

EVA'S HEROES
FINANCIAL STATEMENTS
December 31, 2019 and 2018

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Eva’s Heroes
San Antonio, Texas

We have audited the accompanying financial statements of Eva’s Heroes (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities (with comparative totals for 2018), functional expenses (with comparative totals for 2018), and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eva's Heroes as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Randy Walker & Co.

San Antonio, Texas
August 23, 2020

EVA'S HEROES
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 517,490	\$ 586,854
Accounts Receivable	59,182	141,882
Other Current Assets	5,140	7,367
Total Current Assets	<u>581,812</u>	<u>736,103</u>
<u>LONG-TERM ASSETS</u>		
Fixed Assets (net)	44,984	1,893
Total Long-Term Assets	<u>44,984</u>	<u>1,893</u>
TOTAL ASSETS	\$ <u>626,796</u>	\$ <u>737,996</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 20,104	\$ 43,343
Accrued Expenses	14,493	14,493
Total Current Liabilities	<u>34,597</u>	<u>57,836</u>
TOTAL LIABILITIES	<u>34,597</u>	<u>57,836</u>
<u>NET ASSETS</u>		
Without Donor Restrictions	592,199	604,904
With Donor Restrictions	-	75,256
TOTAL NET ASSETS	<u>592,199</u>	<u>680,160</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>626,796</u>	\$ <u>737,996</u>

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

EVA'S HEROES
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019
(with comparative totals for 2018)

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>OPERATING SUPPORT AND REVENUES</u>				
Event Income (net of direct expenses of \$173,077 and \$182,055, respectively)	\$ 346,304	\$ -	\$ 346,304	\$ 313,279
Grant Income	98,500	45,000	143,500	164,500
Program Income	81,908	-	81,908	79,333
Non-Cash Donations	67,375	-	67,375	40,730
Contribution Income	20,437	-	20,437	14,830
Interest Income	3,613	-	3,613	1,577
Miscellaneous Income	-	-	-	1,934
Net Assets Released from Restrictions	120,256	(120,256)	-	-
TOTAL OPERATING SUPPORT AND REVENUES	738,393	(75,256)	663,137	616,183
<u>OPERATING EXPENSES</u>				
Program	536,682	-	536,682	531,522
General and Administrative	146,600	-	146,600	165,157
Fundraising	67,816	-	67,816	90,412
TOTAL OPERATING EXPENSES	751,098	-	751,098	787,091
CHANGE IN NET ASSETS	(12,705)	(75,256)	(87,961)	(170,908)
NET ASSETS - Beginning of Year	604,904	75,256	680,160	851,068
NET ASSETS - End of Year	\$ 592,199	\$ -	\$ 592,199	\$ 680,160

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

EVA'S HEROES
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019
(with comparative totals for 2018)

	2019				2018
	Program	General and Administrative	Fundraising	Total	Total
<u>OPERATING EXPENSES</u>					
Salaries	\$ 194,389	\$ 57,964	\$ 37,778	\$ 290,131	\$ 291,204
Employee Benefits	18,838	5,624	3,655	28,117	16,073
Payroll Taxes	16,205	4,837	3,144	24,186	22,588
Total Payroll Expenses	229,432	68,425	44,577	342,434	329,865
Activities	111,957	-	-	111,957	105,842
In-Kind Disbursements	74,972	-	-	74,972	33,900
Professional Services	-	50,556	-	50,556	81,486
Transportation	33,752	-	-	33,752	29,201
Office and Administrative	25,307	8,435	-	33,742	54,896
Rent	25,892	4,569	-	30,461	35,488
Community Outreach	24,839	-	-	24,839	37,952
Marketing	-	-	23,239	23,239	11,554
Insurance	9,871	6,580	-	16,451	12,853
Depreciation	-	3,259	-	3,259	680
Miscellaneous	-	2,734	-	2,734	3,344
Bank Fees	-	1,877	-	1,877	5,479
Meetings and Conferences	660	165	-	825	3,799
Bad Debt Expense	-	-	-	-	25,436
Grant Expenses	-	-	-	-	14,970
Donor Outreach	-	-	-	-	346
TOTAL OPERATING EXPENSES	\$ 536,682	\$ 146,600	\$ 67,816	\$ 751,098	\$ 787,091

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

EVA'S HEROES
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in Net Assets From Operations	\$ (87,961)	\$ (170,908)
Adjustments to Reconcile Net Change to Net Cash		
(Used) Provided by Operations:		
Depreciation	3,259	680
Decrease (Increase) in Assets:		
Accounts Receivable	82,700	196,285
Other Current Assets	2,227	(5,441)
(Decrease) Increase in Liabilities:		
Accounts Payable	(23,239)	19,195
Accrued Expenses	-	2,402
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(23,014)	42,213
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Fixed Assets	(46,350)	-
NET CASH USED BY INVESTING ACTIVITIES	(46,350)	-
NET (DECREASE) INCREASE IN CASH FLOWS	(69,364)	42,213
CASH - Beginning of Year	586,854	544,641
CASH - End of Year	\$ 517,490	\$ 586,854

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

EVA'S HEROES
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying statements of Eva's Heroes (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization and Nature of Activities

Eva's Heroes, a 501(c)(3) organization, is located in San Antonio, Texas. The Organization was founded in 2006 with the mission of enriching the lives of individuals with intellectual special needs. To accomplish this mission, the Organization offers numerous recreational and social activities to members of its service group within the San Antonio area. The Organization is governed by a Board of Directors (the Board). Private contributions and program fees comprise the majority of the revenue received by the Organization.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Net assets available for use in the general operations and not subject to donor restrictions. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions that are more restrictive than the Organization's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

Revenue consists primarily of contributions and program fees. Funds received are recorded as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or funds. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and as such qualifies for the maximum charitable contributions deduction by donors. As of December 31, 2019, the tax years that remain subject to examination by taxing authorities begin with 2016.

