ELIADA HOMES, INC. AND SUBSIDIARY

Asheville, North Carolina

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2024 and 2023

ELIADA HOMES, INC. AND SUBSIDIARY

ELIADA HOMES, INC. AND SUBSIDIARY

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eliada Homes, Inc. and Subsidiary as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Eliada Homes, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Eliada Homes, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Eliada Homes, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eliada Homes, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of program expenses is presented for purposes of additional analysis and is 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2024, on our consideration of Eliada Homes, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Eliada Homes, Inc. and Subsidiary’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eliada Homes, Inc. and Subsidiary’s internal control over financial reporting and compliance.

Carter, P.C.

Asheville, North Carolina
November 19, 2024

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and equivalents	$ 47,356	$ 274,790
Accounts receivable	243,285	278,027
Allowance for credit losses	(271)	(1,263)
Other receivables	21,975	19,081
Related party receivable	13,060	51,045
Inventory	12,705	14,352
Prepaid expenses	89,272	93,502
Promise to give, net	140,274	186,696
Operating lease right-of-use asset	31,873	41,105
Property held for investment	61,554	61,554
Property and equipment, net	563,832	557,774
Beneficial interest in perpetual trust	244,673	230,952
Total assets	$ 1,469,588	$ 1,807,615
Liabilities and net assets		
Accounts payable	$ 138,028	$ 130,810
Accrued liabilities	387,670	252,553
Deferred revenue	185,864	322,704
Operating lease liability, net	31,873	41,105
Long-term debt, net	376,295	374,177
Related party payables	95,046	39,344
Total liabilities	1,214,776	1,160,693
Net assets (deficit):		
Without donor restrictions	(326,483)	28,934
With donor restrictions	581,295	617,988
Total net assets	254,812	646,922
Total liabilities and net assets	$ 1,469,588	$ 1,807,615

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Medicaid, net	$ 4,579,654	$	$ 4,579,654
State services, net	1,615,178		1,615,178
County services, net	107,325		107,325
Private services, net	739,290		739,290
Fundraising	216,793		216,793
Farm sales	1,685		1,685
Rental income	7,828		7,828
Miscellaneous	13,719		13,719
Total revenue	7,281,472		7,281,472
Support			
Private grants and contributions	646,753		646,753
Governmental grants	1,737,611		1,737,611
In-kind contributions	354,742	8,054	362,796
Eliada Foundation, Inc. subsidies	138,000		138,000
Total support	2,877,106	8,054	2,885,160
Net assets released from restrictions	67,821	(67,821)	
Total revenue and support	10,226,399	(59,767)	10,166,632
Expenses			
Program services	8,341,089		8,341,089
Supporting services	2,240,727		2,240,727
Total expenses	10,581,816		10,581,816
Decrease in net assets before other gain	(355,417)	(59,767)	(415,184)
Other gain			
Change in value of beneficial interest in perpetual trust		23,074	23,074
Decrease in net assets	(355,417)	(36,693)	(392,110)
Net assets at beginning of year	28,934	617,988	646,922
Net assets (deficit) at end of year	$ (326,483)	$ 581,295	$ 254,812

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Medicaid, net	$ 2,850,569	$	$ 2,850,569
State services, net	1,292,961		1,292,961
County services, net	93,261		93,261
Private services, net	570,438		570,438
Fundraising	199,439		199,439
Farm sales	132		132
Rental income	10,028		10,028
Miscellaneous	1,147		1,147
Total revenue	5,017,975		5,017,975
Support			
Private grants and contributions	1,478,150		1,478,150
Governmental grants	1,697,329		1,697,329
In-kind contributions	413,613	186,696	600,309
Eliada Foundation, Inc. subsidies	138,000		138,000
Total support	3,727,092	186,696	3,913,788
Net assets released from restrictions	173,003	(173,003)	
Total revenue and support	8,918,070	13,693	8,931,763
Expenses			
Program services	6,434,733		6,434,733
Supporting services	2,037,601		2,037,601
Total expenses	8,472,334		8,472,334
Increase in net assets before other gains (losses)	445,736	13,693	459,429
Other gains (losses)			
Change in value of beneficial interest in perpetual trust		22,157	22,157
Loss on discontinued operations	(7,276)		(7,276)
Loss on disposal of property and equipment	(3,088)		(3,088)
Total other gains (losses)	(10,364)	22,157	11,793
Increase in net assets	435,372	35,850	471,222
Net assets (deficit) at beginning of year	(406,438)	582,138	175,700
Net assets at end of year	$ 28,934	$ 617,988	$ 646,922

