



Calvary Women's Services

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

SEPTEMBER 30, 2020 AND 2019



4114 Legato Road
5TH Floor
Fairfax, VA 22033

P: 703.591.5200
F: 703.385.3572

WWW.BSLLC.COM

CALVARY WOMEN'S SERVICES, INC.

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Calvary Women's Services, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Calvary Women's Services, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, 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.

Auditors' Responsibility

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 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 Calvary Women's Services, Inc. as of September 30, 2020, and 2019, 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.

Burdette Smith & Bish LLC

Fairfax, Virginia
February 8, 2021

CALVARY WOMEN'S SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,686,071	\$ 1,149,329
Restricted cash	12,353	13,674
Pledges receivable, net	167,330	106,411
Grants receivable	346,156	223,016
Prepaid expenses	33,000	33,250
Total Current Assets	2,244,910	1,525,680
INVESTMENTS	-	4,962
PROPERTY AND EQUIPMENT, AT COST	3,551,295	3,459,789
Less: accumulated depreciation and amortization	(760,838)	(663,495)
	2,790,457	2,796,294
OTHER ASSETS		
Security deposit	21,110	24,207
Pledges receivable, net	15,000	20,000
Total Other Assets	36,110	44,207
	\$ 5,071,477	\$ 4,371,143
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 51,826	\$ 20,059
Accrued salaries and related benefits	55,499	40,818
Mortgage payable	50,351	47,563
Client deposits	12,887	13,873
Total Current Liabilities	170,563	122,313
NON-CURRENT LIABILITIES		
Mortgage payable	840,577	890,040
Deferred rent	21,229	-
Total Non-Current Liabilities	861,806	890,040
NET ASSETS		
Without donor restrictions	3,810,824	3,172,229
With donor restrictions	228,284	186,561
	4,039,108	3,358,790
	\$ 5,071,477	\$ 4,371,143

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

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 961,024	\$ 503,405	\$ 1,464,429
Government grants	1,790,746	48,173	1,838,919
Contributed services and materials	130,822	-	130,822
Fundraising event, net	145,986	-	145,986
Interest income	1,388	-	1,388
Investment income (loss)	92	-	92
Forgiveness of debt	327,200	-	327,200
	3,357,258	551,578	3,908,836
Net assets released from restrictions	509,855	(509,855)	-
	3,867,113	41,723	3,908,836
EXPENSES			
Program services	2,658,251	-	2,658,251
Management and general	172,089	-	172,089
Fundraising	398,178	-	398,178
	3,228,518	-	3,228,518
 CHANGE IN NET ASSETS	 638,595	 41,723	 680,318
 NET ASSETS, BEGINNING OF YEAR	 3,172,229	 186,561	 3,358,790
NET ASSETS, END OF YEAR	\$ 3,810,824	\$ 228,284	\$ 4,039,108

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

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and grants	\$ 626,093	\$ 238,500	\$ 864,593
Government grants	1,241,558	14,544	1,256,102
Contributed services and materials	207,046	-	207,046
Fundraising event, net	255,287	-	255,287
Interest income	1,223	-	1,223
Investment income (loss)	(44)	-	(44)
Miscellaneous revenue	260	-	260
	2,331,423	253,044	2,584,467
Net assets released from restrictions	171,936	(171,936)	-
	2,503,359	81,108	2,584,467
EXPENSES			
Program services	1,955,817	-	1,955,817
Management and general	189,244	-	189,244
Fundraising	356,749	-	356,749
	2,501,810	-	2,501,810
 CHANGE IN NET ASSETS	 1,549	 81,108	 82,657
 NET ASSETS, BEGINNING OF YEAR	 3,170,680	 105,453	 3,276,133
NET ASSETS, END OF YEAR	\$ 3,172,229	\$ 186,561	\$ 3,358,790

