

Eliada Homes, Inc.

Asheville, North Carolina

Financial Statements
and Supplementary Information
Years Ended June 30, 2018 and 2017

and

Independent Auditors' Report



Eliada Homes, Inc.
Asheville, North Carolina

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Independent Auditors' Report



To the Board of Trustees
Eliada Homes, Inc.
Asheville, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Eliada Homes, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditors' 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 Eliada Homes, Inc. as of June 30, 2018 and 2017, 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.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program expenses on pages 26-29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole for the years ended June 30, 2018 and 2017.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of Eliada Homes, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eliada Homes, Inc.'s internal control over financial reporting and compliance.

Johnson Price Sprinkle PA

November 9, 2018

Eliada Homes, Inc.

Statements of Financial Position

June 30,	2018	2017
Assets		
Cash	\$ 59,090	\$ 93,120
Accounts receivable	482,231	480,268
Other receivables	21,566	22,173
Receivable – affiliate	9,714	10,114
Inventory	18,867	17,078
Prepaid expenses and other assets	84,419	88,104
Property and equipment, net	520,093	395,111
Property held for investment	154,656	285,000
Beneficial interest in perpetual trust	229,200	235,550
Total assets	\$ 1,579,836	\$ 1,626,518
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 136,344	\$ 188,860
Payroll liabilities	327,697	321,909
Other liabilities	23,263	11,619
Long-term debt	364,983	366,006
Payable – affiliate	425,926	95,169
Total liabilities	1,278,213	983,563
Net assets (deficit):		
Unrestricted	(366,123)	(15,566)
Temporarily restricted	438,546	422,971
Permanently restricted	229,200	235,550
Total net assets	301,623	642,955
Total liabilities and net assets	\$ 1,579,836	\$ 1,626,518

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

Eliada Homes, Inc.

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenues:				
Program service revenue:				
Medicaid	\$ 5,062,045	\$ -	\$ -	\$ 5,062,045
State	1,207,098	-	-	1,207,098
County	1,196,519	-	-	1,196,519
Private payments	724,356	-	-	724,356
Support:				
Private grants and contributions	417,792	411,081	-	828,873
Federal and state grants	520,175	-	-	520,175
Eliada Foundation, Inc. subsidies	235,000	-	-	235,000
Eliada Foundation, Inc. in-kind	212,700	-	-	212,700
Investment earnings	20,092	-	-	20,092
Change in value of beneficial interest				
in perpetual trust	-	-	(6,350)	(6,350)
Gain on disposal of property and equipment	627	-	-	627
Impairment loss on property held for investment	(35,200)	-	-	(35,200)
Fundraising	298,901	-	-	298,901
Rents	14,335	-	-	14,335
Miscellaneous income	9,958	-	-	9,958
Net assets released from restrictions	395,506	(395,506)	-	-
Total support and revenues	10,279,904	15,575	(6,350)	10,289,129
Expenses:				
Program services	9,202,350	-	-	9,202,350
Supporting services:				
Management and general	913,675	-	-	913,675
Resource development/fundraising	514,436	-	-	514,436
Total supporting services	1,428,111	-	-	1,428,111
Total expenses	10,630,461	-	-	10,630,461
Change in net assets	(350,557)	15,575	(6,350)	(341,332)
Net assets (deficit), beginning of year	(15,566)	422,971	235,550	642,955
Net assets (deficit), end of year	\$ (366,123)	\$ 438,546	\$ 229,200	\$ 301,623

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

Eliada Homes, Inc.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenues:				
Program service revenue:				
Medicaid	\$ 5,446,174	\$ -	\$ -	\$ 5,446,174
State	801,919	-	-	801,919
County	857,857	-	-	857,857
Private payments	756,484	-	-	756,484
Support:				
Private grants and contributions	712,655	374,031	-	1,086,686
Federal and state grants	765,262	-	-	765,262
Eliada Foundation, Inc. subsidies	118,800	-	-	118,800
Eliada Foundation, Inc. in-kind	242,000	-	-	242,000
Investment earnings	18,865	-	-	18,865
Change in value of beneficial interest in perpetual trust	-	-	5,208	5,208
Gain on disposal of property and equipment	258	-	-	258
Fundraising	304,463	15,820	-	320,283
Rents	24,189	-	-	24,189
Net assets released from restrictions	249,099	(249,099)	-	-
Total support and revenues	10,298,025	140,752	5,208	10,443,985
Expenses:				
Program services	8,893,636	-	-	8,893,636
Supporting services:				
Management and general	956,958	-	-	956,958
Resource development/fundraising	552,245	-	-	552,245
Total supporting services	1,509,203	-	-	1,509,203
Total expenses	10,402,839	-	-	10,402,839
Change in net assets	(104,814)	140,752	5,208	41,146
Net assets, beginning of year	89,248	282,219	230,342	601,809
Net assets (deficit), end of year	\$ (15,566)	\$ 422,971	\$ 235,550	\$ 642,955

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

Eliada Homes, Inc.

Statements of Cash Flows

Years Ended June 30,

2018

2017

Cash flows from operating activities:

Change in net assets	\$	(341,332)	\$	41,146
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation		70,808		65,487
Amortization of discount on loans		2,979		13,593
Impairment loss on property held for investment		35,200		-
Gain on disposal of property and equipment		(627)		(258)
Change in value of beneficial interest in perpetual trust		6,350		(5,208)
(Increase) decrease in assets:				
Accounts receivable		(1,963)		195,370
Other receivables		607		(1,842)
Inventory		(1,789)		(3,784)
Prepaid expenses and other assets		3,685		12,593
Increase (decrease) in liabilities:				
Accounts payable		(52,516)		35,205
Payroll liabilities		5,788		(118,677)
Other liabilities		11,644		(30,807)

Net cash provided by (used in) operating activities		(261,166)		202,818
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Cash flows from investing activities:

Proceeds from the sale of property and equipment		627		258
Proceeds from the sale of property held for investment		95,144		-
Payments for the purchase of property and equipment		(195,790)		(32,150)

Net cash used in investing activities		(100,019)		(31,892)
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Cash flows from financing activities:

Advances (repayments) – affiliate		331,157		(271,945)
Principal payments on long-term debt		(4,002)		(9,776)
Principal payments on capital lease obligation		-		(874)

Net cash provided by (used in) financing activities		327,155		(282,595)
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Net decrease in cash		(34,030)		(111,669)
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Cash, beginning of year		93,120		204,789
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Cash, end of year	\$	59,090	\$	93,120
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Supplemental disclosures of cash flow information:

Cash payments for interest	\$	12,652	\$	4,335
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The accompanying notes are an integral part of these financial statements.

