

**Eliada Homes, Inc.  
and Subsidiary**

Asheville, North Carolina

Consolidated Financial Statements  
and Supplementary Information  
Years Ended June 30, 2020 and 2019

and  
Independent Auditors' Report

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

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## 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 statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated schedules of program expenses on pages 28–31 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 years ended June 30, 2020 and 2019.

*Johnson Price Sprinkle PA*

April 1, 2021

## Eliada Homes, Inc. and Subsidiary

### Consolidated Statements of Financial Position

| June 30,                                | 2020                | 2019                |
|---|---------------------|---------------------|
| <b>Assets</b>                           |                     |                     |
| Cash                                    | \$ 1,576,229        | \$ 127,941          |
| Accounts receivable                     | 514,330             | 431,923             |
| Other receivables                       | 14,790              | 24,800              |
| Inventory                               | 26,961              | 50,565              |
| Prepaid expenses and other assets       | 86,743              | 76,251              |
| Property and equipment, net             | 468,137             | 472,469             |
| Property held for investment            | 61,554              | 61,554              |
| Beneficial interest in perpetual trust  | 229,000             | 235,000             |
| <b>Total assets</b>                     | <b>\$ 2,977,744</b> | <b>\$ 1,480,503</b> |
| <b>Liabilities and Net Assets</b>       |                     |                     |
| <b>Liabilities:</b>                     |                     |                     |
| Accounts payable                        | \$ 104,422          | \$ 315,609          |
| Payroll and other liabilities           | 286,328             | 257,766             |
| Paycheck Protection Program loan        | 1,225,500           | -                   |
| Long-term debt                          | 368,186             | 366,650             |
| Payable – affiliate                     | 1,489,846           | 606,640             |
| <b>Total liabilities</b>                | <b>3,474,282</b>    | <b>1,546,665</b>    |
| <b>Net assets (deficit):</b>            |                     |                     |
| Without donor restrictions              | (1,128,691)         | (648,808)           |
| With donor restrictions                 | 632,153             | 582,646             |
| <b>Total net deficit</b>                | <b>(496,538)</b>    | <b>(66,162)</b>     |
| <b>Total liabilities and net assets</b> | <b>\$ 2,977,744</b> | <b>\$ 1,480,503</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<br>Restrictions | With Donor<br>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<br>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 Farms 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 Statement of Activities

Year Ended June 30, 2019

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Totals             |
|--|-------------------------------|----------------------------|--------------------|
| <b>Support and revenues:</b>                                 |                               |                            |                    |
| Program service revenue:                                     |                               |                            |                    |
| Medicaid   | \$ 4,951,466                  | \$ -                       | \$ 4,951,466       |
| State  | 1,544,498                     | -                          | 1,544,498          |
| County   | 1,366,867                     | -                          | 1,366,867          |
| Private payments   | 665,080                       | -                          | 665,080            |
| Support:   |                               |                            |                    |
| Private grants and contributions                             | 614,920                       | 211,795                    | 826,715            |
| Federal and state grants                                     | 212,091                       | -                          | 212,091            |
| Eliada Foundation, Inc. subsidies                            | 178,100                       | -                          | 178,100            |
| Eliada Foundation, Inc. in-kind                              | 212,700                       | -                          | 212,700            |
| Investment earnings  | 14,352                        | -                          | 14,352             |
| Change in value of beneficial interest<br>in perpetual trust | -                             | 5,800                      | 5,800              |
| Fundraising  | 289,422                       | -                          | 289,422            |
| Rents  | 11,062                        | -                          | 11,062             |
| Net assets released from restrictions                        | 302,695                       | (302,695)                  | -                  |
| <b>Total support and revenues</b>                            | <b>10,363,253</b>             | <b>(85,100)</b>            | <b>10,278,153</b>  |
| <b>Expenses:</b>   |                               |                            |                    |
| Program services   | 9,403,697                     | -                          | 9,403,697          |
| Supporting services:   |                               |                            |                    |
| Management and general                                       | 767,392                       | -                          | 767,392            |
| Resource development/fundraising                             | 474,849                       | -                          | 474,849            |
| <b>Total supporting services</b>                             | <b>1,242,241</b>              | <b>-</b>                   | <b>1,242,241</b>   |
| <b>Total expenses</b>  | <b>10,645,938</b>             | <b>-</b>                   | <b>10,645,938</b>  |
| <b>Change in net assets</b>                                  | <b>(282,685)</b>              | <b>(85,100)</b>            | <b>(367,785)</b>   |
| <b>Net assets (deficit), beginning of year</b>               | <b>(366,123)</b>              | <b>667,746</b>             | <b>301,623</b>     |
| <b>Net assets (deficit), end of year</b>                     | <b>\$ (648,808)</b>           | <b>\$ 582,646</b>          | <b>\$ (66,162)</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,

