

Eblen Charities, Inc. and Affiliate

Consolidated Financial Statements

Years Ended December 31, 2019 and 2018

Table of Contents

Independent Auditors' Report 1

Consolidated Financial Statements:

 Consolidated Statements of Financial Position 3

 Consolidated Statements of Activities 4

 Consolidated Statements of Functional Expenses 5

 Consolidated Statements of Cash Flows 6

 Notes to Consolidated Financial Statements 7

Supplementary Information:

 Consolidating Statement of Financial Position 18

 Consolidating Statement of Activities 19



Independent Auditors' Report

Board of Directors
Eblen Charities, Inc. and Affiliate
Asheville, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eblen Charities, Inc. and Affiliate, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and functional expenses for the year ended December 31, 2019, and the statements of cash flows for the years ended December 31, 2019 and 2018, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Eblen Charities, Inc. and Affiliate as of December 31, 2019 and 2018, and the results of operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Organization adopted FASB ASU 2018-08, Not-for-Profit Entities (Topic 958-605): *Not-for-Profit Entities Revenue Recognition* in 2019. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Eblen Charities, Inc. and Affiliate 2018 consolidated financial statements, and our report dated September 12, 2019, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statement from which it has been derived.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as a whole. The consolidating information presented in the supplemental schedules on pages 17 and 18 is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management, 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 supplemental schedules are 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 a report dated June 25, 2020, on our consideration of Eblen Charities, Inc. and Affiliate'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 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 internal control over financial reporting or on compliance. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eblen Charities, Inc. and Affiliate's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

**Asheville, North Carolina
June 25, 2020**

Eblen Charities, Inc. and Affiliate
Consolidated Statements of Financial Position

December 31, 2019 and 2018

	2019	As Adjusted 2018
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 434,592	\$ 576,250
Restricted Cash	1,821,910	1,671,327
Contributions Receivable, Net	28,843	40,619
Total Current Assets	2,285,345	2,288,196
<u>Long-Term Assets</u>		
Investments	593,868	523,632
Property and Equipment, Net	3,263,921	3,345,216
Total Long-Term Assets	3,857,789	3,868,848
Total Assets	\$ 6,143,134	\$ 6,157,044
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 21,449	\$ 73,212
Accrued Salaries and Payroll Taxes	19,991	23,149
Capital Lease Payable, Current Portion	-	866
Notes Payable, Current Portion	173,250	189,000
Total Current Liabilities	214,690	286,227
<u>Long-Term Liabilities</u>		
Notes Payable, Net of Discount	1,594,267	1,685,814
Total Liabilities	1,808,957	1,972,041
<u>Net Assets</u>		
Net Assets Without Donor Restrictions	2,850,830	2,896,749
Net Assets With Donor Restrictions	1,483,347	1,288,254
Total Net Assets	4,334,177	4,185,003
Total Liabilities and Net Assets	\$ 6,143,134	\$ 6,157,044

See accompanying notes.

Eblen Charities, Inc. and Affiliate
Consolidated Statements of Activities

Years Ended December 31, 2019 (with Comparative Totals for 2018)

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	2019 Total	Adjusted 2018 Total Summarized Information
<u>Support</u>				
Grants	\$ -	\$ 2,656,115	\$ 2,656,115	\$ 2,593,260
Contributions	271,302	306,314	577,616	1,496,256
Program Income	662,040	-	662,040	812,884
Investment Gains (Losses)	79,745	-	79,745	(22,376)
In-Kind Contributions	668,720	-	668,720	719,282
Rental Income	237,075	-	237,075	232,353
Other Income	27,662	-	27,662	118,460
Net Assets Released From Restrictions	2,767,336	(2,767,336)	-	-
Total Support	4,713,880	195,093	4,908,973	5,950,119
<u>Expenses</u>				
Program Services	4,306,247	-	4,306,247	4,433,704
Management and General	90,709	-	90,709	89,451
Fundraising	362,843	-	362,843	231,544
Total Expenses	4,759,799	-	4,759,799	4,754,699
Change in Net Assets	(45,919)	195,093	149,174	1,195,420
Net Assets, Beginning of Year	2,896,749	1,288,254	4,185,003	2,989,583
Net Assets, End of Year	\$ 2,850,830	\$ 1,483,347	\$ 4,334,177	\$ 4,185,003

See accompanying notes.

