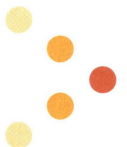


Eliada Homes, Inc.

Asheville, North Carolina

Financial Statements
and Supplementary Information
Years Ended June 30, 2017 and 2016

and
Independent Auditors' Report



Eliada Homes, Inc.
Asheville, North Carolina

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Table of Contents

	<u>Page Number</u>
Independent Auditors' Report	1 – 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4 – 5
Statements of Cash Flows	6
Statements of Functional Expenses	7 – 8
Notes to Financial Statements	9 – 25
Supplementary Information	
Schedules of Program Expenses	26 – 29
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 <i>Government Auditing Standards</i>	30 – 31

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 statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year 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 audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Matter – Prior Year

The financial statements for the year ended June 30, 2016 were audited by us in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We expressed an unmodified opinion on those financial statements.

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, 2017 and 2016.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017, 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

December 6, 2017

Eliada Homes, Inc.

Statements of Financial Position

June 30,

2017

2016

Assets

Cash	\$	93,120	\$	204,789
Accounts receivable		480,268		675,638
Other receivables		22,173		20,331
Receivable – affiliate		10,114		-
Inventory		17,078		13,294
Prepaid expenses and other assets		88,104		100,697
Property and equipment, net		395,111		428,448
Property held for investment		285,000		285,000
Beneficial interest in perpetual trust		235,550		230,342

Total assets	\$	1,626,518	\$	1,958,539
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Liabilities and Net Assets

Liabilities:

Accounts payable	\$	188,860	\$	153,655
Payroll liabilities		321,909		440,586
Other liabilities		11,619		42,426
Capital lease obligation		-		874
Long-term debt		366,006		362,189
Payable – affiliate		95,169		357,000

Total liabilities		983,563		1,356,730
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Net assets:

Unrestricted (deficit)		(15,566)		89,248
Temporarily restricted		422,971		282,219
Permanently restricted		235,550		230,342

Total net assets		642,955		601,809
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Total liabilities and net assets	\$	1,626,518	\$	1,958,539
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Eliada Homes, Inc.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Totals
Support and revenues:				
Program service revenue:				
Medicaid	\$ 5,446,174	\$ -	\$ -	\$ 5,446,174
State	840,556	-	-	840,556
County	856,957	-	-	856,957
Private payments	757,384	-	-	757,384
Support:				
Private grants and contributions	712,655	374,031	-	1,086,686
Federal and state grants	726,625	-	-	726,625
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)	-	-
<hr/>				
Total support and revenues	10,298,025	140,752	5,208	10,443,985
<hr/>				
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
<hr/>				
Total supporting services	1,509,203	-	-	1,509,203
<hr/>				
Total expenses	10,402,839	-	-	10,402,839
<hr/>				
Change in net assets	(104,814)	140,752	5,208	41,146
<hr/>				
Net assets, beginning of year	89,248	282,219	230,342	601,809
<hr/>				
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.

Statement of Activities

Year Ended June 30, 2016

	Unrestricted (Deficit)	Temporarily Restricted	Permanently Restricted	Totals
Support and revenues:				
Program service revenue:				
Medicaid	\$ 5,375,484	\$ -	\$ -	\$ 5,375,484
State	1,110,765	-	-	1,110,765
County	792,904	-	-	792,904
Private payments	666,836	-	-	666,836
Support:				
Private grants and contributions	993,322	144,789	-	1,138,111
Federal and state grants	637,385	-	-	637,385
Eliada Foundation, Inc. pass-throughs	-	33,766	-	33,766
Eliada Foundation, Inc. subsidies	205,341	-	-	205,341
Eliada Foundation, Inc. scholarships	-	25,692	-	25,692
Development fee – Eliada Foundation, Inc.	17,500	-	-	17,500
Investment earnings	28,790	1,472	-	30,262
Change in value of beneficial interest in perpetual trust	-	-	(20,958)	(20,958)
Gain on disposal of property and equipment	1,000	-	-	1,000
Fundraising	55,076	-	-	55,076
Rents	13,854	-	-	13,854
Miscellaneous income	50,163	-	-	50,163
Net assets released from restrictions	228,767	(228,767)	-	-
Total support and revenues	10,177,187	(23,048)	(20,958)	10,133,181
Expenses:				
Program services	8,664,400	-	-	8,664,400
Supporting services:				
Management and general	1,023,158	-	-	1,023,158
Resource development/fundraising	171,742	-	-	171,742
Total supporting services	1,194,900	-	-	1,194,900
Total expenses	9,859,300	-	-	9,859,300
Change in net assets	317,887	(23,048)	(20,958)	273,881
Net assets (deficit), beginning of year	(228,639)	305,267	251,300	327,928
Net assets, end of year	\$ 89,248	\$ 282,219	\$ 230,342	\$ 601,809

