

Eliada Foundation, Inc.

Asheville, North Carolina

Financial Statements
Years Ended June 30, 2017 and 2016

and
Independent Accountants' Review Report



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Independent Accountants' Review Report

To the Board of Directors
Eliada Foundation, Inc.
Asheville, North Carolina

We have reviewed the accompanying financial statements of Eliada Foundation, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Johnson Price Sprinkle PA

December 4, 2017

Johnson Price Sprinkle PA¹

Eliada Foundation, Inc.

Statements of Financial Position

June 30,	2017	2016
Assets		
Cash	\$ 249,523	\$ 96,070
Receivable from supported organization	95,171	357,000
Investments	2,194,009	2,086,075
Investments restricted for endowment	934,395	929,395
Property – net	8,497,839	8,798,240
Total assets	\$ 11,970,937	\$ 12,266,780
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ -	\$ 3,000
Payable to supported organization	10,114	-
Long-term debt	-	323,069
Total liabilities	10,114	326,069
Net assets:		
Unrestricted:		
Undesignated	8,831,399	8,924,221
Board designated	829,349	947,523
	9,660,748	9,871,744
Temporarily restricted	1,365,680	1,139,572
Permanently restricted	934,395	929,395
Total net assets	11,960,823	11,940,711
Total liabilities and net assets	\$ 11,970,937	\$ 12,266,780

See accompanying notes and independent accountants' review report.

Eliada Foundation, Inc.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenues:				
Contributions	\$ 109,164	\$ 6,200	\$ 5,000	\$ 120,364
Rental income-in-kind	242,000	-	-	242,000
Investment income	99,509	264,088	-	363,597
Interest income	2,604	-	-	2,604
Loss on sale of property	(1,355)	-	-	(1,355)
Net assets released from restrictions	44,180	(44,180)	-	-
Total support and revenues	496,102	226,108	5,000	727,210
Expenses:				
Program services:				
Subsidies paid to Eliada Homes, Inc.	118,800	-	-	118,800
Subsidies in-kind-Eliada Homes, Inc.	242,000	-	-	242,000
Scholarships	10,905	-	-	10,905
Facility expense	303,618	-	-	303,618
	675,323	-	-	675,323
Supporting expense:				
General expense	31,775	-	-	31,775
Total expenses	707,098	-	-	707,098
Change in net assets	(210,996)	226,108	5,000	20,112
Net assets, beginning of year	9,871,744	1,139,572	929,395	11,940,711
Net assets, end of year	\$ 9,660,748	\$ 1,365,680	\$ 934,395	\$ 11,960,823

See accompanying notes and independent accountants' review report.

Eliada Foundation, Inc.

Statement of Activities

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
Support and revenues:				
Contributions	\$ 197,686	\$ 5,000	\$ 10,000	\$ 212,686
Grants	2,500	-	-	2,500
Rental income	245,667	-	-	245,667
Fundraising income	200,756	-	-	200,756
Investment income	3,828	10,426	-	14,254
Interest income	9,565	-	-	9,565
Gain on sale of property	11,479	-	-	11,479
Net assets released from restrictions	28,907	(28,907)	-	-
Total support and revenues	700,388	(13,481)	10,000	696,907
Expenses:				
Program services:				
Grants to Eliada Homes, Inc.	33,766	-	-	33,766
Subsidies paid to Eliada Homes, Inc.	205,341	-	-	205,341
Scholarships	38,052	-	-	38,052
Facility expense	315,423	-	-	315,423
	592,582	-	-	592,582
Fundraising expense:				
Development expense	240,660	-	-	240,660
Supporting expense:				
General expense	19,606	-	-	19,606
Total expenses	852,848	-	-	852,848
Change in net assets	(152,460)	(13,481)	10,000	(155,941)
Net assets, beginning of year	10,024,204	1,153,053	919,395	12,096,652
Net assets, end of year	\$ 9,871,744	\$ 1,139,572	\$ 929,395	\$ 11,940,711

See accompanying notes and independent accountants' review report.

Eliada Foundation, Inc.

Statements of Cash Flows

Years Ended June 30,

2017

2016

Cash flows from operating activities:

Change in net assets	\$	20,112	\$	(155,941)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Contributions restricted for endowment		(5,000)		(10,000)
(Gain) loss on sale of property		1,355		(11,479)
Depreciation		303,416		310,026
Unrealized (gain) loss on investments		(96,733)		41,715
Realized gain on investments		(217,748)		(1,689)
(Increase) decrease in assets:				
Accounts receivable		-		1,936
Prepaid expenses		-		32,522
Increase (decrease) in liabilities:				
Accounts payable		(3,000)		(32,674)
Accrued expenses		-		(13,966)
Payable to supported organization		10,114		(5,199)

Net cash provided by operating activities

12,516

155,251

Cash flows from investing activities:

Purchase of investments		(60,315)		(66,195)
Proceeds from sale of investments		261,862		41,955
Collections (advances) on receivable from supported organization		261,829		(140,653)
Proceeds from sale of property		-		152,178
Purchase of property		(4,370)		(17,447)

Net cash provided by (used in) investing activities

459,006

(30,162)

Cash flows from financing activities:

Payments on long-term debt		(323,069)		(46,916)
Contributions restricted for endowment		5,000		10,000

Net cash used in financing activities

(318,069)

(36,916)

Net increase in cash

153,453

88,173

Cash, beginning of year

96,070

7,897

Cash, end of year

\$ 249,523

\$ 96,070

Supplemental disclosures of cash flow information:

Cash payments for interest	\$	5,267	\$	13,755
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See accompanying notes and independent accountants' review report.

Eliada Foundation, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

Note A – Organization and summary of significant accounting policies:

Organization

Eliada Foundation, Inc. (the Organization) is a North Carolina not-for-profit corporation, located in Asheville, North Carolina. The Organization exists and operates exclusively to support Eliada Homes, Inc. (EHI), a not-for-profit corporation engaged in a variety of programs designed to benefit children and families in need. The board of directors for the Organization is charged with the management of the physical plant comprising the campus of EHI. Additionally, the board is responsible for capital development for EHI, by securing funding for operational and capital needs and safeguarding existing assets.

Income taxes

The Organization has been classified as a public charity under the Internal Revenue Code Section 501(c)(3). As a public 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 2016 and 2015. Currently, the statute of limitations remains open subsequent to and including tax year 2013; 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 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 Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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 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.

As permitted by these standards, the accounts of the Organization are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds that are in accordance with the activities or objectives specified. However, the Organization has discontinued the use of fund reporting and has, accordingly, reclassified its financial statements to present activity according to the three net asset classes required.

FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958-205 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of North Carolina adopted UPMIFA effective March 19, 2009. The Organization has adopted UPMIFA and FASB ASC 958-205. The board of directors has determined that the majority of the Organization's invested assets meet the definition of endowment funds under UPMIFA.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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

Basis of accounting and financial statement presentation – continued

Under UPMIFA, the board of directors has the ability to distribute so much of the corpus of any trust or separate gift, devise, bequest, or fund as the board in its sole discretion shall determine. In accordance with UPMIFA, the Organization considers the following factors on a fund by fund basis, before making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the institution and the endowment fund;
- General economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation (depreciation) of investments;
- Other resources of the institution; and
- The investment policy of the institution.

The Organization adheres to the concept of historic gift value in determining the portion of donor-restricted endowment gifts that will be allocated to permanently restricted net assets.

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.

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 and temporarily restricted net assets.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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

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.

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.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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

Property

Property purchased or constructed by the Organization is recorded at historical cost. Donations of property are recorded at the estimated fair market value on the date of donation. Depreciation is recorded on a straight-line basis over the estimated useful life of the underlying asset, ranging from 5 – 40 years. When items are disposed of, the cost and accumulated depreciation are eliminated from the fixed asset 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.

Contributions made

Contributions to other entities which are authorized but unpaid at year-end are reported as liabilities in the statements of financial position.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of assets and contingent liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 4, 2017; the date the financial statements were available to be issued.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note B – Investments:

As required by FASB ASC 820-10, as of June 30, 2017 and 2016, the Organization’s investments were classified as follows on fair values:

	2017			
	Fair Value	Level 1	Level 2	Level 3
Cash	\$ 169,935	\$ 169,935	\$ -	\$ -
Stocks and bonds	1,939,824	1,939,824	-	-
CFWNC investments	1,018,645	-	-	1,018,645
Total	\$ 3,128,404	\$ 2,109,759	\$ -	\$ 1,018,645

	2016			
	Fair Value	Level 1	Level 2	Level 3
Cash	\$ 43,314	\$ 43,314	\$ -	\$ -
Stocks and mutual funds	2,007,244	1,385,254	621,990	-
CFWNC investments	964,912	-	-	964,912
Total	\$ 3,015,470	\$ 1,428,568	\$ 621,990	\$ 964,912

As required by FASB ASC 820-10, the following table presents reconciliations for the years ended June 30, 2017 and 2016 of the beginning and ending balances of the fair value measurements using significant unobservable inputs (Level 3):

	2017	2016
Balance, beginning of year	\$ 964,912	\$ 996,091
Realized losses	(777)	(225)
Unrealized gains (losses)	85,553	(3,063)
Issuances	(50,687)	(47,262)
Interest credited	19,644	19,371
Balance, end of year	\$ 1,018,645	\$ 964,912

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note B – Investments – continued:

The Organization’s investments as of June 30, 2017 and 2016 are reported at fair value, as follows:

	2017		
	Cost Basis	Fair Market Value	Unrealized Appreciation
Stocks and bonds	\$ 2,331,960	\$ 2,958,469	\$ 626,509
Cash management funds	169,935	169,935	-
	\$ 2,501,895	\$ 3,128,404	\$ 626,509

	2016		
	Cost Basis	Fair Market Value	Unrealized Appreciation
Stocks and mutual funds	\$ 2,442,380	\$ 2,972,156	\$ 529,776
Cash management funds	43,314	43,314	-
	\$ 2,485,694	\$ 3,015,470	\$ 529,776

Of the Organization’s investments as of June 30, 2017 and 2016, 32.6% and 32.0%, respectively, of the total is represented by assets transferred to the Community Foundation of Western North Carolina (CFWNC). The Organization has granted certain variance powers to CFWNC, including investment decisions and spendable income calculations. However, the Organization retains the right to access the principal of the fund in full, subject to donor restrictions. The remaining investment in stock and mutual funds is held in brokerage accounts. Investments in stock and mutual funds are subject to the risk of principal impairment.

Investments are presented on the accompanying statements of financial position as follows, as of June 30:

	2017	2016
Investments	\$ 2,194,009	\$ 2,086,075
Investments restricted for endowment	934,395	929,395
	\$ 3,128,404	\$ 3,015,470

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note B – Investments – continued:

Investment income on the accompanying statements of activities consists of the following components for the years ended June 30:

	2017	2016
Dividends and interest	\$ 49,116	\$ 54,280
Realized gains	217,748	1,689
Unrealized gains (losses)	96,733	(41,715)
Investment income from marketable securities	\$ 363,597	\$ 14,254

Note C – Property, net:

The Organization owns the land, buildings, and improvements which collectively comprise the campus of EHI. The original transfer was recorded at the estimated fair market value at the date of transfer. Subsequent to the original transfer, purchases have been recorded at cost and donations have been recorded at the estimated fair market value.

Following is a summary of property and accumulated depreciation for the years ended June 30, 2017 and 2016:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Property:				
Land	\$ 4,480,000	\$ -	\$ -	\$ 4,480,000
Buildings and improvements	5,766,810	4,370	-	5,771,180
Land improvements	1,193,312	-	(4,875)	1,188,437
Equipment – Office	48,721	-	-	48,721
Equipment – Other	5,400	-	-	5,400
	11,494,243	4,370	(4,875)	11,493,738
Accumulated depreciation:				
Buildings and improvements	2,002,913	231,806	-	2,234,719
Land improvements	648,536	69,267	(3,520)	714,283
Equipment – Office	39,154	2,343	-	41,497
Equipment – Other	5,400	-	-	5,400
	2,696,003	303,416	(3,520)	2,995,899
Property – net	\$ 8,798,240	\$ (299,046)	\$ (1,355)	\$ 8,497,839

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note C – Property, net – continued:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Property:				
Land	\$ 4,505,000	\$ -	\$ (25,000)	\$ 4,480,000
Buildings and improvements	5,882,866	5,732	(121,788)	5,766,810
Land improvements	1,193,312	-	-	1,193,312
Equipment – Office	37,006	11,715	-	48,721
Equipment – Other	13,622	-	(8,222)	5,400
	11,631,806	17,447	(155,010)	11,494,243
Accumulated depreciation:				
Buildings and improvements	1,771,454	237,548	(6,089)	2,002,913
Land improvements	578,943	69,593	-	648,536
Equipment – Office	36,269	2,885	-	39,154
Equipment – Other	13,622	-	(8,222)	5,400
	2,400,288	310,026	(14,311)	2,696,003
Property – net	\$ 9,231,518	\$ (292,579)	\$ (140,699)	\$ 8,798,240

Depreciation expense of \$303,416 and \$310,026 was charged to facility expense on the accompanying statements of activities for the years ended June 30, 2017 and 2016, respectively.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note D – Long term debt:

During the fiscal year ended June 30, 2012, the Organization acquired a \$500,000 note payable from a local bank to fund construction of three duplexes for the vocational program. Payments of \$5,056 with 3.88% interest were due monthly from July 2012 until maturity in June 2022. The note was guaranteed by EHI and was secured by certain investments of the Organization. The balance of this loan was \$323,069 as of June 30, 2016. This loan was paid off during the fiscal year ended June 30, 2017.

Note E – Line of credit:

The Organization obtained a \$500,000 unsecured line of credit in July 2016 from a local bank, maturing in December 2017. This line requires monthly payments of interest only on outstanding advances at the bank's prime rate (4.25% as of June 2017) plus 4.27% with a minimum rate of 8.52%. As part of this agreement, EHI is a guarantor for this obligation of the Organization. The balance of this line of credit is \$0 as of June 30, 2017.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note F – Transactions with supported organization:

The Organization provided facilities to EHI under a commercial lease agreement in the amount of \$245,667 for the year ended June 30, 2016. Beginning July 1, 2016, the Organization elected to provide the facilities to EHI rent free, which represents an in-kind subsidy of \$242,000 for the estimated fair rental value of the facilities. The in-kind subsidy and related rental income have been recorded in the statement of activities for the year ended June 30, 2017.

