CARING FOR CHILDREN, INC.

Asheville, North Carolina

Financial Statements

Year Ended June 30, 2015

CARTER™
ACCOUNTING & CONSULTING

CARING FOR CHILDREN, INC.

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Hunter Lanier	Treasurer
Andrea (Andi) Eglinton	Secretary

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John Lauterbach

CARING FOR CHILDREN, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
CARING for Children, Inc.

We have audited the accompanying financial statements of CARING for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

Auditors' 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 CARING for Children, Inc. as of June 30, 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.

Report on Summarized Comparative Information

We previously audited CARING for Children, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carter, P.C.

Asheville, North Carolina
October 22, 2015

CARING FOR CHILDREN, INC.

Statement of Financial Position
June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Assets		
Current assets:		
Cash and equivalents	$ 129,157	$ 64,594
Accounts receivable	317,490	297,983
Promises to give	6,050	1,020
Prepaid expenses	27,579	23,365
Note receivable, current portion	250,961	4,812
Total current assets	731,237	391,774
Other assets:		
Note receivable, net of current portion		250,088
Property and equipment	1,084,017	503,881
Beneficial interest in endowment fund	35,626	35,447
Total other assets	1,119,643	789,416
Total assets	$ 1,850,880	$ 1,181,190
Liabilities and net assets		
Current liabilities:		
Line of credit	$ 50,421	$
Current maturities of long-term debt	12,063	11,512
Accounts payable	79,544	112,759
Due to affiliate	37,915	
Accrued liabilities	87,955	58,000
Total current liabilities	267,898	182,271
Long-term debt, net of current maturities	290,568	302,633
Total liabilities	558,466	484,904
Net assets:		
Unrestricted:		
Undesignated	842,915	201,736
Board designated	23,601	23,533
Total unrestricted	866,516	225,269
Temporarily restricted	425,898	471,017
Total net assets	1,292,414	696,286
Total liabilities and net assets	$ 1,850,880	$ 1,181,190

CARING FOR CHILDREN, INC.

Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Unrestricted	Temporarily Restricted	Total 2015	Total 2014
Public support and revenues				
Governmental grants and contracts:				
Federal	$ 351,014	$	$ 351,014	$ 338,873
State of North Carolina	917,124		917,124	799,443
Buncombe County	29,477		29,477	5,193
Other grants	68,727	30,000	98,727	
Medicaid fees	1,505,364		1,505,364	1,326,654
NC Health Choice	3,749		3,749	1,740
United Way allocation	9,706	105,656	115,362	128,085
Contributions	65,857		65,857	26,261
Special events	72,395		72,395	89,201
Social security payments	3,348		3,348	3,828
In-kind contributions	3,000		3,000	7,572
Net gains on beneficial interest in endowment fund	6,769		6,769	4,468
Investment income	67		67	71
Interest income	19,009		19,009	19,466
Other income	99,206		99,206	49,303
Net assets released from restrictions	180,775	(180,775)		
Total public support and revenues	3,335,587	(45,119)	3,290,468	2,800,158
Expenses				
Program services:				
Cornerstone	211,248		211,248	191,843
PERCS	85,494		85,494	96,287
Trinity Place	340,916		340,916	321,964
Angel’s Watch	9,935		9,935	19,907
Project Respite	47,569		47,569	45,206
Assessment Counseling Education	753,108		753,108	421,766
Therapeutic Foster Care	531,150		531,150	591,188
Family Foster Care	468,670		468,670	399,804
Phoenix Girls	195,130		195,130	195,274
Phoenix Boys	206,185		206,185	220,529
Psychiatric Services	206,289		206,289	152,195
Total program services	3,055,694		3,055,694	2,655,963
Supporting services	286,696		286,696	215,808
Total expenses	3,342,390		3,342,390	2,871,771
Decrease in net assets	(6,803)	(45,119)	(51,922)	(71,613)
Increase in property and equipment value resulting from pushdown (see Note 16)	648,050		648,050	
Net assets at beginning of year	225,269	471,017	696,286	767,899
Net assets at end of year	$ 866,516	$ 425,898	$ 1,292,414	$ 696,286

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

CARING FOR CHILDREN, INC.

