

**Eliada Homes, Inc.  
and Subsidiary**

Asheville, North Carolina

Consolidated Financial Statements  
and Supplementary Information  
Years Ended June 30, 2021 and 2020

and  
Independent Auditors' Report



**Eliada Homes, Inc. and Subsidiary**  
Asheville, North Carolina

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## Table of Contents

	<u>Page Number</u>
<b>Independent Auditors' Report</b>	1 – 2
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 – 5
Consolidated Statements of Cash Flows	6
Consolidated Statements of Functional Expenses	7 – 8
Notes to Consolidated Financial Statements	9 – 27
<b>Supplementary Information</b>	
Consolidated Schedules of Program Expenses	28 – 31
<b>Compliance Section</b>	
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>	32 – 33
Schedule of Findings and Responses	34 – 35
Corrective Action Plan	36
Schedule of Prior Year Findings	37
Schedule of Expenditures of Federal and State Awards	38 – 39

## Independent Auditors' Report



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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Eliada Homes, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eliada Homes, Inc. and Subsidiary as of June 30, 2021, 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.

**Johnson Price Sprinkle PA**

## **Other Matters**

### **Other Matter – Prior Year**

The consolidated financial statements for the year ended June 30, 2020 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 consolidated financial statements are free of material misstatement. We expressed an unmodified opinion on those consolidated financial statements.

### **Report on Supplementary and Other Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of program expenses and the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole for the year ended June 30, 2021.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2022, 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 solely 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 the effectiveness of Eliada Homes, Inc.'s 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*

March 4, 2022

## Eliada Homes, Inc. and Subsidiary

### Consolidated Statements of Financial Position

June 30,

2021

2020

#### **Assets**

Cash	\$	911,763	\$	1,576,229
Accounts receivable		917,616		514,330
Other receivables		13,160		14,790
Inventory		23,555		26,961
Prepaid expenses and other assets		171,654		86,743
Property and equipment, net		549,001		468,137
Property held for investment		61,554		61,554
Beneficial interest in perpetual trust		279,000		229,000

#### **Total assets**

\$ 2,927,303 \$ 2,977,744

#### **Liabilities and Net Assets**

##### **Liabilities:**

Accounts payable	\$	130,990	\$	104,422
Payroll and other liabilities		243,338		286,328
Paycheck Protection Program loan		-		1,225,500
Long-term debt		370,234		368,186
Payable – affiliate		1,337,177		1,489,846

#### Total liabilities

2,081,739 3,474,282

##### **Net assets (deficit):**

Without donor restrictions		168,095		(1,128,691)
With donor restrictions		677,469		632,153

#### Total net assets (deficit)

845,564 (496,538)

#### **Total liabilities and net assets**

\$ 2,927,303 \$ 2,977,744

## Eliada Homes, Inc. and Subsidiary

### Consolidated Statement of Activities

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support and revenues:</b>			
Program service revenue:			
Medicaid	\$ 3,689,663	\$ -	\$ 3,689,663
State	1,002,234	-	1,002,234
County	1,484,806	-	1,484,806
Private payments	372,931	-	372,931
Support:			
Private grants and contributions	466,009	241,767	707,776
Federal and state grants	1,298,298	-	1,298,298
Eliada Foundation, Inc. subsidies	137,706	-	137,706
Eliada Foundation, Inc. in-kind	212,700	-	212,700
Investment earnings	11,604	-	11,604
Change in value of beneficial interest			
in perpetual trust	-	50,000	50,000
Loss on disposal of property and equipment	(2,425)	-	(2,425)
Fundraising	86,717	-	86,717
Rents	3,832	-	3,832
Eliada Farms sales	8,604	-	8,604
Loan forgiveness – Paycheck Protection Program	1,233,793	-	1,233,793
Miscellaneous	1,459	-	1,459
Net assets released from restrictions	246,451	(246,451)	-
<b>Total support and revenues</b>	<b>10,254,382</b>	<b>45,316</b>	<b>10,299,698</b>
<b>Expenses:</b>			
Program services	7,329,326	-	7,329,326
Supporting services:			
Management and general	1,258,395	-	1,258,395
Resource development/fundraising	369,875	-	369,875
<b>Total supporting services</b>	<b>1,628,270</b>	<b>-</b>	<b>1,628,270</b>
<b>Total expenses</b>	<b>8,957,596</b>	<b>-</b>	<b>8,957,596</b>
<b>Change in net assets</b>	<b>1,296,786</b>	<b>45,316</b>	<b>1,342,102</b>
<b>Net assets (deficit), beginning of year</b>	<b>(1,128,691)</b>	<b>632,153</b>	<b>(496,538)</b>
<b>Net assets, end of year</b>	<b>\$ 168,095</b>	<b>\$ 677,469</b>	<b>\$ 845,564</b>

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

## Eliada Homes, Inc. and Subsidiary

### Consolidated Statement of Activities

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support and revenues:</b>			
Program service revenue:			
Medicaid	\$ 4,154,887	\$ -	\$ 4,154,887
State	1,474,580	-	1,474,580
County	1,336,934	-	1,336,934
Private payments	482,714	-	482,714
Support:			
Private grants and contributions	453,630	211,883	665,513
Federal and state grants	341,813	-	341,813
Eliada Foundation, Inc. subsidies	137,706	-	137,706
Eliada Foundation, Inc. in-kind	212,700	-	212,700
Investment earnings	16,348	-	16,348
Change in value of beneficial interest in perpetual trust	-	(6,000)	(6,000)
Loss on disposal of property and equipment	(1,580)	-	(1,580)
Fundraising	142,760	-	142,760
Rents	3,622	-	3,622
Eliada Farm sales	20,205	-	20,205
Net assets released from restrictions	156,376	(156,376)	-
<b>Total support and revenues</b>	<b>8,932,695</b>	<b>49,507</b>	<b>8,982,202</b>
<b>Expenses:</b>			
Program services	8,160,163	-	8,160,163
Supporting services:			
Management and general	841,103	-	841,103
Resource development/fundraising	411,312	-	411,312
<b>Total supporting services</b>	<b>1,252,415</b>	<b>-</b>	<b>1,252,415</b>
<b>Total expenses</b>	<b>9,412,578</b>	<b>-</b>	<b>9,412,578</b>
<b>Change in net assets</b>	<b>(479,883)</b>	<b>49,507</b>	<b>(430,376)</b>
<b>Net assets (deficit), beginning of year</b>	<b>(648,808)</b>	<b>582,646</b>	<b>(66,162)</b>
<b>Net assets (deficit), end of year</b>	<b>\$ (1,128,691)</b>	<b>\$ 632,153</b>	<b>\$ (496,538)</b>