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

Eliada Homes, Inc.

Statements of Cash Flows

Years Ended June 30,

2017

2016

Cash flows from operating activities:

Change in net assets	\$	41,146	\$	273,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		65,487		92,681
Amortization of discount on loans		13,593		13,044
Change in provision for bad debts		-		(8,012)
Gain on disposal of property and equipment		(258)		(1,000)
Change in value of beneficial interest in perpetual trust		(5,208)		20,958
(Increase) decrease in assets:				
Accounts receivable		195,370		(103,583)
Other receivables		(1,842)		1,034
Inventory		(3,784)		(2,925)
Prepaid expenses and other assets		12,593		(6,723)
Increase (decrease) in liabilities:				
Accounts payable		35,205		(46,074)
Payroll liabilities		(118,677)		(1,272)
Other liabilities		(30,807)		21,352
Net cash provided by operating activities		202,818		253,361

Cash flows from investing activities:

Proceeds from the sale of property and equipment		258		1,435
Payments for the purchase of property and equipment		(32,150)		(7,325)
Net cash used in investing activities		(31,892)		(5,890)

Cash flows from financing activities:

Advances (repayments) – affiliate		(271,945)		145,852
Advances (repayments) on line of credit – net		-		(552,000)
Principal payments on long-term debt		(9,776)		(10,057)
Principal payments on capital lease obligation		(874)		(11,849)
Net cash used in financing activities		(282,595)		(428,054)

Net decrease in cash (111,669) (180,583)

Cash, beginning of year 204,789 385,372

Cash, end of year \$ 93,120 \$ 204,789

Supplemental disclosures of cash flow information:

Cash payments for interest \$ 4,335 \$ 27,596

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.

