

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2021 AND 2020



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YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Crossnore Communities for Children
Crossnore, North Carolina

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Crossnore Communities for Children (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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. 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.

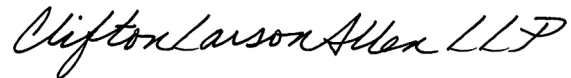
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crossnore Communities for Children as of September 30, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Charlotte, North Carolina
February 4, 2022

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020**

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 4,747,579	\$ 4,402,036
Unconditional Promises to Give, Current	141,000	270,000
Accounts Receivable, Net	817,936	685,071
Other Receivables	34,136	131,124
Prepaid Expenses and Other Assets	(2,536)	95,752
Investments	43,351,215	40,273,185
Inventory	629,523	681,548
Real Estate Held for Sale	152,000	132,000
Total Current Assets	<u>49,870,853</u>	<u>46,670,716</u>
 UNCONDITIONAL PROMISES TO GIVE, NONCURRENT, Net	 453,129	 591,534
 BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	 3,842,340	 3,492,850
 BENEFICIAL INTERESTS IN TERM TRUST	 122,644	 107,996
 PROPERTY AND EQUIPMENT, Net	 <u>23,615,900</u>	 <u>23,983,494</u>
 Total Assets	 <u><u>\$ 77,904,866</u></u>	 <u><u>\$ 74,846,590</u></u>

See accompanying Notes to Consolidated Financial Statements.
(3)

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2021 AND 2020

	2021	2020
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 602,892	\$ 306,004
Accrued Liabilities	586,361	752,939
Accrued Compensated Absences	243,233	246,807
Refundable Advance	-	2,445,000
Custodial Student Fund	2,845	3,179
Total Current Liabilities	1,435,331	3,753,929
ENVIRONMENTAL REMEDIATION LIABILITY	14,228	14,228
NOTES PAYABLE	534,129	524,964
Total Liabilities	1,983,688	4,293,121
NET ASSETS		
Without Donor Restrictions:		
Undesignated	55,102,776	50,713,656
Internally-Designated	7,897,872	8,541,201
Total Without Donor Restrictions	63,000,648	59,254,857
With Donor Restrictions	12,920,530	11,298,612
Total Net Assets	75,921,178	70,553,469
Total Liabilities and Net Assets	\$ 77,904,866	\$ 74,846,590

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 8,331,115	\$ 1,556,757	\$ 9,887,872
In-Kind Support	172,985	-	172,985
Room and Board	6,122,224	-	6,122,224
Investment Income	6,106,372	97,198	6,203,570
Change in Beneficial Interests in Trusts	-	364,138	364,138
Supporting Business Activities	4,224,113	-	4,224,113
Other Income	445,964	-	445,964
Total	<u>25,402,773</u>	<u>2,018,093</u>	<u>27,420,866</u>
Net Assets Released from Restrictions	396,175	(396,175)	-
Total Support and Revenue	<u>25,798,948</u>	<u>1,621,918</u>	<u>27,420,866</u>
EXPENSES			
Program Services:			
Residential Living/Cottages	7,692,558	-	7,692,558
Case Management	1,046,863	-	1,046,863
OP Therapy	1,736,525	-	1,736,525
Program Services Support	980,552	-	980,552
Recreation	154,597	-	154,597
Dietary	1,181,184	-	1,181,184
Academy/Education	243,896	-	243,896
Clinics	236,229	-	236,229
Foster Care	1,946,693	-	1,946,693
Day Treatment	1,307,773	-	1,307,773
Trauma Center	805,664	-	805,664
Home Builders	166,864	-	166,864
Other Services	1,459,195	-	1,459,195
Total Program Services	<u>18,958,593</u>	<u>-</u>	<u>18,958,593</u>
Supporting Services:			
Administrative	2,156,783	-	2,156,783
Advancement	937,781	-	937,781
Total Supporting Services	<u>3,094,564</u>	<u>-</u>	<u>3,094,564</u>
Total Expenses	<u>22,053,157</u>	<u>-</u>	<u>22,053,157</u>
INCREASE IN NET ASSETS	3,745,791	1,621,918	5,367,709
Net Assets - Beginning of Year	<u>59,254,857</u>	<u>11,298,612</u>	<u>70,553,469</u>
NET ASSETS - END OF YEAR	<u>\$ 63,000,648</u>	<u>\$ 12,920,530</u>	<u>\$ 75,921,178</u>

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 15,161,762	\$ 1,707,051	\$ 16,868,813
In-Kind Support	202,988	-	202,988
Room and Board	6,292,675	-	6,292,675
Investment Income	3,934,886	33,077	3,967,963
Change in Beneficial Interests in Trusts	-	128,060	128,060
Supporting Business Activities	3,500,683	-	3,500,683
Other Income	273,070	-	273,070
Total	29,366,064	1,868,188	31,234,252
Net Assets Released from Restrictions	888,415	(888,415)	-
Total Support and Revenue	30,254,479	979,773	31,234,252
 EXPENSES			
Program Services:			
Residential Living/Cottages	8,221,764	-	8,221,764
Case Management	997,137	-	997,137
OP Therapy	1,823,380	-	1,823,380
Program Services Support	204,586	-	204,586
Recreation	144,993	-	144,993
Dietary	1,070,757	-	1,070,757
Academy/Education	147,559	-	147,559
Clinics	201,617	-	201,617
Foster Care	2,138,910	-	2,138,910
Day Treatment	1,481,207	-	1,481,207
Trauma Center	640,877	-	640,877
Other Services	1,087,040	-	1,087,040
Total Program Services	18,159,827	-	18,159,827
Supporting Services:			
Administrative	1,170,852	-	1,170,852
Advancement	1,212,561	-	1,212,561
Total Supporting Services	2,383,413	-	2,383,413
Total Expenses	20,543,240	-	20,543,240
 INCREASE IN NET ASSETS BEFORE OTHER LOSSES	9,711,239	979,773	10,691,012
Impairment Loss on Land	(2,145,500)	-	(2,145,500)
Change in Unfunded Pension Liability	108,452	-	108,452
	(2,037,048)	-	(2,037,048)
 INCREASE IN NET ASSETS	7,674,191	979,773	8,653,964
Net Assets - Beginning of Year	51,580,666	10,318,839	61,899,505
 NET ASSETS - END OF YEAR	\$ 59,254,857	\$ 11,298,612	\$ 70,553,469

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services							
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Clinics
Salaries	\$ 3,526,716	\$ 638,080	\$ 1,200,948	\$ 676,974	\$ 40,113	\$ 372,037	\$ 62,305	\$ 71,325
Payroll Taxes	273,902	50,220	89,603	61,474	3,229	29,359	4,871	5,615
Employee Benefits	872,963	148,502	223,285	119,796	10,506	88,156	12,588	9,828
Insurance	429,196	4,034	26,701	-	-	-	1,669	3,301
Supplies	103,819	3,926	6,201	4,536	1,452	24,986	1,587	2,628
Utilities	323,069	13,965	24,301	3,221	28,171	33,653	37,828	2,133
Student Special Needs	6,967	25,208	-	-	-	-	-	-
Student Scholarships	-	-	-	-	-	-	-	-
Student Allowances	32,650	-	-	-	-	-	-	-
Staff Expenses	23,323	2,395	29,411	22,658	175	2,565	456	719
Food and Beverage	138,163	1,023	1,625	1,910	916	442,568	-	196
First Aid	41,527	-	-	164	-	-	-	6,400
Recreation	73,473	-	-	100	40,077	-	-	-
Equipment Rental	9,778	4,314	5,797	481	-	4,945	484	89
Freight and Postage	1,772	250	369	360	-	159	92	95
Professional Services	68,658	32,377	14,971	25,192	-	3,592	1,912	80,711
Maintenance, Repairs, and Contract Labor	374,780	57,047	47,620	24,894	2,969	32,784	20,944	19,072
Foster Care Parent Fees	-	-	-	-	-	-	-	-
Advertising	4,331	1,437	9	-	-	5	3	5
Dues and Subscriptions	3,536	2,341	1,152	2,390	-	1,366	199	266
Telephone	29,171	9,250	17,901	3,319	976	2,483	783	1,512
Printing, Publishing, and Solicitation	6,757	1,089	114	67	-	-	-	-
Property Taxes	1,248	-	-	-	-	-	-	-
Auto Expense	69,354	3,171	2,900	3,060	308	1,626	4,317	1,135
Student Work Programs	44,059	-	-	-	-	-	-	-
Travel	4,526	216	1,054	511	96	343	64	25
Cost of Goods Sold	-	-	-	-	-	-	-	-
Special Programs	29,666	-	3,658	-	5,210	-	-	43
Bank Service Charges	-	-	2,374	-	-	-	-	358
Trust Management Fees	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-
Miscellaneous	9,857	3,148	90	-	-	-	12,000	-
Total Expenses Before Depreciation	<u>6,503,261</u>	<u>1,001,993</u>	<u>1,700,084</u>	<u>951,107</u>	<u>134,198</u>	<u>1,040,627</u>	<u>162,102</u>	<u>205,456</u>
Depreciation	<u>1,189,297</u>	<u>44,870</u>	<u>36,441</u>	<u>29,445</u>	<u>20,399</u>	<u>140,557</u>	<u>81,794</u>	<u>30,773</u>
Total Expenses by Function	<u>\$ 7,692,558</u>	<u>\$ 1,046,863</u>	<u>\$ 1,736,525</u>	<u>\$ 980,552</u>	<u>\$ 154,597</u>	<u>\$ 1,181,184</u>	<u>\$ 243,896</u>	<u>\$ 236,229</u>

See accompanying Notes to Consolidated Financial Statements.