Eblen Charities, Inc. and Affiliate
Consolidated Statements of Functional Expenses
Years Ended December 31, 2019 (with Comparative Totals for 2018)

	Program Services		Supporting Services			2019 Total Expenses	2018 Total Expenses Summarized Information
	Eblen Charities	Asheville Buncombe Educational Housing LLC	General and Administrative	Fundraising	Total		
Assistance Payments							
Direct:							
Utilities/telephone/heating	\$ 2,257,646	\$ -	\$ -	\$ -	\$ -	\$ 2,257,646	\$ 2,205,976
Medical	37,615	-	-	-	-	37,615	38,376
Dental	5,281	-	-	-	-	5,281	11,815
Emergency	(293)	-	-	-	-	(293)	2,202
Housing	289,535	-	-	-	-	289,535	301,711
Travel	2,684	-	-	-	-	2,684	1,199
Insurance	9,271	-	-	-	-	9,271	9,436
Clothing	21,515	-	-	-	-	21,515	40,820
Other	218,980	-	-	-	-	218,980	186,062
In-kind	436,605	-	-	-	-	436,605	641,187
Total Assistance Payments	<u>3,278,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,278,839</u>	<u>3,438,784</u>
In-kind Expenses	-	-	433	231,682	232,115	232,115	78,095
Salaries	441,950	-	42,507	17,376	59,883	501,833	501,780
Payroll Taxes	33,992	-	3,136	1,334	4,470	38,462	38,635
Employee Benefits	41,199	-	3,963	1,620	5,583	46,782	36,148
Fees & Licenses	5,634	-	-	-	-	5,634	4,261
Fundraising	-	-	-	105,953	105,953	105,953	127,085
Office	52,780	49,987	5,076	2,075	7,151	109,918	124,841
Rent and Utilities	71,287	-	6,856	2,803	9,659	80,946	91,695
Professional Fees	-	-	28,738	-	28,738	28,738	26,396
Service Charges	16,562	-	-	-	-	16,562	15,756
Travel	3,025	-	-	-	-	3,025	4,470
Postage	3,984	-	-	-	-	3,984	3,884
Telephone	39,394	-	-	-	-	39,394	16,871
Other	82,817	6,049	-	-	-	88,866	61,689
Interest Expense	-	97,453	-	-	-	97,453	102,966
Depreciation	8,920	72,375	-	-	-	81,295	81,343
	<u>\$ 4,080,383</u>	<u>\$ 225,864</u>	<u>\$ 90,709</u>	<u>\$ 362,843</u>	<u>\$ 453,552</u>	<u>\$ 4,759,799</u>	<u>\$ 4,754,699</u>

See accompanying notes.

Eblen Charities, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018

<u>Cash Flows from Operating Activities</u>	<u>2019</u>	<u>2018</u>
Change in Net Assets	\$ 149,174	\$ 1,195,420
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	81,295	81,343
Amortization of Discount	97,453	102,966
Realized gain on investments	(12,007)	(21,090)
Unrealized (gain)/loss on investments	(55,520)	54,270
Net change in:		
Contributions Receivable, net	11,776	(10,890)
Accounts Payable	(51,763)	8,529
Accrued Salaries and Payroll Taxes	(3,158)	7,078
Unearned Grant Revenue	-	(430,555)
Net Cash Provided by Operating Activities	<u>217,250</u>	<u>987,071</u>
 <u>Cash Flows from Investing Activities</u>		
Purchases of investments	(11,997)	-
Deposits (withdrawals) from investment account	9,288	(13,248)
Net Cash Used by Investing Activities	<u>(2,709)</u>	<u>(13,248)</u>
 <u>Cash Flows from Financing Activities</u>		
Payments of capital lease	(866)	(2,597)
Payment on notes payable	(204,750)	(189,000)
Net Cash Used by Financing Activities	<u>(205,616)</u>	<u>(191,597)</u>
 Net Change in Cash and Cash Equivalents	8,925	782,226
 Cash and Cash Equivalents, Beginning of Year	<u>2,247,577</u>	<u>1,465,351</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$ 2,256,502</u></u>	<u><u>\$ 2,247,577</u></u>

See accompanying notes.