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services				
	Residential Treatment	Day Treatment	Foster Care	Child Development Center	Community Based Services
Salaries	$ 1,881,833	$ 238,213	$ 160,068	$ 2,275,843	$ 653,103
Employee benefits	132,926	17,303	14,821	178,666	64,252
Retirement benefits	33,375	5,232	1,690	35,050	13,314
Payroll taxes	142,024	17,982	11,500	173,259	48,838
Supplies	36,635	6,305	2,366	156,811	57,306
Food	67,116	6,306		178,017	46,311
Computer technology	4,117			1,490	870
Clothing	777				60
Utilities	84,839	9,793	711	83,429	14,215
Insurance	65,130	13,174	4,413	63,853	19,000
Maintenance and repairs	44,967	11,536	2,470	166,498	13,924
Telephone	5,497	1,411	1,646	5,375	4,917
Postage	28		36	269	9
Travel	5,753	425	11,710	12,109	28,941
Dues and subscriptions	933	765	1,342	1,582	425
License and fees	10,716	966	726	11,380	2,030
Student related expenses	19,704	8,622	4,436	75,393	106,294
Foster care payments			197,324		
Rent	86,735	20,788	2,438	106,281	20,596
Professional fees	176,621	779	624	3,326	8,597
Conferences and meetings	7,970	656	862	10,615	4,215
Recreation activities	2,408	10		3,717	30
Promotions			1,201	730	
Miscellaneous	797	288	390	1,224	664
Provision for credit losses	56		8,494	4,996	3,058
Depreciation	14,689	1,759	1,396	54,662	6,922
Interest					
Total expenses	$ 2,825,646	$ 362,313	$ 430,664	$ 3,604,575	$ 1,117,891

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses (continued)
Year Ended June 30, 2024

		Supporting Services			
	Total Program Expenses	Management and General	Resource Development & Fundraising	Total Supporting Services	Total
Salaries	$ 5,209,060	$ 1,044,568	$ 262,776	$ 1,307,344	$ 6,516,404
Employee benefits	407,968	130,720	18,264	148,984	556,952
Retirement benefits	88,661	24,841	6,550	31,391	120,052
Payroll taxes	393,603	74,801	18,737	93,538	487,141
Supplies	259,423	22,113	10,492	32,605	292,028
Food	297,750				297,750
Computer technology	6,477	99,380	16,505	115,885	122,362
Clothing	837				837
Utilities	192,987	16,740	13,068	29,808	222,795
Insurance	165,570	10,157	18,738	28,895	194,465
Maintenance and repairs	239,395	41,136	15,517	56,653	296,048
Telephone	18,846	6,373	525	6,898	25,744
Postage	342	1,340	3,309	4,649	4,991
Travel	58,938	5,351	3,616	8,967	67,905
Dues and subscriptions	5,047	11,765	4,099	15,864	20,911
License and fees	25,818	22,698	1,373	24,071	49,889
Student related expenses	214,449		7,495	7,495	221,944
Foster care payments	197,324				197,324
Rent	236,838	27,600	2,744	30,344	267,182
Professional fees	189,947	85,220		85,220	275,167
Conferences and meetings	24,318	46,969	1,368	48,337	72,655
Recreation activities	6,165				6,165
Promotions	1,931	29,360	80,981	110,341	112,272
Miscellaneous	3,363	9,167	1,548	10,715	14,078
Provision for credit losses	16,604				16,604
Depreciation	79,428	24,302	11,270	35,572	115,000
Interest		7,151		7,151	7,151
Total expenses	$ 8,341,089	$ 1,741,752	$ 498,975	$ 2,240,727	$ 10,581,816

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services					
	Residential Treatment	Day Treatment	Foster Care	Child Development Center	Community Based Services	Eliada Farms
Salaries	$ 1,040,721	$ 396,618	$ 188,634	$ 1,688,540	$ 394,980	$
Employee benefits	82,255	30,013	20,119	142,347	38,131	
Retirement benefits	15,231	7,516	3,288	23,164	10,482	
Payroll taxes	77,993	29,374	13,589	126,734	28,562	
Supplies	32,811	7,398	7,329	105,395	39,276	(266)
Food	38,086	13,196		173,788	25,430	
Computer technology	2,257	103	72	1,068	3,058	114
Clothing	1,471		1,225			
Utilities	83,173	11,129	1,103	76,783	15,152	
Insurance	64,331	13,564	4,396	60,990	17,664	
Maintenance and repairs	40,908	11,761	2,409	153,953	18,613	
Telephone	5,687	1,511	2,238	5,169	3,386	
Postage	26	26	46	59	5	
Travel	3,080	580	13,368	13,237	16,042	
Dues and subscriptions	257	241	700	100	1,800	
License and fees	12,445	905	282	4,842	1,785	30
Student related expenses	12,286	3,650	10,214	52,132	35,387	
Foster care payments			241,626			
Rent	86,990	20,595	2,438	106,441	20,367	
Professional fees	172,477	1,657	24,525	2,863	5,344	1,000
Conferences and meetings	6,833	1,519	1,201	7,948	1,934	
Recreation activities	692	11	968	6,542		
Promotions			6,226			5,883
Miscellaneous	726	6,172	25,937	1,708	185	195
Provision for credit losses	1,263		7,025	7,378	822	
Depreciation	13,123	3,953	2,806	41,808	6,017	
Interest	7	2	1	10	2	1,966
Total expenses	$ 1,795,129	$ 561,494	$ 581,765	$ 2,802,999	$ 684,424	$ 8,922

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses (continued)
Year Ended June 30, 2023

