



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2010 AND 2009***

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Eva's Village, Inc.
Paterson, New Jersey

We have audited the accompanying statements of financial position of Eva's Village, Inc. as of June 30, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eva's Village, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

December 30, 2010



EVA'S VILLAGE, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2010</u>	<u>2009</u>
Assets:		
Cash and cash equivalents	\$ 2,725,642	\$ 2,629,084
Investments, at fair market value	611,412	550,188
Accounts and grants receivable, net	673,473	667,741
Contributions receivable, net	258,808	505,316
Prepaid expenses	9,202	5,371
Tenant trust funds	137,535	94,889
Beneficial interest in charitable remainder annuity trust	310,845	310,845
Due from related entity	20,289	727,069
Mortgage receivable	4,351,133	1,150,000
Land, buildings and equipment, net	<u>12,510,273</u>	<u>11,956,717</u>
 Total assets	 <u>\$ 21,608,612</u>	 <u>\$ 18,597,220</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 758,510	\$ 1,146,400
Deferred compensation	85,010	113,066
Tenant trust funds	137,535	94,889
Notes payable	<u>2,785,000</u>	<u>2,940,000</u>
 Total liabilities	 <u>3,766,055</u>	 <u>4,294,355</u>
 Net assets:		
Unrestricted	16,951,185	12,618,417
Temporarily restricted	460,372	1,253,448
Permanently restricted	<u>431,000</u>	<u>431,000</u>
 Total net assets	 <u>17,842,557</u>	 <u>14,302,865</u>
 Total liabilities and net assets	 <u>\$ 21,608,612</u>	 <u>\$ 18,597,220</u>

The accompanying notes are an integral part
of these financial statements.

EVA'S VILLAGE, INC.
STATEMENTS OF ACTIVITIES

	Year ended June 30,	
	2010	2009
UNRESTRICTED NET ASSETS		
Unrestricted support and revenue:		
Private support:		
Contributions	\$ 1,278,184	\$ 1,342,244
Special events (net of expenses for 2010 and 2009 of \$212,265 and \$191,274, respectively)	623,463	650,058
Estates and trusts	132,368	223,347
Total private support	2,034,015	2,215,649
Governmental support:		
Federal	109,403	392,283
State of New Jersey	6,775,133	2,268,612
Passaic County	294,523	239,379
Hudson County	52,270	60,196
City of Paterson	302,006	215,568
Total governmental support	7,533,335	3,176,038
Revenue:		
Rent, tenants	218,730	242,848
Food stamps	166,616	147,351
Miscellaneous income	41,085	39,930
Total revenue	426,431	430,129
Net assets released from restrictions for programmatic purposes	608,244	809,883
Total unrestricted support and revenue	10,602,025	6,631,699
Expenses:		
Program services:		
Recovery services	3,485,263	2,991,643
Sheltering services	1,694,735	1,451,501
Eva's Kitchen	689,056	677,145
Medical clinic	292,682	287,665
Total program services	6,161,736	5,407,954
Supporting services:		
Management and general	559,014	439,745
Fund raising	452,941	474,927
Total supporting services	1,011,955	914,672
Total expenses	7,173,691	6,322,626
Change in net assets before realized gains and losses, realized loss on sale of property and release of restricted net assets from capital campaign	3,428,334	309,073
Investment income and gains (losses):		
Investment income	12,666	28,407
Realized and unrealized gains (losses) on investments	8,961	(26,120)
Total investment income and gains (losses)	21,627	2,287
Realized loss on sale of property		(718,697)
Net assets released from restrictions from capital campaign	882,807	249,103
Change in unrestricted net assets	4,332,768	(158,234)
Unrestricted net assets, beginning of year	12,618,417	12,776,651
Unrestricted net assets, end of year	\$ 16,951,185	\$ 12,618,417

The accompanying notes are an integral part
of these financial statements.