Statement of Functional Expenses

Year Ended June 30, 2016

	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	\$ 3,546,362	\$ 419,101	\$ 216,506	\$ 930,083	\$ 141,191	\$ 5,253,243	\$ 669,874	\$ 75,529	\$ 745,403	\$ 5,998,646
Employee benefits	409,343	42,603	30,125	134,834	19,734	636,639	53,247	7,809	61,056	697,695
Pension cost	14,916	3,439	4,510	9,475	2,119	34,459	10,092	1,355	11,447	45,906
Payroll taxes	311,479	34,870	17,673	79,956	12,782	456,760	54,892	6,309	61,201	517,961
Supplies and equipment	63,831	35,373	6,020	59,641	24,806	189,671	21,658	8,971	30,629	220,300
Food	144,150	13,687	528	137,495	7,267	303,127	135	786	921	304,048
Computer technology	16,203	4,067	3,007	6,236	22	29,535	46,470	2,032	48,502	78,037
Clothing	1,451	47	21	3,503	2,367	7,389	-	-	-	7,389
Utilities	120,534	9,436	2,113	45,121	19,681	196,885	3,706	392	4,098	200,983
Insurance	42,192	4,531	11,997	22,771	9,820	91,311	1,646	20	1,666	92,977
Maintenance and repairs	183,519	17,237	4,714	91,028	37,043	333,541	17,261	565	17,826	351,367
Telephone	17,529	2,214	4,566	6,854	1,910	33,073	7,092	616	7,708	40,781
Postage	1,458	175	226	356	127	2,342	1,892	784	2,676	5,018
Travel	9,437	1,353	14,446	8,166	4,662	38,064	2,322	240	2,562	40,626
Dues and subscriptions	3,781	423	894	820	1,649	7,567	2,299	2,355	4,654	12,221
License and fees	13,897	4,472	544	3,553	1,368	23,834	16,480	588	17,068	40,902
Student related expense	14,664	734	1,447	3,118	5,889	25,852	-	60	60	25,912
Foster care payments	-	-	362,946	-	-	362,946	-	-	-	362,946
Rent	145,348	21,687	2,917	66,465	35,201	271,618	2,599	1,476	4,075	275,693
Professional fees	174,338	(232)	(166)	21,444	16,836	212,220	40,480	943	41,423	253,643
Conferences and meetings	9,655	1,143	2,705	2,167	2,232	17,902	2,050	1,075	3,125	21,027
Recreation activities	2,242	365	80	14,202	965	17,854	-	-	-	17,854
Promotions	8,067	532	1,963	1,904	1,043	13,509	1,618	59,212	60,830	74,339
Miscellaneous	8,349	150	773	541	567	10,380	16,564	625	17,189	27,569
Bad debts	4,582	3,657	-	1,564	2,471	12,274	-	-	-	12,274
Interest	-	-	-	-	-	-	40,505	-	40,505	40,505
Depreciation	48,142	11,736	3,873	11,542	7,112	82,405	10,276	-	10,276	92,681
	<u>\$ 5,315,469</u>	<u>\$ 632,800</u>	<u>\$ 694,428</u>	<u>\$ 1,662,839</u>	<u>\$ 358,864</u>	<u>\$ 8,664,400</u>	<u>\$ 1,023,158</u>	<u>\$ 171,742</u>	<u>\$ 1,194,900</u>	<u>\$ 9,859,300</u>

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

Eliada Homes, Inc.

Notes to Financial Statements

June 30, 2017 and 2016

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 2016 and 2015. Currently, the statute of limitations remains open subsequent to and including 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 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, 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 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.

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.

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, 2017 and 2016. 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, 2017 and 2016

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, 2017 and 2016

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 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.

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 five months. PRTF is licensed by the Division of Health Services Regulation. The Organization operates four adolescent PRTF cottages. Two of the adolescent units are secured facilities. The Organization operates two Level III group homes.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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 – sixteen, from the local community. It is licensed by the Division of Health Services Regulation and endorsed by Vaya Health (formerly Smoky Mountain Center), 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, 2017 and 2016

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.

Subsequent events

In the preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 6, 2017, 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, 2017 and 2016:

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

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note B – Transactions with related organization – continued:

The Foundation paid a monthly development fee to the Organization under a management services agreement, in consideration for accounting services provided to the Foundation by employees of the Organization through December 31, 2015, at which time the agreement wasn't renewed. Payments to the Organization under this contract amounted to \$0 and \$17,500 during the years ended June 30, 2017 and 2016, respectively.

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, 2017 and 2016, 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 \$2,604 and \$9,565 interest to the Foundation under this arrangement during the years ended June 30, 2017 and 2016, respectively.

The Foundation forwarded operational grants and scholarships to the Organization totaling \$0 and \$59,458 during the years ended June 30, 2017 and 2016, respectively. The Foundation owes the Organization \$10,114 and \$0 as of June 30, 2017 and 2016, respectively for grants and donations due but not paid.