2020

2019

**Cash flows from operating activities:**

|   |    |           |    |           |
|---|----|-----------|----|-----------|
| Change in net assets  | \$ | (430,376) | \$ | (367,785) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |    |           |    |           |
| Depreciation  |    | 56,383    |    | 60,989    |
| Amortization of discount on loans   |    | 3,285     |    | 3,128     |
| Loss on disposal of property and equipment  |    | 1,580     |    | -         |
| Change in value of beneficial interest in perpetual trust                               |    | 6,000     |    | (5,800)   |
| (Increase) decrease in assets:  |    |           |    |           |
| Accounts receivable   |    | (82,407)  |    | 50,308    |
| Other receivables   |    | 10,010    |    | (3,234)   |
| Inventory   |    | 23,604    |    | (31,698)  |
| Prepaid expenses and other assets   |    | (10,492)  |    | 8,168     |
| Increase (decrease) in liabilities:   |    |           |    |           |
| Accounts payable  |    | (211,187) |    | 179,265   |
| Payroll liabilities   |    | 28,562    |    | (69,931)  |
| Other liabilities   |    | -         |    | (23,263)  |
| Net cash used in operating activities   |    | (605,038) |    | (199,853) |

**Cash flows from investing activities:**

|  |  |          |  |          |
|--|--|----------|--|----------|
| Proceeds from the sale of property and equipment       |  | 420      |  | -        |
| Proceeds from the sale of property held for investment |  | -        |  | 93,102   |
| Payments for the purchase of property and equipment    |  | (54,051) |  | (13,365) |
| Net cash provided by (used in) investing activities    |  | (53,631) |  | 79,737   |

**Cash flows from financing activities:**

|  |  |           |  |         |
|--|--|-----------|--|---------|
| Advances – affiliate                                       |  | 883,206   |  | 190,428 |
| Proceeds from issuance of Paycheck Protection Program loan |  | 1,225,500 |  | -       |
| Principal payments on long-term debt                       |  | (1,749)   |  | (1,461) |
| Net cash provided by financing activities                  |  | 2,106,957 |  | 188,967 |

**Net increase in cash** 1,448,288 68,851

**Cash, beginning of year** 127,941 59,090

**Cash, end of year** \$ 1,576,229 \$ 127,941

**Supplemental disclosures of cash flow information:**

Cash payments for interest \$ 28,964 \$ 19,745

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 | 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 cost of sales | 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**