Statement of Functional Expenses
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Program Services			
	Cornerstone	PERCS	Trinity Place	Angel's Watch
Salaries	$ 109,773	$ 17,024	$ 225,075	$ 4,877
Payroll taxes	10,827	1,624	20,621	560
Group insurance	12,040	2,671	33,827	
Pension administration				
Workers' compensation	3,198	657	4,735	149
Total personnel expenses	135,838	21,976	284,258	5,586
Professional services	7,443	1,877	2,923	88
Foster care stipends		53,246		2,775
Respite stipends		75		
Employee vehicle	3,531	2,697	5,786	118
Employee training	93	14	68	6
Telephone and communications	5,072	913	5,464	358
Utilities	8,823	317	6,903	303
Office supplies	4,463	205	7,567	58
Postage	48	9	62	2
Advertising	70		70	
Dues and memberships	727	1,471	1,789	17
Printing	341	88	513	22
Background checks	139		1,057	
Insurance	3,748	1,200	5,980	128
Food	7,105		814	
Household supplies				
Program supplies				
Vehicle	5,530		6,623	
Youth				
Medical	403		444	
Building maintenance and repairs	5,424	72	3,300	70
Equipment	1,604	315	2,802	49
Board member expense				
Other			165	
Total expenses before depreciation and interest	190,402	84,475	336,588	9,580
Depreciation	16,830	248	4,297	248
Interest	4,016	771	31	107
Total expenses	$ 211,248	$ 85,494	$ 340,916	$ 9,935

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

CARING FOR CHILDREN, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Program Services			
	Project Respite	Assessment Counseling Education	Therapeutic Foster Care	Family Foster Care
Salaries	$ 9,471	$ 300,677	$ 129,251	$ 97,432
Payroll taxes	1,013	23,057	11,258	8,594
Group insurance		25,610	14,205	13,251
Pension administration			472	353
Workers' compensation	288	6,454	3,911	2,945
Total personnel expenses	10,772	355,798	159,097	122,575
Professional services	185	319,167	3,558	2,679
Foster care stipends			319,101	308,465
Respite stipends	34,008		2,380	
Employee vehicle	406	10,966	12,099	9,941
Employee training	138	2,140	842	891
Telephone and communications	1,022	6,965	5,320	4,339
Utilities	4	3,094	1,504	1,497
Office supplies	129	20,273	3,336	3,297
Postage	100	921	74	59
Advertising		70	920	859
Dues and memberships	224	4,613	2,393	1,811
Printing	103	858	652	496
Background checks	15	1,089	298	370
Insurance	272	2,388	1,064	916
Food				
Household supplies				
Program supplies				
Vehicle				
Youth				
Medical		182	117	157
Building maintenance and repairs	2	7,578	4,133	4,263
Equipment	189	4,329	2,757	2,105
Board member expense			72	
Other		949	120	498
Total expenses before depreciation and interest	47,569	741,380	519,837	465,218
Depreciation		8,111	8,610	845
Interest		3,617	2,703	2,607
Total expenses	$ 47,569	$ 753,108	$ 531,150	$ 468,670

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

CARING FOR CHILDREN, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Program Services		
	Phoenix Girls	Phoenix Boys	Psychiatric Services
Salaries	$ 110,456	$ 115,380	$ 88,342
Payroll taxes	9,233	9,881	7,340
Group insurance	13,598	20,146	
Pension administration		352	
Workers' compensation	2,589	2,570	2,473
Total personnel expenses	135,876	148,329	98,155
Professional services	2,969	2,119	103,094
Foster care stipends			
Respite stipends			
Employee vehicle	5,732	5,212	
Employee training	357	407	
Telephone and communications	3,205	5,821	521
Utilities	4,636	5,487	439
Office supplies	2,796	3,087	206
Postage	78	151	20
Advertising	53	1,456	
Dues and memberships	943	986	464
Printing	186	204	436
Background checks	161	619	84
Insurance	2,572	2,564	752
Food	11,239	9,433	
Household supplies			
Program supplies			
Vehicle	4,970	4,056	
Youth			
Medical	739	611	
Building maintenance and repairs	3,570	3,806	105
Equipment	490	466	974
Board member expense			
Other	36		10
Total expenses before depreciation and interest	180,608	194,814	205,260
Depreciation	14,504	11,352	74
Interest	18	19	955
Total expenses	$ 195,130	$ 206,185	$ 206,289