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

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2020

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Calvary Transitional Housing	Sister Circle	Reach Up	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Building maintenance	\$ 16,534	\$ 324	\$ 25,264	\$ 42,122	\$ 76	\$ 194	\$ 270	\$ 42,392
Client necessities	6,721	7,786	5,280	19,787	6	16	22	19,809
Depreciation and amortization	89,451	-	10,448	99,899	1,924	4,809	6,733	106,632
Donated materials	66,491	-	51,541	118,032	-	-	-	118,032
Donated rent and services	5,686	-	-	5,686	7,104	-	7,104	12,790
Equipment maintenance	36,532	205	25,641	62,378	1,569	745	2,314	64,692
Events	-	-	-	-	-	16,092	16,092	16,092
Insurance	17,271	-	16,870	34,141	970	925	1,895	36,036
Interest expense	21,646	-	21,144	42,790	9,244	1,159	10,403	53,193
Job training and life skills	4,418	-	319	4,737	-	-	-	4,737
Miscellaneous	1,422	-	212	1,634	10,852	6,879	17,731	19,365
Payroll taxes and benefits	120,268	10,003	77,958	208,229	12,771	45,062	57,833	266,062
Postage and delivery	54	-	53	107	186	11,242	11,428	11,535
Printing	4,639	-	4,234	8,873	216	13,753	13,969	22,842
Professional fees	150,982	5,909	62,235	219,126	44,251	8,383	52,634	271,760
Rent	-	-	251,842	251,842	-	-	-	251,842
Salaries	764,373	63,573	495,469	1,323,415	81,169	286,395	367,564	1,690,979
Staff development	8,214	-	6,893	15,107	983	312	1,295	16,402
Supplies	58,062	-	36,320	94,382	234	847	1,081	95,463
Telephone	8,440	-	18,645	27,085	114	291	405	27,490
Utilities	34,983	-	40,267	75,250	410	1,049	1,459	76,709
Volunteer search	3,182	-	447	3,629	10	25	35	3,664
	<u>\$ 1,419,369</u>	<u>\$ 87,800</u>	<u>\$ 1,151,082</u>	<u>\$ 2,658,251</u>	<u>\$ 172,089</u>	<u>\$ 398,178</u>	<u>\$ 570,267</u>	<u>\$ 3,228,518</u>

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

CALVARY WOMEN'S SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2019

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Calvary Transitional Housing	Sister Circle	Reach up	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Building maintenance	\$ 53,300	\$ 103	\$ 995	\$ 54,398	\$ 983	\$ 2,458	\$ 3,441	\$ 57,839
Client necessities	5,756	5,966	2,260	13,982	2	6	8	13,990
Conference and training	10,323	21	82	10,426	252	614	866	11,292
Depreciation and amortization	90,017	-	-	90,017	1,936	4,840	6,776	96,793
Donated materials	109,213	-	-	109,213	-	-	-	109,213
Donated rent and services	32,568	-	65,265	97,833	-	-	-	97,833
Equipment maintenance	20,226	-	2,987	23,213	668	763	1,431	24,644
Events	-	-	-	-	-	6,255	6,255	6,255
Insurance	30,784	-	-	30,784	1,271	1,655	2,926	33,710
Interest expense	51,775	-	-	51,775	1,113	2,784	3,897	55,672
Job training and life skills	8,289	-	52	8,341	4	10	14	8,355
Miscellaneous	1,649	-	107	1,756	20,379	89	20,468	22,224
Payroll taxes and benefits	135,851	11,537	11,964	159,352	10,771	38,412	49,183	208,535
Postage and delivery	2,678	-	-	2,678	149	9,964	10,113	12,791
Printing	14,839	-	-	14,839	238	12,991	13,229	28,068
Professional fees	117,079	-	5,000	122,079	81,388	27,799	109,187	231,266
Rent	-	-	23,112	23,112	-	-	-	23,112
Salaries	859,784	73,014	75,716	1,008,514	68,166	243,102	311,268	1,319,782
Supplies	52,763	-	5,783	58,546	365	1,453	1,818	60,364
Telephone	11,708	-	1,477	13,185	256	639	895	14,080
Utilities	54,219	-	-	54,219	1,166	2,915	4,081	58,300
Volunteer search	7,555	-	-	7,555	137	-	137	7,692
	\$ 1,670,376	\$ 90,641	\$ 194,800	\$ 1,955,817	\$ 189,244	\$ 356,749	\$ 545,993	\$ 2,501,810