Eliada Homes, Inc.

Statement of Functional Expenses

Year Ended June 30, 2018

	Program Services						Supporting Services			Total
	Residential Treatment	Educational and Day Treatment	Foster Care	Child Development Center	Community Based Services	Total Program Services	Management and General	Resource Development/Fundraising	Total Supporting Services	
Salaries	\$ 3,556,818	\$ 421,828	\$ 277,647	\$ 1,319,225	\$ 115,633	\$ 5,691,151	\$ 583,026	\$ 230,489	\$ 813,515	\$ 6,504,666
Employee benefits	426,300	56,793	35,736	182,144	21,111	722,084	53,310	12,576	65,886	787,970
Pension cost	18,427	6,765	4,817	10,777	1,499	42,285	10,368	5,355	15,723	58,008
Payroll taxes	275,727	31,400	20,844	100,305	8,208	436,484	42,972	17,121	60,093	496,577
Supplies and equipment	81,862	13,260	8,970	106,572	7,121	217,785	21,460	10,680	32,140	249,925
Food	140,096	13,031	263	203,381	2,248	359,019	117	402	519	359,538
Computer technology	12,041	1,104	2,981	416	732	17,274	53,907	10,512	64,419	81,693
Clothing	1,435	124	-	374	1,332	3,265	-	-	-	3,265
Utilities	119,387	10,422	5,477	57,136	5,782	198,204	6,001	6,445	12,446	210,650
Insurance	49,547	4,933	13,546	27,121	5,188	100,335	2,924	1,871	4,795	105,130
Maintenance and repairs	121,072	10,216	7,858	136,424	8,490	284,060	12,192	8,175	20,367	304,427
Telephone	14,328	1,802	4,511	6,391	1,248	28,280	4,614	1,091	5,705	33,985
Postage	986	61	95	222	63	1,427	1,555	3,983	5,538	6,965
Travel	15,061	1,033	15,898	4,366	2,096	38,454	2,976	1,145	4,121	42,575
Dues and subscriptions	2,424	340	450	809	73	4,096	2,567	4,594	7,161	11,257
License and fees	15,287	723	2,200	4,719	889	23,818	1,390	1,696	3,086	26,904
Student related expense	15,542	338	2,257	6,851	1,268	26,256	-	-	-	26,256
Foster care payments	156	-	412,062	-	-	412,218	-	-	-	412,218
Rent	136,560	13,893	1,679	75,258	10,906	238,296	13,738	5,364	19,102	257,398
Professional fees	163,910	1,482	596	30,824	14,105	210,917	60,543	69,999	130,542	341,459
Conferences and meetings	16,406	1,559	2,498	7,854	394	28,711	4,738	6,088	10,826	39,537
Recreation activities	963	122	-	33,509	360	34,954	-	-	-	34,954
Promotions	3,166	-	1,977	994	1,314	7,451	145	113,707	113,852	121,303
Miscellaneous	4,545	317	775	1,733	264	7,634	8,879	2,718	11,597	19,231
Bad debts	2,178	982	-	3,735	930	7,825	-	-	-	7,825
Interest	24	34	-	97	1	156	15,663	118	15,781	15,937
Depreciation	22,914	1,909	895	32,031	2,162	59,911	10,590	307	10,897	70,808
	<u>\$ 5,217,162</u>	<u>\$ 594,471</u>	<u>\$ 824,032</u>	<u>\$ 2,353,268</u>	<u>\$ 213,417</u>	<u>\$ 9,202,350</u>	<u>\$ 913,675</u>	<u>\$ 514,436</u>	<u>\$ 1,428,111</u>	<u>\$ 10,630,461</u>

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

Eliada Homes, Inc.

Statement of Functional Expenses

Year Ended June 30, 2017

	Program Services						Supporting Services			Total
	Residential Treatment	Educational and Day Treatment	Foster Care	Child Development Center	Community Based Services	Total Program Services	Management and General	Development/ Fundraising	Total Supporting Services	
Salaries	\$ 3,743,607	\$ 436,082	\$ 254,697	\$ 1,004,643	\$ 65,817	\$ 5,504,846	\$ 624,837	\$ 236,556	\$ 861,393	\$ 6,366,239
Employee benefits	447,812	54,299	32,696	134,208	8,319	677,334	52,713	18,050	70,763	748,097
Pension cost	20,356	5,881	4,569	9,677	300	40,783	12,765	3,086	15,851	56,634
Payroll taxes	309,330	34,380	20,349	81,957	5,106	451,122	46,368	18,877	65,245	516,367
Supplies and equipment	87,015	50,765	11,070	73,466	19,108	241,424	18,651	26,003	44,654	286,078
Food	168,014	11,035	843	138,848	1,470	320,210	46	1,256	1,302	321,512
Computer technology	13,125	2,635	2,714	5,227	21	23,722	48,256	10,224	58,480	82,202
Clothing	1,781	21	-	3,101	2,681	7,584	-	-	-	7,584
Utilities	115,678	9,660	4,419	44,305	3,313	177,375	7,412	7,830	15,242	192,617
Insurance	54,867	4,854	12,118	23,489	1,369	96,697	3,082	1,142	4,224	100,921
Maintenance and repairs	131,563	9,598	7,803	95,511	5,011	249,486	11,512	7,161	18,673	268,159
Telephone	16,663	2,139	4,746	7,343	638	31,529	6,924	1,812	8,736	40,265
Postage	1,205	192	129	266	39	1,831	1,748	3,884	5,632	7,463
Travel	18,271	2,252	15,395	3,449	1,847	41,214	671	1,739	2,410	43,624
Dues and subscriptions	1,741	149	2,282	269	60	4,501	2,816	4,314	7,130	11,631
License and fees	16,248	740	2,334	4,657	291	24,270	9,692	1,961	11,653	35,923
Student related expense	24,346	1,033	2,079	7,451	1,500	36,409	144	-	144	36,553
Foster care payments	325	-	360,513	-	-	360,838	-	-	-	360,838
Rent	141,208	21,898	1,855	46,985	22,120	234,066	15,948	5,180	21,128	255,194
Professional fees	172,516	2,080	2,893	6,247	7,142	190,878	44,618	55,930	100,548	291,426
Conferences and meetings	15,848	1,472	1,516	4,169	206	23,211	6,365	3,834	10,199	33,410
Recreation activities	2,495	742	-	39,228	362	42,827	-	-	-	42,827
Promotions	6,952	124	3,054	1,387	1,111	12,628	137	140,593	140,730	153,358
Miscellaneous	19,528	1,352	1,687	5,069	255	27,891	13,426	2,361	15,787	43,678
Bad debts	11,061	406	-	3,836	1,200	16,503	-	-	-	16,503
Interest	-	29	29	58	58	174	17,929	146	18,075	18,249
Depreciation	29,662	7,964	890	10,184	5,583	54,283	10,898	306	11,204	65,487
	<u>\$ 5,571,217</u>	<u>\$ 661,782</u>	<u>\$ 750,680</u>	<u>\$ 1,755,030</u>	<u>\$ 154,927</u>	<u>\$ 8,893,636</u>	<u>\$ 956,958</u>	<u>\$ 552,245</u>	<u>\$ 1,509,203</u>	<u>\$ 10,402,839</u>