Notes to Consolidated Financial Statements

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.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

Principles of Consolidation

The consolidated financial statements include the assets and liabilities and results of operations of Eblen Charities, Inc. and Asheville Buncombe Educational Housing, LLC, collectively referred to as the "Organization". All inter-entity transactions and balances have been eliminated in consolidation.

Revenue and Other Support

Grants and other contributions of cash and other assets are reported as 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Grants that are considered non-exchange transactions are reported as conditional or unconditional revenue when they are received. Rental income earned through Asheville Buncombe Educational Housing, LLC is recorded as unrestricted income.

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.

Contributions Receivable

Contributions receivable consists of promises to give, are recorded as contributions without restriction in the consolidated statements of financial position or direct additions to net assets with donor restriction, if restricted by the donor or time, net of any allowances for doubtful accounts.

Allowance for Doubtful Accounts

Doubtful accounts are accounted for using the allowance method. The allowance is increased or decreased based upon management's evaluation, by provisions to bad debt expense charged to income. Uncollectible balances are written off against the allowance. Recoveries of previously written off balances are credited to income.

Investments in Marketable Securities

The investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair market value based on quoted market prices in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the Consolidated Statement of Activities as a component of the change in net assets.

Fair value measurements

Fair value as defined under GAAP is an exit price, representing 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. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used when measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

The Organization has adopted the provisions of the fair value option for financial assets and financial liabilities, which permits entities to choose to measure eligible items at fair value at specified election dates. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date occurs), and (iii) is applied only to entire instruments and not to portions of instruments. The Organization elected the fair value option for their investments, and as such these securities are treated as trading securities. Unrealized gains or losses are reported within the performance indicator, 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 \$5,000. 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 and depreciated over their useful lives. Upon disposition of equipment, the asset and related accumulated depreciation accounts are relieved and any related gain or loss is credited or charged to general expenses. 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.

Net assets

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation.

Net Assets With Donor Restrictions – Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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. GAAP 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

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

reflected in the accompanying consolidated 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 years ended December 31, 2019 and 2018, with a fair value on the dates of donation of \$668,720 and \$719,282, respectively.

In addition, a number of volunteers have donated 7,447 and 8,077 hours to the Organization’s program and support services at a total value of approximately \$196,000 and \$206,000 for the years ended December 31, 2019 and 2018. These in-kind contributions are not reflected in the consolidated financial statements since these services do not meet the criteria for recognition.

New accounting pronouncements

Revenue from Contracts with Customers

During 2019, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) Topic 958-605, Not-for-Profit Entities Revenue Recognition. ASC Topic 958-605 provides guidance on the recognition and presentation of exchange transactions. It also provides implementation guidance for distinguishing contribution transactions from exchange transactions. FASB Accounting Standards Update No. 2018-08 (“ASU 2018-08”) released in June 2018 clarifies the guidance on whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as either a contribution under ASC 958-605 or an exchange transaction under other guidance (e.g. ASC 606: Revenue from Contracts with Customers). The key determination is whether each party receives and sacrifices commensurate value in an exchange transaction (i.e., whether it is reciprocal). The ASU further clarifies there is no commensurate value when the public receives the primary benefit or in the generation of positive sentiment from acting as a donor. If there is no commensurate value, the transfer of assets is considered a contribution subject to the guidance provided by ASC 958-605 rather than ASC 606.

The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Contributions should be recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions.

The primary revenue stream for the Organization is contributions that do not result in commensurate value for each party since the Organization’s donors do not receive any tangible benefit - just positive sentiment from acting as donor. As such, the funds received are considered contributions and are not subject to ASC 606. Conditional contributions are evaluated and reported as with donor restriction if the restriction is not fulfilled in the current year.

As such, the entity has retrospectively adjusted the prior year consolidated financial statements for the removal of unearned grant revenue recorded on the consolidated statement of financial position and the addition of this amount to net assets with donor restrictions.