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



**Eliada Homes, Inc. and Subsidiary**

## Consolidated Statements of Cash Flows

Years Ended June 30,

2021

2020

**Cash flows from operating activities:**

Change in net assets	\$	1,342,102	\$	(430,376)
Adjustments to reconcile change in net assets to net cash used in operating activities:				
Depreciation		65,109		56,383
Amortization of discount on loans		3,449		3,285
Loan forgiveness – Paycheck Protection Program		(1,233,793)		-
Non-cash interest on Paycheck Protection Program loan		8,293		-
Loss on disposal of property and equipment		2,425		1,580
Change in value of beneficial interest in perpetual trust		(50,000)		6,000
(Increase) decrease in assets:				
Accounts receivable		(403,286)		(82,407)
Other receivables		1,630		10,010
Inventory		3,406		23,604
Prepaid expenses and other assets		(84,911)		(10,492)
Increase (decrease) in liabilities:				
Accounts payable		26,568		(211,187)
Payroll liabilities		(42,990)		28,562
Net cash used in operating activities		(361,998)		(605,038)

**Cash flows from investing activities:**

Proceeds from the sale of property and equipment		-		420
Payments for the purchase of property and equipment		(148,398)		(54,051)
Net cash used in investing activities		(148,398)		(53,631)

**Cash flows from financing activities:**

Advances (payments) – affiliate		(152,669)		883,206
Proceeds from issuance of Paycheck Protection Program loan		-		1,225,500
Principal payments on long-term debt		(1,401)		(1,749)
Net cash provided by (used in) financing activities		(154,070)		2,106,957

**Net increase (decrease) in cash** (664,466) 1,448,288

**Cash, beginning of year** 1,576,229 127,941

**Cash, end of year** \$ 911,763 \$ 1,576,229

**Supplemental disclosures of cash flow information:**

Cash payments for interest \$ 30,003 \$ 28,964

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

**Eliada Homes, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

	Program Services							Supporting Services			
	Educational		Foster Care	Child	Community	Eliada Farms	Total Program Services	Management and General	Resource	Total	
	Residential Treatment	and Day Treatment		Development Center	Based Services				Development/ Fundraising	Supporting Services	Total
Salaries	\$ 2,375,904	\$ 432,273	\$ 193,928	\$ 1,366,104	\$ 287,568	\$ -	\$ 4,655,777	\$ 772,364	\$ 220,008	\$ 992,372	\$ 5,648,149
Employee benefits	175,834	31,832	13,910	98,703	21,710	-	341,989	122,325	13,191	135,516	477,505
Pension cost	12,563	4,958	2,266	12,331	3,047	-	35,165	7,167	2,972	10,139	45,304
Payroll taxes	160,192	29,622	13,720	75,361	19,161	-	298,056	54,133	16,265	70,398	368,454
Supplies and cost of sales	41,555	5,994	4,035	71,733	17,542	5,474	146,333	18,100	10,164	28,264	174,597
Food	140,487	24,895	-	128,452	7,702	-	301,536	-	-	-	301,536
Computer technology	5,037	148	25	1,008	62	-	6,280	95,615	10,820	106,435	112,715
Clothing	759	22	-	-	38	-	819	-	-	-	819
Utilities	119,702	9,860	4,741	60,213	14,384	-	208,900	14,015	8,579	22,594	231,494
Insurance	125,246	21,275	7,873	73,305	23,800	5,620	257,119	14,225	7,077	21,302	278,421
Maintenance and repairs	59,990	5,895	2,472	127,995	25,460	3,739	225,551	9,969	2,584	12,553	238,104
Telephone	7,557	1,776	2,354	5,319	1,547	-	18,553	4,292	238	4,530	23,083
Postage	301	14	30	34	47	-	426	1,259	2,808	4,067	4,493
Travel	5,935	306	15,048	1,845	10,836	29	33,999	6,750	127	6,877	40,876
Dues and subscriptions	444	58	700	-	-	-	1,202	17,417	3,971	21,388	22,590
License and fees	10,569	783	1,409	2,613	1,370	-	16,744	4,189	995	5,184	21,928
Student related expense	9,209	5,609	1,783	3,628	957	-	21,186	-	14,635	14,635	35,821
Foster care payments	-	-	190,661	-	-	-	190,661	-	-	-	190,661
Rent	135,512	20,912	938	65,746	20,392	-	243,500	-	2,500	2,500	246,000
Professional fees	202,818	650	1,148	2,078	741	10,985	218,420	74,484	15,930	90,414	308,834
Conferences and meetings	-	-	-	-	-	2,083	2,083	-	-	-	2,083
Recreation activities	596	40	-	5,565	-	-	6,201	-	-	-	6,201
Promotions	571	54	125	417	44	-	1,211	595	35,062	35,657	36,868
Miscellaneous	874	100	147	1,599	500	-	3,220	564	1,352	1,916	5,136
Bad debts	6,074	301	615	20,472	243	-	27,705	-	-	-	27,705
Interest	-	-	-	-	-	3,950	3,950	39,160	-	39,160	43,110
Depreciation	17,455	1,775	826	37,978	4,706	-	62,740	1,772	597	2,369	65,109
	<u>\$ 3,615,184</u>	<u>\$ 599,152</u>	<u>\$ 458,754</u>	<u>\$ 2,162,499</u>	<u>\$ 461,857</u>	<u>\$ 31,880</u>	<u>\$ 7,329,326</u>	<u>\$ 1,258,395</u>	<u>\$ 369,875</u>	<u>\$ 1,628,270</u>	<u>\$ 8,957,596</u>