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021

	Program Services (Continued)					Total Program Services	Management and General	Fundraising	Total
	Foster Care	Day Treatment	Trauma Center	Home Builders	Other Services				
Salaries	\$ 951,157	\$ 754,903	\$ 467,718	\$ 114,029	\$ 471,430	\$ 9,347,735	\$ 838,939	\$ 456,561	\$ 10,643,235
Payroll Taxes	69,715	60,619	30,702	7,164	40,126	726,599	64,842	32,708	824,149
Employee Benefits	203,514	183,568	69,201	21,645	86,341	2,049,893	97,106	76,506	2,223,505
Insurance	10,589	36,444	8	-	32,139	544,081	12,396	-	556,477
Supplies	10,870	2,304	6,982	173	14,255	183,719	13,128	4,750	201,597
Utilities	16,570	21,013	538	-	21,352	525,814	32,801	8,079	566,694
Student Special Needs	2,149	4,902	-	-	-	39,226	-	-	39,226
Student Scholarships	-	-	-	-	-	-	-	-	-
Student Allowances	5,298	-	-	-	-	37,948	-	-	37,948
Staff Expenses	31,870	6,898	19,323	1,297	463	141,553	63,594	12,321	217,468
Food and Beverage	3,781	3,136	3,775	-	1,885	598,978	5,284	4,354	608,616
First Aid	-	964	-	-	-	49,055	-	-	49,055
Recreation	-	939	-	-	-	114,589	-	-	114,589
Equipment Rental	9,842	1,157	280	-	-	37,167	25,098	27,411	89,676
Freight and Postage	1,499	156	414	-	959	6,125	14,417	17,210	37,752
Professional Services	9,638	8,402	185,470	15,546	6,000	452,469	202,740	37,969	693,178
Maintenance, Repairs, and Contract Labor	29,503	46,320	3,247	6,998	104,014	770,192	118,442	24,580	913,214
Foster Care Parent Fees	528,932	-	-	-	-	528,932	-	-	528,932
Advertising	4,301	-	1,631	-	-	11,722	54,057	70,295	136,074
Dues and Subscriptions	4,694	791	3,525	-	573	20,833	27,429	2,381	50,643
Telephone	15,125	8,043	1,616	-	2,471	92,650	24,140	4,932	121,722
Printing, Publishing, and Solicitation	6,485	73	1,089	12	30	15,716	75,709	110,775	202,200
Property Taxes	-	-	-	-	2,629	3,877	-	-	3,877
Auto Expense	3,247	6,192	170	-	11,875	107,355	12,582	2,195	122,132
Student Work Programs	-	2,415	-	-	-	46,474	-	-	46,474
Travel	1,967	17	9,144	-	37	18,000	58,755	1,487	78,242
Cost of Goods Sold	-	-	-	-	466,788	466,788	-	-	466,788
Special Programs	902	-	-	-	11,704	51,183	-	-	51,183
Bank Service Charges	-	-	-	-	11,505	14,237	23,080	-	37,317
Trust Management Fees	-	-	-	-	-	-	70,979	-	70,979
Interest Expense	-	-	-	-	-	-	9,165	-	9,165
Miscellaneous	53	-	81	-	6,596	31,825	58,622	-	90,447
Total Expenses Before Depreciation	1,921,701	1,149,256	804,914	166,864	1,293,172	17,034,735	1,903,305	894,514	19,832,554
Depreciation	24,992	158,517	750	-	166,023	1,923,858	253,478	43,267	2,220,603
Total Expenses by Function	<u>\$ 1,946,693</u>	<u>\$ 1,307,773</u>	<u>\$ 805,664</u>	<u>166,864</u>	<u>\$ 1,459,195</u>	<u>\$ 18,958,593</u>	<u>\$ 2,156,783</u>	<u>\$ 937,781</u>	<u>\$ 22,053,157</u>

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020**

	Program Services							
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Clinics
Salaries	\$ 3,899,007	\$ 615,382	\$ 1,284,522	\$ 136,143	\$ 39,269	\$ 289,446	\$ 56,865	\$ 75,365
Payroll Taxes	320,321	50,514	101,626	10,983	3,246	23,975	4,604	6,117
Employee Benefits	818,707	124,204	216,931	23,497	9,371	70,630	10,624	9,476
Insurance	420,188	4,860	24,156	-	-	-	-	3,130
Supplies	107,961	4,710	6,818	1,035	1,629	71,781	1,752	5,782
Utilities	295,505	11,196	20,053	1,966	19,192	32,644	40,555	2,624
Student Special Needs	15,206	6,732	-	-	-	-	-	-
Student Scholarships	-	53,884	4,077	-	-	-	-	-
Student Allowances	42,162	-	-	-	-	-	-	-
Staff Expenses	40,309	5,380	34,853	2,104	-	1,435	380	1,170
Food and Beverage	92,390	504	1,984	417	492	416,815	-	40
First Aid	41,335	-	-	608	49	-	-	-
Recreation	79,900	-	-	-	22,616	-	-	-
Equipment Rental	2,672	6,950	3,224	334	-	3,839	180	72
Freight and Postage	2,113	18	398	845	-	55	-	19
Professional Services	82,797	4,425	20,829	8,342	595	737	312	64,717
Maintenance, Repairs, and Contract Labor	385,441	23,645	44,094	1,289	4,635	24,706	17,097	2,368
Foster Care Parent Fees	-	-	-	-	-	-	-	-
Advertising	4,700	-	18	-	-	-	-	-
Dues and Subscriptions	6,214	130	2,864	215	-	930	5	50
Telephone	41,590	8,038	13,217	667	1,361	1,931	440	753
Printing, Publishing, and Solicitation	6,520	-	-	-	-	-	-	-
Property Taxes	1,259	-	-	-	-	-	-	-
Auto Expense	65,951	7,880	2,216	625	80	806	2,337	545
Student Work Programs	27,515	-	-	-	-	-	-	-
Travel	5,706	2,350	3,091	724	29	213	408	458
Cost of Goods Sold	-	-	-	-	-	-	-	-
Special Programs	37,654	-	154	-	10,241	-	-	1,299
Bank Service Charges	-	-	1,421	-	-	-	-	-
Trust Management Fees	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-
Miscellaneous	11,110	11,018	349	-	-	-	12,000	-
Total Expenses Before Depreciation	<u>6,854,233</u>	<u>941,820</u>	<u>1,786,895</u>	<u>189,794</u>	<u>112,805</u>	<u>939,943</u>	<u>147,559</u>	<u>173,985</u>
Depreciation	<u>1,367,531</u>	<u>55,317</u>	<u>36,485</u>	<u>14,792</u>	<u>32,188</u>	<u>130,814</u>	<u>-</u>	<u>27,632</u>
Total Expenses by Function	<u>\$ 8,221,764</u>	<u>\$ 997,137</u>	<u>\$ 1,823,380</u>	<u>\$ 204,586</u>	<u>\$ 144,993</u>	<u>\$ 1,070,757</u>	<u>\$ 147,559</u>	<u>\$ 201,617</u>

See accompanying Notes to Consolidated Financial Statements.