	Total Program Expenses	Supporting Services: Management and General	Supporting Services: Resource Development & Fundraising	Supporting Services: Total Supporting Services	Total
Salaries	$ 3,709,493	$ 926,463	$ 247,121	$ 1,173,584	$ 4,883,077
Employee benefits	312,865	129,069	16,000	145,069	457,934
Retirement benefits	59,681	20,768	5,210	25,978	85,659
Payroll taxes	276,252	66,371	17,795	84,166	360,418
Supplies	191,943	17,667	31,326	48,993	240,936
Food	250,500				250,500
Computer technology	6,672	87,628	10,296	97,924	104,596
Clothing	2,696				2,696
Utilities	187,340	27,999	15,023	43,022	230,362
Insurance	160,945	10,299	18,451	28,750	189,695
Maintenance and repairs	227,644	30,403	13,969	44,372	272,016
Telephone	17,991	4,145	610	4,755	22,746
Postage	162	1,716	4,028	5,744	5,906
Travel	46,307	5,896	1,982	7,878	54,185
Dues and subscriptions	3,098	9,919	4,056	13,975	17,073
License and fees	20,289	5,075	1,110	6,185	26,474
Student related expenses	113,669		11,678	11,678	125,347
Foster care payments	241,626				241,626
Rent	236,831	27,600	2,744	30,344	267,175
Professional fees	207,866	85,194	2,820	88,014	295,880
Conferences and meetings	19,435	33,948	836	34,784	54,219
Recreation activities	8,213				8,213
Promotions	12,109	27,517	64,001	91,518	103,627
Miscellaneous	34,923	8,399	823	9,222	44,145
Provision for credit losses	16,488		125	125	16,613
Depreciation	67,707	20,475	8,698	29,173	96,880
Interest	1,988	12,348		12,348	14,336
Total expenses	$ 6,434,733	$ 1,558,899	$ 478,702	$ 2,037,601	$ 8,472,334

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

ELIADA HOMES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Increase (decrease) in net assets	$ (392,110)	$ 471,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	115,000	96,880
Provision for credit losses	16,604	16,613
Amortization of operating lease right-of-use asset	9,232	8,029
Amortization of discount on long-term debt	4,684	4,585
Loss on disposal of property and equipment		3,088
Change in value of beneficial interest in perpetual trust	(23,074)	(22,157)
Related party loan forgiveness	(138,000)	(138,000)
Present value adjustment	(8,054)	17,586
Loss on discontinued operations		7,276
Changes in working capital - sources (uses):		
Accounts receivable	17,146	15,662
Other receivables	(2,894)	(4,359)
Related party receivable	37,985	(51,045)
Inventory	1,647	2,673
Prepaid expenses	4,230	30,953
Promise to give	54,476	(204,282)
Accounts payable	7,218	37,816
Accrued liabilities	135,117	40,549
Deferred revenue	(136,840)	215,692
Operating lease liability	(9,232)	(8,029)
Net cash provided (used) by operating activities	(306,865)	540,752
Cash flows from investing activities		
Distributions from beneficial interest in perpetual trust	9,353	13,205
Purchase of property and equipment	(121,058)	(133,202)
Net cash used by investing activities	(111,705)	(119,997)
Cash flows from financing activities		
Proceeds from related party payables	536,141	
Principal repayments on related party payables	(342,439)	(566,648)
Principal repayments on notes payable	(2,566)	(2,566)
Net cash provided (used) by financing activities	191,136	(569,214)
Decrease in cash and equivalents	(227,434)	(148,459)
Cash and equivalents at beginning of year	274,790	423,249
Cash and equivalents at end of year	$ 47,356	$ 274,790
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 2,467	$ 9,751
Schedule of noncash investing and financing activities		
Operating lease right-of-use asset obtained in exchange for operating lease liability	$	$ 49,133

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

Note 1 - Nature of Organization and Summary of Significant Accounting Policies

Organization

Eliada Homes, Inc. (Eliada Homes) is a North Carolina not-for-profit corporation, located in Asheville, North Carolina with a mission of helping children succeed. Eliada Homes provides a variety of services to over 600 children and youth annually. In partnership with families, Eliada Homes provides positive child and youth development programming for all ages as well as high level intervention and prevention services for children and adolescents that focus on social and emotional well-being, life skills development, career readiness, and trauma informed treatment. Eliada Homes serves children and families throughout North Carolina, with the primary service area being Western North Carolina.

Compton Enterprises, Inc., (Compton) was formed in June 2019 as a corporation and is a wholly owned subsidiary of Eliada Homes. Compton was formed as the holding company for Eliada Farms, LLC (Eliada Farms) and Compton is the sole member of Eliada Farms that was also formed in June 2019. Eliada Farms engaged in hemp and other agricultural production. Eliada Farms ceased operations on June 30, 2023.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Eliada Homes and Compton (collectively the Organization). All material intercompany transactions and balances have been eliminated.

Major Programs

The Organization's principal programs are comprised of:

- *Residential Treatment* - The Organization operates a level 3 cottage designed to care for students in need of this level of care that have been in higher levels of care for extended periods of time. This program partners with area agencies to return the student to the family home or step them down to a therapeutic foster care level with additional support. Typical stays average approximately six months.

- *Day Treatment* - Day treatment serves high-risk students who have a history of emotional and/or behavioral problems and need a structured treatment program in conjunction with their education. While in Day Treatment students learn ways to manage emotions, develop confidence and self-esteem, practice building positive relationships, take responsibility for their choices and actions, and appropriate classroom etiquette. Day treatment integrates behavioral, educational, and clinical components to meet the needs of each student served.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Major Programs (continued)

- *Foster Care* - The Organization's foster care program promotes permanent family living arrangements for children through reunification, guardianship, and adoption. The Organization is a Licensed Child Placing Agency (LCPA) for family and therapeutic foster care services. These 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 family environment.

