EBLEN Charities

Financial Statements

For the year ended December 31, 2013

EBLEN CHARITIES, INC.

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BURLESON & EARLEY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eblen Charities, Inc.
Asheville, North Carolina

We have audited the accompanying financial statements of Eblen Charities, Inc. (a non-profit corporation) which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eblen Charities, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Burleson & Earley, P.A.
Certified Public Accountants
January 14, 2015

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Eblen Charities, Inc.
Statement of Financial Position
December 31, 2013

Assets

Current Assets	
Cash and equivalents	$ 1,380,242
Investments in marketable securities	621,652
Accounts receivable	34,163
	2,036,057
Capital Assets	
Property and equipment, net of accumulated depreciation	6,753,745
Total Assets	$ 8,789,802

Liabilities and Net Assets

Current Liabilities	
Current portion of long term debt	$ 3,720,970
Accounts payable	39,390
Payroll taxes payable	3,722
Accrued expenses	116,926
	3,881,008
Longterm Liabilities	
Note payable	-
Total Liabilities	3,881,008
Net Assets	
Unrestricted	3,579,296
Temporarily restricted	1,329,498
Total Net Assets	4,908,794
Total Liabilities and Net Assets	$ 8,789,802

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

Eblen Charities, Inc.
Statement of Activities
For the year ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Contributions	$ 270,811	$ -	$ 270,811
Donor designated contributions, including promises to give	-	438,749	438,749
Contribution realized by debt forgiveness	570,000	-	570,000
Fees for service	240,309	-	240,309
Grants		2,235,157	2,235,157
Fundraising	333,529	-	333,529
Interest income	1,693	-	1,693
Dividend income	13,393	-	13,393
Realized gains on investments	(1,411)	-	(1,411)
Unrealized gains on investments	20,847	-	20,847
In-kind contributions:			
Program services	438,297	-	438,297
General and administrative	58,175	-	58,175
Fundraising	1,106,580	-	1,106,580
Net assets released from restrictions	2,213,713	(2,213,713)	-
Total revenue and other support	5,265,936	460,193	5,726,129
Expenses			
Program services	3,787,689		3,787,689
Supporting services			
General and administrative	193,124		193,124
Fundraising	1,277,240		1,277,240
Total expenses	5,258,053	-	5,258,053
Change in net assets	7,883	460,193	468,076
Net assets, beginning of year, as restated	3,571,413	869,305	4,440,718
Net assets, end of year	$ 3,579,296	$ 1,329,498	$ 4,908,794

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

Eblen Charities, Inc.
Statement of Functional Expenses
For the year ended December 31, 2013

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total	Total Expenses
Assistance payments					
Direct:					
Utilities/telephone/heating	$ 1,543,832	$ -	$ -	$ -	$ 1,543,832
Medical	60,845	-	-	-	60,845
Dental	21,488	-	-	-	21,488
Emergency	10,728	-	-	-	10,728
Housing	342,682	-	-	-	342,682
Travel	46,523	-	-	-	46,523
Specific assistance to groups	118,752	-	-	-	118,752
Insurance	72,495	-	-	-	72,495
Clothing	61,892	-	-	-	61,892
Other	112,334	-	-	-	112,334
Inkind	438,297	-	-	-	438,297
Total assistance payments	2,829,868	-	-	-	2,829,868
In-kind expenses	-	58,175	1,106,580	1,164,755	1,164,755
Salaries	333,535	84,963	37,140	122,103	455,638
Payroll taxes	30,358	7,733	3,380	11,114	41,472
Employee benefits	29,007	7,389	3,230	10,619	39,626
Fundraising	-	-	112,160	112,160	112,160
Office	42,990	5,374	5,374	10,747	53,737
Rent and Utilities	75,006	9,376	9,376	18,751	93,757
Professional fees	-	20,114	-	20,114	20,114
Service charges	15,804	-	-	-	15,804
Travel	16	-	-	-	16
Postage	3,273	-	-	-	3,273
Telephone	15,868	-	-	-	15,868
Other	41,860	-	-	-	41,860
Interest	201,176	-	-	-	201,176
Depreciation	168,929	-	-	-	168,929
	$ 3,787,689	$ 193,124	$ 1,277,240	$ 1,470,364	$ 5,258,053

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

Eblen Charities, Inc.
Statement of Cash Flows
For the year ended December 31, 2013

Cash flows from operating activities	
Change in net assets	$ 468,076
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
Depreciation	168,929
Realized (gain) loss on investments	1,411
Unrealized (gain) loss on investments	(20,847)
Contribution realized by debt forgiveness	(570,000)
Changes in operating assets and liabilities:	
Increase in accounts receivable	(2,808)
Increase in accounts payable	25,113
Decrease in payroll taxes payable	(4,399)
Increase in accrued expenses	98,060
Net cash provided by operating activities	163,535
Cash flows from investing activities	
Proceeds from sale of investments	603,091
Purchase of investments	(138,172)
Acquisition of property and equipment	(29,574)
Net cash provided by investing activities	435,345
Cash flows from financing activities	
Payments of long term debt	(179,238)
Net cash used by financing activities	(179,238)
Net increase in cash and cash equivalents	419,642
Cash and cash equivalents, beginning of year	960,600
Cash and cash equivalents, end of year	$ 1,380,242
Supplementary Information	
Interest paid	$ 84,250