EVA'S VILLAGE, INC.
STATEMENTS OF ACTIVITIES

	Year ended June 30,	
	2010	2009
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Private support:		
Program contributions	\$ 358,541	\$ 343,665
Special events	154,225	91,750
Estates and trusts	552	141,015
Capital Campaign	134,797	40,043
Total private support	648,115	616,473
Investment income and gains:		
Investment income	18,331	21,850
Realized and unrealized gains on investments	31,529	22,280
Total investment income and gains	49,860	44,130
Net assets released from restrictions:		
Program contributions	(608,244)	(809,883)
Capital Campaign	(882,807)	(249,103)
Total net assets released from restrictions	(1,491,051)	(1,058,986)
Change in temporarily restricted net assets	(793,076)	(398,383)
Temporarily restricted net assets, beginning of year	1,253,448	1,651,831
Temporarily restricted net assets, end of year	\$ 460,372	\$ 1,253,448
<u>PERMANENTLY RESTRICTED NET ASSETS</u>		
Private support:		
Estates and trusts	\$	\$ 320,000
Total private support		320,000
Change in permanently restricted net assets		320,000
Permanently restricted net assets, beginning of year	431,000	111,000
Permanently restricted net assets, end of year	\$ 431,000	\$ 431,000

The accompanying notes are an integral part
of these financial statements.

EVA'S VILLAGE, INC.

STATEMENTS OF CHANGES IN NET ASSETS

	Year ended June 30, 2010				Year ended June 30, 2009			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, July 1	\$ 12,618,417	\$ 1,253,448	\$ 431,000	\$ 14,302,865	\$ 12,776,651	\$ 1,651,831	\$ 111,000	\$ 14,539,482
Change in net assets	<u>4,332,768</u>	<u>(793,076)</u>		<u>3,539,692</u>	<u>(158,234)</u>	<u>(398,383)</u>	<u>320,000</u>	<u>(236,617)</u>
Net assets, June 30	<u>\$ 16,951,185</u>	<u>\$ 460,372</u>	<u>\$ 431,000</u>	<u>\$ 17,842,557</u>	<u>\$ 12,618,417</u>	<u>\$ 1,253,448</u>	<u>\$ 431,000</u>	<u>\$ 14,302,865</u>

The accompanying notes are an integral part of these financial statements.

EVA'S VILLAGE, INC.
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 3,539,692	\$ (236,617)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	378,110	322,916
Amortization of bond premium	7,929	5,104
Donated investments	(2,523)	(460,312)
Realized and unrealized (gain) loss on investments	(40,490)	3,840
Realized loss on sale of property		718,697
Discount on pledges receivable	(16,259)	(32,502)
Permanently restricted endowments		(320,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	(5,732)	302,275
Contributions receivable	262,767	251,237
Prepaid expenses	(3,831)	(1,923)
Tenant trust funds	(42,646)	20,187
Other assets		
Increase (decrease) in:		
Accounts payable	(387,890)	392,012
Deferred compensation	(28,056)	(26,874)
Tenant trust funds	42,646	(20,187)
Net cash provided by operating activities	3,703,717	917,853
Cash flows from investing activities:		
Purchase of investments	(26,140)	(13,815)
Purchase of buildings and equipment	(931,666)	(1,941,303)
Net cash used by investing activities	(957,806)	(1,955,118)
Cash flows from financing activities:		
Permanently restricted endowments		320,000
Repayment of notes payable	(605,000)	(2,050,000)
Proceeds from notes payable	450,000	2,940,000
Proceeds from due to related party	706,780	
Repayment of mortgage receivable	898,867	
Issuance of mortgage receivable	(4,100,000)	
Net cash provided (used) by financing activities	(2,649,353)	1,210,000
Net increase in cash	96,558	172,735
Cash, beginning of year	2,629,084	2,456,349
Cash, end of year	\$ 2,725,642	\$ 2,629,084
Supplemental Cash Flow Information		
Cash paid for:		
Interest	\$ 58,398	\$ 74,791
Non-Cash Investing and Financing Activities		
Mortgage receivable	\$ 4,351,133	\$ 1,150,000
Due from related entity	20,289	727,069
Amounts acquired from sale of property	\$ 4,371,422	\$ 1,877,069
In-kind services	\$ 219,984	\$ 187,852

The accompanying notes are an integral part
of these financial statements.

