



**Financial Statements**  
**For the year ended December 31, 2014**

# 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, 2014, 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, 2014, 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  
February 3, 2016

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**Eblen Charities, Inc.**  
**Statement of Financial Position**  
**December 31, 2014**

<b>Assets</b>	
<b>Current Assets</b>	
Cash and equivalents	\$ 1,280,201
Investments in marketable securities	686,568
Accounts receivable	19,112
	1,985,881
<b>Capital Assets</b>	
Property and equipment, net of accumulated depreciation	600,218
	600,218
<b>Total Assets</b>	<b>\$ 2,586,099</b>
 <b>Liabilities and Net Assets</b>  	
<b>Current Liabilities</b>	
Capital lease payable, current portion	\$ 1,462
Accounts payable	35,472
Payroll taxes payable	1,247
Unearned grant revenue	403,546
	441,727
<b>Longterm Liabilities</b>	
Capital lease obligation, net of current portion	7,404
	7,404
<b>Total Liabilities</b>	449,131
<b>Net Assets</b>	
Unrestricted	1,316,755
Temporarily restricted	820,213
	820,213
<b>Total Net Assets</b>	<b>2,136,968</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,586,099</b>

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

**Eblen Charities, Inc.**  
**Statement of Activities**  
**For the year ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
Contributions	\$ 518,102	\$ -	\$ 518,102
Donor designated contributions, including promises to give	-	611,819	611,819
Fees for service	228,792	-	228,792
Grants	1,984,887	108,938	2,093,825
Fundraising	379,659	-	379,659
Interest income	211	-	211
Dividend income	15,446	-	15,446
Realized gains on investments	16,194	-	16,194
Unrealized loss on investments	(3,014)	-	(3,014)
Miscellaneous income	15,892	-	15,892
In-kind contributions:			
Program services	742,839	-	742,839
General and administrative	31,692	-	31,692
Fundraising	90,469	-	90,469
Net assets released from restrictions	496,579	(496,579)	-
	<u>4,517,748</u>	<u>224,178</u>	<u>4,741,926</u>
<b>Expenses</b>			
Program services	3,980,713	-	3,980,713
Supporting services			
General and administrative	153,157	-	153,157
Fundraising	322,806	-	322,806
	<u>4,456,676</u>	<u>-</u>	<u>4,456,676</u>
Total expenses	<u>4,456,676</u>	<u>-</u>	<u>4,456,676</u>
Change in net assets from operations	61,072	224,178	285,250
<b>Other Changes</b>			
Gain from debt forgiveness	2,454,195	-	2,454,195
Loss on sale of assets	(4,777,808)	-	(4,777,808)
	<u>(2,323,613)</u>	<u>-</u>	<u>(2,323,613)</u>
Total other changes	<u>(2,323,613)</u>	<u>-</u>	<u>(2,323,613)</u>
Change in net assets	(2,262,541)	224,178	(2,038,363)
Net assets, beginning of year, as restated	3,579,296	596,035	4,175,331
Net assets, end of year	<u>\$ 1,316,755</u>	<u>\$ 820,213</u>	<u>\$ 2,136,968</u>

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

**Eblen Charities, Inc.**  
**Statement of Functional Expenses**  
**For the year ended December 31, 2014**

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Assistance payments					
Direct:					
Utilities/telephone/heating	\$ 2,004,605	\$ -	\$ -	\$ -	\$ 2,004,605
Medical	46,849	-	-	-	46,849
Dental	16,074	-	-	-	16,074
Emergency	31,980	-	-	-	31,980
Housing	285,033	-	-	-	285,033
Travel	36,071	-	-	-	36,071
Specific assistance to groups	-	-	-	-	-
Insurance	28,176	-	-	-	28,176
Clothing	67,113	-	-	-	67,113
Other	107,820	-	-	-	107,820
Inkind	742,839	-	-	-	742,839
Total assistance payments	3,366,560	-	-	-	3,366,560
In-kind expenses	-	31,692	90,469	122,161	122,161
Salaries	339,727	86,123	51,148	137,271	476,998
Payroll taxes	26,606	6,745	4,006	10,751	37,357
Employee benefits	22,380	5,673	3,369	9,043	31,423
Fees & licenses	1,414	-	-	-	1,414
Fundraising	-	-	158,483	158,483	158,483
Office	61,420	7,678	7,678	15,355	76,775
Rent and Utilities	61,226	7,653	7,653	15,306	76,532
Professional fees	-	7,593	-	7,593	7,593
Service charges	15,243	-	-	-	15,243
Travel	499	-	-	-	499
Postage	4,261	-	-	-	4,261
Telephone	11,726	-	-	-	11,726
Other	32,149	-	-	-	32,149
Interest	12,915	-	-	-	12,915
Depreciation	24,587	-	-	-	24,587
	<u>\$ 3,980,713</u>	<u>\$ 153,157</u>	<u>\$ 322,806</u>	<u>\$ 475,963</u>	<u>\$ 4,456,676</u>