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

Eliada Homes, Inc.

Notes to Financial Statements

June 30, 2018 and 2017

Note A – Organization and summary of significant accounting policies:

Organization

Eliada Homes, Inc. (the Organization) is a North Carolina not-for-profit corporation, located in Asheville, North Carolina. The purpose of the Organization is to provide a caring, positive environment for preschool and school age children; treatment services for abused, neglected and troubled adolescents; supportive services for families in crisis; and preventative services for children and families. Programs and services seek to meet the physical, emotional, social, educational and spiritual needs of the children within the context of their families or through placement in one of the service programs. The Organization serves children and families throughout North Carolina, with the primary service area being Western North Carolina.

Income taxes

The Organization has been classified as a publicly-supported charitable organization under the Internal Revenue Code Section 501(c)(3). As a publicly-supported charity, the Organization is exempt from federal and state income taxes and federal excise taxes under Section 509(a)(1) of the Internal Revenue Code. It is the Organization's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain, and what, if any, effect the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified for tax years 2017 and 2016. Currently, the statute of limitations remains open subsequent to and including tax year 2014; however, no examinations are in process or anticipated. Any changes in the amount of a tax position will be recognized in the period the change occurs.

Basis of accounting and financial statement presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

Financial statement presentation follows the recommendations of FASB ASC 958-205, *Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets consist of all resources of the Organization which have no donor-imposed restrictions. The Organization's governing board may, at their discretion, designate unrestricted net assets for a specified purpose.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note A – Organization and summary of significant accounting policies – continued:

Basis of accounting and financial statement presentation – continued

Temporarily restricted net assets consist of contributions received whose use by the Organization is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of the Organization. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets consist of contributions received from donors whose use by the Organization is restricted to investment in perpetuity. Income from the investment of permanently restricted net assets is classified as unrestricted or temporarily restricted according to donor stipulations.

In-kind contributions

Volunteers have donated a significant amount of time to the Organization's operations and program services. Contributed services that create or enhance nonfinancial assets or require specialized skills and are provided by individuals possessing those skills will be recognized as support. No amounts have been reflected in the accompanying financial statements for contributed services since the requirements for recognition under FASB ASC 958-605 were not met. Donated materials and use of facilities are reflected as contributions in the accompanying financial statements at their estimated fair market value at date of receipt.

Accounts receivable and credit policies

Accounts receivable consist primarily of amounts due from governmental units and other agencies for services performed by June 30, 2018 and 2017. Accounts receivable are uncollateralized and are generally due within 30 days from the invoice date. The Organization does not charge finance charges for late payment of invoices. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note A – Organization and summary of significant accounting policies – continued:

Accounts receivable and credit policies – continued

Trade accounts are stated at the amount management expects to collect from outstanding balances. Management individually reviews all accounts receivable balances that exceed 60 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances which remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Investments

The Organization accounts for investment activity in accordance with the requirements of FASB ASC 958-320 which requires the Organization to report investments in equity securities that have readily determinable values and all investments in debt securities at fair market values. The Organization reports investment income, including realized and unrealized gains and losses on investments, as changes in unrestricted net assets, unless the donor places restrictions on income.

Fair value measurement

FASB ASC 820-10, *Fair Value Measurement and Disclosures*, applies to report balances that are required or permitted to be measured at fair value, defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements.

The fair value hierarchy prioritizes the input to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

Level 1 (the highest level) inputs are based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. For example, securities traded in an active market, such as the New York Stock Exchange, are valued using Level 1 inputs.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note A – Organization and summary of significant accounting policies – continued:

Fair value measurement – continued

Level 2 inputs are observable inputs other than quoted prices, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified term, the Level 2 input must be observable for substantially the full term.

Level 3 inputs are unobservable inputs for the asset or liability, meaning the inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability, including inputs related to risk, which have been developed based on the best information available in the circumstances.

Inventory

Inventory consists of food products and supplies held for program use, and are valued at the lower of cost or market.

Property and equipment

Property and equipment purchased or constructed by the Organization is recorded at historical cost or estimated historical cost. Donations of property and equipment are recorded as support at the estimated fair market value on the date of donation. Generally, assets having a useful life of more than one year and costing over \$5,000 are capitalized. Depreciation is recorded on a straight-line basis over the estimated useful life of the underlying asset using the American Hospital Association estimate of useful lives of depreciable assets. The estimated useful lives of the various assets range from 3 – 20 years. When items are disposed of, the cost and accumulated depreciation are eliminated from the property and equipment records, and the resulting gain or loss is credited or charged to operations. Repairs and maintenance costs that do not enhance the useful lives of the assets are charged to expense as incurred.