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

Eblen Charities, Inc.
Notes to the Financial Statements

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

Nature of Organization
Eblen Charities, Inc. (the Organization) is a not-for-profit corporation established under the laws of the State of North Carolina. The mission of the Organization is to provide aid and assistance to people and their families in Western North Carolina who suffer from the effects of chronic illness and disabilities. Through financial aid and other support, the Organization recognizes the unique physical, emotional, social, and spiritual needs of each person they serve.

Program Services
The Organization, through over 70 outreach programs, assists children, adults, and families in Western North Carolina who are living with illnesses and disabilities with medication, travel, medical supplies, heat and utility assistance, food, and other emergency aid. The outreach programs are grouped into the following program groups:

- **Health** - In order to help stem the rising costs of medication, medical supplies and health care, Eblen Medical helps provide medical assistance to children, adults, and families living in our community by providing medication, medical supplies, physician and dental visits, eye glasses and other health care needs.

- **Energy** - The Eblen Energy Project has delivered hundreds of thousands of gallons of oil, natural gas, and assisted with electric bills to families in our community living with illnesses and disabilities. By providing heating oil and assistance with funding for gas and electric bills, purchasing space heaters, fans and air conditioning window units we can help ensure that our neighbors are not left out in the cold during the winter or suffer through the heat of summer.

- **Education** - Through the outreach of the Eblen Charities, the work of the Eblen Center for Social Enterprise, and partnerships with Buncombe County, Asheville City, and other local school systems, Eblen offers a number of programs to students, faculty and all involved in education. The program provides assistance ranging from breakfast, lunch, and snacks to shoes, clothing, school supplies and assists with programs that help ensure that students will not leave school before graduation.

- **Emergency Assistance** - Beginning full-time out reach in 1992 to try to help families travel to area hospitals to obtain medical care, Eblen Assistance has grown to encompass a number of outreach programs that provides emergency assistance which includes a vast array of emergency assistance depending on the need of each individual or families who calls.

- **Housing** - To help in assisting those in our community who have to decide between paying their rent or mortgage, purchasing medication, or paying for other needs, the Eblen Charities has worked in partnership with other organizations and has developed programs that respond quickly to the needs of families who are in danger of losing their homes.

Revenue and Other Support
Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents
The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Investments in Marketable Securities
The investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market value in the Statement of Financial Position. Unrealized gains and losses are included in the Statement of Activities as a component of the change in net assets.

Property and Equipment
Property and equipment, consisting primarily of buildings, land, office furniture and equipment, are stated at cost, or at fair value, if contributed. It is the Organization's policy to capitalize expenditures in excess of $500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Small tools, maintenance and repairs are charged against income as incurred, and additions, renewals and improvements that materially extend the life of the asset are capitalized. The following useful lives are assigned to the asset groups:

Office equipment	5 years
Furniture	7 years
Buildings	40 years

Income Taxes
The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Continuance of such exemption is subject to compliance with regulations and review of activities by taxing authorities. The Organization is not aware of any transactions that would affect its tax-exempt status. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Functional Expenses
The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their nature and expenditure classification. Other expenses that are common to several functions are allocated by statistical means.

Donated Services and Materials
The Organization records various types of in-kind support, including services, materials, supplies, fundraising expenses and other tangible assets. Generally accepted accounting principles requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Some services received by the Organization in providing service to clients do meet the criteria while other services provided in the office and at special events do not. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

The Organization received contributed professional services during the year ended December 31, 2013, with a fair value on the dates of donation of $17,430.

The Organization received contributed materials, supplies, fundraising and other tangible assets during the year ended December 31, 2013, with a fair value on the dates of donation of $1,603,052.

In addition, a number of volunteers have donated approximately 12,500 hours to the Organization's program and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

Date of Management's Review
Subsequent events have been evaluated through January 14, 2015, which is the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents includes the following at December 31, 2013:

Unrestricted	$ 268,530
Temporarily restricted	1,111,712
	$ 1,380,242

Note 3 – Concentration of Credit Risk from Cash Deposits in Excess of Insured Limits

The Organization maintains its cash and equivalents at several financial institutions in Western North Carolina that are insured by the Federal Deposit Insurance Corporation. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000 at December 31, 2013. The uninsured balance was approximately $883,095 at December 31, 2013.

Note 4 – Investments and Fair Value

Investments in marketable securities as of December 31, 2013 is summarized as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
Equities	$ 559,474	$ 621,652	$ 62,178
Total	$ 559,474	$ 621,652	$ 62,178

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013:

	Unrestricted
Dividends	$ 13,393
Interest	1,693
Realized gains (losses)	(1,411)
Unrealized gains (losses)	20,847
Total investment return	$ 34,522

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

The following table represents the Organization's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2013.