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

**Eliada Homes, Inc. and Subsidiary**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services							Supporting Services			
	Residential Treatment	Educational and Day Treatment	Foster Care	Child Development Center	Community Based Services	Eliada Farms	Total Program Services	Management and General	Resource Development/ Fundraising	Total Supporting Services	
										Services	Total
Salaries	\$ 2,781,254	\$ 439,964	\$ 237,577	\$ 1,365,465	\$ 137,346	\$ -	\$ 4,961,606	\$ 540,528	\$ 215,560	\$ 756,088	\$ 5,717,694
Employee benefits	290,097	57,004	23,887	178,367	13,301	-	562,656	41,788	9,650	51,438	614,094
Pension cost	14,083	4,179	2,089	9,513	1,205	-	31,069	4,750	3,439	8,189	39,258
Payroll taxes	197,394	32,413	17,382	97,166	10,005	-	354,360	38,299	15,909	54,208	408,568
Supplies and equipment	79,403	12,283	4,018	59,875	3,674	27,471	186,724	17,351	5,002	22,353	209,077
Food	126,462	9,536	147	155,963	977	-	293,085	-	191	191	293,276
Computer technology	31,617	14,795	5,070	10,735	5,614	-	67,831	40,317	9,390	49,707	117,538
Clothing	492	-	-	225	761	-	1,478	-	-	-	1,478
Utilities	97,048	13,762	4,766	63,055	10,897	3,491	193,019	4,513	7,944	12,457	205,476
Insurance	45,286	7,740	11,118	36,685	8,821	5,620	115,270	4,507	3,753	8,260	123,530
Maintenance and repairs	70,680	10,577	4,796	147,408	6,062	1,894	241,417	2,201	3,053	5,254	246,671
Telephone	8,914	2,127	3,523	6,010	1,754	-	22,328	2,782	243	3,025	25,353
Postage	667	412	71	189	32	-	1,371	1,081	2,918	3,999	5,370
Travel	11,048	600	16,109	2,411	4,054	-	34,222	1,699	294	1,993	36,215
Dues and subscriptions	7,264	1,113	1,182	4,253	295	-	14,107	1,310	5,216	6,526	20,633
License and fees	21,061	3,195	5,153	5,513	618	-	35,540	475	1,532	2,007	37,547
Student related expense	10,817	172	1,036	4,019	1,541	-	17,585	-	-	-	17,585
Foster care payments	-	-	267,902	-	-	-	267,902	-	-	-	267,902
Rent	121,965	19,572	2,364	76,671	11,407	2,362	234,341	12,981	3,262	16,243	250,584
Professional fees	247,025	3,937	3,393	8,088	573	5,676	268,692	68,842	35,227	104,069	372,761
Conferences and meetings	21,139	2,842	1,537	8,518	433	1,827	36,296	5,717	1,845	7,562	43,858
Recreation activities	699	-	-	5,252	40	-	5,991	-	-	-	5,991
Promotions	945	43	95	2,667	-	-	3,750	-	85,785	85,785	89,535
Miscellaneous	6,905	591	262	2,283	368	-	10,409	16,424	830	17,254	27,663
Bad debts	110,157	11,956	3,970	3,244	10,642	-	139,969	-	-	-	139,969
Interest	-	-	-	-	-	3,735	3,735	34,834	-	34,834	38,569
Depreciation	15,007	1,884	481	36,093	1,945	-	55,410	704	269	973	56,383
	<u>\$ 4,317,429</u>	<u>\$ 650,697</u>	<u>\$ 617,928</u>	<u>\$ 2,289,668</u>	<u>\$ 232,365</u>	<u>\$ 52,076</u>	<u>\$ 8,160,163</u>	<u>\$ 841,103</u>	<u>\$ 411,312</u>	<u>\$ 1,252,415</u>	<u>\$ 9,412,578</u>

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

## **Eliada Homes, Inc. and Subsidiary**

### Notes to Consolidated Financial Statements

June 30, 2021 and 2020

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#### **Note A – Organization and summary of significant accounting policies:**

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##### **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. In June 2019, Compton Enterprises, Inc., (“Subsidiary”) was formed, and is a wholly-owned subsidiary of the Organization and the sole member of Eliada Farms, LLC which was also formed in June 2019. Eliada Farms, LLC engages in hemp and other agricultural production.

##### **Principles of consolidation**

The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

##### **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. The Subsidiary is taxed as a U.S. C corporation.

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 consolidated financial statements. No material uncertain tax positions were identified for tax years 2020 and 2019. Currently, the statute of limitations remains open subsequent to and including tax year 2017; 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**

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of donor-imposed restrictions on net assets are reported as net assets released from restrictions on the consolidated statements of activities. Contributions are recognized as revenues in the period made.

## **Eliada Homes, Inc. and Subsidiary**

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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

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#### **Basis of presentation and management plans**

The Organization reports information regarding its financial position and activities according to two classes of net assets as follows:

*Net assets without donor restrictions* – net assets without donor restrictions include all resources which are not subject to donor restrictions and are available for use in the performance of the activities of the Organization. If the Board of Directors specifies a purpose where none has been stated by the original donor, such funds are classified as designated, net assets without donor restrictions.

*Net assets with donor restrictions* – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other event specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As of 2020, the Organization had a net deficit. Ultimately, the continuation of the Organization is dependent upon its ability to achieve a level of operations sufficient to meet cash flow requirements. If the Organization is not successful with its plan of achieving a level of operations sufficient to meet cash flow requirements or continuing to obtain additional funding from the Foundation or other sources, the Organization may be unable to continue as a going concern. Although management continues to pursue these plans, there is no assurance that the Organization will be successful, particularly given the uncertainty associated with the duration of the COVID-19 pandemic. The Organization has limited liquidity resources available as of June 30, 2021 per Note B. The consolidated financial statements do not include any adjustments that might result should the Organization be unable to continue as a going concern.

#### **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 consolidated 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 consolidated financial statements at their estimated fair market value at date of receipt.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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

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#### **Accounts receivable and credit policies**

Accounts receivable consist primarily of amounts due from governmental units and other agencies for services performed by June 30, 2021 and 2020. 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.

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 net assets without donor restrictions, 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. and Subsidiary**

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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

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#### **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 – 25 years. When items are disposed of, the cost and accumulated depreciation are eliminated from the property and equipment records, and the resulting gain or loss is credited or charged to operations. Repairs and maintenance costs that do not enhance the useful lives of the assets are charged to expense as incurred.