EVA'S VILLAGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2010 and 2009

	Program services expenses					
	Recovery services		Sheltering services		Eva's Kitchen	
	2010	2009	2010	2009	2010	2009
Salaries	\$ 1,699,496	\$ 1,507,371	\$ 851,593	\$ 745,362	\$ 237,023	\$ 249,237
Employee health and retirement benefits	285,755	213,882	117,743	100,392	34,038	29,873
Payroll taxes	184,908	152,783	93,126	76,665	28,487	26,841
Total salaries and related expenses	2,170,159	1,874,036	1,062,462	922,419	299,548	305,951
Professional fees	252,797	188,508	17,542	9,599	6,308	3,882
Donated professional services						
Supplies	65,927	79,854	29,084	32,573	3,606	3,971
Telephone	38,289	29,956	18,261	18,469	1,470	1,565
Occupancy	248,023	214,742	129,162	124,778	19,060	18,781
Local travel and related expenses	8,579	9,877	1,125	1,565	468	633
Repairs and maintenance	118,005	101,685	83,678	67,148	43,817	50,175
Insurance	25,514	17,180	15,411	10,094	6,555	4,124
Food	231,204	220,359	151,858	137,370	263,340	241,847
Training	4,981	4,628	550	189	25	
Test kits	69,104	59,612	8,125	5,164	65	77
Other taxes, permits, fees	15,994	18,130	4,841	7,709	2,067	5,741
Interest	3,448	3,884	50,362	31,349	682	907
Bank charges	3,302	2,345	1,605	1,149	653	547
Fund raising expense				145		
Miscellaneous	33,855	6,229	25,323	3,054	2,626	1,454
	3,289,181	2,831,025	1,599,389	1,372,774	650,290	639,655
Depreciation	196,082	160,618	95,346	78,727	38,766	37,490
Total expenses	\$ 3,485,263	\$ 2,991,643	\$ 1,694,735	\$ 1,451,501	\$ 689,056	\$ 677,145

The accompanying notes are an integral part of these financial statements.

EVA'S VILLAGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2010 and 2009

	Program services expenses				Supporting services expenses	
	Medical clinic		Total		Management and general	
	2010	2009	2010	2009	2010	2009
Salaries	\$ 27,865	\$ 24,500	\$ 2,815,977	\$ 2,526,470	\$ 385,647	\$ 284,403
Employee health and retirement benefits	1,304	248	438,840	344,395	51,269	44,723
Payroll taxes	3,097	2,022	309,618	258,311	34,972	33,428
Total salaries and related expenses	32,266	26,770	3,564,435	3,129,176	471,888	362,554
Professional fees	2,385	3,455	279,032	205,444	5,944	3,162
Donated professional services	190,752	187,852	190,752	187,852		
Supplies	35,106	39,550	133,723	155,948	4,607	4,227
Telephone	971	748	58,991	50,738	733	679
Occupancy	3,861	2,912	400,106	361,213	14,684	15,197
Local travel and related expenses		13	10,172	12,088	1,525	50
Repairs and maintenance	1,942	1,085	247,442	220,093	9,692	1,441
Insurance	4,107	4,212	51,587	35,610	7,220	3,286
Food			646,402	599,576	346	402
Training			5,556	4,817	867	199
Test kits		13	77,294	64,866	100	136
Other taxes, permits, fees	3,144	3,901	26,046	35,481	895	1,651
Interest	289	385	54,781	36,525	553	729
Bank charges	277	232	5,837	4,273	529	440
Fundraising expense				145		
Miscellaneous	1,116	617	62,920	11,354	7,981	15,431
	276,216	271,745	5,815,076	5,115,199	527,564	409,584
Depreciation	16,466	15,920	346,660	292,755	31,450	30,161
Total expenses	\$ 292,682	\$ 287,665	\$ 6,161,736	\$ 5,407,954	\$ 559,014	\$ 439,745

The accompanying notes are an integral part of these financial statements.