Consolidated Statement of Functional Expenses

Year Ended June 30, 2019

|                          | 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                 | \$ 3,533,258          | \$ 535,526                    | \$ 289,778        | \$ 1,273,731             | \$ 166,952               | \$ -             | \$ 5,799,245           | \$ 506,849             | \$ 227,946                        | \$ 734,795                | \$ 6,534,040         |
| Employee benefits        | 394,363               | 66,430                        | 32,093            | 185,717                  | 23,729                   | -                | 702,332                | 42,079                 | 7,581                             | 49,660                    | 751,992              |
| Pension cost             | 18,013                | 5,824                         | 5,086             | 13,126                   | 1,330                    | -                | 43,379                 | 7,761                  | 6,423                             | 14,184                    | 57,563               |
| Payroll taxes            | 262,150               | 38,707                        | 20,787            | 93,108                   | 11,961                   | -                | 426,713                | 37,026                 | 16,742                            | 53,768                    | 480,481              |
| Supplies and equipment   | 80,731                | 17,614                        | 7,884             | 68,934                   | 5,514                    | -                | 180,677                | 13,203                 | 11,346                            | 24,549                    | 205,226              |
| Food                     | 161,957               | 14,737                        | 213               | 178,408                  | 782                      | -                | 356,097                | -                      | 125                               | 125                       | 356,222              |
| Computer technology      | 32,657                | 4,229                         | 4,677             | 6,463                    | 787                      | -                | 48,813                 | 25,600                 | 10,321                            | 35,921                    | 84,734               |
| Clothing                 | 1,180                 | 193                           | -                 | 634                      | 202                      | -                | 2,209                  | -                      | -                                 | -                         | 2,209                |
| Utilities                | 130,537               | 12,660                        | 4,897             | 63,442                   | 8,628                    | 14,725           | 234,889                | 3,949                  | 9,049                             | 12,998                    | 247,887              |
| Insurance                | 46,777                | 5,568                         | 14,301            | 31,777                   | 4,799                    | -                | 103,222                | 2,302                  | 3,473                             | 5,775                     | 108,997              |
| Maintenance and repairs  | 114,767               | 14,404                        | 7,669             | 168,008                  | 10,811                   | 2,103            | 317,762                | 6,679                  | 9,761                             | 16,440                    | 334,202              |
| Telephone                | 10,507                | 1,729                         | 4,405             | 5,130                    | 1,880                    | -                | 23,651                 | 1,953                  | 264                               | 2,217                     | 25,868               |
| Postage                  | 1,012                 | 424                           | 277               | 281                      | 44                       | -                | 2,038                  | 1,133                  | 3,500                             | 4,633                     | 6,671                |
| Travel                   | 17,009                | 1,240                         | 21,523            | 3,942                    | 3,133                    | -                | 46,847                 | 5,532                  | 457                               | 5,989                     | 52,836               |
| Dues and subscriptions   | 9,676                 | 991                           | 1,645             | 3,190                    | 386                      | -                | 15,888                 | 1,720                  | 3,956                             | 5,676                     | 21,564               |
| License and fees         | 17,373                | 1,823                         | 1,324             | 3,735                    | 902                      | -                | 25,157                 | 400                    | 1,525                             | 1,925                     | 27,082               |
| Student related expense  | 15,738                | 275                           | 2,002             | 4,580                    | 791                      | -                | 23,386                 | -                      | -                                 | -                         | 23,386               |
| Foster care payments     | -                     | -                             | 359,818           | -                        | -                        | -                | 359,818                | -                      | -                                 | -                         | 359,818              |
| Rent                     | 133,123               | 16,444                        | 1,960             | 73,080                   | 10,272                   | 12,300           | 247,179                | 12,341                 | 5,557                             | 17,898                    | 265,077              |
| Professional fees        | 186,941               | 2,665                         | 2,406             | 56                       | 31,570                   | 44,621           | 268,259                | 50,482                 | 46,873                            | 97,355                    | 365,614              |
| Conferences and meetings | 31,818                | 4,745                         | 2,653             | 10,724                   | 1,584                    | -                | 51,524                 | 6,603                  | 1,135                             | 7,738                     | 59,262               |
| Recreation activities    | 1,443                 | 63                            | -                 | 9,076                    | 139                      | -                | 10,721                 | -                      | -                                 | -                         | 10,721               |
| Promotions               | 3,539                 | 155                           | 2,179             | 1,128                    | 508                      | -                | 7,509                  | 111                    | 106,930                           | 107,041                   | 114,550              |
| Miscellaneous            | 6,323                 | 457                           | 424               | 1,751                    | 812                      | 1,129            | 10,896                 | 18,036                 | 1,528                             | 19,564                    | 30,460               |
| Bad debts                | 13,086                | 7,643                         | -                 | 11,531                   | 3,334                    | -                | 35,594                 | -                      | -                                 | -                         | 35,594               |
| Interest                 | 12                    | 2                             | -                 | 4                        | 1                        | -                | 19                     | 22,874                 | -                                 | 22,874                    | 22,893               |
| Depreciation             | 19,683                | 1,834                         | 710               | 35,643                   | 2,003                    | -                | 59,873                 | 759                    | 357                               | 1,116                     | 60,989               |
|                          | <u>\$ 5,243,673</u>   | <u>\$ 756,382</u>             | <u>\$ 788,711</u> | <u>\$ 2,247,199</u>      | <u>\$ 292,854</u>        | <u>\$ 74,878</u> | <u>\$ 9,403,697</u>    | <u>\$ 767,392</u>      | <u>\$ 474,849</u>                 | <u>\$ 1,242,241</u>       | <u>\$ 10,645,938</u> |