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020

	Program Services (Continued)							
	Foster Care	Day Treatment	Trauma Center	Other Services	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,045,198	\$ 919,223	\$ 282,926	\$ 348,938	\$ 8,992,284	\$ 482,762	\$ 704,307	\$ 10,179,353
Payroll Taxes	83,062	74,767	20,673	33,327	733,215	34,266	53,067	820,548
Employee Benefits	196,193	189,309	35,502	66,431	1,770,875	75,968	114,540	1,961,383
Insurance	9,784	32,886	7,650	23,983	526,637	6,363	3,016	536,016
Supplies	8,285	4,618	13,009	31,227	258,607	11,613	5,678	275,898
Utilities	16,317	21,557	3,102	22,275	486,986	16,052	16,341	519,379
Student Special Needs	395	1,153	-	-	23,486	-	-	23,486
Student Scholarships	-	-	-	-	57,961	-	-	57,961
Student Allowances	15,855	-	-	-	58,017	-	-	58,017
Staff Expenses	37,970	8,739	8,133	2,273	142,746	19,595	9,913	172,254
Food and Beverage	4,656	4,386	2,481	1,426	525,591	967	1,783	528,341
First Aid	80	37	-	18	42,127	-	-	42,127
Recreation	-	-	-	-	102,516	-	8,616	111,132
Equipment Rental	38,719	1,474	1,794	-	59,258	6,997	12,834	79,089
Freight and Postage	983	163	1,539	8	6,141	7,346	22,988	36,475
Professional Services	23,597	11,732	177,325	-	395,408	104,459	34,063	533,930
Maintenance, Repairs, and Contract Labor	50,795	36,578	3,844	36,302	630,794	34,785	8,881	674,460
Foster Care Parent Fees	537,578	-	-	-	537,578	-	-	537,578
Advertising	6,919	9	4,124	800	16,570	8,566	49,646	74,782
Dues and Subscriptions	2,065	920	3,189	250	16,832	8,843	6,791	32,466
Telephone	12,926	7,163	8,075	2,631	98,792	13,131	4,768	116,691
Printing, Publishing, and Solicitation	745	-	-	-	7,265	12,497	93,405	113,167
Property Taxes	-	-	-	7,499	8,758	-	-	8,758
Auto Expense	6,120	4,285	1,349	17,791	109,985	7,245	5,300	122,530
Student Work Programs	-	-	-	-	27,515	-	-	27,515
Travel	11,025	723	30,038	1,098	55,863	3,154	5,922	64,939
Cost of Goods Sold	-	-	-	388,259	388,259	-	-	388,259
Special Programs	511	-	-	8,547	58,406	-	43	58,449
Bank Service Charges	-	-	-	11,277	12,698	25,380	-	38,078
Trust Management Fees	-	-	-	-	-	117,550	-	117,550
Interest Expense	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	4,450	38,927	38,747	-	77,674
Total Expenses Before Depreciation	<u>2,109,778</u>	<u>1,319,722</u>	<u>604,753</u>	<u>1,008,810</u>	<u>16,190,097</u>	<u>1,036,286</u>	<u>1,161,902</u>	<u>18,388,285</u>
Depreciation	<u>29,132</u>	<u>161,485</u>	<u>36,124</u>	<u>78,230</u>	<u>1,969,730</u>	<u>134,566</u>	<u>50,659</u>	<u>2,154,955</u>
Total Expenses by Function	<u>\$ 2,138,910</u>	<u>\$ 1,481,207</u>	<u>\$ 640,877</u>	<u>\$ 1,087,040</u>	<u>\$ 18,159,827</u>	<u>\$ 1,170,852</u>	<u>\$ 1,212,561</u>	<u>\$ 20,543,240</u>

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 5,367,709	\$ 8,653,964
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,220,603	2,154,955
Discount Amortization	9,165	8,807
Change in Unfunded Pension Liability	-	(108,452)
Impairment Loss on Land	-	2,145,500
Forgiveness of Refundable Advance	(2,445,000)	-
Unrealized (Gain) Loss on Investments	(4,259,576)	1,198,085
Realized Gain on Investments	(1,062,038)	(4,708,359)
Other Investment Income	(909,309)	(150,296)
(Increase) Decrease in:		
Accounts Receivable	(132,865)	323,272
Promises to Give	267,405	(30,743)
Other Receivables	96,988	(91,372)
Prepaid Expenses	98,288	(47,291)
Inventory	52,025	(113,509)
Increase (Decrease) in:		
Accounts Payable	332,458	(1,191,280)
Custodial Student Funds	(334)	(7,568)
Accrued Liabilities and Compensated Absence	(170,152)	190,477
Net Cash Provided (Used) by Operating Activities	(534,633)	8,226,190
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(5,083,086)	(12,859,029)
Sale of Investments	7,851,841	7,611,473
Purchases of Property and Equipment	(1,888,579)	(1,346,816)
Net Cash Provided (Used) by Investing Activities	880,176	(6,594,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Refundable Advance	-	2,445,000
Net Cash Provided by Financing Activities	-	2,445,000
NET INCREASE IN CASH	345,543	4,076,818
Cash - Beginning of Year	4,402,036	325,218
CASH - END OF YEAR	\$ 4,747,579	\$ 4,402,036
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY		
Purchases of Capital Assets in Accounts Payable	\$ -	\$ 35,570

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Crossnore School and Children's Home is a North Carolina nonprofit organization whose purpose is to provide a stable environment for children from families in crisis. Their support comes primarily from charitable contributions and government funding. In May 2021, the organization changed its name to Crossnore Communities for Children (Communities). There are campuses in Crossnore and Winston-Salem, North Carolina. During 2018, the Crossnore School & Children's Home opened an office in Hendersonville, North Carolina that specializes in foster care and outpatient therapy.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Crossnore Communities for Children and its affiliate, The Crossnore School Children's Foundation (the Foundation). Collectively, they are referred to as "Crossnore". The Foundation was founded on October 1, 2012, to solicit, manage, invest and distribute assets for the benefit of Communities. Communities elected to transfer its investments into the Foundation, and the Foundation manages those assets and makes periodic distributions to Communities, in accordance with the Foundation's spending policy, in support of Communities' charitable and educational activities. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements of Crossnore have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to nonprofit organizations.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Classification of Net Assets

Contributions received are recorded as an increase in support without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions, net assets of Crossnore and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – consist of all resources of Crossnore which have no donor-imposed restrictions. Net assets without donor restrictions consist of assets (including land, buildings, and equipment) and public support and revenue available and used for current operations and expenditures for current programs, equipment replacement, or other specific purposes. Crossnore's governing board may, at their discretion, designate net assets without donor restrictions for a specified purpose.

Net Assets With Donor Restrictions – consist of contributions received whose use by Crossnore is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of Crossnore. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that investments be maintained in perpetuity. Income from the investment of net assets with donor restrictions perpetual in nature is classified as with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as assets released from restrictions.

Basis of Accounting

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations. Support restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the contribution is recognized.

Cash and Cash Equivalents

Crossnore considers money market accounts and highly liquid investments with an original maturity of three months or less to be cash equivalents, except those cash amounts maintained as part of the investment portfolio.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Accounts Receivable

Receivables consist of contributions and other program receivables and are stated at cost less an allowance for doubtful accounts, where applicable. Unconditional promises receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. At September 30, 2021 and 2020, management recorded an allowance on program receivables of \$265,575 and \$128,722, respectively.

The opening and closing contract balances were as follows:

	<u>Accounts Receivable</u>
Balance as of October 1, 2019	\$ 1,008,343
Balance as of September 30, 2020	685,071
Balance as of September 30, 2021	817,936

Investments

Investments in marketable securities with readily determinable fair values are valued in the consolidated statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Investments in limited partnerships are stated at net asset value determined based on pricing services that are believed to be reliable. Investments in limited liability corporations are stated at cost. Interest and dividend income and gains or losses on investments (including realized gains on sale of investments and gains on the change in fair value of investments) are included in support and revenue.

Donated investments are recorded at fair value at the date of receipt.

Inventories

Inventories are stated at the lower of cost or net realizable value. Donations of inventory items are recorded at estimated fair market value.

Real Estate Held for Sale

Accounting principles generally accepted in the United States of America require that long-lived assets to be sold be classified as "held for sale" in the period in which certain criteria are met, such as the estimated timeframe in which the assets are expected to be sold. As a result, depreciation is not recorded on an asset once it is deemed to be held for sale, and it is recorded in the consolidated financial statements at the lower of its carrying value or fair value less cost to sell.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

Crossnore capitalizes expenditures for property and equipment in excess of \$1,000 that have a useful life of more than one year. Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is calculated on the straight-line method over the estimated useful life of the asset. Maintenance and repair costs are charged to expense as incurred. Gains and losses on disposal are reflected in its own line in the consolidated statements of activities.

Long-lived assets held and used by Crossnore are reviewed for impairment whenever changes in circumstances indicate the carrying value of an asset may not be recoverable.

In 2020, Crossnore received a one-time payment of \$6,500,000 in exchange for signing a conservation easement with an unaffiliated nonprofit organization that limits Crossnore's ability to develop approximately 92 acres of land on their Winston-Salem campus. The easement restricts the property from future development and prohibits Crossnore from building a permanent structure on that acreage. Crossnore recorded an impairment loss of \$2,145,500 in the accompanying consolidated statements of activities for the year ended September 30, 2020 related to the decrease in the land value as a result of the limitation imposed on its use.

Beneficial Interest in Term and Perpetual Trusts

Crossnore holds a beneficial interest in several term and perpetual trusts. These trusts are administered by independent trustees and generally consist of cash and cash equivalents, mutual funds, and debt and equity securities, which are carried at fair value. Under the terms of the trusts, the donors have established and funded the trusts with specified distributions to be made to Crossnore. Under the terms of perpetual trusts, distributions of income are to be made in perpetuity. Because the trusts are perpetual, these trusts are reported as a perpetual trust and are included in net assets with donor restrictions. Under the terms of term trusts, the principal of the trust is to be distributed 25 years after the death of their surviving spouse. Due to this restriction, this fund is reported as a term trust and is included in net assets with donor restrictions.

Income distributions from these trusts are recorded as investment income in the consolidated statement of activities, while any appreciation (depreciation) in the trust value is recorded as a change in value of the term and perpetual trusts.