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

CARING FOR CHILDREN, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Total Program Services 2015	Total Program Services 2014
Salaries	$ 1,207,758	$ 1,049,424
Payroll taxes	104,008	116,159
Group insurance	135,348	101,016
Pension administration	1,177	1,205
Workers' compensation	29,969	36,256
Total personnel expenses	1,478,260	1,304,060
Professional services	446,102	279,159
Foster care stipends	683,587	699,268
Respite stipends	36,463	32,500
Employee vehicle	56,488	24,387
Employee training	4,956	25,996
Telephone and communications	39,000	32,145
Utilities	33,007	32,170
Office supplies	45,417	26,976
Postage	1,524	752
Advertising	3,498	293
Dues and memberships	15,438	6,449
Printing	3,899	2,034
Background checks	3,832	2,003
Insurance	21,584	20,053
Food	28,591	20,027
Household supplies		4,563
Program supplies		13,399
Vehicle	21,179	29,585
Youth		5,122
Medical	2,653	623
Building maintenance and repairs	32,323	27,801
Equipment	16,080	10,685
Board member expense	72	
Other expenses	1,778	3,303
Total expenses before depreciation and interest	2,975,731	2,603,353
Depreciation	65,119	39,229
Interest	14,844	13,381
Total expenses	$ 3,055,694	$ 2,655,963

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

CARING FOR CHILDREN, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Supporting Services			
	Management and General	Fundraising	Total Supporting Services 2015	Total Supporting Services 2014
Salaries	$ 98,403	$ 48,733	$ 147,136	$ 98,548
Payroll taxes	12,801	4,317	17,118	7,560
Group insurance	8,080	6,458	14,538	15,823
Pension administration	697		697	671
Workers' compensation	2,202	613	2,815	777
Total personnel expenses	122,183	60,121	182,304	123,379
Professional services	44,304	2,613	46,917	35,975
Foster care stipends				
Respite stipends				
Employee vehicle	4,602	1,173	5,775	1,276
Employee training	2,353	70	2,423	1,376
Telephone and communications	5,460	2,670	8,130	5,326
Utilities	1,177	418	1,595	1,769
Office supplies	4,239	1,703	5,942	11,455
Postage	2,149	1,569	3,718	3,235
Advertising	179	350	529	357
Dues and memberships	318	342	660	1,642
Printing	477	11,306	11,783	4,208
Background checks	69		69	15
Insurance	3,175		3,175	4,591
Food	8		8	6,201
Household supplies				279
Program supplies				25
Vehicle	159	5	164	
Youth				
Medical				
Building maintenance and repairs	5,574	2,110	7,684	3,436
Equipment	1,176	592	1,768	2,802
Board member expense	352	19	371	679
Other	3,784	273	4,057	3,970
Total expenses before depreciation and interest	201,738	85,334	287,072	211,996
Depreciation	(1,060)		(1,060)	1,377
Interest	676	8	684	2,435
Total expenses	$ 201,354	$ 85,342	$ 286,696	$ 215,808

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

CARING FOR CHILDREN, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	Total 2015	Total 2014
Salaries	$ 1,354,894	$ 1,147,972
Payroll taxes	121,126	123,719
Group insurance	149,886	116,839
Pension administration	1,874	1,876
Workers' compensation	32,784	37,033
Total personnel expenses	1,660,564	1,427,439
Professional services	493,019	315,134
Foster care stipends	683,587	699,268
Respite stipends	36,463	32,500
Employee vehicle	62,263	25,663
Employee training	7,379	27,372
Telephone and communications	47,130	37,471
Utilities	34,602	33,939
Office supplies	51,359	38,431
Postage	5,242	3,987
Advertising	4,027	650
Dues and memberships	16,098	8,091
Printing	15,682	6,242
Background checks	3,901	2,018
Insurance	24,759	24,644
Food	28,599	26,228
Household supplies		4,842
Program supplies		13,424
Vehicle	21,343	29,585
Youth		5,122
Medical	2,653	623
Building maintenance and repairs	40,007	31,237
Equipment	17,848	13,487
Board member expense	443	679
Other expenses	5,835	7,273
Total expenses before depreciation and interest	3,262,803	2,815,349
Depreciation	64,059	40,606
Interest	15,528	15,816
Total expenses	$ 3,342,390	$ 2,871,771

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

CARING FOR CHILDREN, INC.

Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for 2014)

	2015	2014
Cash flows from operating activities		
Decrease in net assets	$ (51,922)	$ (71,613)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	64,059	40,606
Net gains on beneficial interest in endowment fund	(112)	(4,468)
Gain on disposal of assets	(3,885)	
Changes in working capital - sources (uses)		
Accounts receivable	(19,507)	12,244
Promises to give	(5,030)	(270)
Prepaid expenses	(4,214)	(2,976)
Accounts payable	(33,215)	57,240
Accrued liabilities	29,955	(51,780)
Due to affiliate	37,915	
Net cash provided (used) by operating activities	14,044	(21,017)
Cash flows from investing activities		
Principal payments received on notes receivable	3,939	4,697
Purchase of property and equipment		(11,864)
Proceeds from the sale of fixed asset	7,740	
Change in beneficial interest in endowment fund	(67)	(65)
Net cash provided (used) by investing activities	11,612	(7,232)
Cash flows from financing activities		
Proceeds from short-term borrowing	50,421	
Principal payments on long-term debt	(11,514)	(10,959)
Net cash provided (used) by financing activities	38,907	(10,959)
Net increase (decrease) in cash and equivalents	64,563	(39,208)
Cash and equivalents at beginning of year	64,594	103,802
Cash and equivalents at end of year	$ 129,157	$ 64,594
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 15,528	$ 15,816
Schedule of noncash investing and financing activities:		
Increase in property and equipment value resulting from pushdown accounting (see Note 16)	$ 648,050	$

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

CARING FOR CHILDREN, INC.

Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

Organization

CARING for Children, Inc. (Organization) was incorporated on March 4, 1975, as a nonprofit corporation. The purpose of the Organization is to provide group homes, emergency shelters, foster care, and other services for children in crisis in Western North Carolina. As of July 31, 2010, the Organization's acquisition of Phoenix Homes, Inc., a nonprofit corporation, expanded the Organization's operations to include residential and foster care services to abused and neglected children in Burke County, North Carolina.

Effective August 31, 2014, CARING for Children, Inc. filed Amended and Restated Articles of Incorporation and Bylaws to change from the directorship form of a 501(c)(3) organization to the membership form, and named Eckerd Youth Alternatives, Inc. (Eckerd) as the sole member. Eckerd is a Florida-based nonprofit organization under IRS Section 501(c)(3) which serves children and families through behavioral health, juvenile justice, and child welfare programs. CARING for Children, Inc. remains a separate tax-exempt organization with its own Board of Directors and leadership.

Principles of Consolidation

Eckerd consolidates the Organization into its financial statements. These financial statements reflect the financial position, statement of activities, functional expenses, and cash flows of the Organization without the elimination of any intercompany transactions that may have occurred between the Organization and Eckerd.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Information regarding its statement of financial position and statement of activities are grouped according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes of net assets are defined as follows:

Note 1 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

- Unrestricted Net Assets: Unrestricted net assets represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired.

- Temporarily Restricted Net Assets: Temporarily restricted net assets represent resources whose use is limited by donors or applicable laws for the purpose and/or time in which they may be expended. Eventually, temporarily restricted net assets are released to unrestricted net assets as their time and purpose requirements are met.

- Permanently Restricted Net Assets: Permanently restricted net assets represent resources that must be maintained permanently. Like temporarily restricted net assets, permanent restrictions may be imposed only by the donor. However, permanently restricted net assets generally do not get reclassified, since, by definition, their restrictions never expire. The income may be unrestricted or restricted according to the donors' wishes.

Programs

The Organization's programs are comprised of:

Cornerstone - A home for up to eight young women ages 16-21 who have long-term problems, are too old for adoption, and have no option for returning home.

PERCS - An emergency, therapeutic foster care program for Buncombe County children who have been removed from their homes by DSS.

Trinity Place - A shelter for children ages 10-17 who need time and a safe place to work through their problems, and may stay for up to 15 days.

Angel's Watch - A foster care program providing temporary care for children ages 0-6 whose families are unable to care for them because of a crisis.

Project Respite - A program providing scholarships for families of severely emotionally disturbed children.

Assessment Counseling Education - An outpatient treatment service provided by in-house and contracted professional therapists.

Therapeutic Foster Care - A program providing therapeutic foster care which accommodates the exceptional and intensive needs of children who are unable to live with their own families.

Family Foster Care - A foster care program that provides services to children in the custody of the Department of Social Services who are in need of long-term foster care placement and not eligible for therapeutic foster care services.

Note 1 - Summary of Significant Accounting Policies (continued)

Programs (continued)

Phoenix Girls/Boys - A boy's home and a girl's home for children with emotional and behavioral challenges who cannot live with their families and who can benefit from a structured foster care program in a group home setting.

Psychiatric Services - A program that provides medication management services for children who are being served in the outpatient services program.

