

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**

**FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
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**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
South Orange Village Center Alliance, Inc.

We have audited the accompanying financial statements of South Orange Village Center Alliance, Inc. (a non-profit organization), which comprise the statement of financial position-modified cash basis as of December 31, 2019, and the related statement of activities, functional expenses, and cash flows-modified cash basis for the year then ended, and the related notes to the financial statements-modified cash basis.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 risk 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 South Orange Village Center Alliance, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended, in conformity with the basis of accounting described in Note 2.



ROSENBERG RICH BAKER BERMAN & COMPANY

To the Board of Directors of  
South Orange Village Center Alliance, Inc.

**Basis of Accounting**

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Our opinion is not modified with respect to that matter.

*Rosenberg Rich Baker Berman & Company*

Somerset, New Jersey  
September 16, 2020

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**STATEMENT OF FINANCIAL POSITION-MODIFIED CASH BASIS**  
**AT DECEMBER 31, 2019**

ASSETS	
Cash	\$ 56,983
Grant funds receivable	<u>13,975</u>
Total current assets	<u>70,958</u>
Property and equipment, net	<u>684</u>
Total Assets	<u><u>\$ 71,642</u></u>
NET ASSETS	
Net assets without donor restrictions	<u>\$ 71,642</u>
Total net assets	<u>71,642</u>
Total liabilities and net assets	<u><u>\$ 71,642</u></u>

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.  
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Change in net assets without donor restrictions:

Revenue and Support	
Municipal support	\$ 254,891
Grant income	21,500
Program events and sponsorships	72,064
In-kind contributions - occupancy	16,532
Contributions	2,733
Other revenue	<u>35</u>
Total Revenue and Support	367,755
Expenses	
Program expenses	268,485
General and administrative	76,521
Fundraising expense	<u>16,860</u>
Total Expenses	<u>361,866</u>
Increase in net assets without donor restrictions	5,889
Net Assets without donor restrictions - beginning	<u>65,753</u>
Net Assets without donor restrictions - ending	<u>\$ 71,642</u>

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES-MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Services				Total	General & Administrative	Fundraising	Total Expenses
	Advocacy	District Beautification	Retention & Recruitment	Program Events				
Expenses:								
Personnel Costs	\$ 13,473	\$ 55,489	\$ 22,783	\$ 34,517	\$ 126,262	\$ 33,686	\$ 14,205	\$ 174,153
Maintenance and beautification	-	81,658	-	-	81,658	260	-	81,918
Expenses for district								
public events	-	-	4,937	37,561	42,498	717	-	43,215
Consulting	-	-	-	4,750	4,750	8,060	2,500	15,310
Advertising and marketing	1,242	1,200	3,821	4,316	10,579	475	120	11,174
Professional fees	-	-	-	-	-	5,250	-	5,250
Communication	-	-	-	-	-	2,397	-	2,397
Payroll processing	-	406	-	-	406	2,442	-	2,848
In-kind- Occupancy	-	-	-	-	-	16,532	-	16,532
Office expense	-	-	-	7	7	2,556	35	2,598
Conferences and education	-	-	933	107	1,040	50	-	1,090
Insurance	-	-	-	-	-	3,067	-	3,067
Depreciation	-	-	-	-	-	1,029	-	1,029
Memberships and subscriptions	-	-	940	345	1,285	-	-	1,285
 Total Expenses	 <u>\$ 14,715</u>	 <u>\$ 138,753</u>	 <u>\$ 33,414</u>	 <u>\$ 81,603</u>	 <u>\$ 268,485</u>	 <u>\$ 76,521</u>	 <u>\$ 16,860</u>	 <u>\$ 361,866</u>

See notes to the financial statements-modified cash basis.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.  
STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cash Flows from Operating Activities	
Increase in Net Assets	\$ 5,889
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	1,029
Increase in:	
Grant funds receivable	<u>(13,975)</u>
Total Adjustments	<u>(12,946)</u>
Net Cash Used in Operating Activities	<u>(7,057)</u>
Cash - beginning of year	<u>64,040</u>
Cash - end of year	<u><u>\$ 56,983</u></u>
<b>SUPPLEMENTARY INFORMATION:</b>	
Interest paid during period	<u><u>\$ -</u></u>
Income taxes paid during period	<u><u>\$ -</u></u>

*See notes to the financial statements-modified cash basis.*



**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

1. NATURE OF ACTIVITIES

South Orange Village Center Alliance, Inc. (“SOVCA”) was organized and incorporated in the Township of South Orange Village, Essex County, New Jersey in 2012 as a non-profit corporation. The purpose for which SOVCA was formed was to assist in the enhancement of the business district within the Township of South Orange Village.

The Special Improvement District (see Note 3) was created pursuant to an adopted Ordinance (No. 2012-01, as amended 2017-19) of the Township of South Orange Village, County of Essex, New Jersey and thereby authorizing a District Management Corporation. The Township of South Orange Village designated Main Street South Orange, Inc. to serve as the District Management Corporation. Main Street South Orange, Inc. is currently doing business as (dba) South Orange Village Center Alliance, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**

The financial statements of South Orange Village Center Alliance, Inc. have been prepared on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenues are recognized when collected rather than earned, and expenses are recognized when paid rather than incurred.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash consists of bank checking accounts and cash equivalents and may include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. At December 31, 2019, the Organization has no cash equivalents.

**Revenue and revenue recognition**

*Municipal support* - revenue received is recognized as an exchange transaction over time as the services are performed based on the performance obligations as set forth in the annual budget approved by the Township of South Orange Village.