	2018		2018
	Previously		(As Adjusted)
	Presented	Adjustment	
<u>Consolidated Statement of Financial Position:</u>			
Unearned grant revenue	\$ 502,932	\$ (502,932)	\$ -
Total current liabilities	\$ 789,159	\$ (502,932)	\$ 286,227
Total liabilities	\$ 2,474,973	\$ (502,932)	\$ 1,972,041
Net assets with donor restriction	\$ 785,322	\$ 502,932	\$ 1,288,254
Total net assets	\$ 3,682,071	\$ 502,932	\$ 4,185,003

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

Consolidated Statement of Activities:

Contributions	\$ 993,324	\$ 502,932	\$ 1,496,256
Total Support	\$ 5,447,187	\$ 502,932	\$ 5,950,119
Change in net assets	\$ 692,488	\$ 502,932	\$ 1,195,420
Net assets, end of year	\$ 3,682,071	\$ 502,932	\$ 4,185,003

Consolidated Statement of Cash Flows:

Change in net assets	\$ 692,488	\$ 502,932	\$ 1,195,420
Unearned grant revenues	\$ 72,377	\$ (502,932)	\$ (430,555)

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. Reclassification did not impact change in net assets.

Subsequent Events

Subsequent events have been evaluated through June 25, 2020, which is the date the consolidated financial statements were available to be issued.

2. Cash and Cash Equivalents

As of December 31:

	<u>2019</u>	<u>2018</u>
Without restriction	\$ 434,592	\$ 576,250
With restriction	<u>1,821,910</u>	<u>1,671,327</u>
Total Cash and Cash Equivalents	<u>\$ 2,256,502</u>	<u>\$ 2,247,577</u>

The restricted cash is restricted by the terms of the contributions and the cash is intended for the Organization's various charitable programs.

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

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

At times, the Organization may have balances in excess of the limits insured under the federal deposit insurance requirements at a certain institution. Management does not consider there to be any material credit risk related to this concentration.

4. Contributions Receivable

Contributions receivable as of December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable:		
Amounts due in less than one year	\$ 28,843	\$ 40,619
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Contributions receivable, net of allowance	<u>\$ 28,843</u>	<u>\$ 40,619</u>

5. Investments and Fair Value

Investments in marketable securities as of December 31, 2019 and 2018 is summarized as follows:

<u>As of December 31, 2019:</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
Equities/Mutual Funds	\$ 283,127	\$ 305,585	\$ 22,458
Fixed Income/Bonds	271,020	277,083	6,063
Cash	<u>11,200</u>	<u>11,200</u>	<u>-</u>
Total Investments	<u>\$ 565,347</u>	<u>\$ 593,868</u>	<u>\$ 28,521</u>
<u>As of December 31, 2018:</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Equities/Mutual Funds	\$ 288,892	\$ 263,320	\$ (25,572)
Fixed Income/Bonds	<u>261,739</u>	<u>260,312</u>	<u>(1,427)</u>
Total Investments	<u>\$ 550,631</u>	<u>\$ 523,632</u>	<u>\$ (26,999)</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.

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

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 Organization'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, 2019 and 2018.

	Assets at Fair Value as of December 31, 2019:		
	Level 1	Level 2	Level 3
Assets:			
Equities/Mutual Funds	\$ 305,585	\$ -	\$ -
Fixed Income/Bonds	<u>277,083</u>	<u>-</u>	<u>-</u>
	<u>\$ 582,668</u>	<u>\$ -</u>	<u>\$ -</u>
	Assets at Fair Value as of December 31, 2018:		
	Level 1	Level 2	Level 3
Assets:			
Equities/Mutual Funds	\$ 263,320	\$ -	\$ -
Fixed Income/Bonds	<u>260,312</u>	<u>-</u>	<u>-</u>
	<u>\$ 523,632</u>	<u>\$ -</u>	<u>\$ -</u>

6. Property and Equipment

The following is a summary of property and equipment as of December 31, 2019 and 2018:

	2019	2018
Land – Eblen Charities, Inc.	\$ 482,122	\$ 482,122
Land – Asheville Buncombe Educational Housing	64,300	64,300
Equipment and Furniture	48,240	48,240
Leasehold improvements	57,368	57,368
Apartment Building – Asheville Buncombe Educational Housing	<u>2,895,000</u>	<u>2,895,000</u>
	\$ 3,547,030	\$ 3,547,030
Less: Accumulated Depreciation	<u>(283,109)</u>	<u>(201,814)</u>
Property and Equipment, Net	<u>\$ 3,263,921</u>	<u>\$ 3,345,216</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$81,295 and \$81,343, respectively.