Refundable Advance

On April 15, 2020 Crossnore received loan proceeds in the amount of \$2,445,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Therefore, Crossnore classified this loan as a conditional contribution for accounting purposes. In June 2021, the SBA forgave the entire PPP Loan and this amount is shown as contribution revenue in the accompanying consolidated financial statements for the year ended September 30, 2021.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

In-Kind Contributions

Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair market value at date of receipt.

Crossnore generally pays for services requiring specific expertise but does receive certain professional services at no cost. Crossnore recognizes the value of contributed services that enhance nonfinancial assets. If the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by persons who possess those skills, and would otherwise be purchased by Crossnore, a contribution is recorded at the fair value of the services.

Fair Value Measurements and Disclosures

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that Crossnore has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value option for financial assets and liabilities allows entities the irrevocable option to elect fair value measurement for certain financial assets and liabilities that are not required to be reported at fair value, on an instrument-by-instrument basis. Crossnore has not elected to measure any existing financial instruments at fair value at September 30, 2021 or 2020 under this standard. However, Crossnore may elect to measure newly acquired financial instruments at fair value in the future.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Uniform Prudent Management of Institutional Funds Act

During fiscal year 2009, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the state of North Carolina. In August 2008, the FASB released the nonprofit accounting standard for reporting of endowment funds (the UPMIFA Standard), which is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

Tax-Exempt Status

Crossnore is exempt from income taxes as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(3) and is not a private foundation. The Foundation is also exempt from income taxes as a nonprofit corporation under Internal Revenue Service Code Section 501(c)(3). Accordingly, the consolidated financial statements do not reflect a provision for income taxes. Crossnore is subject to a tax on income from any unrelated business.

Crossnore follows guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The guidance has had no impact on Crossnore's consolidated financial statements.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended September 30, 2021 and 2020 were \$136,074 and \$73,982, respectively.

Allocation of Functional Expenses

Crossnore allocates functional expenses among programs and other departments. A time study was performed to assess the amount of time employees were spending among various departments and Crossnore allocates costs based on these amounts.

Accounting Standards

In 2020, Crossnore adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services, using the modified retrospective method. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Accounting Standards (Continued)

Crossnore is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. Modified retrospective adoption requires entities to apply the standard retrospectively to all periods presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets at the date of the earliest year presented. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact Crossnore's reported historical revenue.

The adoption of Topic 606 has no impact on Crossnore's accounts receivable as it was historically recorded net of allowance for doubtful accounts and contractual adjustments. Crossnore's consolidated statements of activities and functional expenses were updated to net bad debt expense against the associated revenues in both years presented.

In 2018, FASB issued ASU 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for non-public entities. Accordingly the accounting changes for nonpublic entities have been retrospectively applied to prior periods presented as if the policy had always been used.

Reclassifications

Certain amounts in the 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

Subsequent Events

Crossnore has evaluated subsequent events through February 4, 2022, which is the date the consolidated financial statements were available to be issued.

NOTE 2 SUPPORT AND REVENUE

To determine revenue recognition for the arrangements that Crossnore determines are within the scope of Topic 606, Crossnore performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligation(s) in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligation(s) in the contract, and (5) recognize revenue when Crossnore satisfies a performance obligation.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 SUPPORT AND REVENUE (CONTINUED)

Performance obligations are determined based on the nature of the services provided by Crossnore. Revenue for performance obligations satisfied over time is recognized based on amounts expected to be received under its agreements. Crossnore believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when specific events have occurred, and Crossnore does not believe it is required to provide additional goods or services related to that obligation.

Room and Board Revenue, Training Center Revenue, Foster Care and Adoptions Revenue and Mental and Medical Services Revenue are reported at the amount that reflects the consideration to which Crossnore expects to be entitled in exchange for performing the services outlined in contracts. These amounts may be due from counties, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, Crossnore bills the counties and third-party payors after the services are performed. Crossnore bills the users of the training center prior to services being performed. Revenue is recognized as the performance obligations are satisfied.

Agreements with third-party payors provide for payments that may differ from established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicaid:** Clinic and mental health services provided to children are paid specific rates based on type of service provided.
- **Other:** Payment agreements with certain commercial insurance carriers are based on negotiated contractually determined rates between Crossnore and the insurance company, health maintenance organization, or preferred provider organization.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and Crossnore's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 SUPPORT AND REVENUE (CONTINUED)

The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions and contractual adjustments were not considered material for the years ended September 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Crossnore has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the factors in the payor contract. For example, Medicaid, managed care, or other insurance have different reimbursement/payment methodologies.

The timing of revenue recognition on contract revenue for the years ended September 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 7,906,705	\$ 8,000,257
Sales at Point in Time	634,637	544,017
Services at Point in Time	2,250,959	1,522,154
Total	<u>\$ 10,792,301</u>	<u>\$ 10,066,428</u>

NOTE 3 INVESTMENTS

As of September 30, 2021 and 2020, investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 371,187	\$ 8,110,136
Fixed Income Investments	14,696,963	7,883,550
Mutual Funds	584,584	458,537
Equity Investments	4,564,399	5,048,275
Limited Partnership	22,934,082	18,572,687
Limited Liability Company	200,000	200,000
Total Investments	<u>\$ 43,351,215</u>	<u>\$ 40,273,185</u>

Total investment income consisted of the following for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest Income	\$ 999,085	\$ 569,389
Investment Fees	(117,129)	(111,700)
Unrealized Gain (Loss), Net	4,259,576	(1,198,085)
Realized Gain, Net	1,062,038	4,708,359
Total Investment Income	<u>\$ 6,203,570</u>	<u>\$ 3,967,963</u>

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 4 PROMISES TO GIVE

Promises to give consisted of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Due in Less than One Year	\$ 141,000	\$ 270,000
Due in Two to Five Years	460,000	602,000
Total	<u>601,000</u>	<u>872,000</u>
Less: Present Value Discount	(6,871)	(10,466)
Promises to Give, Net	<u>\$ 594,129</u>	<u>\$ 861,534</u>

The rate used to calculate the present value discount was 0.31%. At September 30, 2021, approximately \$4,000 of the outstanding promises to give are past due. Based on management's evaluation, they believe no allowance is necessary as of September 30, 2021 and 2020. However, management will continue to evaluate collectability of these amounts on a regular basis.

NOTE 5 PROPERTY AND EQUIPMENT, NET

Following is a summary of property and equipment and accumulated depreciation at September 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Land and Land Improvements	\$ 6,520,462	\$ 6,507,092
Buildings and Improvements	33,585,897	33,393,167
Furniture and Equipment	4,903,381	4,668,535
Vehicles	1,498,414	1,419,728
Construction in Progress	<u>1,684,160</u>	<u>433,161</u>
Total	48,192,314	46,421,683
Less: Accumulated Depreciation	<u>24,576,414</u>	<u>22,438,189</u>
Property and Equipment, Net	<u>\$ 23,615,900</u>	<u>\$ 23,983,494</u>

Depreciation expense totaled \$2,220,603 and \$2,154,955 for the years ended September 30, 2021 and 2020, respectively. Construction in progress at September 30, 2021 and 2020 is related to construction of a gym on the Crossnore campus and general renovations on the Winston campus.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 6 LINES OF CREDIT

Crossnore has a line of credit with a financial institution which is renewable each year with a maximum borrowing limit of \$1,500,000 and an interest rate of the Prime Rate plus .5%. The line of credit is secured by the property located at 100 DAR Drive, Crossnore, North Carolina. There were no amounts outstanding at September 30, 2021 and 2020.

Crossnore has a line of credit agreement with their investment company with a maximum borrowing limit of \$5,000,000 and an interest rate of 30-day LIBOR plus 1.5%. The line of credit is secured by their investments with the company. There were no amounts outstanding at September 30, 2021 and 2020.

Crossnore Communities for Children has an interest-free line of credit with the Foundation with a maximum borrowing limit of \$2,500,000. There are no amounts outstanding as of September 30, 2021 and 2020.

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at September 30:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Interest-free construction loan from a governmental agency, collateralized by a deed of trust, maturing on September 24, 2030, with a face amount of \$300,000. Constructed property must be used for its intended purpose.	\$ 300,000	\$ 300,000
Interest-free loan from a nonprofit organization, collateralized by a deed of trust, maturing on September 14, 2040, net of unamortized discount of \$265,871 at September 30, 2021 (effective interest rate of 4%), with a face amount of \$500,000.	234,129	224,964
Total	<u>\$ 534,129</u>	<u>\$ 524,964</u>

Amortization of the discount is reported in the consolidated statement of activities as interest expense. Crossnore recognized approximately \$9,000 as interest expense related to the interest free loans for the years ended September 30, 2021 and 2020. Crossnore has no regularly required scheduled payments associated with these notes.