Cash and Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable consist of amounts due from agencies for service fees and for grants awarded by local agencies as well as amounts due from governmental agencies for services performed before year-end. An allowance for doubtful accounts has not been established, as management believes that all amounts are collectible.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the fair value, which is measured ass the present value of estimated future cash flows. Management feels that promises to give will be collected in the next fiscal year, thus a net present value adjustment has not been computed. An allowance for uncollectible promises to give has not been recorded as it is management's estimate that all promises to give will be collected.

Note Receivable

A note receivable is due for the sale of real estate. Payments made after ten days beyond the due date are considered past due. Management has determined that these amounts are fully collectible; therefore, no allowance for uncollectible accounts has been established.

Property and Equipment

All acquisitions of property and equipment in excess of $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost, except those assets restated using the push down method of accounting (see Note 16, Push Down Accounting). Depreciation is computed using the straight-line method over the estimated useful lives of assets ranging from five to thirty-one years.

Note 1 - Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Assets

Donated materials are recorded as contributions in the accompanying financial statements at their fair value at date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. A substantial number of volunteers have donated a significant amount of time to the Organization’s operations and program services. Contributed accounting services valued at $3,000 and $6,000, were received for the year ended June 30, 2015 and 2014, respectively, and are included in in-kind contributions on the statement of activities.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services by statistical means. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note 1 - Summary of Significant Accounting Policies (continued)

Advertising

Advertising costs are expensed as incurred. For the years ended June 30, 2015 and 2014, amounts charged to expense were $4,027 and $650, respectively.

Fair Value Measurements and Disclosures

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset or liability's fair value measurement level within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments

The fair value of substantially all reported assets and liabilities which represent financial instruments, none of which are held for trading purposes, approximate the carrying values of such amounts.

Income Tax Status

The Organization is incorporated as a nonprofit corporation under the laws of the State of North Carolina. It has qualified for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Note 1 - Summary of Significant Accounting Policies (continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Reclassification

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

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Note 2 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes:

At June 30	2015	2014
Cornerstone	$ 25,500	$ 30,000
PERCS	13,600	14,810
Trinity Place	15,644	15,644
Angel's Watch	14,194	15,771
Project Respite	16,488	18,320
Phoenix Homes	290,242	356,242
Psychiatric Services	50,230	20,230
Temporarily restricted net assets	$ 425,898	$ 471,017

Note 3 - Accounts Receivable

Accounts receivable are due from the following sources:

At June 30	2015	2014
Buncombe County	$ 48,966	$ 51,304
Medicaid	119,759	95,342
United Way	105,656	114,775
Other	43,109	36,562
Accounts receivable	$ 317,490	$ 297,983

Note 4 - Note Receivable

Note receivable consists of a promissory note in the amount of $286,000 with a 7.5% annual interest rate. Monthly payments in the amount of $1,980 began May 1, 2011. A final balloon payment is due on or before April 1, 2016, in the amount of $250,961.

Note 5 - Property and Equipment

A description of property and equipment is as follows:

At June 30	2015	2014
Land	$ 310,600	$ 52,891
Buildings and renovations	796,374	881,896
Equipment and furnishings	9,100	22,650
Vehicles	16,906	71,180
	1,132,980	1,028,617
Less, accumulated depreciation	48,963	524,736
Property and equipment	$ 1,084,017	$ 503,881

Depreciation expense for the years ended June 30, 2015 and 2014, was $64,059 and $40,606, respectively.

Note 6 - Beneficial Interest in Endowment Fund

The Organization's beneficial interest in endowment fund is presented in the financial statements in the aggregate at fair market value. The investments are managed by the Community Foundation of Western North Carolina, Inc. (Foundation). Funds transferred are invested in an allocated investment pool. The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the distribution of funds, if such condition or restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Note 6 - Beneficial Interest in Endowment Fund (continued)

The beneficial interest in endowment fund is described as follows:

At June 30	2015	2014
Fair market value	$ 35,626	$ 35,447
Cost	23,601	23,533
Unrealized gain	$ 12,025	$ 11,914

The Organization is also the specified beneficiary for an additional endowment fund (Lucretia Weiler Endowment Fund) held by the Community Foundation of Western North Carolina, Inc. The fair market value of the fund as of June 30, 2015 is $240,726. In accordance with accounting principles generally accepted in the United States of America, the balance of the Lucretia Weiler Endowment Fund is not reflected in these financial statements.

The fair value of the beneficial interest in endowment fund was measured using FASB ASC 820 input guidance and valuation techniques. Due to the nature of the asset the Organization holds, the investment is classified as a Level 3 input. For the years ending June 30, 2015 and 2014, no financial instruments held by the Organization were valued according to Level 1 and Level 2 inputs.

