020 and 2019, respectively.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 17 - Commitments - Continued

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

Years ending June 30	
2021	\$ 70,559
2022	70,559
2023	70,559
2024	70,559
	<u>\$ 282,236</u>

### Note 18 - Significant Source of Support

Eva's received approximately 53% and 57% of its governmental support from the State of New Jersey during the fiscal years ended June 30, 2020 and 2019, respectively. The New Jersey Department of Human Services Division of Mental Health and Addiction Services comprised 38% and 33% of Eva's total support and revenue for the years ended June 30, 2020 and 2019, respectively. Revenue from the New Jersey Department of Human Services Division of Mental Health and Addiction Services - Drug Court was approximately 11% and 14% of Eva's total support and revenue for the years ended June 30, 2020 and 2019, respectively.

### Note 19 - Related Parties

During the years ended June 30, 2020 and 2019, Eva's paid \$318,343 and \$-0-, respectively, for construction services to a company owned by a member of the Board of Directors.

### Note 20 - Risk and Uncertainty

COVID 19 impact – The Organization's continuing operations have been affected by the recent and ongoing outbreak of the coronavirus ("COVID-19") which was declared a pandemic by the World Health Organization in March 2020. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and the actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical location in which the Organization operates.

While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, to date, the Organization is experiencing a decrease in revenue due to programs closing and an increase in expenses to keep staff and clients safe. A large percentage of the Organization's workforce is working remotely. The Organization continues to monitor the impact the COVID-19 outbreak may have on the Organization in the future.

### Note 21 - 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 has been moving from a Cost-Based-Reimbursement model to a Fee for Service model amount various granting agencies, requiring an investment in more sophisticated processes and systems. In addition to this challenge, the Organization was faced with the COVID-19 pandemic from March 2020 to present, which had the following impacts: decrease in revenue due to special events being canceled or switched to a virtual event, suspension of programs, labor shortages filling key positions within the Organization, increased costs for personal protective equipment and increased security concerns and costs.

# Eva's Village, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements

Years Ended June 30, 2020 and 2019

### Note 21 - Management Plans - Continued

As a result of these challenges, Eva's incurred a significant decrease in net assets for the year ended June 30, 2020. The Organization borrowed on its line of credit and secured a loan under the Paycheck Protection Program ("PPP") for approximately \$1,700,000 to fund operations. The Organization plans to apply for forgiveness, which would allow the Organization to keep the PPP funds received and recognize the amount as revenue in fiscal year 2021.

Subsequent to year end, management continued to increase its private fundraising efforts and has secured a new \$500,000 unrestricted contribution from a foundation. Eva's has applied for and received approximately \$1,500,000 under Round 2 of available PPP loan funding. The Organization has paid down its line of credit by \$300,000 as of December 31, 2020. The Organization has been evaluating its services provided and contracting with more HMOs to be able to bill for health services provided. Management has done an analysis on Eva's staff turnover over the past few years and since 2018, the Organization is seeing significant improvement in its employee turnover rate, which in turn will result in more efficiencies and less on boarding costs and time.

The management team has evaluated Eva's programs to determine which have the most significant deficits in order to restructure the program or eliminate them entirely. Management 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.

### Note 22 - Subsequent Events

In February 2021, the Company was granted a loan (the "Loan") from Columbia Bank in the aggregate amount of \$1,512,770, pursuant to the Paycheck Protection Program Second Draw (the "PPP 2") under Section 311 of the Economic Aid to Hard-Hit Small Businesses Act (the "Economic Aid Act") which was signed into law on December 27, 2020 and is part of the original Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which was enacted March 27, 2020.

Section 311 of the Economic Aid Act authorizes the U.S. Small Business Administration ("SBA") to guarantee PPP 2 loans under generally the same terms and conditions available under the original PPP First Draw. The Loan is in the form of a note dated February 17, 2021 issued by the Borrower and matures on February 17, 2026 and bears interest at a rate of 1% per annum. Funds from the Loan may only be used for qualified expenses which include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, interest on other debt obligations incurred before February 15, 2020, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures. In accordance with the CARES Act and the PPP, if the loan proceeds are fully utilized to pay for qualified expenses, the full principal amount of the loan, along with any accrued interest, may qualify for loan forgiveness, subject to potential reduction based on termination of full-time employees or decrease in salaries during the covered period.



**Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Eva's Village, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2020, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated April 19, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Eva's Village, Inc. and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eva's Village and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Eva's Village, Inc. and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by Those Charged With Governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item, 2020-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Eva's Village, Inc. and Subsidiaries' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors  
Eve's Village, Inc. and Subsidiaries  
Paterson, New Jersey  
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### **Entity's Response to Finding**

Eva's Village, Inc. and Subsidiaries' response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Eva's Village, Inc. and Subsidiaries' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*SAX LLP*

Parsippany, New Jersey  
April 19, 2021

# Eva's Village, Inc. and Subsidiaries

## Schedule of Findings and Responses

Year Ended June 30, 2020

### **2020-001 : Lack of Timely Close of Books and Records**

**Criteria:** The Organization is required to maintain adequate books and records to support the Organization's daily operations by having appropriate internal controls in place to help the Organization fulfill its mission.

**Condition:** During our audit procedures, we noted that the Organization has many programs and is funded by many sources, however, the accounting department's staffing is not proportional to the size and complexity of the Organization's operations to facilitate a timely close of books and records.

**Cause:** A limited amount of resources is allocated to the finance department. The resources allocated do not provide for the proper level of staffing required to meet the reporting and compliance requirements of the Organization.

**Effect:** Limited staffing impacts the Organization's ability to maintain books and records timely to support the Organization's daily operations and report financial results timely to funding agencies that require such information. This situation may cause the Organization to not be able to fulfill its mission by not having real time information as well as not timely reporting to the Organization's funding agencies that require such information to be reported in connection with the Organization's funded programs.

**Repeat Finding:** Yes

**Recommendation:** We recommend that Eva's Village, Inc. strongly consider allocating additional resources to fund either hiring an additional person(s) or shifting certain accounting duties to other current employees to assist in the accounting function. Expanding the accounting department would facilitate segregation of duties, strengthen Eva's Village, Inc.'s internal controls, and allow for a timelier close of books and records. A strong administrative foundation is critical to the future of any business enterprise.

**View of Responsible Officials and Corrective Action Planned:** Additional staff is in the process of being hired for the accounting department to help keep the Organization organized and have better real time overview of the Organization's finances.