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

# Eliada Homes, Inc. and Subsidiary

## Notes to Consolidated Financial Statements

June 30, 2020 and 2019

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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 2019 and 2018. Currently, the statute of limitations remains open subsequent to and including tax year 2016; 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, 2020 and 2019

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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 June 30, 2020 and 2019, 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. As noted in Note H, the Organization received a Paycheck Protection Program loan during 2020 but only has limited liquidity resources available as of June 30, 2020 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, 2020 and 2019

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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, 2020 and 2019. 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, 2020 and 2019

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

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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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, 2020 and 2019

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

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#### **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 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 June 2018, the FASB issued Accounting Standards Update "(ASU)" No. 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and accounting guidance for contributions received and made by non-profit organizations. The main provisions of the standard provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction and offers additional guidance on how to determine whether a contribution is conditional. The Organization adopted the new standard effective July 1, 2019, the first day of the Organization's fiscal year, using the full 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 contributions as a result of the adoption.

#### **Subsequent events**

The Organization has evaluated events that have occurred after June 30, 2020 and prior to April 1, 2021 (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.

#### **Reclassifications**

Certain items in the June 30, 2019 consolidated financial statements have been reclassified to conform to the current year's classifications. These reclassifications had no effect on the change in net assets.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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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:

|                               | 2020                | 2019              |
|-------------------------------|---------------------|-------------------|
| Cash                          | \$ 1,576,229        | \$ 127,941        |
| Accounts receivable           | 514,330             | 431,923           |
| Other receivables             | 14,790              | 24,800            |
| <b>Total financial assets</b> | <b>\$ 2,105,349</b> | <b>\$ 584,664</b> |

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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 \$1,875,000 as of June 30, 2020 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.

### 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, 2020 and 2019

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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, 2020 and 2019:

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, 2020 and 2019. The in-kind contribution and related rent expense have been recorded in the consolidated statements of activities for the years ended June 30, 2020 and 2019.

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, 2020 and 2019, 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 \$24,045 and \$11,166 interest to the Foundation under this arrangement during the years ended June 30, 2020 and 2019, 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 \$181 and \$711 interest to the Foundation under this arrangement during the years ended June 30, 2020 and 2019, respectively.

The Foundation provided operating subsidies to the Organization totaling \$137,706 and \$178,100 during the years ended June 30, 2020 and 2019, respectively. The Organization has recorded amounts payable to the Foundation totaling \$1,384,268 and \$504,748 as of June 30, 2020 and 2019, respectively.

Included in the \$1,489,846 and \$606,640 shown as payable to affiliate on the consolidated statements of financial position as of June 30, 2020 and 2019, is a payable from Compton Enterprises, Inc. to the Foundation of \$105,578 and \$101,892, respectively. See Note M for more information.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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

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

|  | 2020                 | 2019                 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Cash   | \$ 37,589            | \$ 35,240            |
| Refundable advance – affiliate                             | 1,489,846            | 606,640              |
| Investments  | 1,846,020            | 2,754,125            |
| Property and equipment, net of<br>accumulated depreciation | 7,749,618            | 8,053,182            |
| Other receivables  | 3                    | 558                  |
| <b>Total assets</b>  | <b>\$ 11,123,076</b> | <b>\$ 11,449,745</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                                    | 9,760,896            | 9,446,497            |
| Without donor restrictions                                 | 1,362,180            | 2,003,248            |
| <b>Total net assets</b>                                    | <b>11,123,076</b>    | <b>11,449,745</b>    |
| <b>Total liabilities and net assets</b>                    | <b>\$ 11,123,076</b> | <b>\$ 11,449,745</b> |
| <b>Total support and revenues</b>                          | <b>\$ 355,653</b>    | <b>\$ 387,729</b>    |
| <b>Total expenses</b>                                      | <b>\$ 682,322</b>    | <b>\$ 750,279</b>    |

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

### Note D – Accounts receivable:

Accounts receivable is \$514,330 and \$431,923 as of June 30, 2020 and 2019, respectively. All amounts are considered collectible by management and, accordingly, no allowance for doubtful accounts has been deemed necessary.

