

**BLACK MOUNTAIN HOME FOR
CHILDREN, YOUTH & FAMILIES, INC.**

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016



CORLISS &
SOLOMON
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Black Mountain Home for
Children, Youth & Families, Inc.**

Table of Contents

Year Ended June 30, 2016

Independent Auditor's Report	1 - 2
Financial Statements:	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
Notes to Financial Statements	7 - 12



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Black Mountain Home for Children, Youth & Families, Inc.
Black Mountain, North Carolina

We have audited the accompanying financial statements of Black Mountain Home for Children, Youth & Families, Inc., which comprise the statement of financial position as of June 30, 2016, 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 Black Mountain Home for Children, Youth & Families, Inc. as of June 30, 2016, 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

Carliss & Salaman, PLLC

Asheville, North Carolina
November 2, 2016

**Black Mountain Home for
Children, Youth & Families, Inc.**
Statement of Financial Position
As of June 30, 2016

Assets

Current Assets

Cash and Equivalents	\$ 1,610,633
Accounts Receivable	134,265
Total Current Assets	1,744,898

Long-Term Assets

Investment Property - Held for Sale	148,207
Investments	8,406,550
Property and Equipment, Net	6,121,277
Total Long-Term Assets	14,676,034

Total Assets	\$ 16,420,932
---------------------	----------------------

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 27,078
Accrued Vacation	49,879
Student Deposits	9,627
Total Current Liabilities	86,584

Net Assets

Unrestricted	
Net Investment in Property and Equipment	6,121,277
Board Designated	213,971
Available for Operations	8,602,018
Total Unrestricted	14,937,266
Temporarily Restricted	1,354,766
Permanently Restricted	42,316
Total Net Assets	16,334,348

Total Liabilities and Net Assets	\$ 16,420,932
---	----------------------

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

**Black Mountain Home for
Children, Youth & Families, Inc.**

Statement of Activities

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>				
Contributions and Bequest	\$ 641,154	\$ 330,225	\$ -	\$ 971,379
Government Contracts and Grants	1,618,854	-	-	1,618,854
Foundation Grants	95,000	35,750	-	130,750
Fundraising Events	33,616	-	-	33,616
Interest and Dividends	143,025	-	-	143,025
Investment Gains/(Losses)	(104,812)	-	-	(104,812)
In-Kind Contributions	35,107	-	-	35,107
Other Income	800	-	-	800
Net Assets Released				
From Restriction	75,225	(75,225)	-	-
Total Support and Revenue	2,537,969	290,750	-	2,828,719
<u>Expenses</u>				
Program Services	2,738,845	-	-	2,738,845
Management and General	578,443	-	-	578,443
Fundraising	194,689	-	-	194,689
Total Expenses	3,511,977	-	-	3,511,977
Change in Net Assets	(974,008)	290,750	-	(683,258)
Net Assets, Beginning of Year	15,911,274	1,064,016	42,316	17,017,606
Total Net Assets, End of Year	\$ 14,937,266	\$ 1,354,766	\$ 42,316	\$ 16,334,348

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

**Black Mountain Home for
Children, Youth & Families, Inc.**
Statement of Functional Expenses
Year Ended June 30, 2016

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,187,805	\$ 257,702	\$ 104,993	\$ 1,550,500
Payroll Taxes	95,659	20,754	8,454	124,867
Employee Benefits	295,637	64,140	26,133	385,910
Retirement Expense	99,709	21,633	8,813	130,155
Total Personnel Expenses	1,678,810	364,229	148,393	2,191,432
Advertising and Promotion	13,012	2,460	2,119	17,591
Bank and Investment Fees	-	62,268	-	62,268
Contract Services	33,364	54,513	2,793	90,670
Educational Expense	20,213	-	-	20,213
Event Expense	2,609	-	10,438	13,047
Foster Care Payments	133,946	-	-	133,946
Insurance	68,879	7,736	2,365	78,980
License and Dues	3,096	672	274	4,042
Meetings and Seminars	4,634	1,005	409	6,048
Miscellaneous	2,029	1,452	178	3,659
Office Equipment	3,462	751	306	4,519
Offices Supplies	20,983	4,553	1,855	27,391
Postage	12,342	1,763	3,526	17,631
Printing	30,539	4,363	8,726	43,628
Professional Development	17,849	5,949	-	23,798
Professional Fees and Services	-	14,040	-	14,040
Property Taxes	-	1,647	-	1,647
Recreational Expense	88,161	-	-	88,161
Repairs and Maintenance	63,908	5,681	1,420	71,009
Resident Supplies	53,694	-	-	53,694
Telephone	39,947	5,293	1,789	47,029
Travel and Entertainment	27,223	2,722	761	30,706
Utilities	103,661	9,214	2,304	115,179
Subtotal Expenses	2,422,361	550,311	187,656	3,160,328
Depreciation Expense	316,484	28,132	7,033	351,649
Total Expenses	\$ 2,738,845	\$ 578,443	\$ 194,689	\$ 3,511,977