NOTE 8 ACCRUED COMPENSATED ABSENCES

Crossnore provides vacation and sick leave benefits to its employees and allows for the carryover of certain vacation leave from year to year. At September 30, 2021 and 2020, Crossnore was liable for benefits to its employees of approximately \$243,000 and \$247,000, respectively.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 9 CONCENTRATIONS

Crossnore banks with institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. At times during the year, Crossnore deposits may exceed the FDIC insured limits, especially during periods of high cash flows. Management believes there is no significant risk with respect to these deposits.

NOTE 10 CUSTODIAL SAVINGS ACCOUNT

Crossnore maintains a custodial savings account for the benefit of the children of Crossnore Communities for Children. The savings account contains funds which are owned by the children; however, Crossnore has discretion regarding when the funds are distributed. The account is recorded as an asset in Crossnore's consolidated financial statements. An offsetting liability has also been recorded to reflect the children's interests in this account.

NOTE 11 LIQUIDITY AND AVAILABILITY

Crossnore invests cash in excess of short-term needs in investments which are liquid within a week. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 4,747,579	\$ 4,402,036
Investments:		
Cash and Cash Equivalents	371,187	8,110,136
Fixed Income Investments	14,696,963	7,883,550
Mutual Funds	584,584	458,537
Equity Investments	4,564,399	5,048,275
Accounts Receivable, Net	817,936	685,071
Other Receivables	34,136	131,124
Less: Endowments	(1,650,013)	(1,618,518)
Less: Purpose-Restricted Net Assets with Donor Restrictions	<u>(6,450,556)</u>	<u>(4,873,761)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 17,716,215</u>	<u>\$ 20,226,450</u>

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 12 NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions are internally designated for the following purposes as of September 30, 2021 and 2020:

	2021	2020
Residential Scholarships	\$ 112,253	\$ 112,223
Operating Reserves	2,645,979	3,000,000
Capital Reserves	3,057,806	3,057,806
Strategic Reserves	1,410,662	1,700,000
Endowment Fund	671,172	671,172
Total	\$ 7,897,872	\$ 8,541,201

Funds designated for the endowment relate to investments held to secure the long-term future of Crossnore and support Crossnore and its efforts to further its mission.

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30, 2021 and 2020:

	2021	2020
Restricted for Time:		
Beneficial Interest	\$ 122,644	\$ 107,996
Loan Forgiveness	265,871	275,036
Pledges Receivable	576,129	826,534
Restricted for Purpose:		
Building Projects	1,228,532	882,732
Classroom Without Walls	1,012,613	1,012,613
Residential Scholarships	1,056,886	965,607
College Scholarships	1,527,554	1,263,213
Homebuilders Pilot Program	650,000	-
Other	974,971	749,596
Perpetual In Nature:		
Beneficial Interests in Perpetual Trusts	3,842,340	3,492,850
Residential Scholarships	407,201	407,203
College Scholarships	446,813	493,291
Athletic Equipment	293,977	293,977
Other	514,999	527,964
Total	\$ 12,920,530	\$ 11,298,612

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 12 NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions (Continued)

During the years ended September 30, 2021 and 2020, net assets were released from donor restrictions as follows:

	2021	2020
For Time:		
Loan Forgiveness	\$ 9,165	\$ 8,807
Pledges Receivable	331,405	251,707
For Purpose:		
Building Projects	-	627,901
Other	55,605	-
Total	\$ 396,175	\$ 888,415

Perpetual in Nature

Endowment Funds

Crossnore has several endowment funds, the income of which may be expended for specific purposes. Effective October 1, 2008, Crossnore adopted the provisions of the financial accounting standard for endowments of nonprofit organizations (the "UPMIFA Standard") with respect to the accounting for the corpus and income recognition on endowment funds as follows:

Corpus:

Endowment funds include: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. Crossnore consults with legal counsel on the interpretation of UPMIFA with regard to preserving the fair value of original gifts as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

Income:

Income earned on endowment funds that is not required by the donor to be added to the corpus of the endowment is classified as net assets with purpose donor restrictions until those amounts are appropriated for expenditure by Crossnore in a manner consistent with the standard of prudence prescribed in UPMIFA. Income earned on endowment funds which is expended within the same year as received is reflected as investment income without donor restrictions in the accompanying consolidated statements of activities.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 12 NET ASSETS (CONTINUED)

Perpetual in Nature (Continued)

Income (Continued):

Crossnore considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of Crossnore and the donor-restricted endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of Crossnore
- The investment policy of Crossnore

Investment Objectives and Strategies:

Crossnore has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that Crossnore must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to preserve and grow capital, strive for consistent absolute returns, preserve purchasing power by striving for long-term returns which either match or exceed the set payout, fees and inflation without putting the principal value at imprudent risk, and diversify investments consistent with commonly accepted industry standard to minimize the risk of large losses.

To satisfy its long-term rate of return objectives, Crossnore relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Management targets a diversified asset allocation that meets Crossnore's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Appropriation Policy:

Crossnore's spending policy is consistent with its objective to preserve the fair value of the original gift of the endowment assets held in perpetuity as well, as to provide additional real growth through new gifts and investment return.

Deficiencies:

From time to time, the fair value of the assets in endowment funds may fall below the required level stipulated by the donor. In accordance with UPMIFA Standard, deficiencies of this nature are reported in net assets without donor restrictions. If future investments do not alleviate the deficit, Crossnore may be required to contribute additional amounts to the fund. There were no deficiencies at September 30, 2021 and 2020.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 12 NET ASSETS (CONTINUED)

Perpetual in Nature (Continued)

Deficiencies (Continued):

The following table summarized endowment fund activity, including contributions, income earned and appropriations for the years ended September 30, 2021 and 2020:

	Without Donor Restrictions	With Donor Restriction		Total
		Purpose- Restricted	Perpetual In Nature	
Net Assets - Year Ended September 30, 2019	\$ 671,072	\$ 70,840	\$ 1,514,465	\$ 2,256,377
Contributions	100	-	104,053	104,153
Net Unrealized Gain of Securities	-	33,077	-	33,077
Net Assets - Year Ended September 30, 2020	671,172	103,917	1,618,518	2,393,607
Contributions	-	-	31,495	31,495
Net Unrealized Gain of Securities	-	97,198	-	97,198
Net Assets - Year Ended September 30, 2021	<u>\$ 671,172</u>	<u>\$ 201,115</u>	<u>\$ 1,650,013</u>	<u>\$ 2,522,300</u>

NOTE 13 FAIR VALUE MEASUREMENTS

Crossnore uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. All assets have been valued using a market approach, except for Level 3 beneficial interest in trusts. Beneficial interests are valued based on the present value of expected future cash flows. For additional information on how Crossnore measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies.

The following table presents the fair value hierarchy for the balances of the assets of Crossnore measured at fair value on a recurring basis as of September 30, 2021 and 2020:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2021</u>				
Fixed Income	\$ -	\$ 14,696,963	\$ -	\$ 14,696,963
Mutual Funds	584,584	-	-	584,584
Equity Investments	4,564,399	-	-	4,564,399
Beneficial Interest in Trusts	-	-	3,964,984	3,964,984
Total Assets at Fair Value	<u>\$ 5,148,983</u>	<u>\$ 14,696,963</u>	<u>\$ 3,964,984</u>	<u>\$ 23,810,930</u>
<u>September 30, 2020</u>				
Fixed Income	\$ -	\$ 7,883,550	\$ -	\$ 7,883,550
Mutual Funds	458,537	-	-	458,537
Equity Investments	5,048,275	-	-	5,048,275
Beneficial Interests in Trusts	-	-	3,600,846	3,600,846
Total Assets at Fair Value	<u>\$ 5,506,812</u>	<u>\$ 7,883,550</u>	<u>\$ 3,600,846</u>	<u>\$ 16,991,208</u>

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Investments in limited liability companies are measured at cost. Investments in limited partnerships are measured at net asset value, which is based on the market value of the underlying investments. These investments are therefore excluded from the fair value tables.