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

7. Note Payable

A summary of the note payable at December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
State Employees Credit Union loan with monthly payments of \$15,750 beginning December 2017 through November 2032 at 0% interest. This debt was converted from a construction loan to permanent debt in December 2017. Proceeds were used to fund the Asheville Buncombe Educational Housing apartment building. This debt is secured by the apartment building.	\$ 2,425,434	\$ 2,630,184
Unamortized discount	(657,917)	(755,370)
Less: current portion	<u>(173,250)</u>	<u>(189,000)</u>
Note payable, net of discount	<u>\$ 1,594,267</u>	<u>\$ 1,685,814</u>

Annual principal maturities of the note payable is as follows:

2020	\$ 173,250
2021	189,000
2022	189,000
2023	189,000
2024	189,000
Thereafter	<u>1,496,184</u>
	<u>\$ 2,425,434</u>

8. 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 years ended December 31, 2019 and 2018, the Organization contributed \$13,566 and \$9,773 to the plan, respectively.

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

9. Grant Revenue

Grant revenue is recognized as restricted in the following program areas:

As of December 31:	<u>2019</u>	<u>2018</u>
Crisis Intervention Program	\$ 1,292,563	\$ 1,103,508
LIEAP	716,765	949,420
FEMA	3,175	4,000
Project Share/Energy Neighbors	43,609	37,853
Dental Contract	4,800	37,956
Relocation Housing	29,912	4,818
Helping Each Member Cope	14,193	11,291
Food Card Program	-	250
Emergency Assistance Program	395,523	444,164
Other	<u>155,575</u>	<u>-</u>
	<u><u>\$ 2,656,115</u></u>	<u><u>\$ 2,593,260</u></u>

Program administrative fees received were recognized by the Organization in the amount of \$0 and \$10,000 and are presented as without donor restrictions grant revenue for the years ended December 31, 2019 and 2018, respectively.

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, 2019 and 2018, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated 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.

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 60 months. This lease was renewed in September 2018 for an additional 5 years with the same monthly rent amount.

On July 18, 2017, the Organization entered into a lease for copiers. The lease term is 60 months at \$841 per month.

The future minimum rentals under these agreements are:

2020	\$ 58,054
2021	58,054
2022	53,007
2023	<u>31,974</u>
	<u><u>\$ 201,089</u></u>

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

12. Net Assets with Donor Restrictions

As of December 31, 2019 and 2018, net assets with donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Donor Designated	\$ 89,593	\$ 112,950
Governmental Programs & Contracts	652,143	649,402
Partnerships with Businesses for Employee Assistance	398,844	399,064
Private Individuals	102,346	127,139
Other	<u>240,421</u>	<u>-</u>
	<u>\$ 1,483,347</u>	<u>\$ 1,288,555</u>

13. Liquidity and Availability

The Organization is substantially supported by contributions from donors and grants. Because the donor's restrictions and grants require resources to be used for a particular purpose or in a future period, the Organization must maintain sufficient resources to meet those responsibilities. Thus the financial assets may not be available for general expenditure within one year. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due.

The following reflects the Organization's financial assets as of December 31, 2019 and 2018 reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 434,592	\$ 576,250
Contributions Receivable, Net	28,843	40,619
Investments	<u>593,868</u>	<u>523,632</u>
	<u>\$ 1,057,303</u>	<u>\$ 1,140,501</u>

14. 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 \$2,782 and \$2,522 for 2019 and 2018, respectively. 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 \$0 for 2019 and 2018.