### Note E – Investments:

#### 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, 2020 and 2019, the Organization received income allocations from this trust in the amount of \$16,348 and \$14,346, 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):

|  | 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)        |

  

|  | 2019              |             |                   |                                   |                |                  |
|--|-------------------|-------------|-------------------|-----------------------------------|----------------|------------------|
|  | Beginning Balance | Total Gains | Interest Credited | Purchases, Issuances, Settlements | Ending Balance | Unrealized Gains |
| Beneficial interest in perpetual trust | \$ 229,200        | \$ 5,800    | \$ 14,346         | \$ (14,346)                       | \$ 235,000     | \$ 5,800         |

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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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, 2020 or 2019.

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

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

|                               | Balance<br>6/30/19 | Additions &<br>Retirements | Balance<br>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         |

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## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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

Following is a summary of property and equipment as of June 30, 2019:

|                               | Balance<br>6/30/18 | Additions &<br>Retirements | Balance<br>6/30/19 |
|-------------------------------|--------------------|----------------------------|--------------------|
| Buildings and improvements    | \$ 203,172         | \$ -                       | \$ 203,172         |
| Leasehold improvements        | 252,693            | -                          | 252,693            |
| Maintenance equipment         | 80,854             | -                          | 80,854             |
| Office equipment              | 372,590            | (800)                      | 371,790            |
| Other equipment               | 158,383            | 6,210                      | 164,593            |
| Furniture and fixtures        | 202,899            | (36,330)                   | 166,569            |
| Vehicles                      | 85,989             | -                          | 85,989             |
| Land and land improvements    | 107,011            | -                          | 107,011            |
|                               | 1,463,591          | (30,920)                   | 1,432,671          |
| Less accumulated depreciation | 943,498            | 16,704                     | 960,202            |
|                               | \$ 520,093         | \$ (47,624)                | \$ 472,469         |

Depreciation charged to operations totaled \$56,383 and \$60,989 for the years ended June 30, 2020 and 2019, 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, 2020 of \$290,814.

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

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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

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#### **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, 2020 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, 2020 of \$211,000.

#### **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, 2020 of \$264,490.

#### **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, 2020 of \$264,490.



## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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

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

|  | 2020       | 2019       |
|--|------------|------------|
| NC Housing Finance Agency (terms described on previous pages): |            |            |
| Green Building   | \$ 19,556  | \$ 21,306  |
| RISE Village:  |            |            |
| Face amount  | 70,407     | 70,407     |
| Unamortized discount   | (52,446)   | (53,302)   |
|  | 17,961     | 17,105     |
| City of Asheville:   |            |            |
| Face amount  | 200,000    | 200,000    |
| Unamortized discount   | (148,981)  | (151,411)  |
|  | 51,019     | 48,589     |
| Buncombe County:   |            |            |
| Face amount  | 279,650    | 279,650    |
| Unamortized discount   | -          | -          |
|  | 279,650    | 279,650    |
|  | \$ 368,186 | \$ 366,650 |

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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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, 2020 are as follows:

|   |    |          |
|---|----|----------|
| Total notes payable                         | \$ | 368,186  |
| Less notes without cash outlay obligations: |    |          |
| RISE Village                                |    | (17,961) |
| City of Asheville                           |    | (51,019) |
|   | \$ | 299,206  |

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Amounts payable during the years ending June 30:

|            |    |         |
|------------|----|---------|
| 2021       | \$ | 281,264 |
| 2022       |    | 1,697   |
| 2023       |    | 1,784   |
| 2024       |    | 1,875   |
| 2025       |    | 1,971   |
| Thereafter |    | 10,615  |
|            | \$ | 299,206 |

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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. Subsequent to June 30, 2020, this loan was fully forgiven.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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### Note I – Operating leases:

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The Company maintains leases with auto dealer financing for three vehicles. The lease terms are for three to four years, and the monthly payments for each vehicle range from \$227 to \$398. Two of the leases expired in September 2019, and one will expire in August 2021.