#### **Functional allocation of expenses**

The cost of providing certain activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. 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 Organization operates one adolescent Transition Level III cottage for students 11-17. The program is designed to transition students to lower levels of care and wrap community services around the student as they transition into the community. Level III evaluates the strengths and needs of youth with behavioral health needs, while incorporating the family and community support system, all within 30 to 90 days.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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

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#### **Functional allocation of expenses – continued**

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

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

***Child Development Center*** – 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.

***Community Based 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, 21<sup>st</sup> 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. The Organization also offers Intensive In-Home Services and Equine Therapy services. Intensive in Home (IIH) is a 3-person team comprised of a clinician and 2 qualified professionals that work with an identified client and their families in the home and school setting. These services provide a continuity of care for students transferring from a residential setting back into the home. The interventions provide families with strategies and tools to support the student’s successful transition back into the community. The Equine Out-Patient program provides an EAGALA certified Clinician and Equine Specialist that work with the student on identified goals with the horses. This program supports less acute community members with access to this evidence-based program. Students create goals and work with the horses, the Equine Specialist and Clinician in hour long sessions to achieve the desired outcomes.



## **Eliada Homes, Inc. and Subsidiary**

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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

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#### **Revenue recognition**

Program and grant revenues are recognized as costs are incurred and/or services are provided. Contributions are recognized as revenues in the period made. In addition, the Organization's contracts do not contain variable consideration and contract modifications are generally minimal.

#### **Use of estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated 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.

In March 2020, the World Health Organization declared the outbreak of a disease caused by a novel strain of the coronavirus (COVID-19) to be a pandemic. This pandemic has created and may continue to create significant uncertainty in the macroeconomic environment which, in addition to other unforeseen effects of this pandemic, may adversely impact the Organization's results of operations. As a result, management's estimates and assumptions may require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, management's estimates could materially change.

#### **New accounting pronouncement**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective July 1, 2020, the first day of the Organization's fiscal year, using the modified retrospective method.

The adoption of this ASU did not have a significant impact on the Organization's consolidated financial statements. No changes were required to previously reported revenues as a result of the adoption.

#### **Subsequent events**

The Organization has evaluated events that have occurred after June 30, 2021 and prior to March 4, 2022 (the date the consolidated financial statements were available to be issued) for potential recognition or disclosure in the consolidated financial statements. All events have been appropriately recognized or disclosed in the consolidated financial statements.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note B – Liquidity and availability of financial assets:

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Financial assets available within one year of the consolidated statement of financial position date for general expenditure, that is without donor or other restrictions, are as follows:

	2021	2020
Cash	\$ 911,763	\$ 1,576,229
Accounts receivable	917,616	514,330
Other receivables	13,160	14,790
<b>Total financial assets</b>	<b>\$ 1,842,539</b>	<b>\$ 2,105,349</b>

As part of its liquidity management plan, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has planned for a balanced budget and anticipates covering its general expenditures by collecting revenues from its program and fundraising activities. Also, in the event of an unanticipated liquidity need, the Organization could obtain monies from its supporting organization, Eliada Foundation, Inc. (the Foundation). The Foundation has over \$2,500,000 as of June 30, 2021 in cash and investments that could be liquidated, if necessary, to assist the Organization in meeting general expenditures. See Note C for details of the Foundation assets.

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### Note C – Transactions with related organization:

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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.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### **Note C – Transactions with related organization – continued:**

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The accompanying consolidated financial statements include the following transactions with the Foundation during the years ended June 30, 2021 and 2020:

The Foundation provides facilities to the Organization rent free, which represented an in-kind contribution of \$212,700 for the estimated fair rental value of the property for both years ended June 30, 2021 and 2020. The in-kind contribution and related rent expense have been recorded in the consolidated statements of activities for the years ended June 30, 2021 and 2020.

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, 2021 and 2020, the Foundation provided advances and the Organization made payments 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 \$26,049 and \$24,045 interest to the Foundation under this arrangement during the years ended June 30, 2021 and 2020, respectively.

During the year ended June 30, 2019, Foundation also provided advances to help pay for leasehold improvements for a childcare facility. The Organization pays interest to the Foundation at 3.5% on all advanced funds, from the date of the advance until the date the funds are repaid or approved as a grant. The Organization paid \$180 and \$181 interest to the Foundation under this arrangement during the years ended June 30, 2021 and 2020, respectively.

The Foundation provided operating subsidies to the Organization totaling \$137,706 during both of the years ended June 30, 2021 and 2020. The Organization has recorded amounts payable to the Foundation totaling \$1,227,792 and \$1,384,268 as of June 30, 2021 and 2020, respectively.

Included in the \$1,337,177 and \$1,489,846 shown as payable to affiliate on the consolidated statements of financial position as of June 30, 2021 and 2020, is a payable from Compton Enterprises, Inc. to the Foundation of \$109,385 and \$105,578, respectively. See Note M for more information.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

### Note C – Transactions with related organization – continued:

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

	2021	2020
<b>Assets</b>		
Cash	\$ 83,301	\$ 37,589
Refundable advance – affiliate	1,337,177	1,489,846
Investments	2,420,974	1,846,020
Property and equipment, net of accumulated depreciation	7,472,455	7,749,618
Other receivables	-	3
<b>Total assets</b>	<b>\$ 11,313,907</b>	<b>\$ 11,123,076</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ -	\$ -
Payable to supported organization	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>
<b>Net assets:</b>		
With donor restrictions	9,548,422	9,760,896
Without donor restrictions	1,765,485	1,362,180
<b>Total net assets</b>	<b>11,313,907</b>	<b>11,123,076</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,313,907</b>	<b>\$ 11,123,076</b>
<b>Total support and revenues</b>	<b>\$ 825,722</b>	<b>\$ 355,653</b>
<b>Total expenses</b>	<b>\$ 634,891</b>	<b>\$ 682,322</b>

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note D – Accounts receivable:

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Accounts receivable is \$917,763 and \$514,330 as of June 30, 2021 and 2020, respectively. All amounts are considered collectible by management and, accordingly, no allowance for doubtful accounts has been deemed necessary.