EVA'S VILLAGE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2010 and 2009

	Supporting services expenses				Total program and supporting services	
	Fund raising		Total		2010	2009
	2010	2009	2010	2009		
Salaries	\$ 261,620	\$ 237,340	\$ 647,267	\$ 521,743	\$ 3,463,244	\$ 3,048,213
Employee health and retirement benefits	31,091	25,316	82,360	70,039	521,200	414,434
Payroll taxes	26,715	23,579	61,687	57,007	371,305	315,318
Total salaries and related expenses	319,426	286,235	791,314	648,789	4,355,749	3,777,965
Professional fees	460	361	6,404	3,523	285,436	208,967
Donated professional services					190,752	187,852
Supplies	21,154	18,967	25,761	23,194	159,484	179,142
Telephone	1,983	2,725	2,716	3,404	61,707	54,142
Occupancy			14,684	15,197	414,790	376,410
Local travel and related expenses	70	997	1,595	1,047	11,767	13,135
Repairs and maintenance	352	2,399	10,044	3,840	257,486	223,933
Insurance			7,220	3,286	58,807	38,896
Food			346	402	646,748	599,978
Training	533		1,400	199	6,956	5,016
Test kits	55	28	155	164	77,449	65,030
Other taxes, permits, fees	5,152	6,125	6,047	7,776	32,093	43,257
Interest			553	729	55,334	37,254
Bank charges	301	155	830	595	6,667	4,868
Fund raising expense	94,375	156,935	94,375	156,935	94,375	157,080
Miscellaneous	9,080		17,061	15,431	79,981	26,785
	452,941	474,927	980,505	884,511	6,795,581	5,999,710
Depreciation			31,450	30,161	378,110	322,916
Total expenses	\$ 452,941	\$ 474,927	\$ 1,011,955	\$ 914,672	\$ 7,173,691	\$ 6,322,626

The accompanying notes are an integral part of these financial statements.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

1. Summary of significant accounting policies

This summary of significant accounting policies of Eva's Village, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization'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 (generally accepted accounting principles) and have been consistently applied in the preparation of the financial statements.

History and objectives of the Organization

Eva's Village, Inc., formed in July 1998 as the result of the combination of Eva's Sheltering Programs, Inc. (formed December 1988) and Eva's Kitchen, Inc. (formed April 1982), is a New Jersey not-for-profit corporation. The Organization changed its name from Eva's Kitchen and Sheltering Programs, Inc. to Eva's Village, Inc. in December 2005. The Organization is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code.

The mission of the Organization is to feed the hungry, to shelter the homeless, to treat the addicted and to provide medical care to the poor.

Eva's Village, Inc. provides short-term housing for temporarily homeless men, women and families in Passaic County, New Jersey. In addition, residents are provided with counseling services to help them obtain permanent housing, employment, financial assistance, and to help them recover from substance abuse. The Organization also operates a kitchen that was created to provide meals to the needy and homeless of Passaic County, New Jersey.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

1. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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 Organization programs.

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 the Organization receives notification that the probate court has declared the will valid. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Conditional pledges are recognized as income when the conditions of the pledge are met.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Land, buildings and equipment

Land, buildings 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.

Functional allocation of expenses

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

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

1. Summary of significant accounting policies (continued)

Non-cash contributions

The Organization receives donated services from specialized providers and other volunteers that create or enhance non-financial assets and allow the Organization to fulfill its mission. Donated specialized services have been recognized on the accompanying 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 \$190,752 and \$187,852 in 2010 and 2009, respectively. In addition, the Organization 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 financial statements.

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 the Organization'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, the Organization reclassifies temporarily restricted net assets to unrestricted net assets. Donations of property and equipment amounted to \$29,232 at June 30, 2010.

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

Uncertain tax positions

The Organization adopted the uncertainty in income taxes guidance as described in FASB ASC 740-10-50-15 on July 1, 2009. The adoption of that guidance resulted in no change in financial statements of prior periods. As of June 30, 2010, management believes that based on evaluation of the Organization's tax positions that any additional 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 the Organization'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 2006 are closed.

Endowments

In August 2008, the Financial Accounting Standards Board issued ASC 958-205 "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds", which is effective for financial statements issued for fiscal years ending after December 15, 2008. The literature provides guidance on the net asset classification of endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires all not-for-profit organizations with donor-restricted or board-restricted endowment funds to make extensive new disclosures about such funds regardless of whether the organization is subject to an enacted version of UPMIFA. The Organization adopted FASB ASC 958-205 during fiscal year ended June 30, 2009.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

2. Financial Instruments

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, accounts and grants receivable, contributions receivable and the mortgage receivable. The Organization maintains its 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 investment 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. Concentration of credit risk with respect to contributions receivable is reduced due to the fact that the receivables are primarily from board members and other local philanthropists, and with regards to the mortgage receivable, by the contractual obligations of the mortgagee.