- *Child Development Center* - The child development center provides childcare and child development services for individuals with children ranging from newborn through Pre-K. The program utilizes targeted techniques specific for infant, toddler, and pre-k development. 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 variety of other community-based outpatient therapy programs which include Eliada Students Training for Advancement (ESTA), intensive in-home services, equine assisted therapy, and the campus farm program. The Organization's ESTA program offers services for getting and maintaining employment through case management and workshops which also integrates the Organizations workforce ready housing and workforce development initiatives.

- *Eliada Farms* - Farm that specializes in hemp and other agricultural production.

Income Tax Status

Eliada Homes is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). Compton is taxed as a U.S. C Corporation.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and Board of Directors.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- *Net assets with donor restrictions*: Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded 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. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions. The Organization has adopted a policy to classify donor restricted support as without donor restrictions to the extent that restrictions were met in the reporting period the support was recognized.

Measure of Operations

The consolidated statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to resources that generate return from beneficial interest in perpetual trust, loss on discontinued operations, loss on disposal of property and equipment, and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than accounts receivable, promise to give, operating lease right-of-use asset, beneficial interest in perpetual trust, operating lease liability, and long-term debt, approximates fair value due to the relatively short-term nature of the financial instruments.

Amounts recognized for accounts receivable approximates fair value due to the allowance for credit losses applied to outstanding balances.

The amount recognized for the promise to give approximates fair value due to the net present value adjustment applied to the outstanding balance.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

The fair value of the beneficial interest in perpetual trust is discussed in Note 5.

Amounts reported for operating lease right-of-use asset and operating lease liability approximate fair value due to present value adjustments determined by the Organization's incremental borrowing rate.

The carrying value of long-term debt approximates fair value due to the market-based interest rates charged at the time of borrowing. Interest-free loans contain an implied interest rate comparable to market rates.

Cash and Equivalents

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable relate to providing services to customers. Collection of these amounts is the Organization's primary source of cash and is critical to operating performance. Accounts receivable are recorded at net realizable value based on certain assumptions determined by each payor. For third-party payors, the net realizable value is generally estimated contractual reimbursement percentages, which are based on current contract prices or historical paid claims data. For self-pay accounts receivable, the net realizable value is determined using estimates of historical collection experience and age of outstanding balances.

Allowance for Credit Losses

The allowance for credit losses represents an estimate made my management of the lifetime expected credit losses inherent in accounts receivable. In reviewing aged receivables, management considers their knowledge of customers, historical losses, and current economic conditions in establishing the allowance for credit losses. The Organization writes-off accounts receivables when they become uncollectable, and payments subsequently received on such receivables are credited back to the allowance account in the period the payment is received.

Other Receivables

Other receivables consist primarily of sales tax receivables. All other receivables are considered by management to be fully collectible and therefore no allowance for credit losses has been recorded.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Promises to Give

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in in-kind contributions on the accompanying consolidated statements of activities. Promises to give are considered by management to be fully collectible and therefore no provision for uncollectible promises to give has been recorded. It is the Organization's policy to charge off uncollectible promises to give when management determines collection is unlikely.

Inventory

Inventory consists of food products and supplies held for program use and are valued at the lower of cost or net realizable value as determined by the first-in, first out (FIFO) method.

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the consolidated statements of activities.

Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements and Disclosures

The Organization applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements and Disclosures (continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed. The Organization has adopted an accounting policy to capitalize all property and equipment with a cost greater than $5,000 and estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to twenty-five years.

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, 2024 and 2023.

Donated Property and Equipment

Donations of property and equipment are recorded as in-kind contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as in-kind contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair value at the date of donation. Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. Noncash donated assets are described in Note 10.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Donated Services

Donated services are recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services are described in Note 10.

Leases

The Organization determines if an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception. Operating leases are included as operating lease right-of-use (ROU) assets and operating lease liabilities in the accompanying consolidated statements of financial position. Finance leases are recorded as finance lease ROU assets and finance lease liabilities in the accompanying consolidated statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments, discounted using the Organization's incremental borrowing rate or the implied borrowing rate.

Lease terms may include options to renew when it is reasonably certain the Organization will exercise those options. Lease agreements do not contain any material residual value guarantees or restrictive covenants.

The Company has elected to apply the short-term lease exception to all leases with a remaining term of 12 months or less and those that are considered immaterial.

Revenue Recognition

Net service revenue is recorded at the transaction price estimated to reflect the total consideration due from customers and third-party payors in exchange for providing services. These services are considered to be a single performance obligation and have a duration of less than one year. Revenues are recorded as these services are provided. Net service revenue includes amounts estimated by management to be reimbursable by Medicaid under prospective payment systems and provisions of cost-reimbursement and other payment methods. In addition, the Organization is reimbursed by governmental agencies for approved services provided using a variety of payment methodologies. Amounts received for customer services covered by these programs are generally less than the standard billing rates. The transaction price, which involves significant estimates, is determined based on third-party contractual arrangements as well as direct arrangements with customers, with a reduction recorded for estimated price concessions and discounts. Payments received in advance of services being provided are recorded as deferred revenue in the consolidated statements of financial position.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position. The Organization received $184,054 and $310,377 in advance payments on cost-reimbursable grants that had not been recognized as of June 30, 2024 and 2023, respectively. These amounts will be included in deferred revenue until qualifying expenditures have been incurred or refunded to the grantor as unexpended grant funding.