### Note E – Investments:

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#### Beneficial interest in perpetual trust

The Organization is an irrevocable beneficiary in a perpetual trust held and administered by an 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, 2021 and 2020, the Organization received income allocations from this trust in the amount of \$11,604 and \$16,348, 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):

	2021					
	Beginning Balance	Total Gains	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Gains
Beneficial interest in perpetual trust	\$ 229,000	\$ 50,000	\$ 11,604	\$ (11,604)	\$ 279,000	\$ 50,000

  

	2020					
	Beginning Balance	Total Losses	Interest Credited	Purchases, Issuances, Settlements	Ending Balance	Unrealized Losses
Beneficial interest in perpetual trust	\$ 235,000	\$ (6,000)	\$ 16,348	\$ (16,348)	\$ 229,000	\$ (6,000)

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note E – Investments – continued:

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#### **Property held for investment**

Property held for investment represents land donated to the Organization during the year ended June 30, 2012. This land was originally recorded at its estimated fair value on the date of donation and is evaluated annually for impairment. Carrying value is adjusted to estimated fair value when impairment is determined to have occurred. No impairment was considered to have occurred during the years ended June 30, 2021 or 2020.

### Note F – Property and equipment, net:

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Following is a summary of property and equipment as of June 30, 2021:

	Balance 6/30/20	Additions & Retirements	Balance 6/30/21
Buildings and improvements	\$ 203,172	\$ -	\$ 203,172
Leasehold improvements	258,516	1,195	259,711
Maintenance equipment	80,854	-	80,854
Office equipment	336,271	55,133	391,404
Other equipment	212,819	51,057	263,876
Furniture and fixtures	166,569	14,233	180,802
Vehicles	82,989	-	82,989
Land and land improvements	107,011	-	107,011
	1,448,201	121,618	1,569,819
Less accumulated depreciation	980,064	40,754	1,020,818
	\$ 468,137	\$ 80,864	\$ 549,001

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## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

### Note F – Property and equipment, net – continued:

Following is a summary of property and equipment as of June 30, 2020:

	Balance 6/30/19	Additions & Retirements	Balance 6/30/20
Buildings and improvements	\$ 203,172	\$ -	\$ 203,172
Leasehold improvements	252,693	5,823	258,516
Maintenance equipment	80,854	-	80,854
Office equipment	371,790	(35,519)	336,271
Other equipment	164,593	48,226	212,819
Furniture and fixtures	166,569	-	166,569
Vehicles	85,989	(3,000)	82,989
Land and land improvements	107,011	-	107,011
	1,432,671	15,530	1,448,201
Less accumulated depreciation	960,202	19,862	980,064
	\$ 472,469	\$ (4,332)	\$ 468,137

Depreciation charged to operations totaled \$65,109 and \$56,383 for the years ended June 30, 2021 and 2020, respectively.

### Note G – 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, 2021 of \$254,043.

## **Eliada Homes, Inc. and Subsidiary**

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### **Note G – Long-term debt – continued:**

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#### **Buncombe County building purchase**

A promissory note was entered into in June 2012 in the face amount of \$279,650, with 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, 2021 in the consolidated statements 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, 2021 of \$203,000.

#### **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, 2021 of \$251,721.

#### **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, 2021 of \$251,721.



## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

### Note G – Long-term debt – continued:

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

	2021	2020
NC Housing Finance Agency (terms described on previous pages):		
Green Building	\$ 18,156	\$ 19,556
RISE Village:		
Face amount	70,407	70,407
Unamortized discount	(51,549)	(52,446)
	18,858	17,961
City of Asheville:		
Face amount	200,000	200,000
Unamortized discount	(146,430)	(148,981)
	53,570	51,019
Buncombe County:		
Face amount	279,650	279,650
Unamortized discount	-	-
	279,650	279,650
	\$ 370,234	\$ 368,186

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note G – Long-term debt – continued:

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Maturities of long-term obligations requiring payments as of June 30, 2021 are as follows:

Total notes payable	\$	370,234
Less notes without cash outlay obligations:		
RISE Village		(18,858)
City of Asheville		(53,570)
	\$	297,806

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Amounts payable during the years ending June 30:

2022	\$	281,347
2023		1,784
2024		1,875
2025		1,971
2026		2,072
Thereafter		8,757
	\$	297,806

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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.

### Note H – Paycheck Protection Loan:

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In April 2020, the Organization received a Paycheck Protection Program ("PPP") loan in the amount of \$1,225,500. PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the federal government, and do not require collateral. The loan may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. Full forgiveness of principal and accrued interest in the amount of \$1,233,793 was granted in March 2021.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note I – Operating leases:

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The Company maintains a lease with an auto dealer for a vehicle. The lease term is for four years, expiring in August 2021, and the monthly payment for the vehicle is \$398.

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

Lease expense were \$30,004 and \$31,366 for the years ended June 30, 2021 and 2020, respectively.

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

Minimum future lease payments consist of the following:

<u>Year ending June 30,</u>		
2022	\$	26,024
2023		1,662
2024		-
2025		-
2026		-
	\$	27,686

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### Note J – Retirement plan:

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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 50% of the employee's elective deferrals, up to 3% of salary. The Organization contributed \$45,304 and \$39,258 to the retirement plan for the years ended June 30, 2021 and 2020, respectively.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note K – Net assets:

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#### Net assets with donor restrictions

Net assets with donor restrictions 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:

	2021	2020
ESTA Vocational/Transitional living needs	\$ 10,852	\$ 19,703
Property	342	58,247
Eliada Farms	16,169	5,215
Other program needs	173,127	118,560
Future periods	197,979	201,428
Donor restricted endowment funds	279,000	229,000
	<u>\$ 677,469</u>	<u>\$ 632,153</u>

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 these assets will be available for operational support.

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### Note L – Commitments and contingencies:

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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 consolidated financial statements. Historically, management has not experienced significant adjustments subsequent to the period of service.

The Organization's employee health benefit plan is partially self-insured, with a portion of each employee's deductible reimbursed by the Organization when incurred. Expenses charged to operations for this component of the Organization's health plan totaled approximately \$44,000 and \$67,000 for the years ended June 30, 2021 and 2020, respectively. The consolidated 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. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### Note L – Commitments and contingencies – continued:

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The Organization is involved in multiple legal proceedings. In the opinion of management, with the advice of legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the Organization's financial position. As of June 30, 2021, management cannot predict the outcome of the legal proceedings or estimate the amount of any losses that may result. Accordingly, no provision for any contingent liabilities has been made as of June 30, 2021.

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### Note M – Subsidiary financial information:

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As noted in Note A, Compton Enterprises, Inc., which was formed in June 2019, is wholly owned by the Organization. Accordingly, these financial statements are consolidated to include the financial activities of Compton Enterprises, Inc. before the elimination of intercompany transactions.