3. Accounts and grants receivable

Accounts and grants receivable consist of the following:

	<u>2010</u>	<u>2009</u>
Grants receivable	\$ 539,761	\$ 511,552
Rent receivable	39,883	36,200
Other receivables	<u>93,829</u>	<u>119,989</u>
	<u>\$ 673,473</u>	<u>\$ 667,741</u>

4. 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 applicable to the years in which the promises are due. The difference between the amounts pledged and collected has historically been insignificant. Accordingly, no provision has been made for uncollectible amounts.

Contributions are expected to be collected as follows:

	<u>2010</u>	<u>2009</u>
One year or less	\$ 255,400	\$ 266,763
Two to five years	<u>3,596</u>	<u>255,000</u>
	258,996	521,763
Less discount on contributions receivable	<u>188</u>	<u>16,447</u>
	<u>\$ 258,808</u>	<u>\$ 505,316</u>

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

4. Contributions receivable (continued)

During the fiscal years ended June 30, 2010 and 2009, the Organization had conditional pledges totaling approximately \$334,671 and \$445,171, respectively, in support of its Capital Campaign. These pledges are conditional upon the Organization receiving financing from the bank to ensure the completion of the planned renovation projects and full project approvals from the City of Paterson. Although the Organization has received financing from the bank, they are still in the process of receiving full approvals from the City of Paterson. In the fiscal year ended June 30, 2010, \$110,500 of the conditional pledges had been received. This amount has been recognized as revenue during the fiscal year 2010. During the fiscal year ended June 30, 2009, none of the conditional pledges had been received.

5. Mortgage receivable

During 2008, Eva's Village Apartments, LP (EVALP) was formed by Eva's Spring Street Holdings, LLC (ESSH), and Eva's Village, Inc. Then Eva's Village, Inc. withdrew as a partner and Eva's Apartments GP, Inc. (EAGP) became a partner. Both ESSH and EAGP are 100% owned by the Organization. In April 2009, Slater Street Development, Inc. (SSDI) was admitted in EVALP. At June 30, 2009, EAGP, SSDI, and ESSH owned 49.5%, 49.5%, and 1%, respectively, of EVALP.

In June 2009, in conjunction with the sale of 75 Spring Street, Paterson, New Jersey (the property) the Organization initiated plans with developer, financial institution and several government funding sources to develop the property into a facility to provide 50 units of permanent housing for low income and special needs individuals.

On June 19, 2009, in conjunction with the sale of the property at 75 Spring Street (Note 7), the Organization entered into a mortgage agreement with EVALP. The mortgage carries no interest and is to be paid from development funds available to EVALP as it completes construction of the building. All unpaid principal, outstanding balances and accrued interest are due prior to March 31, 2011.

On October 13, 2009, EVALP entered into a construction loan note with TD Bank, N.A. in the amount of \$4,760,970. The loan bears interest at 2% above the Wall Street Journal Prime Rate and is due on July 13, 2011. The Organization has guaranteed payment of the loan and has also provided a guaranty of completion and an ADA and Environmental Indemnity to the bank.

On October 16, 2009, the Organization entered into the following transactions with EVALP:

The Organization entered into two separate mortgage agreements with EVALP, in which it agreed to loan \$100,000 and \$400,000 to EVALP. 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 or will be 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. As of June 30, 2010, the Organization had loaned the \$100,000 to EVALP.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

5. Mortgage receivable (continued)

The Organization 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, the Organization 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 mortgage. The mortgage 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. As of June 30, 2010, the Organization had loaned EVALP 4,000,000.

On October 16, 2009, the Organization received \$1,490,461 from the New Jersey Housing and Mortgage Authority as part of the \$4,000,000 grant under the Agreement. Under the terms of the Agreement, these amounts were advanced by the Organization to EVALP. EVALP repaid this amount to the Organization and under the terms of the Agreement, \$898,867 was applied to the mortgage and \$591,594 was applied to amounts due under the expense advance agreement. As of June 30, 2010, the amounts due to the Organization under the terms of the agreement were \$251,133.