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

**Black Mountain Home for
Children, Youth & Families, Inc.**
Statement of Cash Flows
Year Ended June 30, 2016

Cash Flows from Operating Activities

Change in Net Assets	\$ (683,258)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided or (Used) by Operating Activities:	
Depreciation	351,649
Donated Asset	(26,507)
Interest Reinvested	(143,025)
Investment (Gains)/Losses	104,812
(Increase)/Decrease in Operating Assets	
Prepaid Expenses	11,591
Accounts Receivable	29,887
Increase/(Decrease) in Operating Liabilities	
Accounts Payable	(20,657)
Accrued Vacation	4,049
Student Deposits	2,923
Total Cash Used by Operating Activities	(368,536)

Cash Flows from Investing Activities

Sale/(Purchase) of Investments, Net of Fees	(128,263)
Equipment Purchases	(152,854)
Total Cash Used by Investing Activities	(281,117)

Net Change in Cash	(649,653)
Cash and Equivalents, Beginning of Year	2,260,286
Cash and Equivalents, End of Year	\$ 1,610,633

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

**Black Mountain Home for
Children, Youth & Families, Inc.**

Notes to Financial Statements

Year Ended June 30, 2016

1. Description of the Organization and Summary of Significant Accounting Policies

Description of the Organization

Begun in 1904 as an orphanage, Black Mountain Home for Children, Youth & Families, Inc. (Black Mountain Home) currently serves children from birth through college graduation who cannot remain with their families due to issues such as abuse, abandonment, or neglect. The ministry's four primary programs are family foster care, residential care, transitional living, and independent living. Black Mountain Home accepts children placed by the North Carolina Department of Social Services, but is not managed, owned, or governed by the State of North Carolina, except as laws are applicable. Black Mountain Home also accepts a limited number of private placements, seeking to support families before their situations become dire. Black Mountain Home's mission is to glorify God by caring for children and families. We consider our children to be at-promise rather than at risk and strive to help them discover that promise.

The organization is funded by foundation and governmental grants and by contributions from the public.

Corporate and Tax-Exempt Status

Black Mountain Home is a not-for-profit corporation under the laws of the State of North Carolina and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Contributions to the organization qualify for the charitable contribution deduction under Section 170(b)(1)(a). The organization is classified as a publicly-supported organization under Section 509(a)(1).

Basis of Accounting

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

U.S. GAAP establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. Descriptions of the three net asset classes are as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions and that are generally available for operating expenses of the organization. This net asset category also includes Board designated net assets which have been internally earmarked by formal action of the Board of Directors.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions as to the purpose and/or time of use.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization.

Cash and Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair market value on the statement of financial position with realized and unrealized gains and losses reflected on the statement of activities.

Contributions and Grants

In accordance with U.S. GAAP, contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to unrestricted net assets and are reported on the statement of activities as “net assets released from restriction.” Also in accordance with U.S. GAAP, governmental grants received on a cost-reimbursement basis and treated as exchange transactions are recognized in income as related expenses are incurred. Grants considered to be contributions are recognized when awarded.

In Kind Contributions

The organization recognizes contributed goods based on estimated fair market value at the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

Property and Equipment

Property and equipment acquisitions over \$1,000 per item are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management estimate.

Fair Value Measurements

Black Mountain Home follows FASB ASC 820-10, “Fair Value Measurements.” This standard establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (U.S. GAAP), and it expands disclosures about fair value measurements. Fair value is defined as “the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market.” Items carried at fair value on a recurring basis by Black Mountain Home consist of certificates of deposit, investments held by five brokerage firms and investment property held for sale.

Income Taxes/Uncertain Tax Positions

Black Mountain Home is generally exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had less than \$1,000 of income from unrelated business activities in the year ended June 30, 2016 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

2. Cash and Equivalents

Black Mountain Home's cash and equivalents as of June 30, 2016 are as follows:

Checking Accounts	\$ 501,411
Money Market	1,107,130
Petty Cash	<u>2,092</u>
Total Cash and Equivalents	<u>\$ 1,610,633</u>

3. Concentrations of Credit Risk

Black Mountain Home maintains its cash and equivalents at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured balance was approximately \$797,545 as of June 30, 2016. The organization believes it is not exposed to any significant credit risks on its cash and equivalent balances.

4. Investments

Black Mountain Home's investments as of June 30, 2016 consist of the following:

Equity Securities	\$ 5,846,337
Bonds	1,725,128
Money Market Account	458,291
Certificate of Deposit	259,131
Other Investments	<u>117,663</u>
Total Investments	<u>\$ 8,406,550</u>

Shown below is a summary of the investment activity for the year ended June 30, 2016:

Balance as of June 30, 2015	\$ 8,240,074
Interest and Dividends	143,025
Investment Gains/(Losses)	(104,812)
Purchases of Investments	190,531
Investment Fees	<u>(62,268)</u>
Balance as of June 30, 2016	<u>\$ 8,406,550</u>

5. Account Receivable

Black Mountain Home's accounts receivable are presented below by class. Management has evaluated the receivable balances and believes all amounts are fully collectible.