Following is summarized financial information regarding Compton Enterprises, Inc. as of and for the years ended June 30:

	2021	2020
<b>Assets</b>		
Cash	\$ 1,416	\$ 7,328
Inventory	12,864	18,047
<b>Total assets</b>	<b>\$ 14,280</b>	<b>\$ 25,375</b>
<b>Liabilities and Retained Earnings (Deficit)</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 3,130	\$ 179
Payable to affiliate	109,385	105,578
Payable to parent	39,823	34,400
<b>Total liabilities</b>	<b>152,338</b>	<b>140,157</b>
<b>Retained earnings (deficit):</b>		
Retained earnings (deficit)	(138,058)	(114,782)
<b>Total retained earnings (deficit)</b>	<b>(138,058)</b>	<b>(114,782)</b>
<b>Total liabilities and retained earnings (deficit)</b>	<b>\$ 14,280</b>	<b>\$ 25,375</b>
<b>Total revenues</b>	<b>\$ 8,604</b>	<b>\$ 20,205</b>
<b>Total expenses</b>	<b>\$ 31,880</b>	<b>\$ 60,109</b>

## **Eliada Homes, Inc. and Subsidiary**

Notes to Consolidated Financial Statements – continued

June 30, 2021 and 2020

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### **Note N – Concentrations:**

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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, 2021 and 2020, the Organization received revenues from Medicaid, which represented 41% and 46% respectively, of total support and revenues. Accounts receivable from Medicaid represented 16% and 43% of total accounts receivable as of June 30, 2021 and 2020, respectively.

### **Note O – Risk management:**

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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.

## **Supplementary Information**

**Eliada Homes, Inc. and Subsidiary**

Consolidated Schedule of Program Expenses

Year Ended June 30, 2021

	Residential Treatment and Group Homes				Foster Care				Child Development Center							
	Cummings		Lions		Reuter		Day Treatment		Family & Level II Therapeutic		Daycare Preschool		After School School Age		Summer Camp	
	\$		\$		\$		\$		\$		\$		\$		\$	
Salaries	\$ 773,322	\$ 974,725	\$ 627,857	\$ 432,273	\$ 193,928	\$ 1,197,140	\$ 128,593	\$ 40,371								
Employee benefits	59,946	74,797	41,091	31,832	13,910	91,951	5,725	1,027								
Pension cost	3,775	5,574	3,214	4,958	2,266	11,872	315	144								
Payroll taxes	50,656	65,945	43,591	29,622	13,720	67,996	7,983	(618)								
Supplies and equipment	13,105	17,945	10,505	5,994	4,035	64,292	4,291	3,150								
Food	46,797	61,634	32,056	24,895	-	105,536	17,377	5,539								
Computer technology	1,608	2,192	1,237	148	25	812	172	24								
Clothing	22	378	359	22	-	-	-	-								
Utilities	38,041	51,789	29,872	9,860	4,741	51,760	5,867	2,586								
Insurance	40,566	52,324	32,356	21,275	7,873	59,751	10,041	3,513								
Maintenance and repairs	21,428	24,882	13,680	5,895	2,472	113,506	10,026	4,463								
Telephone	2,583	3,151	1,823	1,776	2,354	4,411	672	236								
Postage	124	117	60	14	30	34	-	-								
Travel	1,832	2,597	1,506	306	15,048	959	792	94								
Dues and subscriptions	144	183	117	58	700	-	-	-								
License and fees	3,515	4,365	2,689	783	1,409	1,940	511	162								
Student related expense	2,732	3,546	2,931	5,609	1,783	3,590	34	4								
Foster care payments	-	-	-	-	190,661	-	-	-								
Rent	45,264	58,370	31,878	20,912	938	57,574	7,954	218								
Professional fees	60,240	118,160	24,418	650	1,148	1,781	223	74								
Conferences and meetings	-	-	-	-	-	-	-	-								
Recreation activities	155	169	272	40	-	-	-	5,565								
Promotions	181	258	132	54	125	202	17	198								
Miscellaneous	239	399	236	100	147	796	759	44								
Bad debts	(381)	631	5,824	301	615	20,422	50	-								
Interest	-	-	-	-	-	-	-	-								
Depreciation	4,932	8,869	3,654	1,775	826	32,280	5,416	282								
<b>Total Program Expenses</b>	<b>\$ 1,170,826</b>	<b>\$ 1,533,000</b>	<b>\$ 911,358</b>	<b>\$ 599,152</b>	<b>\$ 458,754</b>	<b>\$ 1,888,605</b>	<b>\$ 206,818</b>	<b>\$ 67,076</b>								



**Eliada Homes, Inc. and Subsidiary**

Consolidated Schedule of Program Expenses – continued

Year Ended June 30, 2021

	Community Based Services				Eliada Farms	Total Program Expenses
	Vocational			Therapy Services		
	Program ESTA	Agricultural Activities				
Salaries	\$ 138,546	\$ 47,101	\$ 101,921	\$ -	\$ 4,655,777	
Employee benefits	7,121	3,511	11,078	-	341,989	
Pension cost	2,338	482	227	-	35,165	
Payroll taxes	8,351	3,501	7,309	-	298,056	
Supplies and cost of sales	2,888	12,832	1,822	5,474	146,333	
Food	7,702	-	-	-	301,536	
Computer technology	38	12	12	-	6,280	
Clothing	38	-	-	-	819	
Utilities	9,676	1,637	3,071	-	208,900	
Insurance	14,645	4,883	4,272	5,620	257,119	
Maintenance and repairs	14,892	8,633	1,935	3,739	225,551	
Telephone	1,351	70	126	-	18,553	
Postage	47	-	-	-	426	
Travel	2,544	335	7,957	29	33,999	
Dues and subscriptions	-	-	-	-	1,202	
License and fees	999	99	272	-	16,744	
Student related expense	843	109	5	-	21,186	
Foster care payments	-	-	-	-	190,661	
Rent	15,320	134	4,938	-	243,500	
Professional fees	148	74	519	10,985	218,420	
Conferences and meetings	-	-	-	2,083	2,083	
Recreation activities	-	-	-	-	6,201	
Promotions	13	4	27	-	1,211	
Miscellaneous	365	90	45	-	3,220	
Bad debts	-	-	243	-	27,705	
Interest	-	-	-	3,950	3,950	
Depreciation	1,865	2,373	468	-	62,740	
<b>Total Program Expenses</b>	<b>\$ 229,730</b>	<b>\$ 85,880</b>	<b>\$ 146,247</b>	<b>\$ 31,880</b>	<b>\$ 7,329,326</b>	