The Organization paid a monthly fee to EHI under a management services agreement, that was in effect through December 31, 2015, in consideration for fundraising and accounting services provided to the Organization. Payments to EHI under this contract amounted to \$0 and \$17,500 for the years ended June 30, 2017 and 2016, respectively.

The Organization provides operating grants and subsidies to EHI as part of the Organization's primary purpose. Additionally, cash flow needs of EHI are often satisfied by short-term advances of funds. EHI pays the Organization 2% interest on all advanced funds, from the date of the advance until the date the funds are approved as a grant. The Organization received \$2,604 and \$9,565 interest from EHI for the years ended June 30, 2017 and 2016, respectively. The following amounts were granted to EHI during the years ended June 30:

	2017	2016
Pass through of donations received, restricted by donors for specific programs of EHI	\$ -	\$ 33,766
Scholarships	-	25,692
In-kind subsidy of rent	242,000	-
Operating subsidy to offset deficit of EHI	118,800	205,341
	<u>\$ 360,800</u>	<u>\$ 264,799</u>

The Organization owed EHI \$10,114 and \$0 as of June 30, 2017 and 2016, respectively, for grants and donations due but not paid.

EHI owed the Organization \$95,171 and \$357,000 as of June 30, 2017 and 2016, respectively.

EHI has various debt, of which the deed of trusts on some real properties owned by the Organization, are security. Current loan balances are \$83,473, net of unamortized discount and the carrying value of properties securing these loans was \$560,779 as of June 30, 2017.

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note G – Endowment funds:

The net asset composition by type of endowment fund as of June 30, 2017 is as follows:

Purpose	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 1,364,660	\$ 934,395	\$ 2,299,055
Board designated endowment funds	829,349	-	-	829,349
Total endowment funds	\$ 829,349	\$ 1,364,660	\$ 934,395	\$ 3,128,404

The net asset composition by type of endowment fund as of June 30, 2016 is as follows:

Purpose	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 1,138,552	\$ 929,395	\$ 2,067,947
Board designated endowment funds	947,523	-	-	947,523
Total endowment funds	\$ 947,523	\$ 1,138,552	\$ 929,395	\$ 3,015,470

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note G – Endowment funds – continued:

The changes in endowment net assets for the year ended June 30, 2017 are as follows:

Purpose	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 947,523	\$ 1,138,552	\$ 929,395	\$ 3,015,470
Interest and dividends–net	13,372	35,744	-	49,116
Investment gains–net	86,136	228,344	-	314,480
Contributions	-	6,200	5,000	11,200
Transfers and net assets released from restriction	(217,682)	(44,180)	-	(261,862)
Change in endowment net assets	(118,174)	226,108	5,000	112,934
Endowment net assets, end of year	\$ 829,349	\$ 1,364,660	\$ 934,395	\$ 3,128,404

The changes in endowment net assets for the year ended June 30, 2016 are as follows:

Purpose	Unrestricted Board Designated	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 959,828	\$ 1,152,033	\$ 919,395	\$ 3,031,256
Interest and dividends–net	17,769	36,511	-	54,280
Investment losses–net	(13,941)	(26,085)	-	(40,026)
Contributions	-	5,000	10,000	15,000
Transfers and net assets released from restriction	(16,133)	(28,907)	-	(45,040)
Change in endowment net assets	(12,305)	(13,481)	10,000	(15,786)
Endowment net assets, end of year	\$ 947,523	\$ 1,138,552	\$ 929,395	\$ 3,015,470

Eliada Foundation, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note H – Net assets:

Temporarily restricted net assets

Temporarily restricted net assets consist of funds earmarked by the donor for the following purposes as of June 30, 2017 and 2016:

	2017	2016
Scholarship and future operations	\$ 1,364,660	\$ 1,138,552
Property improvement	1,020	1,020
	<u>\$ 1,365,680</u>	<u>\$ 1,139,572</u>

Permanently restricted net assets

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 temporarily restricted, until appropriated for expenditure. Following is a breakdown of the nature of earnings restrictions on permanently restricted net assets as of June 30, 2017 and 2016:

	2017	2016
Scholarship	\$ 48,122	\$ 48,122
Future operational needs	886,273	881,273
	<u>\$ 934,395</u>	<u>\$ 929,395</u>

Note I – 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 in periods of high cash flows. The Organization has not experienced any losses in the accounts.

Note J – 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 persons; and natural disasters. The Organization carries commercial coverage for these risks and as of June 30, 2017 has not experienced any settled claims in excess of insurance coverage.