EVA'S HEROES
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$23,239 and \$11,554, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and general and administrative expenses have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll expenses, which are allocated on the basis of estimates of time and effort, as well as rent, insurance and other operating expenses, which are allocated on the basis of square footage or some other reasonable basis.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2019. Management does not expect the new standard to have a significant impact on its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee will be required to recognize on the statement of financial position the assets and liabilities for leases with lease terms of more than twelve months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

Recently Adopted Accounting Pronouncements

In 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for periods beginning after December 15, 2018. This pronouncement clarifies and improves the scope and the accounting guidance for contributions received and contributions made in order to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Organization adopted this new pronouncement effective January 1, 2019. The change was applied retrospectively, but there is no cumulative effect on beginning net assets as of this date.

Fixed Assets

Fixed assets are stated at cost at date of acquisition. The Organization capitalizes asset purchases with a cost of over \$2,000. Depreciation on the assets owned by the Organization has been computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture	7 years
Equipment	5 years
Vehicles	5 years

EVA'S HEROES
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of 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.

NOTE 2 - ACCOUNTS RECEIVABLE

Accounts receivable is comprised of pledged contributions and auction sales that were not received as of year-end. The Organization considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts has been recorded. At December 31, 2019 and 2018, the Organization had \$59,182 and \$141,882 in accounts receivable, respectively.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at December 31, 2018:

Vehicle Purchase	\$	60,000
Southside Program Expansion		15,000
Baseball Clinic		<u>256</u>
Total	\$	<u>75,256</u>

The Organization had no net assets with donor restrictions at December 31, 2019.

NOTE 4 - RETIREMENT PLAN

During 2017, the Organization implemented a retirement plan, which is available to all full-time employees. Employee contributions are matched by the Organization up to 3% of the employee's annual compensation. Employer contributions to the plan were \$10,087 and \$15,514 for the years ended December 31, 2019 and 2018, respectively.

NOTE 5 - CONCENTRATION OF CONTRIBUTIONS

The Organization received approximately 53% and 47% of its annual revenue from the Celebrity Casino Night fundraising event for the years ended December 31, 2019 and 2018, respectively.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances in checking and savings accounts at two banks. The Federal Deposit Insurance Corporation insures the balances in these accounts up to \$250,000 per bank. The Organization's uninsured cash balances totaled \$94,129 and \$144,962 at December 31, 2019 and 2018, respectively, without regard to reconciling items.

EVA'S HEROES
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization adopted the provisions of ASC 820, “Fair Value Measurements and Disclosures” (formerly SFAS 157). ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market, and establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The adoption of ASC 820 did not affect the Organization’s financial position or results of operations.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets or liabilities and have the highest priority.
- Level 2 valuations are based on quoted prices in markets that are not active.
- Level 3 valuations are based on inputs that are unobservable and supported by little or no market activity.

The Organization’s current assets and liabilities as presented in the statements of financial position are Level 1. The Organization has no Level 2 or Level 3 assets or liabilities. The carrying amounts reported in the statements of financial position approximate their fair values because of the short maturities of those instruments.

NOTE 8 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-stipulated restrictions.

	2019	2018
Cash	\$ 517,490	\$ 586,854
Accounts Receivable	59,182	141,882
Total Financial Assets	576,672	728,736
Donor Restrictions	-	(75,256)
Financial Assets Available to Meet Cash		
Needs for Expenditures Within One Year	\$ 576,672	\$ 653,480

The Organization’s primary sources of cash flows are fundraising events, grants, and contributions from donors. These revenue sources provide a consistent inflow of cash throughout the year to cover normal operating expenses.

NOTE 9 - IN-KIND CONTRIBUTIONS

During the years ended December 31, 2019 and 2018, the Organization received donations of goods valued at \$67,375 and \$40,730, respectively.

EVA'S HEROES
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 10 - FIXED ASSETS

The cost and accumulated depreciation of fixed assets were as follows at December 31:

	2019	2018
Vehicle	\$ 46,350	\$ -
Furniture and Equipment	13,615	13,615
Less: Accumulated Depreciation	(14,981)	(11,722)
Fixed Assets (net)	\$ 44,984	\$ 1,893

Depreciation expense for the years ended December 31, 2019 and 2018 was \$3,259 and \$680, respectively.

NOTE 11 - LEASES

The Organization entered into a lease agreement in June 2018 that expires in August 2025. Under this agreement, the Organization is responsible for monthly payments of \$2,500 during the first eight months of the lease, and monthly payments will gradually increase thereafter. Total lease payments for the years ended December 31, 2019 and 2018 were \$29,100 and \$10,000, respectively.

Future minimum payments under all lease agreements are as follows:

Years Ending December 31,		
2020	\$	35,544
2021		37,404
2022		38,528
2023		39,680
2024		40,868
Thereafter		27,784
Total	\$	219,808

NOTE 11 - SUBSEQUENT EVENTS

Due to COVID-19 “shelter-in-place” restrictions imposed by the City of San Antonio in March 2020, the Organization is evaluating current economic conditions and anticipates event income and program income to decrease for the year ending December 31, 2020. The related financial impact cannot be reasonably estimated at this time.

Additionally, the Organization applied for and was granted a Paycheck Protection Program (PPP) loan in May 2020 to assist with payroll, rent and utilities. Management intends to use the loan funds in accordance with the time and purpose restrictions defined by the PPP.

The Organization has evaluated subsequent events through August 23, 2020, which is the date the financial statements were available to be issued.