**Eliada Homes, Inc. and Subsidiary**

Consolidated Schedule of Program Expenses

Year Ended June 30, 2020

	Residential Treatment and Group Homes						Educational & Day Treatment		Foster Care
	Cummings	Earle	Green	Lions	Reuter	Reynolds	Day Treatment	Education	Family & Level II Therapeutic
Salaries	\$ 1,003,609	\$ 82,352	\$ 75,728	\$ 1,111,187	\$ 476,908	\$ 31,470	\$ 300,996	\$ 138,968	\$ 237,577
Employee benefits	108,119	9,569	9,222	112,075	46,760	4,352	46,059	10,945	23,887
Pension cost	4,916	516	310	4,675	3,461	205	3,651	528	2,089
Payroll taxes	71,539	6,256	5,358	80,669	31,239	2,333	22,037	10,376	17,382
Supplies and equipment	27,760	1,398	1,641	31,026	16,875	703	8,527	3,756	4,018
Food	45,959	4,336	3,564	46,383	24,559	1,661	9,536	-	147
Computer technology	11,369	814	790	13,682	4,431	531	14,601	194	5,070
Clothing	314	33	50	93	2	-	-	-	-
Utilities	36,374	3,613	2,335	36,768	15,530	2,428	13,762	-	4,766
Insurance	17,740	1,422	1,207	17,116	7,196	605	7,740	-	11,118
Maintenance and repairs	26,550	1,758	1,427	23,173	11,080	6,692	10,577	-	4,796
Telephone	3,595	188	233	3,741	991	166	1,658	469	3,523
Postage	320	33	31	227	56	-	128	284	71
Travel	4,240	242	141	5,259	1,042	124	600	-	16,109
Dues and subscriptions	2,663	189	176	3,026	1,109	101	1,113	-	1,182
License and fees	7,699	317	421	8,827	2,978	819	3,081	114	5,153
Student related expense	3,563	428	338	4,945	1,393	150	172	-	1,036
Foster care payments	-	-	-	-	-	-	-	-	267,902
Rent	52,601	29	27	50,337	18,971	-	19,572	-	2,364
Professional fees	57,400	2,270	2,332	167,966	16,090	967	3,937	-	3,393
Conferences and meetings	8,194	327	263	9,901	2,395	59	2,687	155	1,537
Recreation activities	290	46	81	148	134	-	-	-	-
Promotions	343	36	33	402	40	91	43	-	95
Miscellaneous	1,794	189	186	2,006	522	2,208	591	-	262
Bad debts	29,144	9,769	15,645	32,930	20,933	1,736	11,956	-	3,970
Interest	-	-	-	-	-	-	-	-	-
Depreciation	4,745	455	338	7,039	2,216	214	1,884	-	481
<b>Total Program Expenses</b>	<b>\$ 1,530,840</b>	<b>\$ 126,585</b>	<b>\$ 121,877</b>	<b>\$ 1,773,601</b>	<b>\$ 706,911</b>	<b>\$ 57,615</b>	<b>\$ 484,908</b>	<b>\$ 165,789</b>	<b>\$ 617,928</b>

**Eliada Homes, Inc. and Subsidiary**

Consolidated Schedule of Program Expenses – continued

Year Ended June 30, 2020

	Child Development Center			Community Based Services			Eliada Farms	Total Program Expenses
	Daycare Preschool	After School School Age	Summer Camp	Vocational Program ESTA	Agricultural Activities	Outpatient Department		
Salaries	\$ 1,244,948	\$ 73,400	\$ 47,117	\$ 90,603	\$ 46,743	\$ -	\$ -	\$ 4,961,606
Employee benefits	166,726	8,420	3,221	7,706	5,595	-	-	562,656
Pension cost	9,146	263	104	1,196	9	-	-	31,069
Payroll taxes	88,175	5,430	3,561	6,505	3,500	-	-	354,360
Supplies and cost of sales	51,098	5,402	3,375	993	2,681	-	27,471	186,724
Food	130,839	14,575	10,549	977	-	-	-	293,085
Computer technology	9,757	898	80	5,422	192	-	-	67,831
Clothing	-	-	225	761	-	-	-	1,478
Utilities	55,456	4,986	2,613	9,559	1,338	-	3,491	193,019
Insurance	29,363	5,449	1,873	5,964	2,857	-	5,620	115,270
Maintenance and repairs	128,127	12,494	6,787	5,881	181	-	1,894	241,417
Telephone	4,684	755	571	1,688	66	-	-	22,328
Postage	174	6	9	24	8	-	-	1,371
Travel	940	1,244	227	3,837	217	-	-	34,222
Dues and subscriptions	3,859	352	42	183	112	-	-	14,107
License and fees	4,824	518	171	513	105	-	-	35,540
Student related expense	3,558	420	41	1,223	318	-	-	17,585
Foster care payments	-	-	-	-	-	-	-	267,902
Rent	67,093	3,342	6,236	11,364	43	-	2,362	234,341
Professional fees	7,345	743	-	348	225	-	5,676	268,692
Conferences and meetings	7,691	743	84	274	159	-	1,827	36,296
Recreation activities	-	-	5,252	40	-	-	-	5,991
Promotions	332	-	2,335	-	-	-	-	3,750
Miscellaneous	1,887	248	148	281	87	-	-	10,409
Bad debts	1,764	908	572	-	-	10,642	-	139,969
Interest	-	-	-	-	-	-	3,735	3,735
Depreciation	32,774	1,562	1,757	1,914	31	-	-	55,410
<b>Total Program Expenses</b>	<b>\$ 2,050,560</b>	<b>\$ 142,158</b>	<b>\$ 96,950</b>	<b>\$ 157,256</b>	<b>\$ 64,467</b>	<b>\$ 10,642</b>	<b>\$ 52,076</b>	<b>\$ 8,160,163</b>

## **Compliance Section**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eliada Homes, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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 March 4, 2022. The financial statements of Compton Enterprises, Inc. (the Subsidiary) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Compton Enterprises, Inc.

**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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001 that we consider to be a significant deficiency.

**Johnson Price Sprinkle PA**

### **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 financial statements. 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*.