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

CALVARY WOMEN'S SERVICES, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED SEPTEMBER 30, 2020, AND 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 680,318	\$ 82,657
Adjustments to reconcile net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	106,632	96,793
Unrealized (gain) loss	-	44
Forgiveness of debt	(327,200)	-
Donations of stock	(4,408)	(5,006)
(Increase) decrease in:		
Pledges receivable	(60,919)	(35,443)
Grants receivable	(123,140)	(144,486)
Prepaid expenses	250	(14,113)
Other assets	8,097	(44,207)
Increase (decrease) in:		
Accounts payable and accrued liabilities	31,767	(6,017)
Accrued salaries and related benefits	14,681	3,476
Client deposits	(986)	(10,180)
Deferred rent	21,229	-
	<u>(333,997)</u>	<u>(159,139)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>346,321</u>	<u>(76,482)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sale of investments	9,370	-
Purchase of fixed assets	(100,795)	(60,285)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(91,425)</u>	<u>(60,285)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from debt Issuance	327,200	-
Principal payments on long-term debt	(46,675)	(44,196)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>280,525</u>	<u>(44,196)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	535,421	(180,963)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,163,003</u>	<u>1,343,966</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>1,698,424</u>	\$ <u>1,163,003</u>
CASH AND CASH EQUIVALENTS	\$ 1,686,071	\$ 1,149,329
RESTRICTED CASH.....	12,353	13,674
	\$ <u>1,698,424</u>	\$ <u>1,163,003</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Cash paid for interest	\$ 53,193	\$ 51,493

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

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies

Calvary Women's Services, Inc. (Calvary) was incorporated in September 1983, as a District of Columbia not-for-profit corporation, to provide short-term and long-term housing and support services for women who are homeless in Washington, D.C. The support services include personalized case management, life skills and education opportunities, job search and placement, and health and wellness services. Calvary is committed to providing these services in Wards 7 and 8 neighborhoods with the highest poverty rates in the District.

Calvary's housing programs include:

- Calvary Transitional Housing Program offers transitional housing and comprehensive services that empower women to end their homelessness. With support, women improve their health, maintain recovery from addiction, address histories of trauma, secure income, and move into permanent housing.
- Sister Circle is a permanent supportive housing program for women. Women have access to the case management and other support services they need to ensure long-term stability in their housing. Sister Circle also provides a community of peer support.
- Reach Up offers transitional and short-term subsidized housing for women experiencing homelessness and with experiences of violence and trauma. Through case management and other support services, the housing program empowers women to achieve their goals for safe housing, good health, and financial independence.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Adoption of New Accounting Standards

Calvary adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective October 1, 2019. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The Foundation adopted the ASU using a modified prospective basis, which had no significant impact on the financial statements.

Calvary adopted ASU 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash* effective October 1, 2019. This guidance is intended to clarify the presentation of restricted cash and cash equivalents on the statements of cash flows. All restricted cash consists of cash held on behalf of its clients.

Cash Equivalents

For purposes of the statement of cash flows, Calvary considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies, Continued

Restricted Cash

Calvary maintains a separate cash account for cash held on behalf of its clients. These funds are held exclusively for the clients' benefit and are not available to pay Calvary's expenses. Deposits and withdrawals are made at the discretion of each participating client. These amounts are reflected as restricted cash and client deposits in the Statement of Financial Position.

Revenue Recognition

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Calvary reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, 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 restriction.

Calvary reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Calvary reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Calvary receives funding under grants from the U.S. and D.C. Governments, and other grantors for direct and indirect program costs. This funding is subject to conditions, which must be met through incurring qualifying expenses for specific programs. Accordingly, such grants are considered conditional promises to give and are recorded as support without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Calvary recognizes revenue when the conditions on which they depend are substantially met. Funding received in advance for services to be rendered will be treated as a refundable advance upon receipt of the funding. Calvary received conditional promises to give of \$2,655,195 as of September 30, 2020, which will be recognized once allowable expenses under the grant agreements are incurred.