The Organization also generates revenue from the sale of products. Those sales contain a single performance obligation and revenue is recognized at a single point in time when ownership, risks, and rewards transfer to the customers.

Advertising

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023, was $39,738 and $42,578, respectively.

Functional Allocation of Expenses

The costs of providing program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for food, clothing, foster care payments, recreation activities, and bad debt are allocated on the basis of a combination of estimates of time and effort and other statistical means in which the programs are operated. Food, clothing, foster care payments, recreation activities, and bad debt are directly attributable to program services.

Reclassification

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation of the current year consolidated financial statements.

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (continued)

Newly Adopted Accounting Pronouncements

During the year ended June 30, 2024, the Organization adopted the requirements of Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The FASB also subsequently issued the following additional ASUs, which amend and clarify the ASU: ASU 2019-04, *Codification Improvements to Topic 326*, *Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments;* ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments-Credit Losses*; and ASU 2019-11, *Codification Improvements to Topic 326, Financial Instruments;* and ASU 2020-03, *Codification Improvements to Financial Instruments*. ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires entities to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable forecasts about collectability. Assets must be presented in the consolidated financial statements at the net amount expected to be collected. Additional note disclosures have been added to Note 1, Allowance for Credit Losses and Note 4, Contract Assets and Liabilities, as a result of the implementation of ASU 2016-13.

Note 2 - Net Assets

Net assets are described as follows:

At June 30	2024	2023
Net assets without donor restrictions:		
Undesignated (deficit)	$ (326,483)	$ 28,934
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Other program needs	9,785	9,785
Passage of time	326,837	377,251
Total subject to expenditure for specified purpose or period	336,622	387,036
Not subject to spending policy or appropriation:		
Beneficial interest in perpetual trust	244,673	230,952
Net assets with donor restrictions	581,295	617,988
Total net assets	$ 254,812	$ 646,922

Note 3 - Liquidity and Availability of Financial Assets

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due as part of its liquidity management plan. 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 following reflects the liquidity and availability of the Organization's financial assets:

At June 30	2024	2023
Financial assets:		
Cash and equivalents	$ 47,356	$ 274,790
Accounts receivable, net	243,014	276,764
Other receivables	21,975	19,081
Related party receivable	13,060	51,045
Promise to give, net	140,274	186,696
Beneficial interest in perpetual trust	244,673	230,952
Total financial assets	710,352	1,039,328
Amounts not available for general expenditure:		
Net assets with donor restrictions	(581,295)	(617,988)
Net financial assets available to meet cash needs for general expenditures within one year	$ 129,057	$ 421,340

Note 4 - Contract Assets and Liabilities

Accounts receivable, promise to give, and beneficial interest in perpetual trust represent the Organization's contract assets with an unconditional right to receive consideration from customers. Accounts receivable are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions less an allowance for credit losses.

The promise to give represents an in-kind promise to give for the use of donated building space and is recorded at the present value of future cash flows over the lease term.

The Organization is an irrevocable beneficiary in a perpetual trust held which is administered by a third-party trustee. By direction of the grantor of the trust, the principle of the trust is invested in perpetuity. The Organization is entitled to a portion of the investment income. The beneficial interest in perpetual trust is recorded at the fair value of the Organization's interest in the underlying assets.

Note 4 - Contract Assets and Liabilities (continued)

The following table provides information about contract assets:

At June 30	2024	2023	2022
Accounts receivable	$ 243,285	$ 278,027	$ 309,039
Less, allowance for credit losses	(271)	(1,263)	
Accounts receivable, net	243,014	276,764	309,039
Promise to give:			
Due in less than one year	54,475	54,475	
Due in one to five years	95,331	149,806	
Total promise to give	149,806	204,281	
Less, discount to net present value at 5%	(9,532)	(17,585)	
Promise to give, net	140,274	186,696	
Beneficial interest in perpetual trust	244,673	230,952	222,000
Total contract assets	$ 627,961	$ 694,412	$ 531,039

Significant changes in the allowance for credit losses is as follows:

Years Ended June 30	2024	2023
Allowance for credit losses, beginning of year	$ 1,263	$
Write-offs	(17,596)	(15,350)
Provision for credit losses	16,604	16,613
Allowance for credit losses, end of year	$ 271	$ 1,263

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. Contract liabilities are reported as deferred revenue in the accompanying statements of financial position and are comprised of the following:

- Unearned fees, representing advance payments from customers and agencies for childcare and foster care services.

- Conditional grants, representing advance payments received from grantors prior to incurring expenditures in compliance with specific contract or grant provisions.

Note 4 - Contract Assets and Liabilities (continued)

Significant changes in contract liabilities from contracts with customers are as follows:

Years Ended June 30	2024	2023
Unearned fees, beginning of year	$ 12,327	$ 10,070
Revenue recognized during the fiscal year that was included in unearned fees	(12,327)	(10,070)
Increase in unearned fees due to cash received during year	1,810	12,327
Unearned fees, end of year	1,810	12,327
Conditional grants, beginning of year	310,377	96,942
Revenue recognized during the fiscal year that was included in unearned fees	(266,601)	(96,942)
Increase in conditional grants due to cash received during year	140,278	310,377
Conditional grants, end of year	184,054	310,377
Total contract liabilities	$ 185,864	$ 322,704

Note 5 - Fair Value Measurements

Beneficial interest in perpetual trust is reported in the accompanying consolidated financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and Money Market Funds
Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets.