Functional expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly. Other expenses that are common to several functions are allocated by statistical means.

The Organization's principal programs are as follows:

Residential treatment – The Psychiatric Residential Treatment Facility ("PRTF") program provides non-acute in-patient facility care for adolescents who have a mental illness and need twenty-four hour supervision and specialized treatment interventions. The length of placement averages approximately four and one-half months. PRTF is licensed by the Division of Health Services Regulation. The Organization operates three adolescent PRTF cottages, one of which is an assessment center where the Organization evaluates the strengths and needs of youth with behavioral health needs while incorporating the family and community support system, all within thirty days. Two of the adolescent units are secured facilities. The Organization operates three Level III group homes.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note A – Organization and summary of significant accounting policies – continued:

Functional expenses – continued

Educational and Day Treatment – Day Treatment is a structured treatment service for children and adolescents. The program directly addresses the child’s diagnostic and clinical needs, and provides mental health interventions in the context of a therapeutic treatment milieu. The program serves students, ages six through seventeen, from the local community. It is licensed by the Division of Health Services Regulation and endorsed by Vaya Health, the public Managed Care Organization (MCO).

Foster Care – The Organization is a Licensed Child Placing Agency (LCPA) for family and therapeutic foster care services. The services are delivered by foster families recruited and trained by the Organization, and licensed by the North Carolina Division of Social Services under the Organization’s LCPA license. Therapeutic Foster Care provides a structured, supervised therapeutic milieu in a family environment with one or two foster parents. Family Foster Care provides services to children in the custody of a county department of social services.

Child Development Services – The child development program offers a variety of programs including infant care, a creative experiential preschool learning experience, preparation for kindergarten, an after-school recreational and character building program for school-age children, a well-rounded summer day camp, early intervention services for ages 0-2, and developmental day services for ages 3-5. All Child Development Programs are licensed by the Department of Health and Human Resources and hold five star licenses. In addition, the Organization runs a 21st Century Community Learning grant program in three Buncombe County elementary schools focused on science, technology, literacy and math skills.

Community Services – The Organization provides a minimal amount of community-based outpatient therapy for children receiving mental health services. These services include assessments, individual and family therapy, psychiatric evaluations and medication management. This also includes the program Eliada Students Training for Advancement (ESTA). The Organization’s ESTA program provides youth the opportunity to immerse in a diverse career-entry program and simultaneously develop work and career skills that sustain them into adulthood. By partnering with employers in the community, youth are taught specific skills relevant to different industries. Youth leave the program “go-ready” with entry level employment, post-secondary education or certification, 21st century workplace skills, and entry into a clear career pathway. The youth achieve their personal and professional goals during one year of intensive services and one year of continuous follow up.

Enhanced Services – The TASC (Therapeutic Animal Stewardship Care) Program teaches basic life skills through the relationship and responsibility components of comprehensive animal care. Other enhanced services include a climbing wall, golf driving range, tennis courts and fitness center.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note A – Organization and summary of 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 the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Reclassifications

Certain items in the June 30, 2017 financial statements have been reclassified to conform to the current year's classifications. These reclassifications had no effect on net assets.

Subsequent events

In the preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 9, 2018, the date the financial statements were available to be issued.

Note B – Transactions with related organization:

During the year ended June 30, 2004, the Board of Trustees of Eliada Homes, Inc. determined that operational control of the Organization would be enhanced by the removal of certain activities from the responsibility and control of the Organization's board. A new entity, Eliada Foundation, Inc. (the Foundation) was formed, and funded by the Organization through the transfer of real estate and investment assets, with full variance power granted to the governing board of the Foundation. As the Organization has grown with the changing environment of its primary service area, the board of trustees has been able to remain focused on operations, making decisions that relate to the Organization's program services only. The board of directors for the Foundation is charged with the management of investment funds, securing funding for future capital needs, safeguarding existing assets, and granting support to the Organization.

The accompanying financial statements include the following transactions with the Foundation during the years ended June 30, 2018 and 2017:

The Foundation provides facilities to the Organization rent free, which represented an in-kind contribution of \$212,700 and \$242,000 for the estimated fair rental value of the property for the years ended June 30, 2018 and 2017, respectively. The in-kind contribution and related rent expense have been recorded in the statement of activities for the years ended June 30, 2018 and 2017.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note B – Transactions with related organization – continued:

The Foundation grants operational support to the Organization on an on-going, as needed basis, providing resources to the Organization to respond to the changing needs of the service environment in the most timely and efficient manner. For the years ended June 30, 2018 and 2017, the Foundation provided advances on the operational grant for the year in direct response to the Organization's cash flow needs, under a grant/loan agreement between the Foundation and the Organization. The Organization pays interest to the Foundation at 2% on all advanced funds, from the date of the advance until the date the funds are repaid or approved as a grant. The Organization paid \$6,067 and \$2,604 interest to the Foundation under this arrangement during the years ended June 30, 2018 and 2017, respectively.

During the year ended June 30, 2018, Foundation also provided advances to help pay for leasehold improvements for a childcare facility. The Organization pays interest to the Foundation at 3.5% on all advanced funds, from the date of the advance until the date the funds are repaid or approved as a grant. The Organization paid \$3,230 and \$0 interest to the Foundation under this arrangement during the years ended June 30, 2018 and 2017, respectively.

The Foundation owes the Organization \$9,714 and \$10,114 as of June 30, 2018 and 2017, respectively, for grants and donations due but not paid.