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from September 30, 2019 to September 30, 2021:

Fair Value - September 30, 2019	\$ 3,473,519
Unrealized Gains on Investments	<u>127,327</u>
Fair Value - September 30, 2020	3,600,846
Unrealized Gains on Investments	<u>364,138</u>
Fair Value - September 30, 2021	<u><u>\$ 3,964,984</u></u>

The following table illustrates the significant unobservable inputs for Level 3 investments measured at fair value on a recurring basis for the years ended September 30:

Instrument	Fair Value		Valuation Technique	Unobservable Inputs
	2021	2020		
Beneficial Interests in Trusts	\$ 3,964,984	\$ 3,600,846	FMV of Trust Investments	Time Period of Trust

Certain alternative investments held by Crossnore calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of these investments that calculate net asset value per share for the years ended September 30, 2021 and 2020:

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
<u>September 30, 2021</u>				
Cedar Rock Partners Series	\$ 1,869,897	\$ -	Monthly	30 Business Days
Altarock Partners Series	3,262,308	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	3,270,542	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	1,192,112	-	Monthly	30 Business Days
Select Equity Series	4,520,785	-	Monthly	30 Business Days
Port Capital Small Cap Series	1,251,167	-	Quarterly	30 Business Days
BBH Capital Partners Opportunities	169,154	241,340	Long-Term	N/A
BBH Capital Partners V-1 Sub-Trust	1,242,112	175,398	Long-Term	N/A
BBH Capital Partners V1-2	240,143	643,455	Long-Term	N/A
Valley Forge	2,734,662	-	Monthly	30 Business Days
Martello RE	-	1,000,000	Long-Term	N/A
BBH Enhanced Value Fund I	-	1,000,000	Long-Term	N/A
GQG Partners Emerging Markets Equity Series	792,673	-	Monthly	30 Business Days
Barings Loan Sub-Trust	1,053,796	913,579	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	869,968	446,314	Long-Term	N/A
Oaktree Opportunities Sub-Trust	464,763	190,400	Long-Term	N/A
Total	<u>\$ 22,934,082</u>	<u>\$ 4,610,486</u>		
	Net Asset Value	Unfunded Commitments	(If Currently Eligible)	Notice Period
<u>September 30, 2021</u>				
<u>September 30, 2020</u>				
Cedar Rock Partners Series	\$ 1,797,550	\$ -	Monthly	30 Business Days
Altarock Partners Series	3,196,510	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	4,029,184	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	1,699,607	-	Monthly	30 Business Days
Select Equity Series	4,334,927	-	Monthly	30 Business Days
Port Capital Small Cap Series	493,177	-	Quarterly	30 Business Days
BBH Capital Partners Opportunities	28,539	316,720	Long-Term	N/A
BBH Capital Partners V-1 Sub-Trust	862,942	407,977	Long-Term	N/A
GQG Partners Emerging Markets Equity Series	356,753	-	Monthly	30 Business Days
Barings Loan Sub-Trust	992,699	913,579	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	421,400	598,146	Long-Term	N/A
Oaktree Opportunities Sub-Trust	359,399	228,570	Long-Term	N/A
Total	<u>\$ 18,572,687</u>	<u>\$ 2,464,992</u>		

NOTE 14 COMMITMENTS AND CONTINGENCIES

Liability Insurance

Crossnore is subject to legal proceedings and claims which arise in the ordinary course of business. Crossnore maintains liability insurance coverage for claims occurring during the policy year. Occurrence-based policies need only to be in effect on the date that an accident causing damage occurs in order to trigger coverage. In management's opinion, adequate provision has been made for amounts expected to be paid under the policy's deductible limits for claims not covered by the policy and any other uninsured liability.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insured Health Plan

Crossnore maintains a health care plan for its' employees which is partially self-insured, subsidizing up to \$2,500 of the first \$5,000 in medical expenses per employee per year for the years ended September 30, 2021 and 2020. Crossnore accrues a reserve for self-insurance, which is classified as a current liability. As of September 30, 2021 and 2020, the balances in the reserve account were \$96,021 and \$101,629, respectively.

NOTE 15 RELATED PARTY TRANSACTIONS

Crossnore pays for some expenses on behalf of The Crossnore Academy, such as facilities, maintenance and utilities. Crossnore charges only \$1 per year to The Crossnore Academy for those amenities. Expenses for items paid for by Crossnore on behalf of The Crossnore Academy totaled \$243,896 and \$147,559 for the years ended September 30, 2021 and 2020, respectively.

NOTE 16 RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts Crossnore's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are not limited to additional costs for emergency preparedness, disease control and containment, potential shortages of personnel, or loss of revenue due to reductions in certain revenue streams. Management believes Crossnore is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF SUPPORT AND REVENUE
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	2021						2020	
	Crossnore Campus		Winston Campus		Hendersonville Office			Comparative
	Without Donor Restrictions	With Donor Restriction	Without Donor Restrictions	With Donor Restriction	Without Donor Restrictions	With Donor Restriction	Total	Total
SUPPORT								
Contributions:								
Individuals	\$ 4,946,339	\$ 1,529,194	\$ 1,384,609	\$ 27,563	\$ 232,140	\$ -	\$ 8,119,845	\$ 11,807,247
Legacies and Bequests	787,393	-	-	-	-	-	787,393	4,119,426
Foundations	535,609	-	-	-	-	-	535,609	450,796
Trusts	401,060	-	42,865	-	-	-	443,925	441,643
Special Events	1,100	-	-	-	-	-	1,100	49,701
Total Contributions	<u>6,671,501</u>	<u>1,529,194</u>	<u>1,427,474</u>	<u>27,563</u>	<u>232,140</u>	<u>-</u>	<u>9,887,872</u>	<u>16,868,813</u>
IN-KIND SUPPORT - SALES STORE	172,985	-	-	-	-	-	172,985	202,988
REVENUE								
Room and Board:								
Foster Care Funds	3,636,920	-	2,266,580	-	-	-	5,903,500	6,041,773
Academy Contract	102,716	-	-	-	-	-	102,716	76,810
School Food Programs	81,470	-	-	-	-	-	81,470	102,758
COVID Add-On Revenue	13,685	-	21,276	-	-	-	34,961	75,050
Relatives	-	-	(423)	-	-	-	(423)	(3,716)
Total Room and Board	<u>3,834,791</u>	<u>-</u>	<u>2,287,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,122,224</u>	<u>6,292,675</u>
INVESTMENT INCOME								
Interest and Dividends	684,229	-	314,856	-	-	-	999,085	569,389
Investment Fees	(117,129)	-	-	-	-	-	(117,129)	(111,700)
Investment Gains (Losses)	5,076,956	-	194,052	97,198	(46,592)	-	5,321,614	3,510,274
Total Investment Income	<u>5,644,056</u>	<u>-</u>	<u>508,908</u>	<u>97,198</u>	<u>(46,592)</u>	<u>-</u>	<u>6,203,570</u>	<u>3,967,963</u>
CHANGE IN BENEFICIAL INTEREST IN TRUSTS	-	-	-	364,138	-	-	364,138	128,060
SUPPORTING BUSINESS ACTIVITIES								
Blair Fraley Sales Store	217,439	-	-	-	-	-	217,439	173,391
Crossnore Weavers and Gallery	315,805	-	-	-	-	-	315,805	275,528
Miracle Grounds Coffee Shop	86,212	-	-	-	-	-	86,212	80,543
Farm Sales	-	-	15,181	-	-	-	15,181	14,555
Training Center	-	-	607,220	-	-	-	607,220	177,269
Behavioral Health:								
Mental and Medical Services	231,944	-	932,809	-	241,014	-	1,405,767	1,750,369
Foster Care and Adoptions	390,329	-	786,093	-	400,067	-	1,576,489	1,029,028
Total Supporting Business Activities	<u>1,241,729</u>	<u>-</u>	<u>2,341,303</u>	<u>-</u>	<u>641,081</u>	<u>-</u>	<u>4,224,113</u>	<u>3,500,683</u>
OTHER INCOME								
Rents and Royalties	165,332	-	-	-	-	-	165,332	164,039
Other Revenue	131,005	-	149,627	-	-	-	280,632	109,031
Total Other Income	<u>296,337</u>	<u>-</u>	<u>149,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>445,964</u>	<u>273,070</u>
Total Support and Revenue	<u>\$ 17,861,399</u>	<u>\$ 1,529,194</u>	<u>\$ 6,714,745</u>	<u>\$ 488,899</u>	<u>\$ 826,629</u>	<u>\$ -</u>	<u>\$ 27,420,866</u>	<u>\$ 31,234,252</u>