Equity Investments
Equity investments consist of daily traded mutual funds and exchange-traded funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

The following tables sets forth estimated fair values of financial instruments:

At June 30, 2024	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 18,634	$	$	$ 18,634
Equity investments:				
Exchange-traded funds	118,580			118,580
Mutual funds - equity	53,943			53,943
Mutual funds - bonds	53,516			53,516
Total beneficial interest in perpetual trust	$ 244,673	$	$	$ 244,673

Note 5 - Fair Value Measurements (continued)

At June 30, 2023	Level 1	Level 2	Level 3	Total
Cash and money market funds	$ 7,313	$	$	$ 7,313
Equity investments:				
Exchange-traded funds	110,120			110,120
Mutual funds - equity	62,836			62,836
Mutual funds - bonds	50,683			50,683
Total beneficial interest in perpetual trust	$ 230,952	$	$	$ 230,952

Note 6 - Property and Equipment

Property and equipment consist of the following:

At June 30	2024	2023
Land	$ 75,000	$ 75,000
Buildings and improvements	225,141	228,782
Leasehold improvements	328,962	275,745
Machinery and equipment	404,912	376,582
Office equipment	204,434	209,234
Furniture and fixtures	185,466	147,252
Vehicles	134,354	134,354
	1,558,269	1,446,949
Less, accumulated depreciation	(994,437)	(889,175)
Property and equipment	$ 563,832	$ 557,774

Depreciation expense for the years ended June 30, 2024 and 2023, is $115,000 and $96,880, respectively.

Note 7 - Accrued Liabilities

Accrued liabilities are described as follows:

At June 30	2024	2023
Accrued payroll	$ 306,444	$ 187,532
Accrued compensated absences	81,226	65,021
Accrued liabilities	$ 387,670	$ 252,553

Note 8 - Leases

The Organization leases office equipment under a non-cancellable operating lease agreement with a remaining lease term of three years. The discount rate for the operating lease was determined using the Organization's incremental borrowing rate of 5.50%. The lease agreement includes variable payments based on maintenance and usage rates which are not determinable at lease commencement and are not included in the measurement of the lease asset and liability.

The following is a schedule of future minimum lease payments under the operating lease agreement:

Years Ending June 30	Payments
2025	$ 11,211
2026	11,211
2027	11,211
2028	933
2029	
Total payments	34,566
Less, imputed interest	(2,693)
Total operating lease liability	$ 31,873

The following summarizes the line items in the accompanying consolidated statement of functional expenses which include the components of lease costs:

Years Ended June 30	2024	2023
Short-term and immaterial operating leases included in rent and supplies	$ 272,977	$ 279,732
Operating lease costs included in rent	11,211	10,276
Variable lease payments included in supplies		900
Total lease costs	$ 284,188	$ 290,908

The Organization also leases equipment and building space under non-cancellable operating lease agreements. Leases with a remaining term of 12 months or less at inception, or those that are considered immaterial, are not recorded in the consolidated statements of financial position. Management has determined all remaining operating leases meet this criterion and has not recognized operating lease agreements as operating lease liabilities. Lease expense is recognized for these leases on a straight-line basis over the lease term. These leases require various monthly payments and expire through April 2026.

Note 8 - Leases (continued)

The following is a schedule of future minimum lease payments under short-term and immaterial lease agreements:

Years Ending June 30	Payments
2025	$ 3,153
2026	2,365
2027	
2028	
2029	
Total minimum lease payments	$ 5,518

The following summarizes cash flow information related to leases:

Years Ended June 30	2024	2023
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flow from operating lease	$ 11,211	$ 10,276
Asset obtained in exchange for operating lease liability	$	$ 49,133

Note 9 - Long-term Debt

A promissory note was signed in June 2012, with a face amount of $279,650, no stated interest, and 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. All principal related to this note is shown as currently due as of June 30, 2024 and 2023, until terms are formalized. Long-term debt is described as follows:

At June 30	2024	2023
Noninterest bearing note payable due in 360 monthly installments of $214 through March 2030, implied interest rate of 5%, secured by property held by the Foundation	$ 14,729	$ 17,295
Noninterest bearing note payable due with a balloon payment due in July 2047, implied interest rate of 5%, secured by property held by the Foundation	70,407	70,407
Noninterest bearing note payable due with a balloon payment due in October 2047, implied interest rate of 5%, secured by property held by the Foundation	200,000	200,000

Note 9 - Long-term Debt (continued)

At June 30	2024	2023
Noninterest bearing note payable due with a balloon payment upon demand, implied interest rate of 4%, secured by property held by the Foundation	$ 279,650	$ 279,650
Total long-term debt	564,786	567,352
Less, unearned discount on long-term debt	(188,491)	(193,175)
Total long-term debt, net of unearned discount	376,295	374,177
Less, current maturities	(281,622)	(281,526)
Long-term debt, net of current maturities	$ 94,673	$ 92,651

Amortization of the discount on long-term debt is reported in the consolidated statements of functional expenses as interest expense. Principal maturities on long-term debt are as follows:

Years Ending June 30	Payments
2025	$ 282,216
2026	2,566
2027	2,566
2028	2,566
2029	2,566
Thereafter	272,306
Principal payments on long-term debt	$ 564,786

Note 10 - In-kind Contributions

In-kind gifts are acknowledged for the furtherance of the various programs and mission of the Organization. Volunteers also donated a significant amount of time to the Organization's operations and program services throughout the fiscal year that are not recognized as in-kind contributions in the consolidated financial statements since the recognition criteria were not met.