A reconciliation of changes in Level 3 inputs is as follows:

Year Ended June 30, 2015	Total
Level 3 inputs, beginning of year	$ 35,447
Investment income, net	67
Net gains	112
Level 3 inputs, end of year	$ 35,626

Note 7 - Accrued Liabilities

Accrued liabilities include accrued payroll and paid time off. The balance of accrued liabilities was $87,955 and $58,000, for the years ended June 30, 2015 and 2014, respectively.

Note 8 - Long-term Debt

Long-term debt is described as follows:

At June 30	2015	2014
First Citizens - 59 monthly payments of $2,251, including interest at a fixed rate of 4.95%, final payment due December 2016, secured by property at Reddick Road.	$ 302,631	$ 314,145
Less, current maturities	12,063	11,512
Long-term debt, net of current maturities	$ 290,568	$ 302,633

Scheduled principal repayments on long-term debt are as follows:

Years Ending June 30	
2016	$ 12,063
2017	290,568
2018	
2019	
2020	
Total	$ 302,631

Note 9 - Line of Credit

During the year ended June 30, 2015, the Organization opened a line of credit with Eckerd to meet short-term working capital needs. Maximum borrowings on this line of credit are $75,000. As of June 30, 2015, the balance due on the line of credit was $50,421.

During the year ended June 30, 2014, the Organization maintained a line of credit with a bank. Maximum borrowings on this line of credit were $50,000. As of June 30, 2014, there was no outstanding balance. This line of credit was not renewed during the year ended June 30, 2015.

Note 10 - Board Designated Net Assets

The balance of the beneficial interest in endowment fund has been specifically set aside for use by the Board of Directors. Realized and unrealized gains and losses are all considered unrestricted. Board designated net assets for the years ended June 30, 2015 and 2014, were $23,601 and $23,533, respectively.

Note 11 - Related Party Transactions

As discussed in Note 1, the Organization began operating under an affiliation agreement with Eckerd Youth Alternatives, Inc. effective August 31, 2014. Significant transactions and activities conducted between the entities are described below.

As discussed in Note 9, the Organization maintains a line of credit with Eckerd. As of June 30, 2015, the balance due on the line of credit was $50,421.

The Organization makes advances to and receives advances from Eckerd. In addition, Eckerd at times pays expenses on behalf of the Organization. These transactions are recorded through an intercompany balance account. During 2015, Eckerd paid insurance on behalf of the Organization in the amount of $22,569. The Organization paid management fees to Eckerd in the amount of $24,000 during the year. As of June 30, 2015, the amount due to the Eckerd was $37,915.

During the year ended June 30, 2015, the Organization received two grants from Eckerd to match funds raised at a special event and to provide therapy services. The total of these grants was $36,400 and are included in special events and other grants in the accompanying statement of activities.

Note 12 - Lease Commitment

The Organization leases office space and equipment under operating leases. The leases require various monthly payment amounts and expire through 2019. Total operating lease expense for the years ended June 30, 2015 and 2014, was $21,346 and $10,961, respectively.

Future required payments under all operating leases are as follows:

Years Ending June 30	
2016	$ 15,925
2017	9,906
2018	7,393
2019	5,195
2020	
Total minimum lease payments	$ 38,419

Note 13 - Retirement Plan

The Organization participates in a 401(k) retirement plan. The employer contribution was 1.5% of employee compensation for all employees with a minimum eligibility service of one year. The Organization elected to suspend contributions to the retirement plan in October 2008. No pension expense was incurred for each of the years ended June 30, 2015 and 2014. Pension administration expense for the years ended June 30, 2015 and 2014, was $1,874 and $1,876, respectively.

Note 14 - Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Organization has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Note 15 - Income Taxes

Uncertain Tax Positions

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

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Note 16 - Pushdown Accounting

During the year ended June 30, 2015, the Organization elected to apply pushdown accounting in conjunction with its affiliation agreement with Eckerd. See Note 1 for the terms of the affiliation agreement. The Organization received an independent property appraisal showing the values of land and buildings on September 1, 2014, which were higher than their net carrying values. At that time, the Organization removed existing property ad equipment and recorded the appraised amounts. As a result of applying the pushdown method, the Organization increased the carrying value of property and equipment and net assets by $648,050 on that date. The increase in fair values is presented in the accompanying statement of financial position and statement of activities.

Note 17 - Subsequent Events

Management has evaluated subsequent events through October 22, 2015, which is the date the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.