In-Kind Support

Contributions of donated services and materials that enhance a non-financial asset and contributed services that are considered specialized and can be estimated, and would have been purchased if not donated, are reflected in the accompanying financial statements. Contributed services and materials represent the value of donated goods, equipment, professional and legal services, facilities, and meals and are recorded as contributions at their estimated fair market value as of the date of the donation.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies, Continued

Fair Value of Financial Statements

Accounting principles generally accepted in the United States established a framework for measuring fair value, clarifying the definition of fair value within that framework and expanding disclosure about fair value measurements. U.S. GAAP has established a three-tiered fair value hierarchy with Level 1 representing quoted prices for identical assets or liabilities in an active market, Level 2 representing quoted prices for identical assets or liabilities in a market that is non-active or with other than directly or indirectly observable inputs, and Level 3 representing estimate values based on unobservable inputs. Related disclosures are segregated for assets and liabilities measured at fair value based on the level used within the hierarchy to determine their fair values. The carrying amounts for cash and cash equivalents, restricted cash, grants and pledges receivable, investments, prepaid expenses, accounts payable and accrued liabilities, and client deposits approximate fair market value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair market value because the interest rate on the instrument is consistent with rates offered for debt with similar terms and maturities.

Pledges and Grants Receivable

Unconditional promises to give are reported net of an estimate for doubtful pledge collections. Unconditional promises to give that are expected to be received within one year are recorded at their face amount, which approximates fair value. Grants and pledges expected to be received in a future period that extends beyond one year are discounted to their net present value at the time the revenue is recorded. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. Pledges receivable are written off when deemed uncollectible. Management considers all amounts to be fully collectible. Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Fixed Assets

Property and equipment (including major renewals, replacements and betterments), with a cost of \$1,000 or more, are capitalized and stated at cost. Expenditures for ordinary maintenance and repair items are charged to operations as incurred. Upon the sale or other disposition of property, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected in the changes in net assets. Depreciation is provided for principally under the straight-line method. Asset useful lives range from three to thirty-nine years. Building improvements are amortized over the remaining life of the building.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources available to Calvary, resources for various purposes are classified for accounting purposes into classes established according to their nature and purpose as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Calvary's management and the board of directors.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 1 - Summary of Significant Accounting Policies, Continued

Classes of Assets, continued

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Calvary or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statements of Activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates in the financial statements include the estimated useful lives of property and equipment.

Tax Exempt Status

Calvary has been granted exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation. However, income from certain activities not directly related to Calvary's tax-exempt purpose may be subject to taxation as unrelated business income.

Management has evaluated Calvary's tax positions and concluded that Calvary has taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, Calvary is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years prior to 2017.

Reclassifications

Certain September 30, 2019 amounts have been reclassified to conform to the September 30, 2020 presentation. There was no effect on the September 30, 2019 change in net assets as a result of these reclassifications.

NOTE 2 - Concentration of Credit Risk

Calvary maintains bank accounts with credit-worthy, high quality financial institutions. The Federal Deposit Insurance Corporation (FDIC) has limitations on the amount it will insure, and Calvary's account balances may periodically exceed that amount. Calvary has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to cash.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 3 – Pledges Receivable

Pledges receivable are classified as net assets with donor restrictions until the pledge payment is received. Pledges receivable at September 30 are summarized as follows:

	<u>2020</u>		<u>2019</u>
Receivable in one year or less	\$ 167,330	\$	106,411
Receivable in one to five years	15,000		20,000
Less: allowance for doubtful collections	-		-
	<u>\$ 182,330</u>	<u>\$</u>	<u>126,411</u>

Bad debt expense recognized on pledges receivable totaled \$-0- for both 2020 and 2019.

Any present value discounts did not have a material effect on the financial statements taken as a whole.

NOTE 4 – Grants Receivable

Calvary receives grants from the Community Partnership for the Prevention of Homelessness (TCP), and the Office of Victim Services and Justice Grants, which are funded by the D.C. Government. The grants fund 75 beds of Calvary's transitional housing and comprehensive case management services for homeless women. Calvary also receives grants from TCP that are funded by the US Department of Housing and Urban Development (HUD). These grants fund 31 beds of transitional and permanent housing for homeless women. In addition, Calvary receives funding from the Federal Emergency Management Agency to fund capacity building efforts. The amount of revenue recognized by Calvary from these grants totaled \$1,838,919 and \$1,256,102 for the years ended September 30, 2020 and 2019, respectively.