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	2021									2020	
	Crossnore Campus			Winston Campus			Hendersonville Office			Total	Comparative Total
	Program Services	Supporting Services	Other Services	Program Services	Supporting Services	Other Services	Program Services	Supporting Services	Other Services		
Salaries	\$ 3,790,697	\$ 435,537	\$ 415,123	\$ 4,471,956	\$ 605,765	\$ 56,307	\$ 613,652	\$ 254,198	\$ -	\$ 10,643,235	\$ 10,179,353
Payroll Taxes	302,397	31,284	35,609	340,073	48,206	4,517	44,003	18,060	-	824,149	820,548
Employee Benefits	889,622	63,424	81,877	952,042	67,375	4,464	121,888	42,813	-	2,223,505	1,961,383
Insurance	290,316	3,688	7,278	221,626	8,708	24,861	-	-	-	556,477	536,016
Supplies	103,043	3,700	5,488	57,914	9,176	8,767	8,507	5,002	-	201,597	275,898
Utilities	302,627	15,000	19,457	199,148	24,277	1,895	2,687	1,603	-	566,694	519,379
Student Special Needs	20,543	-	-	18,683	-	-	-	-	-	39,226	23,486
Student Scholarships	-	-	-	-	-	-	-	-	-	-	57,961
Student Allowances	2,288	-	-	32,974	-	-	2,686	-	-	37,948	58,017
Staff Expenses	49,766	11,081	337	72,765	55,170	126	18,559	9,664	-	217,468	172,254
Food and Beverage	451,758	2,823	1,807	142,093	3,982	78	3,242	2,833	-	608,616	528,341
First Aid	24,404	-	-	24,651	-	-	-	-	-	49,055	42,127
Recreation	90,398	-	-	24,191	-	-	-	-	-	114,589	111,132
Equipment Rental	12,247	6,834	-	15,789	11,980	-	9,131	33,695	-	89,676	79,089
Freight and Postage	2,542	10,333	959	2,328	12,700	-	296	8,594	-	37,752	36,475
Professional Services	61,716	44,600	-	378,688	183,760	6,000	6,065	12,349	-	693,178	533,930
Maintenance, Repairs, and Contract Labor	339,836	67,382	36,574	318,233	71,539	67,440	8,109	4,101	-	913,214	674,460
Foster Care Parent Fees	122,007	-	-	260,843	-	-	146,082	-	-	528,932	537,578
Advertising	3,612	40,165	-	8,107	49,749	-	3	34,438	-	136,074	74,782
Dues and Subscriptions	8,383	2,882	560	8,036	25,864	13	3,841	1,064	-	50,643	32,466
Telephone	40,800	5,515	2,195	41,594	19,562	276	7,785	3,995	-	121,722	116,691
Printing, Publishing, and Solicitation	6,859	63,697	30	8,660	69,922	-	167	52,865	-	202,200	113,167
Property Taxes	1,248	-	2,629	-	-	-	-	-	-	3,877	8,758
Auto Expense	59,029	5,156	6,835	34,889	8,576	5,040	1,562	1,045	-	122,132	122,530
Student Work Programs	43,976	-	-	2,498	-	-	-	-	-	46,474	27,515
Travel	5,330	1,084	34	12,102	58,589	3	531	569	-	78,242	64,939
Cost of Goods Sold	-	-	466,788	-	-	-	-	-	-	466,788	388,259
Special Programs	27,830	-	-	10,747	-	11,704	902	-	-	51,183	58,449
Bank Service Charges	478	12,183	11,505	989	10,897	-	1,265	-	-	37,317	38,078
Trust Management Fees	-	70,979	-	-	-	-	-	-	-	70,979	117,550
Interest Expense	-	-	-	-	9,165	-	-	-	-	9,165	-
Miscellaneous	22,389	45,457	6,596	2,840	13,165	-	-	-	-	90,447	77,674
Total Expenses Before Depreciation	7,076,141	942,804	1,101,681	7,664,459	1,368,127	191,491	1,000,963	486,888	-	19,832,554	18,388,285
Depreciation	1,317,093	119,037	128,278	433,332	174,067	37,745	7,410	3,641	-	2,220,603	2,154,955
Total Expenses	\$ 8,393,234	\$ 1,061,841	\$ 1,229,959	\$ 8,097,791	\$ 1,542,194	\$ 229,236	\$ 1,008,373	\$ 490,529	\$ -	\$ 22,053,157	\$ 20,543,240

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – CROSSNORE CAMPUS
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021										2020
	Crossnore Campus										Comparative
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Clinic	Foster Care	Total	Total
Salaries	\$ 2,273,389	\$ 332,225	\$ 277,754	\$ 170,561	\$ 40,113	\$ 297,817	\$ 62,305	\$ 32,928	\$ 303,605	\$ 3,790,697	\$ 3,828,937
Payroll Taxes	178,742	26,176	20,822	19,519	3,229	23,513	4,871	2,618	22,907	302,397	312,566
Employee Benefits	581,273	79,588	49,664	8,004	10,506	74,371	12,588	6,872	66,756	889,622	793,021
Insurance	279,905	3,567	1,132	-	-	-	1,669	3,301	742	290,316	277,330
Supplies	73,719	3,344	1,704	1,975	1,452	14,854	1,587	2,307	2,101	103,043	134,532
Utilities	174,046	11,508	10,886	1,862	28,171	33,243	37,828	2,074	3,009	302,627	265,426
Student Special Needs	-	20,543	-	-	-	-	-	-	-	20,543	17,900
Student Scholarships	-	-	-	-	-	-	-	-	-	-	53,884
Student Allowances	-	-	-	-	-	-	-	-	2,288	2,288	18,622
Staff Expenses	15,410	948	9,963	9,805	175	1,922	456	476	10,611	49,766	44,990
Food and Beverage	87,937	895	547	756	916	360,048	-	186	473	451,758	387,991
First Aid	23,868	-	-	164	-	-	-	372	-	24,404	27,270
Recreation	50,321	-	-	100	39,977	-	-	-	-	90,398	53,513
Equipment Rental	1,066	1,655	90	395	-	4,860	484	58	3,639	12,247	14,858
Freight and Postage	1,058	181	95	248	-	96	92	55	717	2,542	1,506
Professional Services	17,924	2,604	7,159	23,900	-	1,518	1,912	2,946	3,753	61,716	23,365
Maintenance, Repairs, and Contract Labor	198,124	33,856	17,994	12,457	2,483	27,953	20,944	12,560	13,465	339,836	269,869
Foster Care Parent Fees	-	-	-	-	-	-	-	-	122,007	122,007	215,204
Advertising	1,814	3	3	-	-	-	3	3	1,786	3,612	1,967
Dues and Subscriptions	2,131	2,134	237	2,206	-	1,053	199	182	241	8,383	2,249
Telephone	18,852	6,852	4,535	1,495	976	1,662	783	562	5,083	40,800	40,197
Printing, Publishing, and Solicitation	3,511	-	38	-	-	-	-	-	3,310	6,859	3,214
Property Taxes	1,248	-	-	-	-	-	-	-	-	1,248	1,259
Auto Expense	46,833	2,501	617	1,431	308	1,251	4,317	1,106	665	59,029	52,998
Student Work Programs	43,976	-	-	-	-	-	-	-	-	43,976	26,395
Travel	3,298	38	762	251	96	339	64	15	467	5,330	11,094
Special Programs	22,620	-	-	-	5,210	-	-	-	-	27,830	36,866
Bank Service Charges	-	-	239	-	-	-	-	239	-	478	-
Miscellaneous	7,241	3,148	-	-	-	-	12,000	-	-	22,389	32,397
Total Expenses Before Depreciation	4,108,306	531,766	404,241	255,129	133,612	844,500	162,102	68,860	567,625	7,076,141	6,949,420
Depreciation	972,578	37,521	16,163	20,774	20,399	130,063	81,794	28,371	9,430	1,317,093	1,389,490
Total Expenses	<u>\$ 5,080,884</u>	<u>\$ 569,287</u>	<u>\$ 420,404</u>	<u>\$ 275,903</u>	<u>\$ 154,011</u>	<u>\$ 974,563</u>	<u>\$ 243,896</u>	<u>\$ 97,231</u>	<u>\$ 577,055</u>	<u>\$ 8,393,234</u>	<u>\$ 8,338,910</u>

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – WINSTON CAMPUS
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021 Winston Campus											2020	
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Foster Care	Recreation	Dietary	Day Treatment	Trauma Center	Home Builders	Medical Clinic	Total	Comparative Total
Salaries	\$ 1,253,327	\$ 286,620	\$ 561,613	\$ 506,413	\$ 414,716	\$ -	\$ 74,220	\$ 754,903	\$ 467,718	\$ 114,029	\$ 38,397	\$ 4,471,956	\$ 4,201,957
Payroll Taxes	95,160	22,514	42,629	41,955	30,487	-	5,846	60,619	30,702	7,164	2,997	340,073	339,285
Employee Benefits	291,690	65,430	103,088	111,792	88,887	-	13,785	183,568	69,201	21,645	2,956	952,042	800,379
Insurance	149,291	467	25,569	-	9,847	-	-	36,444	8	-	-	221,626	225,324
Supplies	30,100	582	2,639	2,561	2,120	-	10,132	2,304	6,982	173	321	57,914	89,201
Utilities	149,023	2,457	13,268	1,359	11,021	-	410	21,013	538	-	59	199,148	196,690
Student Special Needs	6,967	4,665	-	-	2,149	-	-	4,902	-	-	-	18,683	5,586
Student Scholarships	-	-	-	-	-	-	-	-	-	-	-	-	4,077
Student Allowances	32,650	-	-	-	324	-	-	-	-	-	-	32,974	35,603
Staff Expenses	7,913	1,447	15,792	12,853	6,356	-	643	6,898	19,323	1,297	243	72,765	81,729
Food and Beverage	50,226	128	857	1,154	287	-	82,520	3,136	3,775	-	10	142,093	132,749
First Aid	17,659	-	-	-	-	-	-	964	-	-	6,028	24,651	14,839
Recreation	23,152	-	-	-	-	100	-	939	-	-	-	24,191	49,003
Equipment Rental	8,712	2,659	1,774	86	1,005	-	85	1,157	280	-	31	15,789	8,625
Freight and Postage	714	69	161	112	599	-	63	156	414	-	40	2,328	3,970
Professional Services	50,734	29,773	4,692	1,292	2,940	-	2,074	8,402	185,470	15,546	77,765	378,688	368,554
Maintenance, Repairs, and Contract Labor	176,656	23,191	25,542	12,437	12,013	486	4,831	46,320	3,247	6,998	6,512	318,233	317,497
Foster Care Parent Fees	-	-	-	-	260,843	-	-	-	-	-	-	260,843	253,951
Advertising	2,517	1,434	3	-	2,515	-	5	-	1,631	-	2	8,107	12,619
Dues and Subscriptions	1,405	207	713	184	814	-	313	791	3,525	-	84	8,036	14,018
Telephone	10,319	2,209	9,893	1,824	5,919	-	821	8,043	1,616	-	950	41,594	49,866
Printing, Publishing, and Solicitation	3,246	1,089	38	67	3,046	-	-	73	1,089	12	-	8,660	4,051
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Auto Expense	22,521	641	2,004	1,629	1,328	-	375	6,192	170	-	29	34,889	37,031
Student Work Programs	83	-	-	-	-	-	-	2,415	-	-	-	2,498	1,120
Travel	1,228	178	233	260	1,028	-	4	17	9,144	-	10	12,102	38,824
Special Programs	7,046	-	3,658	-	-	-	-	-	-	-	43	10,747	12,328
Bank Service Charges	-	-	870	-	-	-	-	-	-	-	119	989	548
Miscellaneous	2,616	-	90	-	53	-	-	-	81	-	-	2,840	2,080
Total Expenses Before Depreciation	2,394,955	445,760	815,126	695,978	858,297	586	196,127	1,149,256	804,914	166,864	136,596	7,664,459	7,301,504
Depreciation	216,719	6,994	16,745	8,671	12,040	-	10,494	158,517	750	-	2,402	433,332	497,765
Total Expenses	\$ 2,611,674	\$ 452,754	\$ 831,871	\$ 704,649	\$ 870,337	\$ 586	\$ 206,621	\$ 1,307,773	\$ 805,664	\$ 166,864	\$ 138,998	\$ 8,097,791	\$ 7,799,269