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

Lease expense were \$31,366 and \$39,632 for the years ended June 30, 2020 and 2019, 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> |    |        |
|-----------------------------|----|--------|
| 2021                        | \$ | 30,004 |
| 2022                        |    | 26,024 |
| 2023                        |    | 1,662  |
| 2024                        |    | -      |
| 2025                        |    | -      |
|                             | \$ | 57,690 |

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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 \$39,258 and \$57,563 to the retirement plan for the years ended June 30, 2020 and 2019, respectively.

## Eliada Homes, Inc. and Subsidiary

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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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:

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| ESTA Vocational/Transitional living needs | \$ 19,703         | \$ 88,058         |
| Property                                  | 58,247            | 4,512             |
| Eliada Farms                              | 5,215             | 34,362            |
| Other program needs                       | 118,560           | 16,001            |
| Future periods                            | 201,428           | 204,713           |
| Donor restricted endowment funds          | 229,000           | 235,000           |
|   | <u>\$ 632,153</u> | <u>\$ 582,646</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 \$67,000 and \$153,000 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019

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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:

|  | 2020             | 2019             |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| Cash   | \$ 7,328         | \$ 200           |
| Inventory  | 18,047           | 37,566           |
| <b>Total assets</b>                                      | <b>\$ 25,375</b> | <b>\$ 37,766</b> |
| <b>Liabilities and Retained Earnings (Deficit)</b>       |                  |                  |
| <b>Liabilities:</b>                                      |                  |                  |
| Payable to affiliate                                     | \$ 179           | \$ -             |
| Payable to affiliate                                     | 105,578          | 101,892          |
| Payable to parent  | 34,400           | 10,752           |
| <b>Total liabilities</b>                                 | <b>140,157</b>   | <b>112,644</b>   |
| <b>Retained earnings (deficit):</b>                      |                  |                  |
| Retained earnings (deficit)                              | (114,782)        | (74,878)         |
| <b>Total retained earnings (deficit)</b>                 | <b>(114,782)</b> | <b>(74,878)</b>  |
| <b>Total liabilities and retained earnings (deficit)</b> | <b>\$ 25,375</b> | <b>\$ 37,766</b> |
| <b>Total revenues</b>                                    | <b>\$ 20,205</b> | <b>\$ -</b>      |
| <b>Total expenses</b>                                    | <b>\$ 60,109</b> | <b>\$ 74,878</b> |

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

Notes to Consolidated Financial Statements – continued

June 30, 2020 and 2019

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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, 2020 and 2019, the Organization received revenues from Medicaid, which represented 46% and 48% respectively, of total support and revenues. Accounts receivable from Medicaid represented 43% and 58% of total accounts receivable as of June 30, 2020 and 2019, 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, 2020

|                               | Residential Treatment and Group Homes |                   |                   |                     |                   |                  | Educational & Day Treatment |                   | Foster Care                         |
|-------------------------------|---------------------------------------|-------------------|-------------------|---------------------|-------------------|------------------|-----------------------------|-------------------|-------------------------------------|
|                               | Cummings                              | Earle             | Green             | Lions               | Reuter            | Reynolds         | Day Treatment               | Education         | Family &<br>Level II<br>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                 |
| Dues and subscriptions        | 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>    |