The outstanding receivables from these grants at September 30, 2020 and 2019 totaled \$346,156 and \$223,016, respectively.

For the years ended September 30, 2020 and 2019, Calvary did not meet the requirements to be subject to an audit under provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 5 – Property and Equipment

Property and equipment, at cost, and the related accumulated depreciation and amortization as of September 30 are summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 284,220	\$ 284,220
Building and improvements	3,003,206	2,997,613
Furniture and equipment	229,190	172,916
Leasehold Improvements	29,639	-
Website	5,040	5,040
	3,551,295	3,459,789
Less: accumulated depreciation and amortization ...	(760,838)	(663,495)
	\$ 2,790,457	\$ 2,796,294

Depreciation expense totaled \$106,632 and \$96,793 for the years ended September 30, 2020 and 2019, respectively.

NOTE 6 – Long-Term Debt

Calvary has a mortgage loan with a local bank. The original loan amount was \$1,500,000 with a fixed interest rate equal to the greater of the midrange of the five-year swap equivalent of the 30-day LIBOR plus 3 percent, or 4.5 percent. Beginning in the seventh year of the loan, or 2019, through the loan's maturity, the note will bear interest at a fixed annual rate equal to the greater of the midrange of the five-year swap equivalent of the 30-day LIBOR plus 3 percent, or 4.5 percent. As of September 30, 2020 and 2019, the effective interest rate was 5.71%. Monthly interest and principal payments are \$8,322, with the remaining balloon payment of \$758,575 due in April 2023. The note is secured by a first lien Deed of Trust on the property, an assignment of leases and rents on the property, in addition to all owned assets. Calvary is required to maintain certain operating and reporting covenants.

	<u>2020</u>	<u>2019</u>
Loan payable	\$ 890,928	\$ 937,603
Current maturities	\$ 50,351	\$ 47,563
Long-term maturities	840,577	890,040
	\$ 890,928	\$ 937,603

Required principal payments for years ending September 30 are as follows:

<u>Year Ending September 30,</u>	
2021.....	\$ 50,351
2022.....	53,302
2023.....	787,275
	\$ 890,928

Interest expense for the years ended September 30, 2020 and 2019 totaled \$53,194 and \$55,672, respectively.

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 7 – Line of Credit

On January 7, 2020, Calvary signed an agreement establishing a line of credit with a bank in the amount of \$100,000. The interest rate on the line of credit is the prime rate plus 1% with a floor of 5.75%. The line of credit matures on January 7, 2022 and is secured by all of Calvary's assets, excluding restricted cash. The amount outstanding on the line of credit at September 30, 2020 was \$-0-.

NOTE 8 – Paycheck Protection Program

On April 6, 2020 Calvary obtained a Paycheck Protection Plan (PPP) loan under the provisions of the CARES Act for \$327,200. Calvary has elected to use the grant approach instead of recording the loan as a financial liability until forgiven. Under this approach, forgiveness income is recognized when the conditions of meeting the forgiveness criteria have been substantially met. For the year ending September 30, 2020, forgiveness of debt income was \$327,200 as the proceeds had been utilized for payment of payroll, rent and utility expense as intended.

NOTE 9 – Net Assets With Donor Restrictions

All unconditional promises to give are recorded as net assets with donor restrictions and revenue at the time the promise is communicated. The promises are considered restricted because the donor is restricting the time period in which the assets may be used by not transferring them immediately. Funds received that have a donor restriction on the use are also recorded as net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction or purpose restriction is accomplished, 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.

Net assets are restricted for the following purposes at December 31:

	<u>2020</u>		<u>2019</u>
Program support	\$ 15,791	\$	2,424
Life skills training	15,000		2,500
Job training	10,000		-
Time restricted	187,493		181,637
	<u>\$ 228,284</u>	<u>\$</u>	<u>186,561</u>

NOTE 10 – Contributed Services and Materials

During the years ended September 30, 2020 and 2019, Calvary received donated goods and services which allow Calvary to provide greater resources toward various programs.