6. Fair value measurements

FASB ASC 820-10-50 "Fair Value Measurements and Disclosures" 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 under FASB ASC 820-10-50 are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has 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;

Level 3 – Inputs that are unobservable.

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 the Organization. The Organization considers 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 the Organization's perceived risk of that investment.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

6. Fair value measurements (continued)

Investment securities are carried at fair value based on quoted prices in active markets (all Level 1 measurements) and consist of the following at June 30, 2010 and 2009:

	2010		2009	
	Amortized cost	Fair value	Amortized cost	Fair value
Cash fund	\$ 80,959	\$ 80,961	\$ 55,707	\$ 55,707
U.S. treasury bonds	485,201	458,052	412,171	434,451
Mutual funds	87,929	69,236	87,042	60,030
Equity securities	2,521	3,163		
	<u>\$ 656,610</u>	<u>\$ 611,412</u>	<u>\$ 554,920</u>	<u>\$ 550,188</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2010 and 2009:

	2010		
	Unrestricted	Temporarily restricted	Total
Interest from cash and cash equivalents	\$ 11,778	\$ 1,008	\$ 12,786
Dividends and interest	888	17,323	18,211
Realized and unrealized gains (losses)	8,961	31,529	40,490
	<u>\$ 21,627</u>	<u>\$ 49,860</u>	<u>\$ 71,487</u>

	2009		
	Unrestricted	Temporarily restricted	Total
Interest from cash and cash equivalents	\$ 27,262	\$ 4,817	\$ 32,079
Dividends and interest	1,145	17,033	18,178
Realized and unrealized gains (losses)	(26,120)	22,280	(3,840)
	<u>\$ 2,287</u>	<u>\$ 44,130</u>	<u>\$ 46,417</u>

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

7. Land, buildings and equipment

Land, buildings and equipment consist of the following:

	<u>2010</u>	<u>2009</u>
Land and building	\$13,788,777	\$13,032,185
Leasehold improvements	67,572	67,572
Furniture and fixtures	502,291	496,379
Office equipment	48,539	46,445
Equipment	506,582	468,163
Vehicles	148,887	148,887
Computer equipment	<u>133,806</u>	<u>122,232</u>
	15,196,454	14,381,863
Less accumulated depreciation	<u>3,942,937</u>	<u>3,564,829</u>
	11,253,517	10,817,034
Construction in progress	<u>1,256,756</u>	<u>1,139,683</u>
	<u>\$12,510,273</u>	<u>\$11,956,717</u>

In June, 2009, the Organization entered into an agreement with Eva's Village Apartments, LP, in which it sold to that entity its land and its building located at 75 Spring Street, Paterson, New Jersey, for \$1,150,000 (Note 5). Also in June 2009, the Organization entered into an expense advance agreement with Eva's Village Apartments, LP in which the LP agreed to reimburse the Organization for certain costs it had and will incur in its development of the 75 Spring Street property. At the date of the agreement, the Organization had incurred \$1,445,766 in costs of which \$727,069 is to be reimbursed pursuant to this agreement. The remaining \$718,697 was written off as a charge against the 2009 change in net assets.

8. Notes payable

In August 2008, the Organization obtained a long-term note in the amount of \$2,640,000 for financing of the land and buildings located at 25-31 Jackson Street. The note, which is secured by the land and buildings, bears interest at LIBOR plus 1.55% with a maturity date of November 2018. Proceeds of the loan were used to pay the \$2,000,000 interim financing that had been originally obtained in January 2005 to finance the acquisition of the land and buildings and which bore interest at LIBOR plus 1.75%. Monthly payments of interest only are required through November 2009 on the current note. Then monthly principal and interest payments are required based on a twenty-five (25) year amortization schedule. These monthly payments commenced in February 2010. The balance of the note was \$2,585,000 as of June 30, 2010.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

8. Notes payable (continued)

In addition, in September 2005, the Organization obtained a secured line of credit for \$750,000 to fund capital requirements and to purchase additional land and buildings. The line of credit, which is secured by the Organization's receivables, bears interest on outstanding balances at LIBOR plus 1.75%. The balance outstanding as of June 30, 2009 was \$300,000. The line of credit was paid off in December 2009. In May 2010, the Organization obtained a new secured line of credit for \$500,000 to fund capital requirements and to purchase land and buildings. The line of credit is secured by the Organization's receivables and bears interest on outstanding balances at the bank's prime rate plus 0.6%. The balance outstanding as of June 30, 2010 was \$200,000. The line of credit expires in December 2010.