*Program events and sponsorships* - revenue is recognized in a point in time when the cash has been received from the donor and the associated event has taken place. An exchange element is recognized equal to the fair value of direct benefits to donors or sponsors, and a contribution element is recognized for the difference, if any.

*Contributions* - the Organization recognizes contributions when cash, securities or other assets are received related to an unconditional promise to give or a notification of a beneficial interest. Receipts from conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

*Grant income* - A portion of the Organization’s revenue is derived from a cost-reimbursable state grant, which was conditioned upon the incurrence of allowable qualifying expenses. Reimbursable amounts are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures would be reported as refundable advances in the statement of financial position.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue and revenue recognition (continued)

*In-kind Contributions* - the Township of South Orange Village donates space, utilities and building maintenance for space occupied by the organization. The estimated fair value of the donated space is reflected in the accompanying financial statements. The amount is estimated at \$16,532 and is recorded as income and corresponding expense.

Donated Goods and Services

The Township of South Orange Village donates support staff, which includes public works, health, recreation and police departments for events conducted by the organization. The estimated fair value of the support staff is not reflected in the accompanying financial statements since these services do not require specialized skills. The amount is estimated at \$21,775.

A substantial number of volunteers have donated services to the organization during the year; however these donated services are not reflected in the financial statements since these services do not require specialized skills. In addition, the organization is the recipient of the donation of various used equipment and furnishings that also are not reflected in the financial statements due to their limited value.

Property and Equipment

We record property and equipment additions at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the equipment. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Net Assets without Donor Restrictions*—Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets with Donor Restrictions*—Net assets subject to donor (or certain grantor) restrictions. 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Income Tax Status

South Orange Village Center Alliance, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. South Orange Village Center Alliance, Inc. files a federal form 990, "Return of Organization Exempt from Income Tax," on an annual basis when required.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us 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 revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Recent Accounting Guidance

The Financial Accounting Standards Board (FASB) issued Updated No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report net assets without donor restrictions instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. Further, the guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The Organization adopted the provisions of these new standards during the year ended December 31, 2019. In addition to the enhanced disclosures noted, the adoption of this new guidance resulted in a change in the presentation of "Unrestricted Net Assets" to "Net Assets Without Donor Restrictions" in the December 31, 2019 financial statements.

Effective January 1, 2019, the Organization adopted Accounting Standards Update (ASU) No. 2018-08 Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605) as management believes the standard improves the usefulness and understandability of the Organization's financial reporting.

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 - Revenue from Contracts with Customers (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. The standard was adopted utilizing the modified retrospective approach. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

3. SPECIAL IMPROVEMENT DISTRICT

The Township of South Orange Village has established a Special Improvement District (the "SID"), which encompasses certain business areas, defined within the Township. Main Street South Orange, Inc. doing business as (dba) South Orange Village Center Alliance, Inc. has been designated to serve in the capacity of manager for the SID and will be responsible for overseeing the SID's redevelopment, including the stewardship over special assessment and any grants received from funding sources.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

4. PROPERTY AND EQUIPMENT

Property and Equipment, at cost, at December 31, 2019 consisted of the following:

Equipment	\$ 5,143
Less: Accumulated depreciation	<u>(4,459)</u>
Equipment, net of depreciation	<u>\$ 684</u>

5. STATE GRANT

During 2019, the Organization was awarded grant funds from an agreement with the State of New Jersey Department of Community Affairs under the Main Street New Jersey program. As of December 31, 2019, the Organization was entitled to receive cost-reimbursable grant funds of \$21,500 that have been fully recognized in revenue for the year ended December 31, 2019 because the underlying qualifying expenditures were incurred.

6. CONCENTRATIONS

Credit Risk:

The Organization maintains its cash balances in two banking institutions. Such accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash accounts.

Revenue:

During the year ended December 31, 2019, the Organization received approximately 74% of its revenue from the Township of South Orange Village. A total of \$94,891 (26% of total revenue), was derived from special tax assessments attributable to the SID.

7. ADVERTISING EXPENSE

Advertising is expensed as incurred and amounted to \$7,597 for the year ended December 31, 2019.

8. RELATED PARTY TRANSACTION

During 2019 the Organization entered into a contract for services with the South Orange Parking Authority. An employee of this entity serves on the board of SOVCA. The contract covers the period from August 1, 2019 and July 31, 2020. Expenses incurred under this contract for the year ended December 31, 2019 amounted to \$18,750.

**SOUTH ORANGE VILLAGE CENTER ALLIANCE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

9. LIQUIDITY AND AVAILABLE FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operational needs and other operating commitments. The Organization had financial assets of \$56,983 at December 31, 2019. All of these financial assets are available to fund general expenditures during the next fiscal year. If financial resources are not available, the Organization will respond by reducing the services and programs it provides.

10. SUBSEQUENT EVENTS

The Organization evaluated the events and transactions subsequent to its December 31, 2019 balance sheet date and, in accordance with FASB ASC 855-10-50, "Subsequent Events," determined there were no significant events to report through September 16, 2020, which is the date the financial statements were available to be issued, except as disclosed below.

As a result of the spread of the COVID-19 Coronavirus and the resulting stay-at-home order issued in New Jersey the activities of the Organization have be reduced, however, funding from the Village of South Orange has continued. It is expected that revenue from programs and sponsorships will be reduced as most events and programs for 2020 have been cancelled.