



Financial Statements
For the year ended December 31, 2015

Eblen Charities
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BURLESON & EARLEY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Eblen Charities
Asheville, North Carolina

We have audited the accompanying financial statements of Eblen Charities (a non-profit corporation) which comprise the statement of financial position as of December 31, 2015, 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 as of December 31, 2015, 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
August 9, 2016

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EBLEN CHARITIES
Statement of Financial Position
December 31, 2015

Assets	
Current Assets	
Cash and equivalents	\$ 1,482,974
Investments in marketable securities	551,718
Accounts receivable	20,045
	2,054,737
Capital Assets	
Property and equipment, net of accumulated depreciation	569,355
	569,355
Total Assets	\$ 2,624,092
 Liabilities and Net Assets	
Current Liabilities	
Capital lease payable, current portion	\$ 1,789
Accounts payable	58,046
Payroll and taxes payable	13,278
Unearned grant revenue	504,612
	577,725
Longterm Liabilities	
Capital lease obligation, net of current portion	5,481
	5,481
Total Liabilities	583,206
Net Assets	
Unrestricted	1,289,014
Temporarily restricted	751,872
	2,040,886
Total Net Assets	2,040,886
Total Liabilities and Net Assets	\$ 2,624,092

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

Eblen Charities, Inc
Statement of Activities
For the year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support			
Contributions	\$ 510,804	\$ -	\$ 510,804
Donor designated contributions		425,143	425,143
Grants	158,961	1,962,795	2,121,756
Fundraising	313,118	7,063	320,181
Interest income	33	3	37
Dividend income	18,794		18,794
Realized gains on investments	2,883		2,883
Unrealized loss on investments	(29,098)		(29,098)
Miscellaneous income	2,779	359	3,137
In-kind contributions:			-
Program services	1,715,170		1,715,170
General and administrative	24,067		24,067
Fundraising	135,595		135,595
Net assets released from restrictions:			
Restrictions satisfied by payments	2,328,584	(2,328,584)	-
Expiration of time restrictions	135,120	(135,120)	-
	<u>5,316,810</u>	<u>(68,341)</u>	<u>5,248,469</u>
Expenses			
Program services	4,797,972		4,797,972
Supporting services			-
General and administrative	230,155		230,155
Fundraising	316,424		316,424
	<u>5,344,551</u>	<u>-</u>	<u>5,344,551</u>
Total expenses	<u>5,344,551</u>	<u>-</u>	<u>5,344,551</u>
Change in net assets	(27,742)	(68,341)	(96,083)
Net assets, beginning of year	<u>1,316,755</u>	<u>820,213</u>	<u>2,136,968</u>
Net assets, end of year	<u>\$ 1,289,014</u>	<u>\$ 751,872</u>	<u>\$ 2,040,886</u>

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

Eblen Charities
Statement of Functional Expenses
For the year ended December 31, 2015

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Assistance payments					
Direct:					
Utilities/telephone/heating	\$ 1,820,496	\$ -	\$ -	\$ -	\$ 1,820,496
Medical	48,434	-	-	-	48,434
Dental	18,439	-	-	-	18,439
Emergency	29,169	-	-	-	29,169
Housing	232,519	-	-	-	232,519
Travel	119,364	-	-	-	119,364
Insurance	42,842	-	-	-	42,842
Clothing	65,089	-	-	-	65,089
Other	175,275	-	-	-	175,275
In-kind	1,715,170	-	-	-	1,715,170
Total assistance payments	4,266,797	-	-	-	4,266,797
In-kind expenses	-	24,067	135,595	159,662	159,662
Salaries	302,638	124,898	52,841	177,739	480,377
Payroll taxes	25,116	10,365	4,385	14,750	39,866
Employee benefits	21,054	8,689	3,676	12,365	33,419
Fees & licenses	3,315	-	-	-	3,315
Fundraising	-	-	104,816	104,816	104,816
Office	42,359	17,482	7,396	24,878	67,237
Rent and Utilities	44,189	18,237	7,715	25,952	70,141
Professional fees	-	26,417	-	26,417	26,417
Service charges	10,331	-	-	-	10,331
Travel	3,340	-	-	-	3,340
Postage	3,667	-	-	-	3,667
Telephone	11,515	-	-	-	11,515
Other	32,784	-	-	-	32,784
Depreciation	30,867	-	-	-	30,867
	<u>\$ 4,797,972</u>	<u>\$ 230,155</u>	<u>\$ 316,424</u>	<u>\$ 546,579</u>	<u>\$ 5,344,551</u>