The Foundation provided operating subsidies to the Organization totaling \$235,000 and \$118,800 during the years ended June 30, 2018 and 2017, respectively. The Organization has recorded amounts payable to the Foundation totaling \$425,926 and \$95,169 as of June 30, 2018 and 2017, respectively.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note B – Transactions with related organization – continued:

Following is summarized financial information regarding Eliada Foundation, Inc. as of June 30:

	2018	2017
Assets		
Cash	\$ 87,949	\$ 249,524
Refundable advance – affiliate	425,926	95,169
Investments	3,030,141	3,128,404
Property and equipment, net of accumulated depreciation	8,282,877	8,497,840
Other receivables	603	-
Total assets	\$ 11,827,496	\$ 11,970,937
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 5,487	\$ -
Payable to supported organization	9,714	10,114
Total liabilities	15,201	10,114
Net assets:		
Unrestricted	9,593,734	9,660,748
Temporarily restricted	1,258,166	1,365,680
Permanently restricted	960,395	934,395
Total net assets	11,812,295	11,960,823
Total liabilities and net assets	\$ 11,827,496	\$ 11,970,937
Total support and revenues	\$ 625,382	\$ 727,211
Total expenses	\$ 773,910	\$ 707,099

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note C – Accounts receivable:

Accounts receivable is \$482,231 and \$480,268 as of June 30, 2018 and 2017, respectively. All amounts are considered collectible and, accordingly, no allowance for doubtful accounts has been deemed necessary.

Note D – Investments:

Beneficial interest in perpetual trust

The Organization is an irrevocable beneficiary in a perpetual trust held and administered by a outside party. By direction of the grantor of the trust, the principal of the trust is invested in perpetuity, and the Organization is entitled to a portion of the investment income in perpetuity. For the years ended June 30, 2018 and 2017, the Organization received income allocations from this trust in the amount of \$20,071 and \$18,571, respectively.

The beneficial interest in perpetual trust is recorded at fair value and has been determined to be a Level 3 financial asset. Fair value is based on the Organization's fractional interest in trust assets as a whole, as reported to the Organization by the relevant trustees.

As required by FASB ASC 820-10, the following table presents a reconciliation of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

	2018					
	Beginning Balance	Total Losses	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Losses
Beneficial interest in perpetual trust	\$ 235,550	\$ (6,350)	\$ 20,071	\$ (20,071)	\$ 229,200	\$ (6,350)

	2017					
	Beginning Balance	Total Gains	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Gains
Beneficial interest in perpetual trust	\$ 230,342	\$ 5,208	\$ 18,571	\$ (18,571)	\$ 235,550	\$ 5,208

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note D – Investments – continued:

Property held for investment

Property held for investment represents land donated to the Organization during the year ended June 30, 2012. This land was originally recorded at its estimated fair value on the date of donation and is evaluated annually for impairment. Carrying value is adjusted to estimated fair value when impairment is determined to have occurred. Impairment losses of \$35,200 and \$0 were recorded as of June 30, 2018 and 2017, respectively. Estimated fair value measurements were calculated using Level 2 inputs.

Note E – Property and equipment, net:

Following is a summary of property and equipment as of June 30, 2018:

	Balance 6/30/17	Additions & Retirements	Balance 6/30/18
Buildings and improvements	\$ 203,172	\$ -	\$ 203,172
Leasehold improvements	79,235	173,458	252,693
Maintenance equipment	80,854	-	80,854
Office equipment	372,590	-	372,590
Other equipment	168,763	(10,380)	158,383
Furniture and fixtures	213,042	(10,143)	202,899
Vehicles	119,341	(33,352)	85,989
Land and land improvements	90,921	16,090	107,011
	1,327,918	135,673	1,463,591
Less accumulated depreciation	932,807	10,691	943,498
	\$ 395,111	\$ 124,982	\$ 520,093

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note E – Property and equipment, net – continued:

Following is a summary of property and equipment as of June 30, 2017:

	Balance 6/30/16	Additions & Retirements	Balance 6/30/17
Buildings and improvements	\$ 203,172	\$ -	\$ 203,172
Leasehold improvements	79,235	-	79,235
Maintenance equipment	80,854	-	80,854
Office equipment	372,590	-	372,590
Other equipment	168,635	128	168,763
Furniture and fixtures	209,343	3,699	213,042
Vehicles	130,956	(11,615)	119,341
Land and land improvements	90,921	-	90,921
	1,335,706	(7,788)	1,327,918
Less accumulated depreciation	907,258	25,549	932,807
	\$ 428,448	\$ (33,337)	\$ 395,111

Depreciation charged to operations totaled \$70,808 and \$65,487 for the years ended June 30, 2018 and 2017, respectively.

Note F – Long-term debt:

The Organization is a party to certain financing arrangements with the North Carolina Housing Financing Agency (NCHFA), Buncombe County and the City of Asheville related to capital improvement projects. The loan arrangements include favorable financing terms in varying forms as described below, and are recorded at estimated fair value based on a present value calculation. The inputs to fair value measurement are classified as Level 2.

Green Building renovation

A promissory note in the face amount of \$76,982, no stated interest, calls for principal repayable at the rate of \$214 per month for 360 months. The loan is dated July 1, 1998, with first funds advanced on March 1, 2000 and first repayment became due on April 1, 2000. The loan is recorded using an imputed interest rate of 5.0%. This note is secured by a deed of trust on real property held by the Foundation with a carrying value as of June 30, 2018 of \$289,816.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note F – Long-term debt – continued:

Buncombe County building purchase

A promissory note entered into in June 2012 in the face amount of \$279,650, no stated interest, that called for a balloon payment of the principal amount on June 30, 2017. In June 2017, this loan was verbally extended for an indefinite period as alternate repayment options are considered. Until terms are formalized, all principal is shown as currently due as of June 30, 2018 in the statement of financial position. The loan is recorded using an imputed interest rate of 4.0%. This note is secured by a deed of trust on real property with a carrying value as of June 30, 2018 of \$227,000.

RISE Village renovation

A Special Needs Housing Program agreement governs the advance of \$70,407 from the NCHFA to the Organization, with a start date of March 25, 1999. Repayment terms under this agreement require a balloon payment of the principal amount, with no interest, due in 50 years from the start date. The loan is recorded at present value using a discount rate of 5.0%. This note is secured by a deed of trust on real property held by the Foundation with a carrying value as of June 30, 2018 of \$290,027.