Under the financial covenants of these notes, the Organization is required to maintain debt service and debt leverage ratios which have been maintained as of June 30, 2010 and 2009.

9. Temporarily restricted net assets/net assets released from restrictions

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Time restrictions	\$ 120,786	\$ 383,553
Capital Campaign	94,524	579,767
Capacity Building		40,525
Medical Clinic Prescriptions	15,000	11,263
Dental Clinic	9,554	9,450
Children's Gala Fund	114,092	88,919
Job Readiness	40,000	55,000
Family Shelter	45,000	63,280
Happy Family	12,500	12,316
After School Program		5,596
Executive Director - Discretionary	3,580	3,779
Medical Clinic	4,736	
Weisbrod Endowment Fund		
Childcare Center/Intensive Outpatient	600	
	<u>\$ 460,372</u>	<u>\$ 1,253,448</u>

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

9. Temporarily restricted net assets/net assets released from restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	<u>2010</u>	<u>2009</u>
Crimi Endowment Fund	\$ 1,008	\$ 7,129
Capital Campaign	617,040	228,461
Capital Campaign - Hope Residence		20,642
Capacity Building	40,525	58,605
Medical Clinic	5,264	100
Medical Clinic - Prescriptions	11,263	8,737
Dental Clinic	29,896	39,859
Children's Gala Fund	129,052	69,046
Education Room		25,000
Job Readiness	55,000	46,000
Family Shelter	217,221	259,218
Happy Family	42,816	55,236
After School Program	5,596	2,281
Men's Emergency Overnight Shelter		25
Time restrictions	265,767	178,115
Executive Director Discretionary	199	1,712
Kitchen		2,500
Kitchen Food	64,184	56,320
Halfway House	20	
Shelter	500	
Landscaping	700	
Childcare Center/Intensive Outpatient	5,000	
	<u>\$ 1,491,051</u>	<u>\$ 1,058,986</u>

10. Permanently restricted net assets

The permanently restricted net assets consist of two donor-restricted endowment funds. As required by accounting principals generally accepted in the United States of America, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization 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 the Organization. No such distribution shall be made to the extent it would reduce the value below the endowed corpus.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

10. Permanently restricted net assets (continued)

The Organization 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, the Organization 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 the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization's permanently restricted net assets consist of the following:

	<u>2010</u>	<u>2009</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>

Changes in endowment net assets for the year ended June 30, 2010:

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 22,280</u>	<u>\$ 431,000</u>	<u>\$ 453,280</u>
Investment return:			
Investment income	17,323		17,323
Net appreciation, realized and unrealized	<u>31,529</u>		<u>31,529</u>
Total investment return	48,852		48,852
Contributions			
Appropriation of endowment assets for expenditures	<u>(71,132)</u>		<u>(71,132)</u>
Endowment net assets, end of year	<u>\$</u>	<u>\$ 431,000</u>	<u>\$ 431,000</u>

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

10. Permanently restricted net assets (continued)

Changes in endowment net assets for the year ended June 30, 2009:

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,312	\$ 111,000	\$ 113,312
Investment return:			
Investment income	21,850		21,850
Net appreciation, realized and unrealized	<u>22,280</u>		<u>22,280</u>
Total investment return	44,130		44,130
Contributions	140,312	320,000	460,312
Appropriation of endowment assets for expenditures	<u>(164,474)</u>		<u>(164,474)</u>
Endowment net assets, end of year	<u>\$ 22,280</u>	<u>\$ 431,000</u>	<u>\$ 453,280</u>

11. Beneficial interest in charitable remainder annuity trust

A donor established a charitable remainder annuity trust naming the Organization as the residuary. Under the agreement, when the trust is terminated (at the designated beneficiary's death) the remaining plan assets are distributed to the Organization. The present value of future benefits expected to be received by the Organization was calculated using the Internal Revenue Service Revenue Ruling 77-374 for valuing a residuary interest in an annuity trust. The Organization recorded the present value of the remainder interest in the trust of \$310,845 at June 30, 2010 and 2009.