The Organization uses building space and land provided by Buncombe County under a lease agreement for $1 per month. During the year ended June 30, 2023, and in connection with the adoption of ASC 842, *Leases*, the Organization recognized an unconditional promise to give in the amount of $230,858 and in-kind contributions for the full lease term through March 2027, as described in Note 4. The usage of the donated building space will be amortized over the life of the lease term on the straight-line basis.

Note 10 - In-kind Contributions (continued)

In-kind contributions are summarized as follows:

Year Ended June 30, 2024	Fair Value	Usage in Program	Donor Restriction
Building space	$ 220,754	Allocated to programs & support	Passage of Time
Professional services	28,800	Allocated to programs & support	None
Supplies	34,106	Allocated to programs & support	None
Christmas gifts for children	79,136	Allocated to programs	None
Total contributions of nonfinancial assets	$ 362,796		

Year Ended June 30, 2023	Fair Value	Usage in Program	Donor Restriction
Building space	$ 453,871	Allocated to programs & support	Passage of Time
Professional services	28,800	Allocated to programs & support	None
Supplies	38,633	Allocated to programs & support	None
Christmas gifts for children	79,005	Allocated to programs	None
Total contributions of nonfinancial assets	$ 600,309		

Fair valuation techniques - The fair value of the donated building space is based on estimated fair market value at date of receipt. Donated professional services are valued by the donor based on standard billing rates for the underlying services provided. All other in-kind contributions are valued at the donor provided amount, price that would be paid to purchase a comparable item, or current sales price of the item as sold by the donating vendor.

Note 11 - Defined Contribution Plan

The Organization participates in a 403(b) defined contribution retirement plan (the Plan). Employees who work at least 20 hours per week are eligible to participate in the Plan after three months of service. The Organization has the option to make discretionary matching contributions to the Plan. The discretionary matching contribution rate was 100% of the employees' elective deferral up to three percent during the years ended June 30, 2024 and 2023. Employer contributions to the Plan become vested after three years of service using a graded scale. The Organization contributed $120,052 and $85,659 to the Plan during the years ended June 30, 2024 and 2023, respectively.

Note 12 - Commitments and Contingencies

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss.

Government Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying consolidated financial statements for the repayment of any grant monies or third-party reimbursements.

Note 13 - Concentrations of Credit Risk

Uninsured Cash Balances

The Organization maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. Generally, the amounts will exceed the FDIC insurance limits and be partially uninsured.

Investment Risk

The Organization's beneficial interest in perpetual trust is exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of the beneficial interest in perpetual trust, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's financial position.

Note 13 - Concentrations of Credit Risk (continued)

Concentrations of Revenue

Concentrations of revenue exist when revenue from a single source equals 10% or more of the Organization's total revenue. Revenues from one such payor totaled $4,267,295 and $2,793,273 for the years ended June 30, 2024 and 2023, respectively. Accounts receivable from this payor at June 30, 2024 and 2023 totaled $8,862 and $98,191, respectively.

Note 14 - Related Party Transactions

Eliada Foundation, Inc (Foundation) was formed in June 2004 as a supporting organization of Eliada Homes. The Foundation is governed by a separate board of trustees of the Organization that are charged with the management of investment funds, securing funding for capital expenditures, safeguarding assets, and granting support to the Organization when needed. Due to the Organization not having control over the Foundation, consolidation is not required.

The Foundation grants operational support to the Organization on an as needed basis by providing resources to the Organization to respond to the changing needs of the service environment. The Organization pays interest to the Foundation at 2% on all advanced funds. The Organization paid $914 and $8,864, in interest expense to the Foundation under this arrangement during the years ended June 30, 2024 and 2023, respectively. Outstanding payables due to the Foundation were $95,046 and $39,344, as of June 30, 2024 and 2023, respectively. Outstanding receivables due from the Foundation were $13,060 and $51,045 for the years ended June 30, 2024 and 2023, respectively. The Foundation also provided operating subsidies to the Organization totaling $138,000 during each of the years ended June 30, 2024 and 2023, that were received as forgiveness of the payable balance due to the Foundation.

The Foundation provides the use of property and facilities to the Organization rent free. Accordingly, an in-kind contribution and rent expense of $212,700 is recognized on the accompanying consolidated statements of activities for each of the years ended June 30, 2024 and 2023, for the estimated fair rental value of the property. Additionally, the Foundation has pledged property as collateral for long-term debt held by the Organization totaling $376,295 and $374,177, as of June 30, 2024 and 2023, respectively, as described in Note 9.

In January 2023, the Foundation entered into a construction financing agreement for up to $400,000 with a current maturity of March 2025 for renovations of a building that the Organization uses. The Organization is also listed as a guarantor on the agreement.

Contributions from board members totaled $6,072 and $8,763, during the years ended June 30, 2024 and 2023, respectively.

Note 15 - Income Taxes

Uncertain Tax Positions

Eliada Homes is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions material to the consolidated financial statements.