**Eliada Homes, Inc. and Subsidiary**

Consolidated Schedule of Program Expenses

Year Ended June 30, 2019

|                               | Residential Treatment and Group Homes |                   |                   |                     |                   |                     | Educational & Day Treatment |                   | Foster Care                         |
|-------------------------------|---------------------------------------|-------------------|-------------------|---------------------|-------------------|---------------------|-----------------------------|-------------------|-------------------------------------|
|                               | Cummings                              | Earle             | Green             | Lions               | Reuter            | Reynolds            | Day Treatment               | Education         | Family &<br>Level II<br>Therapeutic |
| Salaries                      | \$ 862,205                            | \$ 305,174        | \$ 299,468        | \$ 943,591          | \$ 311,836        | \$ 810,984          | \$ 388,961                  | \$ 146,565        | \$ 289,778                          |
| Employee benefits             | 100,268                               | 31,522            | 29,924            | 105,680             | 34,393            | 92,576              | 50,734                      | 15,696            | 32,093                              |
| Pension cost                  | 4,529                                 | 883               | 601               | 3,814               | 2,826             | 5,360               | 5,615                       | 209               | 5,086                               |
| Payroll taxes                 | 64,705                                | 22,057            | 21,855            | 69,681              | 22,731            | 61,121              | 27,790                      | 10,917            | 20,787                              |
| Supplies and equipment        | 19,520                                | 6,244             | 6,808             | 21,505              | 7,554             | 19,100              | 9,419                       | 8,195             | 7,884                               |
| Food                          | 40,702                                | 14,451            | 13,490            | 40,981              | 14,586            | 37,747              | 14,737                      | -                 | 213                                 |
| Computer technology           | 7,189                                 | 2,944             | 2,845             | 9,551               | 2,939             | 7,189               | 4,229                       | -                 | 4,677                               |
| Clothing                      | 53                                    | 154               | 520               | 120                 | 122               | 211                 | 193                         | -                 | -                                   |
| Utilities                     | 31,466                                | 13,019            | 13,099            | 27,477              | 12,534            | 32,942              | 12,660                      | -                 | 4,897                               |
| Insurance                     | 11,473                                | 4,869             | 4,251             | 9,886               | 5,071             | 11,227              | 5,568                       | -                 | 14,301                              |
| Maintenance and repairs       | 27,569                                | 8,056             | 12,160            | 22,815              | 11,089            | 33,078              | 14,084                      | 320               | 7,669                               |
| Telephone                     | 2,493                                 | 761               | 994               | 2,909               | 738               | 2,612               | 1,496                       | 233               | 4,405                               |
| Postage                       | 198                                   | 39                | 37                | 199                 | 39                | 500                 | 119                         | 305               | 277                                 |
| Travel                        | 4,368                                 | 1,157             | 961               | 4,898               | 977               | 4,648               | 1,240                       | -                 | 21,523                              |
| Dues and subscriptions        | 2,280                                 | 850               | 770               | 2,660               | 836               | 2,280               | 991                         | -                 | 1,645                               |
| License and fees              | 4,633                                 | 1,511             | 948               | 4,772               | 1,499             | 4,010               | 1,823                       | -                 | 1,324                               |
| Student related expense       | 3,440                                 | 1,733             | 1,778             | 3,467               | 1,681             | 3,639               | 275                         | -                 | 2,002                               |
| Foster care payments          | -                                     | -                 | -                 | -                   | -                 | -                   | -                           | -                 | 359,818                             |
| Rent                          | 34,625                                | 14,340            | 11,066            | 24,676              | 14,281            | 34,135              | 16,444                      | -                 | 1,960                               |
| Professional fees             | 43,622                                | 7,779             | 6,034             | 81,544              | 7,152             | 40,810              | 2,665                       | -                 | 2,406                               |
| Conferences and meetings      | 7,882                                 | 2,383             | 2,271             | 9,011               | 2,380             | 7,891               | 4,745                       | -                 | 2,653                               |
| Recreation activities         | 237                                   | 288               | 266               | 18                  | 456               | 178                 | 26                          | 37                | -                                   |
| Promotions                    | 1,103                                 | 156               | 155               | 867                 | 155               | 1,103               | 155                         | -                 | 2,179                               |
| Miscellaneous                 | 1,623                                 | 469               | 597               | 1,412               | 451               | 1,771               | 457                         | -                 | 424                                 |
| Bad debts                     | 441                                   | 384               | 4,090             | 1,407               | 2,329             | 4,435               | 7,643                       | -                 | -                                   |
| Interest                      | 3                                     | 1                 | 1                 | 3                   | 1                 | 3                   | 2                           | -                 | -                                   |
| Depreciation                  | 3,948                                 | 1,682             | 2,055             | 6,635               | 1,588             | 3,775               | 1,834                       | -                 | 710                                 |
| <b>Total Program Expenses</b> | <b>\$ 1,280,575</b>                   | <b>\$ 442,906</b> | <b>\$ 437,044</b> | <b>\$ 1,399,579</b> | <b>\$ 460,244</b> | <b>\$ 1,223,325</b> | <b>\$ 573,905</b>           | <b>\$ 182,477</b> | <b>\$ 788,711</b>                   |