Contributed goods and services revenue and corresponding expenses are comprised of the following at September 30:

	<u>2020</u>		<u>2019</u>
Professional services	\$ 7,104	\$	87,790
Goods and equipment	65,078		86,443
Volunteer services	5,686		10,043
Meals	52,954		22,770
	<u>\$ 130,822</u>	<u>\$</u>	<u>207,046</u>

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 10 – Contributed Services and Materials, continued

In addition, volunteers perform many of the day-to-day operating activities at Calvary. Management has determined the value of these donated services do not meet the criteria for recognition as contributed services and has not reflected the estimated value of these services in its Statement of Activities. For the years ended September 30, 2020 and 2019, the estimated value of these services were \$46,361 and \$98,064, respectively.

NOTE 11 – Retirement Plan

Employees of Calvary are eligible to participate in a 403(b) tax-deferred annuity plan through which they can defer up to the legal limits allowed by the Internal Revenue Code. Calvary does not contribute to employee accounts.

NOTE 12 – Investments

Calvary's policy is to liquidate any donations of stock as soon as they are received and to not hold investments. Due to timing of a donation received near year-end, the sale of stock did not occur prior to year-end. At September 30, 2020 and 2019, investments consisted of donated securities and are reflected at fair market value using Level 1 valuation methodology. The balance of investments at September 30, 2020 and 2019 were \$1,316 and \$4,962, respectively.

Investment income, which is reported as support without donor restrictions net of related investment expenses in the statement of activities reflects investment income (loss) for the years ended September 30, 2020 and 2019 of \$92 and (\$44), respectively.

NOTE 13 – Commitments

Calvary has short-term apartment leases which began in June and August of 2019. The leases expired in November 2019. Monthly payments under these leases were \$4,898, and \$1,760. Calvary also has a five-year equipment operating lease that began in February 2017 and expires in February 2022. Monthly payments under this lease are \$309.

On October 1, 2019, Calvary entered into a new operating lease agreement for program service expansion. The lease term is seven years, which commenced October 1, 2019. The annual rent is \$231,708 and will be escalated by an estimated 3.5% on October 1, 2022. The terms of the lease include rent abatement of \$19,469, and a \$19,309 security deposit.

The following is a schedule of future minimum rental payments under these operating leases as of September 30, 2020:

2021	\$	235,416
2022		232,944
2023		239,894
2024		239,894
2025		239,894
Thereafter		239,895
	\$	<u>1,427,937</u>

CALVARY WOMEN'S SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2020 AND 2019

NOTE 14 – Availability and Liquidity of Resources

As part of liquidity management, Calvary has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Calvary's financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position, are as follows:

Cash and cash equivalents	\$	1,684,755
Pledge receivable		162,330
Grants receivable		346,156
Net Financial Assets Available Within One Year	\$	<u>2,193,241</u>

To help manage unanticipated liquidity needs, Calvary has a committed line of credit in the amount of \$100,000, which it could draw upon. Calvary's financial assets available at September 30, 2020 are sufficient to meet its current obligations.

NOTE 15 – Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, and insurance, which are allocated on the basis of estimates of time and effort.

NOTE 16 – COVID-19

The World Health Organization announced a global health emergency due to a new strain of coronavirus (COVID-19), which became a global pandemic in March 2020 and has resulted in unprecedented actions by governments around the world to curtail the spread of the virus. These events have resulted in a high level of uncertainty and volatility in the financial markets. COVID-19 has had an enormous impact on business organizations, and consumers in all sectors. The outcome and timeframe are highly unpredictable and as such, Calvary is not able to estimate the effects of COVID-19 on its results of operations, financial conditions or liquidity for the fiscal year ending September 30, 2021.

NOTE 17 – Subsequent Events

In preparing the accompanying financial statements, Calvary has evaluated events and transactions for potential recognition or disclosure through February 8, 2021, the date the financial statements were available to be issued, and believes all events requiring recognition or disclosure in the financial statements have been appropriately reflected.