City of Asheville

A \$200,000 capital needs advance from the City of Asheville, received in October of 1997, matures with a balloon payment of \$200,000 in October of 2047, with no interest payable during the term of the loan or upon maturity. Further, the Community Development Office of the City of Asheville has indicated that the balloon payment will be forgiven on the maturity date. The debt forgiveness will be recognized at maturity in 2047, unless the terms of the obligation are altered to allow earlier recognition. The loan is recorded at present value using a discount rate of 5.0%. This note is secured by a deed of trust on real property held by the Foundation with a carrying value as of June 30, 2018 of \$290,027.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note F – Long-term debt – continued:

Following is a summary of long-term debt as of June 30:

	2018	2017
NC Housing Finance Agency (terms described on previous pages):		
Green Building	\$ 22,767	\$ 24,156
RISE Village:		
Face amount	70,407	70,407
Unamortized discount	(54,117)	(54,892)
	16,290	15,515
City of Asheville:		
Face amount	200,000	200,000
Unamortized discount	(153,724)	(155,928)
	46,276	44,072
Buncombe County:		
Face amount	279,650	279,650
Unamortized discount	-	-
	279,650	279,650
Note payable to a finance company, due in monthly installments of \$198 with no stated interest, which matured in August 2017.	-	198
Note payable to a finance company, due in 60 monthly installments of principal and interest of \$380 with an interest rate of 2.1%, which matured in May 2018.	-	2,415
	\$ 364,983	\$ 366,006

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note F – Long-term debt – continued:

Maturities of long-term obligations requiring payments as of June 30, 2018 are as follows:

Total notes payable	\$	364,983
Less notes without cash outlay obligations:		
RISE Village		(16,290)
City of Asheville		(46,276)
	\$	302,417

Amounts payable during the years ending June 30:

2019	\$	281,111
2020		1,535
2021		1,614
2022		1,697
2023		1,784
Thereafter		14,676
	\$	302,417

Although there is a significant award component of the loan arrangements with the City of Asheville and the North Carolina Housing Financing Agency, the governmental agencies do not consider the loans to be a form of financial assistance. The favorable terms of the loans are dependent upon the Organization's compliance with certain operating directives related to the use of the renovated buildings.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note G – Operating leases:

The Company maintains leases with auto dealer financing for five vehicles. The lease terms are for three to four years, and the monthly payments for each vehicle range from \$209 to \$398. At present, two of the leases will expire in April 2019, two will expire in September 2019, and one will expire in August 2021.

The Company also maintains two leases for copier equipment with a company. One lease term is for four and one half years, the monthly payment is \$1,662 and the lease will expire in July 2022. One lease term is for five years, the monthly payment is \$440, and the lease will expire in June 2022.

Lease payments were \$42,968 and \$28,968 for the years ended June 30, 2018 and 2017, respectively.

In April 2017, the Organization entered into a ten-year lease for a building for \$1 per year. The Organization has an option to purchase the building at fair market value at any time during the lease, however, the Organization will be credited for costs of improvements made to the building and credited for contributed value based on services provided in the building. At the end of the ten-year period, the building will be deeded to the Organization provided the building is continually used for quality child care services over the term of the lease.

Minimum future lease payments consist of the following:

<u>Year ending June 30,</u>		
2019	\$	39,632
2020		31,366
2021		30,004
2022		26,422
2023		1,662
	\$	129,086

Note H – Net assets:

Temporarily restricted net assets

Temporarily restricted net assets consist of funds earmarked by the donor or grantor for specific programs including donor restrictions passed through the Foundation as follows as of June 30:

	2018	2017
ESTA Vocational/Transitional living needs	\$ 155,989	\$ 168,622
Property	9,000	-
Eliada Farms	42,759	1,350
Other program needs	22,957	42,178
Future periods	207,841	210,821
	\$ 438,546	\$ 422,971

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note H – Net assets– continued:

Permanently restricted net assets

Donor-restricted endowment funds are held in a perpetual trust, the investment of which is determined by the trustee rather than the Organization. Future earnings from assets permanently restricted will be available for the following purposes as of June 30:

	2018	2017
Unrestricted operational support	\$ 229,200	\$ 235,550

Note I – Retirement plan:

The Organization offers employees the option of participating in a tax-deferred annuity retirement plan. This retirement benefit is available to all employees who work at least 20 hours per week. The Organization will match the employee's elective deferrals, up to 3% of salary. The Organization contributed \$58,008 and \$56,634 to the retirement plan for the years ended June 30, 2018 and 2017, respectively.

Note J – Commitments and contingencies:

The Organization provides services to governmental agencies at approved contractual rates that are subject to review and change, including adjustments to indirect cost rates and service rates. As a result, adjustments could be made to amounts reported as revenues and receivables in the accompanying financial statements. Historically, management has not experienced significant adjustments subsequent to the period of service.

The Organization's employee health benefit plan is partially self-insured, with a portion of each employee's deductible reimbursed by the Organization when incurred. Expenses charged to operations for this component of the Organization's health plan totaled approximately \$106,000 and \$117,000 for the years ended June 30, 2018 and 2017, respectively. The statements of financial position do not include an estimate for incurred but unreported claims, based on management's experience with timely claim turnaround.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2018 and 2017

Note K – Concentrations:

The Organization's primary banking relationship is with an institution that is insured by the Federal Deposit Insurance Corporation (FDIC). At times during the year, the Organization's deposits may exceed the FDIC insured limits, especially during periods of high cash flows. The Organization has not experienced any losses in the accounts.

During the years ended June 30, 2018 and 2017, the Organization received revenues from Medicaid, which represented 49% and 53%, respectively, of total support and revenues. Accounts receivable from Medicaid represented 52% and 62% of total accounts receivable as of June 30, 2018 and 2017, respectively.

Note L – Risk management:

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees or clients; and natural disasters. The Organization carries commercial coverage for these risks. There have been no significant reductions in insurance coverage, and the Organization has not experienced any settled claims in excess of insurance coverage.

Note M – Guarantee:

The Foundation has a \$500,000 unsecured line of credit from a local bank, maturing in March 2019. This line requires monthly payments of interest only on outstanding advances at the bank's prime rate (5.00% as of June 2018) plus 1.00% with a minimum rate of 5.00%. As part of this agreement, the Organization is a guarantor for this obligation of the Foundation. The balance of this line of credit is \$0 as of June 30, 2018.

Supplementary Information

Eliada Homes, Inc.