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – HENDERSONVILLE
OFFICE
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	2021				2020
	Hendersonville Office				Comparative Total
	Foster Care	OP Therapy	Case Management	Total	
Salaries	\$ 232,836	\$ 361,581	\$ 19,235	\$ 613,652	\$ 612,452
Payroll Taxes	16,321	26,152	1,530	44,003	48,037
Employee Benefits	47,871	70,533	3,484	121,888	111,044
Supplies	6,649	1,858	-	8,507	3,647
Utilities	2,540	147	-	2,687	2,595
Student Allowances	2,686	-	-	2,686	3,792
Staff Expenses	14,903	3,656	-	18,559	13,754
Food and Beverage	3,021	221	-	3,242	3,425
Equipment Rental	5,198	3,933	-	9,131	35,775
Freight and Postage	183	113	-	296	657
Professional Services	2,945	3,120	-	6,065	3,489
Maintenance, Repairs, and Contract Labor	4,025	4,084	-	8,109	7,126
Foster Care Parent Fees	146,082	-	-	146,082	68,423
Advertising	-	3	-	3	1,184
Dues and Subscriptions	3,639	202	-	3,841	315
Telephone	4,123	3,473	189	7,785	6,098
Printing, Publishing, and Solicitation	129	38	-	167	-
Auto Expense	1,254	279	29	1,562	2,165
Travel	472	59	-	531	4,847
Special Programs	902	-	-	902	665
Bank Service Charges	-	1,265	-	1,265	873
Total Expenses before Depreciation	<u>495,779</u>	<u>480,717</u>	<u>24,467</u>	<u>1,000,963</u>	<u>930,363</u>
Depreciation	<u>3,522</u>	<u>3,533</u>	<u>355</u>	<u>7,410</u>	<u>4,245</u>
Total Expenses	<u><u>\$ 499,301</u></u>	<u><u>\$ 484,250</u></u>	<u><u>\$ 24,822</u></u>	<u><u>\$ 1,008,373</u></u>	<u><u>\$ 934,608</u></u>

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF SUPPORTING SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021						2020	
	Crossnore Campus		Winston Campus		Hendersonville Office		Total	Comparative Total
	Administrative	Advancement	Administrative	Advancement	Administrative	Advancement		
Salaries	\$ 323,256	\$ 112,281	\$ 461,367	\$ 144,398	\$ 54,316	\$ 199,882	\$ 1,295,500	\$ 1,187,069
Payroll Taxes	23,591	7,693	37,474	10,732	3,777	14,283	97,550	87,333
Employee Benefits	45,849	17,575	41,617	25,758	9,640	33,173	173,612	190,508
Insurance	3,688	-	8,708	-	-	-	12,396	9,379
Supplies	2,954	746	8,501	675	1,673	3,329	17,878	17,291
Utilities	12,595	2,405	20,083	4,194	123	1,480	40,880	32,393
Staff Expenses	6,422	4,659	53,496	1,674	3,676	5,988	75,915	29,508
Food and Beverage	1,613	1,210	3,142	840	529	2,304	9,638	2,750
Recreation	-	-	-	-	-	-	-	8,616
Equipment Rental	3,974	2,860	9,231	2,749	11,893	21,802	52,509	19,831
Freight and Postage	6,521	3,812	7,471	5,229	425	8,169	31,627	30,334
Professional Services	32,089	12,511	169,333	14,427	1,318	11,031	240,709	138,522
Maintenance, Repairs, and Contract Labor	54,457	12,925	63,842	7,697	143	3,958	143,022	43,666
Advertising	26,650	13,515	26,218	23,531	1,189	33,249	124,352	58,212
Dues and Subscriptions	2,428	454	24,969	895	32	1,032	29,810	15,634
Telephone	4,674	841	18,341	1,221	1,125	2,870	29,072	17,899
Printing, Publishing, and Solicitation	38,601	25,096	34,931	34,991	2,177	50,688	186,484	105,902
Auto Expense	3,939	1,217	8,354	222	289	756	14,777	12,545
Travel	790	294	57,876	713	89	480	60,242	9,076
Special Programs	-	-	-	-	-	-	-	43
Bank Service Charges	12,183	-	10,897	-	-	-	23,080	25,380
Trust Management Fees	70,979	-	-	-	-	-	70,979	117,550
Interest Expense	-	-	9,165	-	-	-	9,165	-
Miscellaneous	45,457	-	13,165	-	-	-	58,622	38,747
Total Expenses before Depreciation	722,710	220,094	1,088,181	279,946	92,414	394,474	2,797,819	2,198,188
Depreciation	84,119	34,918	168,314	5,753	1,045	2,596	296,745	185,225
Total Expenses	\$ 806,829	\$ 255,012	\$ 1,256,495	\$ 285,699	\$ 93,459	\$ 397,070	\$ 3,094,564	\$ 2,383,413

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF OTHER SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	2021					2020	
	Crossnore Campus			Winston Campus		Total	Comparative Total
	Blair Fraley Sales Store	Weavers and Gallery	Miracle Grounds Coffee Shop	Farm	Miracle Grounds Network		
Salaries	\$ 210,976	\$ 94,125	\$ 110,022	\$ 25,208	\$ 31,099	\$ 471,430	\$ 348,938
Payroll Taxes	17,080	8,655	9,874	1,988	2,529	40,126	33,327
Employee Benefits	38,029	21,167	22,681	4,464	-	86,341	66,431
Insurance	-	6,012	1,266	24,861	-	32,139	23,983
Supplies	1,371	4,117	-	8,767	-	14,255	31,227
Utilities	14,201	5,256	-	1,895	-	21,352	22,275
Staff Expenses	95	203	39	-	126	463	2,273
Food and Beverage	1,182	625	-	78	-	1,885	1,426
First Aid	-	-	-	-	-	-	18
Freight and Postage	-	946	13	-	-	959	8
Professional Services	-	-	-	-	6,000	6,000	-
Maintenance, Repairs, and Contract Labor	13,053	12,753	10,768	39,682	27,758	104,014	36,302
Advertising	-	-	-	-	-	-	800
Dues and Subscriptions	30	486	44	-	13	573	250
Telephone	1,081	928	186	276	-	2,471	2,631
Printing, Publishing, and Solicitation	-	30	-	-	-	30	-
Property Taxes	2,130	499	-	-	-	2,629	7,499
Auto Expense	5,014	1,287	534	5,040	-	11,875	17,791
Travel	16	12	6	3	-	37	1,098
Cost of Goods Sold	183,506	245,124	38,158	-	-	466,788	388,259
Special Programs	-	-	-	5,001	6,703	11,704	8,547
Bank Service Charges	3,120	6,384	2,001	-	-	11,505	11,277
Miscellaneous	-	6,596	-	-	-	6,596	4,450
Total Expenses Before Depreciation	490,884	415,205	195,592	117,263	74,228	1,293,172	1,008,810
Depreciation	67,962	35,515	24,801	36,738	1,007	166,023	78,230
Total Expenses	<u>\$ 558,846</u>	<u>\$ 450,720</u>	<u>\$ 220,393</u>	<u>\$ 154,001</u>	<u>\$ 75,235</u>	<u>\$ 1,459,195</u>	<u>\$ 1,087,040</u>