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

**Eblen Charities, Inc.**  
**Statement of Cash Flows**  
**For the year ended December 31, 2014**

<b>Cash flows from operating activities</b>	
Change in net assets	\$ (2,038,363)
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
Depreciation	24,587
Realized (gain) loss on investments	(16,194)
Unrealized (gain) loss on investments	3,014
Loss on disposal of fixed assets	4,777,808
Contribution realized by debt forgiveness	(2,454,195)
Changes in operating assets and liabilities:	
Increase in accounts receivable	15,051
Increase in accounts payable	(3,918)
Decrease in payroll taxes payable	(2,475)
Decrease in unearned revenue	<u>(329,917)</u>
Net cash used by operating activities	<u>(24,602)</u>
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	179,614
Purchase of investments	(231,350)
Proceeds from sale of property and equipment	1,411,530
Acquisition of property and equipment	<u>(50,697)</u>
Net cash provided by investing activities	<u>1,309,097</u>
<b>Cash flows from financing activities</b>	
Payments of capital lease	(834)
Payments of long term debt	<u>(1,383,702)</u>
Net cash used by financing activities	<u>(1,384,536)</u>
<b>Net decrease in cash and cash equivalents</b>	(100,041)
<b>Cash and cash equivalents, beginning of year</b>	1,380,242
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,280,201</u></u>
<b>Supplementary Information</b>	
Interest paid	<u><u>\$ -</u></u>
Schedule of noncash investing and financing transactions	
Assets acquired under capital lease	<u><u>\$ 9,700</u></u>

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** - Realizing that living with the effects of illnesses and disabilities reaches further than the need for medication; the Emergency Assistance Program reaches out to provide help in other areas that families may need.
- **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. Grants that are considered exchange transactions are reported as revenue when they are earned.

**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. Continuation 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 2012, 2013, and 2014 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 materials, supplies, fundraising and other tangible assets during the year ended December 31, 2014, with a fair value on the dates of donation of \$865,000.

In addition, a number of volunteers have donated approximately 12,400 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 February 3, 2016, 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, 2014:

Unrestricted	\$ 235,058
Temporarily restricted	1,045,143
	<u>\$ 1,280,201</u>

### 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, 2014. The uninsured balance was approximately \$760,183 at December 31, 2014.

### Note 4 – Investments and Fair Value

Investments in marketable securities as of December 31, 2014 is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	<u>\$ 627,404</u>	<u>\$ 686,568</u>	<u>\$ 59,164</u>

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, 2014.

<u>Fair Value Measurements on a Recurring Basis as of December 31, 2014</u>			
Assets:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 686,568</u>	<u>\$ -</u>	<u>\$ -</u>

#### Fair Value Measurements at December 31, 2014 Using Quoted Price Inputs (Level 1)

	<u>Level 1</u>
Total gains or losses (realized/unrealized)	
Included in revenue as realized gains/(losses)	\$ 16,194
Included in revenue as unrealized gains/(losses)	(3,014)
	<u>\$ 13,180</u>

## Note 5 – Property and Equipment

The following is a summary of property and equipment as of December 31, 2014:

Equipment and Furniture	\$ 166,406
Land	482,122
Leasehold improvements in process	57,364
	<u>705,892</u>
Less: accumulated depreciation	(105,674)
Total	<u>\$ 600,218</u>

Depreciation expense for the year ended December 31, 2014 was \$24,587.