The Foundation provided operating subsidies to the Organization totaling \$118,800 and \$205,341 during the years ended June 30, 2017 and 2016, respectively. The Organization has recorded amounts payable to the Foundation totaling \$95,169 and \$357,000 as of June 30, 2017 and 2016, respectively.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note B – Transactions with related organization – continued:

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

	2017	2016
Assets		
Cash	\$ 249,524	\$ 96,070
Refundable advance – affiliate	95,169	357,000
Investments	3,128,404	3,015,470
Property and equipment, net of accumulated depreciation	8,497,840	8,798,240
Total assets	\$ 11,970,937	\$ 12,266,780
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ -	\$ 3,000
Payable to supported organization	10,114	-
Long-term debt	-	323,069
Total liabilities	10,114	326,069
Net assets:		
Unrestricted	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
Total support and revenues	\$ 727,211	\$ 696,906
Total expenses	\$ 707,099	\$ 852,847

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note C – Accounts receivable:

Accounts receivable is \$480,268 and \$675,638 as of June 30, 2017 and 2016, 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, 2017 and 2016, the Organization received income allocations from this trust in the amount of \$18,571 and \$22,602, 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):

	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

	2016					
	Beginning Balance	Total Losses	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Losses
Beneficial interest in perpetual trust	\$ 251,300	\$ (20,958)	\$ 22,602	\$ (22,602)	\$ 230,342	\$ (12,400)

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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 evaluated annually for impairment. As a result, carrying value has been reduced to estimated fair value for the years ended June 30, 2017 and 2016. No impairment adjustments were deemed necessary in the years ended June 30, 2017 and 2016. 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, 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

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note E – Property and equipment, net – continued:

Following is a summary of property and equipment as of June 30, 2016:

	Balance 6/30/15	Additions & Retirements	Balance 6/30/16
Buildings and improvements	\$ 203,172	\$ -	\$ 203,172
Leasehold improvements	85,764	(6,529)	79,235
Maintenance equipment	80,854	-	80,854
Office equipment	367,160	5,430	372,590
Other equipment	170,417	(1,782)	168,635
Furniture and fixtures	209,343	-	209,343
Vehicles	153,881	(22,925)	130,956
Land and land improvements	90,921	-	90,921
	1,361,512	(25,806)	1,335,706
Less accumulated depreciation	847,273	59,985	907,258
	\$ 514,239	\$ (85,791)	\$ 428,448

Depreciation charged to operations totaled \$65,487 and \$92,681 for the years ended June 30, 2017 and 2016, 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, 2017 of \$272,170.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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, 2017 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, 2017 of \$235,000.

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, 2017 of \$288,609.

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, 2017 of \$288,609.

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note F – Long-term debt – continued:

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

	2017	2016
NC Housing Finance Agency (terms described on previous pages):		
Green Building	\$ 24,156	\$ 25,479
RISE Village:		
Face amount	70,407	70,407
Unamortized discount	(54,892)	(55,631)
	15,515	14,776
City of Asheville:		
Face amount	200,000	200,000
Unamortized discount	(155,928)	(158,027)
	44,072	41,973
Buncombe County:		
Face amount	279,650	279,650
Unamortized discount	-	(10,756)
	279,650	268,894
 Note payable to a finance company, due in monthly installments of \$198 with no stated interest until maturity in August 2017.	198	2,509
 Note payable to a finance company, due in 60 monthly installments of principal and interest of \$380 with an interest rate of 2.1%, maturing May 2018.	2,415	8,558
	\$ 366,006	\$ 362,189

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

Note F – Long-term debt – continued:

Maturities of long-term obligations requiring payments as of June 30, 2017 are as follows:

Total notes payable	\$	366,006
Less notes without cash outlay obligations:		
RISE Village		(15,515)
City of Asheville		(44,072)
	\$	306,419

Amounts payable during the years ending June 30:

2018	\$	283,653
2019		1,461
2020		1,535
2021		19,770
	\$	306,419

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, 2017 and 2016

Note G – Operating leases:

The Company maintains leases with auto dealer financing for four vehicles. The lease terms are for three years, and the monthly payments for each vehicle range from \$209 to \$227. At present, two of the leases will expire in April 2019, and two will expire in September 2019.

The Company also maintains a lease for copier equipment with a company. The lease term is for four years, the monthly payment is \$1,533 and the lease will expire in May 2018.

Lease payments were \$28,968 and \$30,392 for the years ended June 30, 2017 and 2016, 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. If the purchase option is used, the purchase price will be reduced by costs of any improvements made by the Organization and credit given for contributed value, based on the Organization increasing availability to childcare with the use of this facility over the term of the lease. This building was not placed in service as of June 30, 2017.