**Eliada Homes, Inc. and Subsidiary**

Consolidated Schedule of Program Expenses – continued

Year Ended June 30, 2019

|                               | 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                      | \$ 1,169,432             | \$ 56,785               | \$ 47,514         | \$ 76,444                | \$ 42,840               | \$ 47,668             | \$ -             | \$ 5,799,245           |
| Employee benefits             | 175,152                  | 7,556                   | 3,009             | 10,687                   | 7,599                   | 5,443                 | -                | 702,332                |
| Pension cost                  | 12,784                   | 270                     | 72                | 1,297                    | (112)                   | 145                   | -                | 43,379                 |
| Payroll taxes                 | 85,281                   | 4,240                   | 3,587             | 5,329                    | 3,057                   | 3,575                 | -                | 426,713                |
| Supplies and equipment        | 61,221                   | 4,214                   | 3,499             | 2,427                    | 2,840                   | 247                   | -                | 180,677                |
| Food                          | 154,495                  | 11,768                  | 12,145            | 782                      | -                       | -                     | -                | 356,097                |
| Computer technology           | 5,817                    | 518                     | 128               | 318                      | 353                     | 116                   | -                | 48,813                 |
| Clothing                      | -                        | -                       | 634               | 202                      | -                       | -                     | -                | 2,209                  |
| Utilities                     | 56,022                   | 4,361                   | 3,059             | 7,288                    | 1,309                   | 31                    | 14,725           | 234,889                |
| Insurance                     | 25,605                   | 4,323                   | 1,849             | 3,756                    | 891                     | 152                   | -                | 103,222                |
| Maintenance and repairs       | 142,296                  | 14,906                  | 10,806            | 2,950                    | 7,837                   | 24                    | 2,103            | 317,762                |
| Telephone                     | 4,011                    | 580                     | 539               | 1,152                    | 21                      | 707                   | -                | 23,651                 |
| Postage                       | 269                      | 3                       | 9                 | 19                       | 22                      | 3                     | -                | 2,038                  |
| Travel                        | 1,199                    | 2,112                   | 631               | 1,813                    | 106                     | 1,214                 | -                | 46,847                 |
| Dues and subscriptions        | 2,863                    | 267                     | 60                | 160                      | 171                     | 55                    | -                | 15,888                 |
| License and fees              | 2,973                    | 412                     | 350               | 543                      | 147                     | 212                   | -                | 25,157                 |
| Student related expense       | 3,773                    | 754                     | 53                | 791                      | -                       | -                     | -                | 23,386                 |
| Foster care payments          | -                        | -                       | -                 | -                        | -                       | -                     | -                | 359,818                |
| Rent                          | 64,260                   | 2,518                   | 6,302             | 10,165                   | 99                      | 8                     | 12,300           | 247,179                |
| Professional fees             | 56                       | -                       | -                 | 833                      | 30,737                  | -                     | 44,621           | 268,259                |
| Conferences and meetings      | 9,698                    | 810                     | 216               | 468                      | 391                     | 725                   | -                | 51,524                 |
| Recreation activities         | -                        | 332                     | 8,744             | 139                      | -                       | -                     | -                | 10,721                 |
| Promotions                    | -                        | -                       | 1,128             | 133                      | 375                     | -                     | -                | 7,509                  |
| Miscellaneous                 | 1,438                    | 290                     | 23                | 735                      | 58                      | 19                    | 1,129            | 10,896                 |
| Bad debts                     | 5,352                    | 1,165                   | 5,014             | -                        | -                       | 3,334                 | -                | 35,594                 |
| Interest                      | 4                        | -                       | -                 | 1                        | -                       | -                     | -                | 19                     |
| Depreciation                  | 33,522                   | 1,345                   | 776               | 1,920                    | 63                      | 20                    | -                | 59,873                 |
| <b>Total Program Expenses</b> | <b>\$ 2,017,523</b>      | <b>\$ 119,529</b>       | <b>\$ 110,147</b> | <b>\$ 130,352</b>        | <b>\$ 98,804</b>        | <b>\$ 63,698</b>      | <b>\$ 74,878</b> | <b>\$ 9,403,697</b>    |