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

Eblen Charities
Statement of Cash Flows
For the year ended December 31, 2015

Cash flows from operating activities	
Change in net assets	\$ (96,082)
Adjustments to reconcile excess revenues over expenses to net cash provided by operating activities:	
Depreciation	30,863
Realized (gain) loss on investments	(2,883)
Unrealized (gain) loss on investments	29,098
Changes in operating assets and liabilities:	
Increase in accounts receivable	(933)
Increase in accounts payable	22,574
Increase in payroll and taxes payable	12,031
Increase in unearned revenue	<u>101,066</u>
Net cash provided by operating activities	<u>95,734</u>
Cash flows from investing activities	
Proceeds from sale of investments	504,503
Purchase of investments	<u>(395,868)</u>
Net cash provided by investing activities	<u>108,635</u>
Cash flows from financing activities	
Payments of capital lease	<u>(1,596)</u>
Net cash used by financing activities	<u>(1,596)</u>
Net increase in cash and cash equivalents	202,773
Cash and cash equivalents, beginning of year	1,280,201
Cash and cash equivalents, end of year	<u><u>\$ 1,482,974</u></u>

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

Eblen Charities
Notes to the Financial Statements

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

Nature of Organization

Eblen Charities (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. 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 2013, 2014, and 2015 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, 2015, with a fair value on the dates of donation of \$1,874,832.

In addition, a number of volunteers have donated 11,626 hours to the Organization's program and support services at a total value of \$254,377. These in-kind contributions 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 August 9, 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, 2015:

Unrestricted	\$ 229,431
Temporarily restricted	1,253,543
	<u>\$ 1,482,974</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, 2015. The uninsured balance was approximately \$898,094 at December 31, 2015.

Note 4 – Investments and Fair Value

Investments in marketable securities as of December 31, 2015 is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Equities	<u>\$ 521,651</u>	<u>\$ 551,718</u>	<u>\$ 30,067</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, 2015.

<u>Fair Value Measurements on a Recurring Basis as of December 31, 2015</u>			
Assets:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments	<u>\$ 551,718</u>	<u>\$ -</u>	<u>\$ -</u>

Fair Value Measurements at December 31, 2015 Using Quoted Price Inputs (Level 1)

	<u>Level 1</u>
Total gains or losses (realized/unrealized)	
Included in revenue as realized gains/(losses)	\$ 2,883
Included in revenue as unrealized gains/(losses)	(29,098)
	<u>\$ (26,215)</u>

Note 5 – Property and Equipment

The following is a summary of property and equipment as of December 31, 2015:

Equipment and Furniture	\$	166,406
Land		482,122
Leasehold improvements		57,367
		<u>705,895</u>
Less: accumulated depreciation		<u>(136,540)</u>
Total	\$	<u><u>569,355</u></u>

Depreciation expense for the year ended December 31, 2015 was \$30,867.

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, 2015, the Organization contributed \$6,678 to the plan.

Note 7 – Unearned Revenue

Grants received as exchange transactions are recorded as revenue when they are earned. At December 31, 2015, the following is a summary of unearned revenue:

	Unearned Revenue
Crisis Intervention Program	\$ 15,911
Duke Merger Funds	15
Emergency Assistance Program	132,191
FEMA	85
LIEAP	356,410
	<u>\$ 504,612</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 \$3,233 related to this equipment. Depreciation expense reported in the statement of activities includes \$1,940 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 December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,789	\$1,216	\$3,005
2017	2,155	850	3,005
2018	2,597	408	3,005
2019	<u>729</u>	<u>23</u>	<u>752</u>
Total future minimum lease payments	\$7,270	\$2,497	\$9,767
Less: non-current portion	<u>(5,481)</u>	<u>(1,281)</u>	<u>(6,762)</u>
Current portion	<u>\$1,789</u>	<u>\$1,216</u>	<u>\$3,005</u>

Note 9 – Grant Revenues

Grant revenues are recognized as temporarily restricted in the following program areas:

Temporarily restricted:	
LiEAP	\$ 978,600
Emergency Assistance	393,525
Crisis Intervention	327,786
Duke Merger	99,072
Graduation Initiative	50,000
Project Share/Energy Neighbors	32,081
FEMA/EFS	29,796
Dental Contract	24,000
Relocation Housing	15,965
Community Service Navigator	10,000
Helping Each Member Cope	1,970
	<u>\$ 1,962,795</u>

Program administration fees were recognized by the Organization in the amount of \$158,961 and are presented as unrestricted grant revenues.

Note 10 – 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, 2015, 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 11 – 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:

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

Note 12– Temporarily Restrictions on Net Assets

At December 31, 2015, temporarily restricted net assets are available for the following purposes:

Donor Designated	\$ 112,950
Government Programs & Contracts	146,470
Partnerships with Businesses for Employee Assistance	369,504
Private Individuals	127,138
Other	(4,190)
	<u>\$ 751,872</u>

Note 13– 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 \$12,091. 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 \$600.

Note 14–Formation of a 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. 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.

Note 15 - Subsequent Events

On February 5, 2016, Buncombe County conveyed to the Asheville-Buncombe Educational Housing LLC, under a general warranty deed, two tracts of land, totaling 4.799 acres. The tax value of these tracts is \$55,600.

On July 21, 2016, the LLC was approved for a construction loan in an amount up to \$2.835 million. On July 26, 2016, the LLC entered into a construction contract for \$2,759,927.43.