Minimum future lease payments consist of the following:

<u>Year ending June 30,</u>		
2018	\$	25,794
2019		9,628
2020		1,362
	\$	36,784

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:

	2017	2016
ESTA Vocational/Transitional living needs	\$ 168,622	\$ 11,581
Property	1,350	-
TASC Program	28,033	35,652
Other program needs	14,145	10,572
Future periods	210,821	224,414
	\$ 422,971	\$ 282,219

Eliada Homes, Inc.

Notes to Financial Statements – continued

June 30, 2017 and 2016

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:

	2017	2016
Unrestricted operational support	\$ 235,550	\$ 230,342

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 \$56,634 and \$45,906 to the retirement plan for the years ended June 30, 2017 and 2016, 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 amounted to approximately \$117,000 and \$120,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016

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, 2017 and 2016, the Organization received revenues from Medicaid, which represented 53% of total support and revenues, for both years. Accounts receivable from Medicaid represented 62% and 45% of total accounts receivable as of June 30, 2017 and 2016, 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 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, the Organization is a guarantor for this obligation of the Foundation. The balance of this line of credit is \$0 as of June 30, 2017.

Supplementary Information

Eliada Homes, Inc.

Schedule of Program Expenses

Year Ended June 30, 2017

	Residential Treatment and Group Homes						Educational & Day Treatment		Foster Care
	Cummings	Earle	Green	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

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	
	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	\$ 1,277,585	\$ 251,773	\$ 112,150	\$ 113,522	\$ 141,080	\$ 13,847	\$ 8,893,636

Eliada Homes, Inc.

Schedule of Program Expenses

Year Ended June 30, 2016

	Residential Treatment and Group Homes						Educational & Day Treatment		Foster Care
	Cummings	Earle	Green	Lions	Reuter	Reynolds	Day Treatment	Education	Family & Level II Therapeutic
Salaries	\$ 720,735	\$ 477,810	\$ 255,755	\$ 644,882	\$ 702,421	\$ 744,759	\$ 253,166	\$ 165,935	\$ 216,506
Employee benefits	82,330	58,383	30,473	72,305	84,040	81,812	35,507	7,096	30,125
Pension cost	2,475	2,413	795	2,432	3,694	3,107	2,636	803	4,510
Payroll taxes	62,983	42,223	21,149	56,607	63,706	64,811	20,416	14,454	17,673
Supplies and equipment	11,967	8,233	3,996	10,307	11,916	17,412	7,322	28,051	6,020
Food	30,591	15,641	10,509	25,793	30,982	30,634	13,671	16	528
Computer technology	3,377	2,097	1,040	2,929	3,374	3,386	2,661	1,406	3,007
Clothing	290	297	110	134	128	492	47	-	21
Utilities	23,724	16,314	6,629	25,692	23,335	24,840	9,436	-	2,113
Insurance	8,345	5,925	3,442	7,822	8,141	8,517	4,531	-	11,997
Maintenance and repairs	34,837	24,974	11,347	45,127	35,740	31,494	16,293	944	4,714
Telephone	3,632	2,702	749	2,834	3,725	3,887	1,934	280	4,566
Postage	343	168	66	211	245	425	152	23	226
Travel	1,806	1,472	532	1,954	1,826	1,847	771	582	14,446
Dues and subscriptions	715	614	278	749	707	718	423	-	894
License and fees	2,692	2,384	687	2,623	2,771	2,740	616	3,856	544
Student related expense	3,550	1,198	1,101	2,141	3,238	3,436	188	546	1,447
Foster care payments	-	-	-	-	-	-	-	-	362,946
Rent	28,299	19,864	12,839	28,274	27,960	28,112	21,687	-	2,917
Professional fees	36,788	21,894	(144)	33,925	36,626	45,249	(232)	-	(166)
Conferences and meetings	2,030	1,228	465	1,851	2,045	2,036	1,061	82	2,705
Recreation activities	131	425	821	227	327	311	365	-	80
Promotions	1,615	1,051	374	1,536	1,759	1,732	366	166	1,963
Miscellaneous	346	683	133	1,256	344	5,587	150	-	773
Bad debts	2,588	-	-	-	1,994	-	3,657	-	-
Depreciation	8,786	6,964	3,601	12,460	8,142	8,189	11,736	-	3,873
Operational expenses	\$ 1,074,975	\$ 714,957	\$ 366,747	\$ 984,071	\$ 1,059,186	\$ 1,115,533	\$ 408,560	\$ 224,240	\$ 694,428