15. Subsequent Events

Subsequent to the consolidated statement of financial position date, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on our operational and financial performance will depend on certain developments, including the duration and

Eblen Charities, Inc. and Affiliate
Notes to Consolidated Financial Statements

spread of the outbreak, impact on our customers, employees and vendors, and governmental, regulatory and private sector responses. The consolidated financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

The Organization carries a significant balance of marketable equity securities. As of the date the consolidated financial statements were available to be issued, the economic uncertainty caused by the outbreak has resulted in a severe decline in the value of marketable securities, including many of those held by the Organization.

Subsequent to the consolidated statement of financial position date, the Foundation for the Carolinas requested a reimbursement of unused funds granted for payment of client electricity bills from Duke Energy Carolinas. Due to the majority of the Organization's clients being outside the service area of Duke Energy Carolinas, minimal funds were used from this grant during the service period. A total of \$110,000 was reimbursed to Foundation for the Carolinas on March 2, 2020. The consolidated financial statements do not reflect any adjustments as a result of this reimbursement of unused funds.

Supplementary Information

Eblen Charities, Inc. and Affiliate
Consolidating Statement of Financial Position

December 31, 2019

	Eblen Charities, Inc.	Asheville Buncombe Educational Housing LLC	Consolidated
<u>Assets</u>			
<u>Current Assets</u>			
Cash and Equivalents	\$ 327,099	\$ 107,493	\$ 434,592
Restricted Cash	1,821,910	-	1,821,910
Contributions Receivable, Net	28,843	-	28,843
Total Current Assets	2,177,852	107,493	2,285,345
<u>Long-Term Assets</u>			
Investments	593,868	-	593,868
Property and Equipment, Net	485,475	2,778,446	3,263,921
Total Long-Term Assets	1,079,343	2,778,446	3,857,789
Total Assets	\$ 3,257,195	\$ 2,885,939	\$ 6,143,134
<u>Liabilities and Net Assets</u>			
<u>Current Liabilities</u>			
Accounts Payable	\$ 3,342	\$ 18,107	\$ 21,449
Accrued Salaries and Payroll Taxes	19,991	-	19,991
Notes Payable, Current Portion	-	173,250	173,250
Total Current Liabilities	23,333	191,357	214,690
<u>Long-Term Liabilities</u>			
Notes Payable, Net of Discount	-	1,594,267	1,594,267
Total Liabilities	23,333	1,785,624	1,808,957
<u>Net Assets</u>			
Net assets without donor restriction	1,750,515	1,100,315	2,850,830
Net assets with donor restriction	1,483,347	-	1,483,347
Total Net Assets	3,233,862	1,100,315	4,334,177
Total Liabilities and Net Assets	\$ 3,257,195	\$ 2,885,939	\$ 6,143,134

See independent auditors' report.

Eblen Charities, Inc. and Affiliate
Consolidating Statement of Activities

Year Ended December 31, 2019

	<u>Eblen Charities, Inc.</u>			Asheville Buncombe Educational Housing LLC	<u>Consolidated</u>
	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>	<u>Net Assets Without Donor Restrictions</u>	
<u>Support</u>					
Grants	\$ -	\$ 2,656,115	\$ 2,656,115	\$ -	\$ 2,656,115
Contributions	271,302	306,314	577,616	-	577,616
Program Income	662,040	-	662,040	-	662,040
Investment Income	79,745	-	79,745	-	79,745
In-Kind Contributions	668,720	-	668,720	-	668,720
Rental Income	-	-	-	237,075	237,075
Other Income	20,402	-	20,402	7,260	27,662
Net Assets Released					
From Restrictions	2,767,336	(2,767,336)	-	-	-
Total Support	4,469,545	195,093	4,664,638	244,335	4,908,973
<u>Expenses</u>					
Program Services	4,080,383	-	4,080,383	225,864	4,306,247
Management and General	90,709	-	90,709	-	90,709
Fundraising	362,843	-	362,843	-	362,843
Total Expenses	4,533,935	-	4,533,935	225,864	4,759,799
Change in Net Assets	(64,390)	195,093	130,703	18,471	149,174
Net Assets, Beginning of Year	1,814,905	1,288,254	3,103,159	1,081,844	4,185,003
Net Assets, End of Year	\$ 1,750,515	\$ 1,483,347	\$ 3,233,862	\$ 1,100,315	\$ 4,334,177

See independent auditors' report.