Fair Value Measurements on a Recurring Basis as of December 31, 2013

Assets:	Level 1	Level 2	Level 3
Investments	$ 621,652	$ -	$ -

Fair Value Measurements at December 31, 2013 Using Quoted Price Inputs (Level 1)

	Level 1
Total gains or losses (realized/unrealized)	
Included in revenue as realized gains/(losses)	$ (1,411)
Included in revenue as unrealized gains/(losses)	20,847
	$ 19,436

Note 5 – Property and Equipment

The following is a summary of property and equipment as of December 31, 2013:

Equipment and Furniture	$ 291,420
Land	2,121,600
Building	5,055,211
Leasehold improvements in process	14,895
	7,483,126
Less: accumulated depreciation	(729,381)
Total	$ 6,753,745

Depreciation expense for the years ended December 31, 2013 was $168,929.

Note 6 – Pension Plan

The Organization established a SIMPLE individual retirement plan for the employees. The employees contribute a percentage of their gross payroll and the Organization matching that contribution dollar for dollar up to three percent. For the years ended December 31, 2013, the Organization contributed $5,194 to the plan.

Note 7 – Long Term Debt

On October 31, 2008, the Organization entered into a promissory note with Mr. Joe Eblen, the founder of Eblen Charities, for the purchase of 3.807 acres of land at a price of $570,000. The note called for interest at a rate of 6% and a term of thirty years. Monthly payments of principal and interest were to commence at such time that the Eblen Center for Social Enterprise was rented or leased to others for events. The note and associated land were not recorded in 2008 and have been recorded in these financial statements as a prior period adjustment. On May 31, 2013, Mrs. Roberta Eblen, the widow of Mr. Eblen, signed a Release of Note as a gift to Eblen Charities. The release is reflected in these financial statements as a Contribution Realized by Debt Forgiveness.

On May 30, 2008, the Organization secured a note in the amount of $1,000,000 to begin construction of the Eblen Center for Social Enterprise. This note required interest payments only. On October 30, 2008, the Organization secured the construction loan for the facility in the amount of $4,000,000. From the proceeds of this loan, the initial loan of $1,000,000 was paid in full. Payments of interest only were due monthly through November 1, 2011, at which time the loan matured. The terms were amended on January 20, 2012, extending the maturity date to August 1, 2012. The Organization continued to make monthly interest payments. Interest expense for 2013 is $201,176. The loan is collateralized by the real estate. At December 31, 2013, the outstanding principal balance was $3,720,970. The following represents the five year maturities of long term debt:

2014	$ 3,720,970

At December 31, 2013, the Organization was in default in the performance of the obligations of the loan by failing to meet the Debt Service Coverage Ratio of 1.25 to 1.00.

Subsequent Event - On January 13, 2014, the Organization sold the building and 7.553 acres of land to an unrelated party at the price of $1.5 million. The realized loss on the sale is $4.7 million. The bank accepted $1.4 million against the debt to release the property for sale. This resulted in income for the forgiveness of the debt of $2.3 million.

Note 8 – Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2013, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Note 9 – Operating Lease Commitment

The Organization leases office space at Westgate Plaza. The lease commenced on September 1, 2013 at a monthly rate of $3,997, for a term of sixty months. With the expansion into adjoining space, the monthly rental increased to $4,413.

On January 30, 2009, the Organization entered into a lease for office equipment. The lease term is 60 months at $366 per month.

On February 11, 2014, the Organization entered into a lease for office equipment. The lease term is 60 months at $131 per month.

The future minimum rentals under these agreements are:

2014	$58,792
2015	$54,533
2016	$54,533
2017	$54,533
2018	$36,879

Note 10– Temporarily Restrictions on Net Assets

At December 31, 2013, temporarily restricted net assets are available for the following purposes:

Housing grants	$	(3,945)
Other grants		41,241
County contracts		818,753
Partnerships with Businesses for Employee Assistance		262,847
Private Individuals		94,095
Other restricted contributions		116,507
	$	1,329,498

Note 11– Prior Period Adjustments

An analysis of the land owned by the Organization was prepared and several adjustments were determined to be necessary. It was determined that a lot in the Walnut Cove community required an adjustment for the decline in market value that occurred in a prior year. It was also determined that two other parcels had not been recorded in the Organization's books when the deeds were recorded. The following reflects the adjustments to the beginning balances:

	Land	Unrestricted Net Assets
Balance at beginning of year, as originally stated	$ 1,996,500	$ 4,016,313
Reduce value of Avondale Circle lot to tax value	(754,900)	(754,900)
Record 2.473 acres of land received by donation in 2004	310,000	310,000
Record purchase of 3.807 acres of land in 2008	570,000	570,000
Record money purchase note in 2008		(570,000)
Balance at beginning of year, as restated	$ 2,121,600	$ 3,571,413