Eliada Homes, Inc.

Schedule of Program Expenses – continued

Year Ended June 30, 2016

	Child Development				Community Based Services						Total Program Expenses
	Daycare	21st Century	After School	Summer	Vocational	Outpatient	Recreation	National Program	Recreation	Therapeutic	
	Preschool	After School Prog.	School Age	Camp	Program ESTA	Department	Barn	using Minibikes	Department	Animal Program	
Salaries	\$ 730,838	\$ 94,118	\$ 50,727	\$ 54,400	\$ 83,020	\$ 2,839	\$ -	\$ 14,855	\$ 2,917	\$ 37,560	\$ 5,253,243
Employee benefits	117,051	6,944	4,395	6,444	12,216	483	-	2,175	398	4,462	636,639
Pension cost	9,187	53	187	48	1,158	25	-	2	2	932	34,459
Payroll taxes	63,271	8,258	3,806	4,621	7,755	231	-	1,273	277	3,246	456,760
Supplies and equipment	44,463	3,473	5,802	5,903	11,939	52	81	-	894	11,840	189,671
Food	107,306	9,937	9,361	10,891	7,267	-	-	-	-	-	303,127
Computer technology	4,733	-	1,104	399	20	2	-	-	-	-	29,535
Clothing	-	2,190	-	1,313	2,367	-	-	-	-	-	7,389
Utilities	37,543	-	3,356	4,222	14,307	342	5,020	-	-	12	196,885
Insurance	16,088	-	4,984	1,699	3,503	83	1,865	3,300	-	1,069	91,311
Maintenance and repairs	72,354	25	9,725	8,924	26,047	559	5,129	432	4,353	523	333,541
Telephone	4,991	116	1,044	703	818	75	397	-	122	498	33,073
Postage	316	-	19	21	125	2	-	-	-	-	2,342
Travel	1,257	4,118	1,510	1,281	3,042	28	-	41	6	1,545	38,064
Dues and subscriptions	669	-	78	73	138	11	-	1,500	-	-	7,567
License and fees	1,756	448	1,059	290	533	8	125	-	469	233	23,834
Student related expense	129	2,575	11	403	5,889	-	-	-	-	-	25,852
Foster care payments	-	-	-	-	-	-	-	-	-	-	362,946
Rent	36,387	25,760	2,397	1,921	24,022	979	9,000	-	-	1,200	271,618
Professional fees	1,406	20,005	3	30	(133)	7,720	-	-	275	8,974	212,220
Conferences and meetings	1,348	448	287	84	108	17	-	-	-	2,107	17,902
Recreation activities	140	898	76	13,088	965	-	-	-	-	-	17,854
Promotions	1,353	85	394	72	1,036	7	-	-	-	-	13,509
Miscellaneous	446	-	52	43	564	3	-	-	-	-	10,380
Bad debts	720	-	505	339	-	2,471	-	-	-	-	12,274
Depreciation	9,681	-	1,083	778	5,445	104	1,563	-	-	-	82,405
Operational expenses	\$ 1,263,433	\$ 179,451	\$ 101,965	\$ 117,990	\$ 212,151	\$ 16,041	\$ 23,180	\$ 23,578	\$ 9,713	\$ 74,201	\$ 8,664,400



**INDEPENDENT AUDITOR'S 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 statement of financial position as of June 30, 2017, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2017.

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

December 6, 2017