Open Tax Years

Eliada Homes' Return of Organization Exempt From Income Tax (Form 990) for the years ended June 30, 2023, 2022, and 2021, are subject to examination by the IRS, generally for three years after they were filed. Compton's U.S. Corporation Income Tax Return (Form 1120) for the years ended June 30, 2023, 2022, and 2021, are open for examination by the IRS.

Note 16 - Subsequent Events

Management has evaluated subsequent events through November 19, 2024, which is the date the consolidated financial statements were available to be issued.

In July 2024, the Organization received two individual donor contributions totaling approximately $707,000.

On September 27, 2024, Hurricane Helene caused extensive damage to the Western North Carolina area. Property and equipment owned by the Organization sustained damage as a result of the storm and regular operations were suspended for several weeks. The Organization carries commercial insurance coverage for damage sustained to property and equipment and for losses of service revenues. Additionally, the Organization received a significant amount of support from the local community. Management believes that any material losses sustained as a result of the storm will be reimbursed by insurance carriers or offset by support received from the local community.

In October 2024, the Organization received a government grant for $107,000 to assist with stabilizing operations from disruptions caused by Hurricane Helene.

SUPPLEMENTARY INFORMATION

ELIADA HOMES, INC. AND SUBSIDIARY

Schedule of Program Expenses
Year Ended June 30, 2024

	Residential Treatment				
	Cummings Cottage	Green Cottage	Reuter Cottage	Day Treatment	Foster Care
Salaries	$ 748,635	$ 350,352	$ 782,846	$ 238,213	$ 160,068
Employee benefits	50,716	26,915	55,295	17,303	14,821
Retirement benefits	12,455	6,508	14,412	5,232	1,690
Payroll taxes	56,761	25,945	59,318	17,982	11,500
Supplies	13,994	7,673	14,968	6,305	2,366
Food	25,418	14,147	27,551	6,306	
Computer technology	1,849	422	1,846		
Clothing	222	51	504		
Utilities	34,902	16,740	33,197	9,793	711
Insurance	27,050	10,126	27,954	13,174	4,413
Maintenance and repairs	19,395	10,233	15,339	11,536	2,470
Telephone	2,282	630	2,585	1,411	1,646
Postage	13	3	12		36
Travel	2,331	850	2,572	425	11,710
Dues and subscriptions	340	211	382	765	1,342
License and fees	5,614	1,371	3,731	966	726
Student related expense	7,230	1,988	10,486	8,622	4,436
Foster care payments					197,324
Rent	42,993	7,216	36,526	20,788	2,438
Professional fees	109,812	740	66,069	779	624
Conferences and meetings	3,257	981	3,732	656	862
Recreation activities	989	353	1,066	10	
Promotions					1,201
Miscellaneous	346	90	361	288	390
Provision for credit losses			56		8,494
Depreciation	5,812	3,600	5,277	1,759	1,396
Total expenses	$ 1,172,416	$ 487,145	$ 1,166,085	$ 362,313	$ 430,664

ELIADA HOMES, INC. AND SUBSIDIARY

Schedule of Program Expenses (continued)
Year Ended June 30, 2024

	Child Development Center			Community Based Services			
	Daycare Preschool	After School School Age	Summer Camp	Vocational Program ESTA	Equine Therapy	Outpatient Department	Total Program Expenses
Salaries	$ 2,090,505	$ 120,596	$ 64,742	$ 296,257	$ 72,790	$ 284,056	$ 5,209,060
Employee benefits	166,566	8,466	3,634	23,328	10,863	30,061	407,968
Retirement benefits	33,961	783	306	6,056	1,937	5,321	88,661
Payroll taxes	159,006	9,245	5,008	22,090	5,711	21,037	393,603
Supplies	149,257	4,396	3,158	50,253	4,578	2,475	259,423
Food	154,849	14,406	8,762	46,311			297,750
Computer technology	1,223	200	67	870			6,477
Clothing				60			837
Utilities	75,111	4,672	3,646	12,668	781	766	192,987
Insurance	51,883	8,147	3,823	15,882	1,604	1,514	165,570
Maintenance and repairs	152,121	9,072	5,305	7,891	1,645	4,388	239,395
Telephone	4,088	930	357	2,630	150	2,137	18,846
Postage	269			9			342
Travel	1,886	1,593	8,630	5,487	63	23,391	58,938
Dues and subscriptions	1,568		14	14	158	253	5,047
License and fees	10,907	157	316	1,212	140	678	25,818
Student related expense	55,698	18,773	922	106,294			214,449
Foster care payments							197,324
Rent	98,591	7,300	390	15,434	465	4,697	236,838
Professional fees	3,142	6	178	6,190	1,961	446	189,947
Conferences and meetings	9,793	135	687	206	257	3,752	24,318
Recreation activities	64	18	3,635	30			6,165
Promotions	730						1,931
Miscellaneous	900	317	7	648	4	12	3,363
Provision for credit losses	4,455	51	490		3,058		16,604
Depreciation	37,791	13,831	3,040	4,116	1,382	1,424	79,428
Total expenses	$ 3,264,364	$ 223,094	$ 117,117	$ 623,936	$ 107,547	$ 386,408	$ 8,341,089

COMPLIANCE SECTION

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301 College St. Suite 320 | Asheville NC 28801 | 828.259.9900
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Eliada Homes, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 19, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Carter, P.C.

Asheville, North Carolina
November 19, 2024