### Building Sale and Forgiveness of Debt

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 \$4,729,598. The bank accepted \$1,396,616 against the debt to release the property for sale. This resulted in income for the forgiveness of the debt, including principal plus accrued interest of \$2,454,195. As a result of the building sale, a portion of the furniture and equipment was relocated to the Organization's main office and the remaining was placed with a consignor for resale. This resulted in a realized loss of \$48,210.

## 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 matches that contribution dollar for dollar up to three percent. For the year ended December 31, 2014, the Organization contributed \$6,110 to the plan.

## Note 7 – Unearned Revenue

Grants received as exchange transactions are recorded as revenue when they are earned. At December 31, 2014, the following is a summary of unearned revenue:

	Unearned Revenue
Crisis Intervention Program	\$ 76,682
Duke Merger Funds	16,932
Emergency Assistance Program	6,853
LiEAP	303,079
	<u>\$ 403,546</u>

## Note 8 – Capital Lease

Equipment under capital lease consists of a telephone system with a total cost of \$9,700. Accumulated depreciation in the statement of financial position included \$1,293 related to this equipment. Depreciation expense reported in the statement of activities includes \$1,293 for the equipment under capital lease. The lease includes a \$1 purchase option at the end of the lease period. Future minimum lease payments are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2015	\$ 3,005
2016	3,005
2017	3,005
2018	3,005
2019	1,002
Total future minimum lease payments	<u>13,022</u>
Less: amounts representing interest	<u>(4,156)</u>
Present value of net minimum lease payments	8,866
Less: non-current portion	<u>(7,404)</u>
Current portion	<u>\$ 1,462</u>

### Note 9 – 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, 2014, 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 10 – 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 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:

2015	\$54,533
2016	\$54,533
2017	\$54,533
2018	\$36,879
2019	\$ 131

### Note 11– Temporarily Restrictions on Net Assets

At December 31, 2014, temporarily restricted net assets are available for the following purposes:

Other grants	\$	114,901
County contracts		12,152
Partnerships with Businesses for Employee Assistance		423,093
Private Individuals		247,282
Other restricted contributions		22,785
	\$	<u>820,213</u>

### Note 12– Related Party Transactions

The Organization purchases materials, supplies and services from entities owned or related to some members of Board of Directors and the Advisory Board. These items are, in most cases, offered to the Organization at a discounted rate. Total purchases of materials, supplies and services from related parties was \$36,191. In addition, one board member owns rental properties that have tenants that are clients of the Organization. Eligibility for rental assistance is determined based upon criteria applied to the client without regard to the identity of the landlord. Total rental assistance provided to tenants of the board member was \$3,282.

**Note 13– Prior Period Adjustment**

It was determined that certain contracts with Buncombe County for the distribution of financial aid to clients requires return of the undistributed funds as of a designated date in the contract. Therefore, the grant dollars provided with this contracts are deemed to be exchange transactions and are not earned until they are provided to third party recipients. The following reflects the adjustments to the beginning balances:

	Unearned Revenue	Temporarily Restricted Net Assets
Balance at beginning of year, as originally stated	\$ -	\$ 1,329,498
Record beginning of year unearned revenue		
Crisis Intervention Program	139,585	(139,585)
Emergency Assistance Program	9,209	(9,209)
LiEAP	584,669	(584,669)
Balance at beginning of year, as restated	<u>\$ 733,463</u>	<u>\$ 596,035</u>

**Note 13– Formation of Limited Liability Company**

On September 9, 2015, the Organization formed a single member LLC, the Asheville-Buncombe Educational Housing LLC. The purpose of this LLC is to construct and manage an apartment complex that will provide lower cost housing to teachers in Buncombe County. This will be in partnership with Buncombe County, who has verbally committed to provide the land for the project under a 99 year lease, with an annual cost of \$1. The LLC will be responsible for property management and debt services costs, with any net earnings each year remaining, to revert to the Organization for operations and client assistance.

At the date of this report, there are no contractual agreements or commitments related to this project.