Contributions Receivable	\$ 6,042
Contracts/Grants Receivable	120,054
Sales tax Receivable	<u>8,169</u>
Total Accounts Receivable	<u>\$ 134,265</u>

6. Property and Equipment

Black Mountain Home's property and equipment, stated at original cost value, are summarized below as of June 30, 2016. Total depreciation expense was \$351,649 for the year ended June 30, 2016.

Campus and Land	\$ 883,430
Buildings	8,058,782
Furniture and Equipment	465,807
Vehicles	493,848
Land Improvements and Infrastructure	1,173,396
Less: Accumulated Depreciation	(4,953,986)
Total Property and Equipment	<u>\$ 6,121,277</u>

7. Investment Property - Held for Sale

Black Mountain Home has 1/3 ownership on three tracts of land in Buncombe County, which they received as a bequest in a prior year. The total value of these properties is \$148,207 and is presented as a long-term asset in the Statement of Financial Position. Management has reviewed the valuation and deemed no adjustment necessary.

8. Lease Commitments

In May 2016, Black Mountain Home entered a lease agreement with the State of North Carolina for the Swannanoa 4-H Center. The term of the lease is for 60 years with an annual rent payment of \$6,000.

9. In-Kind Contributions

Black Mountain Home recognizes in-kind contribution revenue for contributed goods, services and facilities related to its programs and operations. In-kind contributions consisted primarily of donated vehicles to be used by youth that maintained a high GPA and worked.

10. Volunteer Services

Black Mountain Home makes extensive use of volunteers to carry out its programs. For the audit period, volunteers contributed 21,329 hours, with a total value of \$492,058 based on a rate of \$23.07 per hour, as determined by the organization Independent Sector. The services contributed by volunteers did not meet the requirements of U.S. GAAP for recognition in the financial statements.

11. Laycock Remainder Trust

During 1998, a donor established a remainder trust naming Black Mountain Home as beneficiary. At the end of the Trust's term, a portion of the assets will be available for Black Mountain Home.

12. Trusts Benefiting Black Mountain Home

Black Mountain Home is the beneficiary of three independently managed trusts. The trusts were established by a donor as an endowment to benefit Black Mountain Home. In the year ended June 30, 2016, Black Mountain Home received a distribution of \$72,643 from the trusts. All of the funds received are restricted for use in providing higher education for residents and past residents of Black Mountain Home.

13. Board Designated Net Assets

Board designated net assets were \$213,971 for the year ended June 30, 2016. This amount has been set aside for the expansion and endowment of the Independent Living Village.

14. Temporarily Restricted Net Assets

Black Mountain Home receives numerous contributions and grants that are restricted by the donors/grantors for particular purposes within the organization's overall mission. The total temporarily restricted net asset balances as of June 30, 2016 are for the following programs:

Higher Education	\$	892,845
Second Century of Caring		366,053
Other		95,868
Total Temporarily Restricted Net Assets	<u>\$</u>	<u>1,354,766</u>

15. Permanently Restricted Net Assets

Permanently restricted net assets of \$42,316 are held in the organization's investment account and is restricted in perpetuity. The earned income is available to help support higher education.

16. Retirement Expense

In March 2000, Black Mountain Home established a 401(k) plan. Black Mountain Home contributes 8% of each employee's salary and will match contributions up to 2%. For the year ended June 30, 2016, Black Mountain Home contributed \$110,155 to the 401(k) plan.

17. Deferred Compensation

Black Mountain Home purchased a flexible premium life insurance policy for the President in the amount of \$200,000. This policy provides for a basic death benefit, terminal illness accelerated benefit and a long term care accelerated benefit. Premiums paid for this policy total \$20,000 in the year ended June 30, 2016.

18. Fair Value Measurements

Fair values of assets measured on a recurring basis as of June 30, 2016 are as shown on the following page:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities	\$ 5,846,337	\$ 5,846,337	\$ -	\$ -
Bonds	1,725,128	1,725,128	-	-
Money Market Account	458,291	458,291	-	-
Certificate of Deposit	259,131	259,131	-	-
Other Investments	117,663	-	117,663	-
Investment Property Held for Sale	148,207	-	-	148,207
Total	<u>\$ 8,554,757</u>	<u>\$ 8,288,887</u>	<u>\$ 117,663</u>	<u>\$ 148,207</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets.

Financial assets valued using Level 3 inputs are based partially on unobservable inputs.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs
	<u>Property Held for Sale</u>
Balance as of July 1, 2015	\$ 148,207
Contributions or Additions	-
Sales or Impairments	-
Balance as of June 30, 2016	<u>\$ 148,207</u>

19. *Subsequent Events*

Subsequent events have been evaluated through November 2, 2016, which is the date the financial statements were available to be issued.