12. Pension and cafeteria plans

The Organization 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 \$41,504 and \$38,773 for the years ended June 30, 2010 and 2009, respectively. It is the Organization's policy to fund the pension cost as incurred.

The Organization also maintains a Section 125 Cafeteria Plan allowing employees to use pretax dollars to pay eligible medical and childcare premiums and expenses.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

13. Post retirement benefit agreement

In June 1997, the Organization's Board of Directors passed a resolution, whereby they agreed to pay the salary of the former executive director after his retirement for the remainder of his life. Although there is no formal written contract, the Board of Directors intends to honor this resolution. The reflected amount represents the present value of the estimated future payments using a discount rate of approximately 6% and the applicable mortality tables.

	<u>2010</u>	<u>2009</u>
Deferred compensation fund	<u>\$ 84,112</u>	<u>\$ 113,066</u>
Interest cost incurred	<u>\$ 6,400</u>	<u>\$ 6,979</u>

14. Contingent capital funding agreements

The Organization entered into a capital funding agreement with the State of New Jersey, Department of Human Services for renovations on one of its facilities for a total of \$150,000. The Organization has agreed to maintain the homes as an approved facility for State clients for ten years from the date of the funding. In the event that the Organization disposes of the property, no longer operates the program, or the State decides to terminate the agreement, the State may require that the Organization pay the State an amount up to the balance remaining on the agreement. The Organization must repay the State one tenth (1/10) of the agreement for every year less than ten years that it operates the facilities. The Organization is, therefore, contingently liable to the State in the amount of \$15,000 as of June 30, 2010. The detail of the contingencies is as follows:

<u>Group home</u>	<u>From</u>	<u>To</u>	<u>Capital funding</u>	<u>Contingent liability</u>
17 Jackson Street	March 21, 2001	March 21, 2011	<u>\$150,000</u>	<u>\$ 15,000</u>

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

15. Special events support

Special events support for the years ended June 30, 2010 and 2009 consisted of the following:

<u>Event</u>	2010		
	<u>Gross support</u>	<u>Expenses</u>	<u>Net support</u>
Dinner gala	\$ 601,016	\$ (71,205)	\$ 529,811
Golf outing	294,309	(110,881)	183,428
Run	58,643	(21,965)	36,678
Fashion Show	35,985	(8,214)	27,771
Total	\$ 989,953	\$ (212,265)	\$ 777,688

<u>Event</u>	2009		
	<u>Gross support</u>	<u>Expenses</u>	<u>Net support</u>
Dinner gala	\$ 639,175	\$ (73,230)	\$ 565,945
Golf outing	293,907	(118,044)	175,863
Total	\$ 933,082	\$ (191,274)	\$ 741,808

16. Interest cost

The total interest cost incurred during the years ended June 30, 2010 and 2009 was \$58,398 and \$74,791, respectively, of which \$3,312 and \$44,517, respectively, was capitalized as part of the cost of the construction and renovation of buildings.

17. Litigation

The Organization is involved in litigation arising in the normal course of its 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.

18. Significant source of support

The Organization received approximately 29% and 40% of its government support from the New Jersey Department of Human Services Division of Addiction – Drug Court during fiscal years ended June 30, 2010 and 2009, respectively. This comprised approximately 14% and 17%, respectively, of the Organization's total support and revenue for the years then ended.

EVA'S VILLAGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009

19. Related party transactions

The Organization purchases construction related services from several companies that are owned by a member of the Organization's Board of Directors. During the fiscal years ended June 30, 2010 and 2009, the Organization paid the companies \$36,214 and \$119,451, respectively, for construction related services.

The Organization owns 100% of Eva's Spring St. Holdings, LLC and Eva's Apartments GP, Inc. The LLC owned the property at 75 Spring Street, Paterson, New Jersey and the GP was formed to be a general partner in Eva's Village Apartments, LP. The transactions between the Organization and these related Organizations are discussed in Note 5.

20. Subsequent events

Subsequent events have been evaluated through December 30, 2010, which is the date the financial statements were available to be issued.