### **Eliada Homes, Inc.'s Response to Findings**

Eliada Homes, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Eliada Home's Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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*

March 4, 2022

# Eliada Homes, Inc.

Schedule of Findings and Responses

Year Ended June 30, 2021

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## Section I Summary of Auditors' Results

### Financial Statements

Type of auditors' report issued: Unmodified

### Internal control over financial reporting

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  No

Noncompliance material to financial statements noted?  Yes  No

## Section II Financial Statement Findings

### Finding 2021-001

SIGNIFICANT DEFICIENCY

Internal Controls over the Schedule of Expenditures of Federal and State Awards

**Criteria:** 2 CFR part 200.303 requires that non-Federal entities receiving Federal awards (i.e. auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Internal Control-Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission, provides a framework for organizations to design, implement, and evaluate controls that will facilitate compliance with the requirements of federal and state laws, regulations, and program compliance requirements.

**Condition:** Eliada Homes, Inc. had not accurately and completely prepared the Schedule of Expenditures of Federal and State Awards (SEFSA) in order to determine what type of audit engagement was required. In addition, there were multiple errors on the SEFSA when it was completed.

**Effect:** Eliada Homes, Inc. runs the risk of noncompliance with 2 CFR part 200.303 and the Internal Control-Integrated Framework. The SEFSA could result in an inappropriate type of audit engagement and/or information that is incorrectly reported to third parties, including grantor agencies.

## Eliada Homes, Inc.

Schedule of Findings and Responses – continued

Year Ended June 30, 2021

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### **Section II Financial Statement Findings – continued**

**Cause:** There was failure of the information and communication component of internal control related to significant employee turnover during the year ended June 30, 2021, causing issues with obtaining appropriate information to prepare the SEFSA accurately and completely in a timely manner. Internal control procedures were not in place to identify the risk of noncompliance and taking steps to manage those risks, which should be part of a risk assessment. Monitoring procedures were ineffective in detecting errors.

**Recommendation:** We recommend that management of Eliada Homes, Inc. review current procedures for creating the SEFSA to ensure that all federal and state programs and related expenditures are properly identified and reported, particularly with regard to determining what type of audit engagement is required. In addition, management of Eliada Homes, Inc. should formalize and document their policies and procedures over information and communication, risk assessment, and monitoring related to its federal and state awards.

**Views of responsible officials and planned corrective actions:** Management of Eliada Homes, Inc. agrees with this finding and will implement procedures for creating the SEFSA to ensure that all the federal and state programs and related expenditures are properly identified and reported. This process will be completed in a timely manner to ensure that the Organization knows what type of audit will be required prior to engaging with the auditor. Management will also formalize and document policies and procedures over information and communication, risk assessment, and monitoring related to its federal and state awards.



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 Nancy Frady Moore  
 Elaine Potter

**Eliada Homes, Inc.**

**Corrective Action Plan**

**Year Ended June 30, 2021**

**Section II Financial Statement Findings**

**Finding: 2021-001**

**Name of contact person: Ron Zientek, Director of Finance**

**Corrective Action: Management of Eliada Homes, Inc. will implement procedures for creating the SEFSA to ensure that all the federal and state programs and related expenditures are properly identified and reported. This process will be completed in a timely manner to ensure that the Organization knows what type of audit will be required prior to engaging with the auditor. Management will also formalize and document policies and procedures over information and communication, risk assessment, and monitoring related to its federal and state awards.**

**Proposed Completion Date: Immediately.**



**Eliada Homes, Inc.**

Schedule of Prior Year Findings

Year Ended June 30, 2021

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No prior audit findings were reported.

**Eliada Homes, Inc.**

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2021

Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	State/Pass-through Entity Identifying <u>Number</u>	Federal and State (Direct & Pass-through) <u>Expenditures</u>
<b>Federal Awards:</b>			
<u>U.S. Department of Agriculture:</u>			
Passed-through North Carolina Department of Health and Human Services: Child and Adult Care Food Program	10.558	7553-101	\$ <u>151,472</u>
Total U.S. Department of Agriculture			<u>151,472</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Passed-through City of Asheville: CDBG Entitlement Grants Cluster: Community Development Block Grant	14.218	92100365	<u>15,000</u>
Total CDBG Entitlement Grants Cluster			<u>15,000</u>
Total U.S. Department of Housing and Urban Development			<u>15,000</u>
<u>U.S. Department of Education:</u>			
Passed-through Buncombe County Schools: Title 1	84.010	11000004766	<u>37,134</u>
Total U.S. Department of Education			<u>37,134</u>
<u>U.S. Department of Health and Human Services:</u>			
Passed-through VAYA Health: Block Grant for Community Mental Health Services	93.958	21-V-20	<u>182,505</u>
Total U.S. Department of Health and Human Services			<u>182,505</u>
<b>Total Federal Awards</b>			<u><b>386,111</b></u>
<b>State Awards:</b>			
<u>North Carolina Department of Health and Human Services</u>			
Division of Child Development and Early Education: COVID-19 Operational Grant		unknown	141,600
Passed-through Buncombe County Partnership for Children: Sustaining Facility Quality		04-1155068	35,934
COVID-19 Smart Start NC Pre-k Covid Relief Grants		unknown	29,460
Passed-through VAYA Health: Residential Reimbursement Grant		unknown	<u>517,225</u>
Total North Carolina Department of Health and Human Services			<u>724,219</u>
<u>North Carolina Department of Public Safety</u>			
Passed-through Buncombe County: Juvenile Crime Prevention Center Grant		1111-23208	<u>40,000</u>
Total North Carolina Department of Public Safety			<u>40,000</u>
<u>North Carolina Wildlife Resources Commission</u>			
Passed-through North Carolina Outdoor Heritage Advisory Council: GO Grant		unknown	<u>1,900</u>
Total NC Wildlife Resources Commission			<u>1,900</u>
<b>Total State Awards</b>			<u><b>766,119</b></u>
<b>Total Expenditures of Federal and State Awards</b>			<u><b>\$ 1,152,230</b></u>

**Eliada Homes, Inc.**

Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2021

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Notes to the Schedule of Expenditures of Federal and State Awards:

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**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Eliada Homes, Inc. under the programs of the federal and State government for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act*. Because the Schedule presents only a selected portion of the operations of Eliada Homes, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Eliada Homes, Inc.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Eliada Homes, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.