Schedule of Program Expenses

Year Ended June 30, 2018

	Residential Treatment and Group Homes						Educational & Day Treatment		Foster Care
	Cummings	Earle	Green	Lions	Reuter	Reynolds	Day Treatment	Education	Family & Level II Therapeutic
Salaries	\$ 905,701	\$ 293,329	\$ 294,084	\$ 513,114	\$ 642,945	\$ 907,645	\$ 264,194	\$ 157,634	\$ 277,647
Employee benefits	111,491	35,840	35,839	55,464	76,744	110,922	36,714	20,079	35,736
Pension cost	3,840	888	771	2,670	3,757	6,501	5,479	1,286	4,817
Payroll taxes	70,073	22,354	21,703	42,091	50,474	69,032	19,416	11,984	20,844
Supplies and equipment	20,262	5,563	3,888	15,570	16,162	20,417	7,917	5,343	8,970
Food	34,113	12,801	13,017	18,990	25,918	35,257	13,031	-	263
Computer technology	2,796	1,131	1,273	1,650	2,325	2,866	1,104	-	2,981
Clothing	362	134	327	146	232	234	124	-	-
Utilities	28,980	12,369	9,360	17,546	20,876	30,256	10,422	-	5,477
Insurance	11,724	5,061	4,563	7,414	8,788	11,997	4,933	-	13,546
Maintenance and repairs	25,036	8,055	8,225	27,135	24,141	28,480	9,885	331	7,858
Telephone	3,309	1,142	1,354	2,481	2,363	3,679	1,558	244	4,511
Postage	399	32	31	161	92	271	61	-	95
Travel	4,741	522	406	2,808	2,169	4,415	673	360	15,898
Dues and subscriptions	589	247	217	427	352	592	340	-	450
License and fees	3,677	1,044	697	2,849	3,290	3,730	723	-	2,200
Student related expense	3,829	1,205	985	1,664	3,028	4,831	262	76	2,257
Foster care payments	-	156	-	-	-	-	-	-	412,062
Rent	34,532	14,225	11,068	28,072	14,232	34,431	13,893	-	1,679
Professional fees	46,632	1,896	1,990	35,927	29,655	47,810	1,482	-	596
Conferences and meetings	4,785	706	706	2,338	3,101	4,770	1,448	111	2,498
Recreation activities	162	87	303	68	320	23	122	-	-
Promotions	337	20	20	2,290	160	339	-	-	1,977
Miscellaneous	1,432	424	399	371	929	990	317	-	775
Bad debts	-	-	2,178	-	-	-	982	-	-
Interest	6	3	1	2	6	6	34	-	-
Depreciation	4,283	2,019	2,414	6,586	3,309	4,303	1,909	-	895
Operational expenses	1,323,091	421,253	415,819	787,834	935,368	1,333,797	397,023	197,448	824,032
Administrative Overhead	145,404	47,092	47,213	82,377	103,220	145,716	42,415	25,307	44,574
Total Program Expenses	\$ 1,468,495	\$ 468,345	\$ 463,032	\$ 870,211	\$ 1,038,588	\$ 1,479,513	\$ 439,438	\$ 222,755	\$ 868,606

Eliada Homes, Inc.

Schedule of Program Expenses – continued

Year Ended June 30, 2018

	Child Development				Community Based Services			Total Program Expenses
	Daycare	21st Century	After School	Summer	Vocational	Eliada	Outpatient	
	Preschool	After School Prog.	School Age	Camp	Program ESTA	Farms	Department	
Salaries	\$ 1,077,360	\$ 150,552	\$ 45,187	\$ 46,126	\$ 106,224	\$ 6,769	\$ 2,640	\$ 5,691,151
Employee benefits	161,268	11,569	5,168	4,139	20,350	464	297	722,084
Pension cost	10,114	25	394	244	1,471	-	28	42,285
Payroll taxes	81,843	11,756	3,304	3,402	7,488	521	199	436,484
Supplies and equipment	91,159	5,497	5,939	3,977	3,276	3,822	23	217,785
Food	167,559	9,406	11,575	14,841	2,215	33	-	359,019
Computer technology	389	-	-	27	732	-	-	17,274
Clothing	-	-	-	374	1,332	-	-	3,265
Utilities	48,791	-	4,844	3,501	5,759	-	23	198,204
Insurance	21,601	-	4,341	1,179	4,890	283	15	100,335
Maintenance and repairs	119,659	-	7,651	9,114	6,728	1,731	31	284,060
Telephone	4,801	156	790	644	1,228	-	20	28,280
Postage	187	5	2	28	39	24	-	1,427
Travel	1,122	867	2,280	97	2,095	-	1	38,454
Dues and subscriptions	645	-	148	16	72	-	1	4,096
License and fees	3,774	246	441	258	822	59	8	23,818
Student related expense	3,521	2,391	891	48	1,267	-	1	26,256
Foster care payments	-	-	-	-	-	-	-	412,218
Rent	61,648	4,435	3,893	5,282	10,900	-	6	238,296
Professional fees	859	29,965	-	-	244	7,775	6,086	210,917
Conferences and meetings	6,602	703	438	111	390	-	4	28,711
Recreation activities	-	16,974	4	16,531	360	-	-	34,954
Promotions	7	-	625	362	1,015	299	-	7,451
Miscellaneous	1,410	-	276	47	261	-	3	7,634
Bad debts	2,769	-	816	150	-	-	930	7,825
Interest	67	-	1	29	1	-	-	156
Depreciation	30,066	-	1,027	938	2,156	-	6	59,911
Operational expenses	1,897,221	244,547	100,035	111,465	181,315	21,780	10,322	9,202,350
Administrative Overhead	172,963	24,170	7,254	7,405	17,054	1,087	424	913,675
Total Program Expenses	\$ 2,070,184	\$ 268,717	\$ 107,289	\$ 118,870	\$ 198,369	\$ 22,867	\$ 10,746	\$ 10,116,025

Eliada Homes, Inc.

Schedule of Program Expenses

Year Ended June 30, 2017

	Residential Treatment and Group Homes						Educational & Day Treatment		Foster Care
	Cummings	Green	Earle	Lions	Reuter	Reynolds	Day Treatment	Education	Family & Level II Therapeutic
Salaries	\$ 763,334	\$ 323,328	\$ 313,779	\$ 765,106	\$ 787,382	\$ 790,678	\$ 255,095	\$ 180,987	\$ 254,697
Employee benefits	87,031	40,763	36,753	92,343	96,078	94,844	37,266	17,033	32,696
Pension cost	3,292	1,313	1,461	5,099	4,773	4,418	4,031	1,850	4,569
Payroll taxes	64,119	25,004	23,121	64,645	66,903	65,538	19,917	14,463	20,349
Supplies and equipment	19,751	5,223	6,834	18,177	18,399	18,631	10,045	40,720	11,070
Food	31,711	14,776	13,140	39,575	36,971	31,841	11,035	-	843
Computer technology	2,631	1,248	1,265	2,682	2,669	2,630	2,635	-	2,714
Clothing	374	88	347	567	133	272	21	-	-
Utilities	22,915	7,393	11,303	26,658	22,654	24,755	9,660	-	4,419
Insurance	10,873	4,838	5,301	11,216	11,128	11,511	4,854	-	12,118
Maintenance and repairs	22,343	12,036	11,229	36,001	26,838	23,116	9,281	317	7,803
Telephone	3,202	1,192	1,287	3,205	3,813	3,964	1,856	283	4,746
Postage	533	56	57	187	186	186	93	99	129
Travel	4,259	627	954	4,246	4,017	4,168	1,168	1,084	15,395
Dues and subscriptions	327	128	275	357	327	327	149	-	2,282
License and fees	3,485	935	1,282	3,587	3,416	3,543	636	104	2,334
Student related expense	4,566	1,964	1,973	4,508	5,895	5,440	616	417	2,079
Foster care payments	-	-	260	65	-	-	-	-	360,513
Rent	28,286	13,276	13,903	29,382	28,213	28,148	21,898	-	1,855
Professional fees	42,756	603	603	42,394	42,332	43,828	2,080	-	2,893
Conferences and meetings	3,686	628	660	3,618	3,565	3,691	811	661	1,516
Recreation activities	610	434	249	623	202	377	608	134	-
Promotions	1,552	347	377	1,571	1,552	1,553	124	-	3,054
Miscellaneous	4,061	1,705	1,715	4,033	3,994	4,020	1,352	-	1,687
Bad debts	883	-	5,110	-	4,634	434	406	-	-
Interest	-	-	-	-	-	-	29	-	29
Depreciation	4,866	2,888	3,049	8,872	5,055	4,932	7,964	-	890
Operational expenses	1,131,446	460,793	456,287	1,168,717	1,181,129	1,172,845	403,630	258,152	750,680
Administrative Overhead	121,744	49,582	49,097	125,754	127,090	126,199	43,431	27,777	80,773
Total Program Expenses	\$ 1,253,190	\$ 510,375	\$ 505,384	\$ 1,294,471	\$ 1,308,219	\$ 1,299,044	\$ 447,061	\$ 285,929	\$ 831,453

Eliada Homes, Inc.

Schedule of Program Expenses – continued

Year Ended June 30, 2017

	Child Development				Community Based Services			Total Program Expenses
	Daycare	21st Century	After School	Summer	Vocational	Outpatient	Total Program Expenses	
	Preschool	After School Prog.	School Age	Camp	Program ESTA	Department		
Salaries	\$ 742,032	\$ 161,530	\$ 56,701	\$ 44,380	\$ 61,584	\$ 4,233	\$ 5,504,846	
Employee benefits	113,103	10,000	5,992	5,113	7,892	427	677,334	
Pension cost	9,023	175	411	68	201	99	40,783	
Payroll taxes	58,312	13,361	6,323	3,961	4,779	327	451,122	
Supplies and equipment	45,728	13,321	6,655	7,762	19,005	103	241,424	
Food	108,207	7,852	7,269	15,520	1,468	2	320,210	
Computer technology	3,885	-	738	604	15	6	23,722	
Clothing	34	1,886	-	1,181	2,681	-	7,584	
Utilities	36,090	-	4,414	3,801	3,152	161	177,375	
Insurance	17,909	-	3,875	1,705	1,304	65	96,697	
Maintenance and repairs	78,177	-	8,482	8,852	4,775	236	249,486	
Telephone	4,925	788	847	783	596	42	31,529	
Postage	196	34	26	10	39	-	1,831	
Travel	898	1,176	1,305	70	1,751	96	41,214	
Dues and subscriptions	242	-	20	7	55	5	4,501	
License and fees	3,398	275	546	438	278	13	24,270	
Student related expense	3,285	1,423	876	1,867	1,498	2	36,409	
Foster care payments	-	-	-	-	-	-	360,838	
Rent	35,117	7,347	2,868	1,653	21,672	448	234,066	
Professional fees	333	5,914	-	-	933	6,209	190,878	
Conferences and meetings	2,240	1,696	198	35	160	46	23,211	
Recreation activities	3	24,995	574	13,656	362	-	42,827	
Promotions	526	-	778	83	1,108	3	12,628	
Miscellaneous	3,949	-	912	208	243	12	27,891	
Bad debts	1,299	-	1,625	912	-	1,200	16,503	
Interest	29	-	-	29	58	-	174	
Depreciation	8,645	-	715	824	5,471	112	54,283	
Operational expenses	<u>1,277,585</u>	<u>251,773</u>	<u>112,150</u>	<u>113,522</u>	<u>141,080</u>	<u>13,847</u>	<u>8,893,636</u>	
Administrative Overhead	<u>137,468</u>	<u>27,091</u>	<u>12,067</u>	<u>12,215</u>	<u>15,180</u>	<u>1,490</u>	<u>956,958</u>	
Total Program Expenses	<u>\$ 1,415,053</u>	<u>\$ 278,864</u>	<u>\$ 124,217</u>	<u>\$ 125,737</u>	<u>\$ 156,260</u>	<u>\$ 15,337</u>	<u>\$ 9,850,594</u>	



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Eliada Homes, Inc.
Asheville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eliada Homes, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eliada Homes, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Eliada Homes, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Eliada Homes, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Johnson Price Sprinkle PA

November 9, 2018