

THE CROSSNORE SCHOOL

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

**THE CROSSNORE SCHOOL
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CONSOLIDATED SCHEDULES OF SUPPORT AND REVENUE	19
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES	20
CONSOLIDATED SCHEDULES OF PROGRAM SERVICES EXPENSES	21
CONSOLIDATED SCHEDULES OF SUPPORTING SERVICES EXPENSES	22
CONSOLIDATED SCHEDULES OF OTHER SERVICES EXPENSES	23



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Crossnore School
Crossnore, North Carolina

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Crossnore School (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 The Crossnore School as of September 30, 2016 and 2015, and the changes 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, as listed in the table of contents, 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
January 27, 2017

**THE CROSSNORE SCHOOL
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 798,417	\$ 4,497,463
Unconditional Promises to Give, Current	348,578	751,800
Accounts Receivable, Net	353,793	298,912
Other Receivables	114,470	38,989
Prepaid Expenses	42,457	97,822
Investments	29,143,823	25,821,076
Inventory	536,163	471,537
Real Estate Held for Sale	132,000	132,000
Total Current Assets	31,469,701	32,109,599
UNCONDITIONAL PROMISES TO GIVE, NON-CURRENT, NET	1,100,050	1,598,993
PROPERTY AND EQUIPMENT, NET	19,422,043	16,235,947
Total Assets	\$ 51,991,794	\$ 49,944,539
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 527,597	\$ 479,989
Accrued Liabilities	400,087	289,923
Accrued Compensated Absences	39,204	33,248
Custodial Student Fund	15,943	21,057
Total Current Liabilities	982,831	824,217
NET ASSETS		
Unrestricted	46,352,136	41,731,551
Unrestricted - Internally Designated	777,786	770,017
Temporarily Restricted	3,251,118	6,367,031
Permanently Restricted	627,923	251,723
Total Net Assets	51,008,963	49,120,322
Total Liabilities and Net Assets	\$ 51,991,794	\$ 49,944,539

See accompanying Notes to Consolidated Financial Statements.

THE CROSSNORE SCHOOL
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 2,022,988	\$ 691,044	\$ 376,200	\$ 3,090,232
Donated Property	244,000	-	-	244,000
In-Kind Support	270,786	-	-	270,786
Room and Board	3,543,062	-	-	3,543,062
Investment Income	3,578,944	-	-	3,578,944
Supporting Business Activities	946,047	-	-	946,047
Other Income	86,356	-	-	86,356
Total	<u>10,692,183</u>	<u>691,044</u>	<u>376,200</u>	<u>11,759,427</u>
Net Assets Released from Restrictions	3,806,957	(3,806,957)	-	-
Total Support and Revenue	<u>14,499,140</u>	<u>(3,115,913)</u>	<u>376,200</u>	<u>11,759,427</u>
EXPENSES				
Program Services:				
Residential Living/Cottages	5,155,816	-	-	5,155,816
Case Management	339,123	-	-	339,123
Clinical Services	397,188	-	-	397,188
Program Services Support	264,492	-	-	264,492
Recreation	195,829	-	-	195,829
Dietary	666,284	-	-	666,284
Academy/Education	56,102	-	-	56,102
Total Program Services	<u>7,074,834</u>	<u>-</u>	<u>-</u>	<u>7,074,834</u>
Supporting Services:				
Administrative	554,980	-	-	554,980
Investments and Interest Expense	130,702	-	-	130,702
Advancement	456,210	-	-	456,210
Fundraising	152,200	-	-	152,200
Total Supporting Services	<u>1,294,092</u>	<u>-</u>	<u>-</u>	<u>1,294,092</u>
Other Services	1,222,012	-	-	1,222,012
Total Expenses	<u>9,590,938</u>	<u>-</u>	<u>-</u>	<u>9,590,938</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER GAINS	4,908,202	(3,115,913)	376,200	2,168,489
Losses on Sale of Assets	<u>(279,848)</u>	<u>-</u>	<u>-</u>	<u>(279,848)</u>
INCREASE (DECREASE) IN NET ASSETS	4,628,354	(3,115,913)	376,200	1,888,641
Net Assets - Beginning of Year	<u>42,501,568</u>	<u>6,367,031</u>	<u>251,723</u>	<u>49,120,322</u>
NET ASSETS - END OF YEAR	<u>\$ 47,129,922</u>	<u>\$ 3,251,118</u>	<u>\$ 627,923</u>	<u>\$ 51,008,963</u>

See accompanying Notes to Consolidated Financial Statements.

THE CROSSNORE SCHOOL
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 6,309,663	\$ 3,331,299	\$ 1,532	\$ 9,642,494
In-Kind Support	401,482	-	-	401,482
Room and Board	3,466,331	-	-	3,466,331
Investment Loss	(815,548)	-	-	(815,548)
Supporting Business Activities	938,097	-	-	938,097
Other Income (Loss)	(2,940)	-	-	(2,940)
Total	10,297,085	3,331,299	1,532	13,629,916
Net Assets Released from Restrictions	674,074	(674,074)	-	-
Total Support and Revenue	10,971,159	2,657,225	1,532	13,629,916
EXPENSES				
Program Services:				
Residential Living/Cottages	4,889,228	-	-	4,889,228
Case Management	365,569	-	-	365,569
Clinical Services	446,854	-	-	446,854
Program Services Support	37,072	-	-	37,072
Recreation	238,652	-	-	238,652
Dietary	633,309	-	-	633,309
Academy/Education	97,203	-	-	97,203
Total Program Services	6,707,887	-	-	6,707,887
Supporting Services:				
Administrative	376,166	-	-	376,166
Investments and Interest Expense	158,721	-	-	158,721
Advancement	424,167	-	-	424,167
Fundraising	234,039	-	-	234,039
Total Supporting Services	1,193,093	-	-	1,193,093
Other Services	1,428,802	-	-	1,428,802
Total Expenses	9,329,782	-	-	9,329,782
INCREASE IN NET ASSETS BEFORE OTHER GAINS	1,641,377	2,657,225	1,532	4,300,134
Gains on Sale of Assets	3,200	-	-	3,200
INCREASE IN NET ASSETS	1,644,577	2,657,225	1,532	4,303,334
Net Assets - Beginning of Year	40,856,991	3,709,806	250,191	44,816,988
NET ASSETS - END OF YEAR	\$ 42,501,568	\$ 6,367,031	\$ 251,723	\$ 49,120,322

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,888,641	\$ 4,303,334
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,391,504	1,459,427
Loss on Disposal or Sale of Property and Equipment	279,848	-
Unrealized (Gain) Loss on Investments	(1,982,043)	1,543,971
Realized Gain on Investments	(1,193,920)	(448,907)
Loss on Sale of Real Estate Investments	-	111,135
Investment Income	(211,392)	(454,406)
(Increase) Decrease in:		
Accounts Receivable	(54,881)	1,116
Promises to Give	902,165	(855,980)
Other Receivables	(75,481)	122
Prepaid Expenses	55,365	(69,856)
Inventory	(64,626)	2,818
Increase (Decrease) in:		
Accounts Payable	(97,818)	9,237
Custodial Student Funds	(5,114)	19,050
Accrued Liabilities and Compensated Absence	116,120	(55,038)
Net Cash Provided by Operating Activities	948,368	5,566,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Real Estate Investments	-	373,865
Purchase of Investments	(1,894,321)	(2,646,329)
Sale of Investments	1,958,929	3,396,048
Proceeds from Sale of Property and Equipment	77,486	3,200
Purchases of Plant, Property and Equipment	(4,789,508)	(2,593,843)
Net Cash Used in Investing Activities	(4,647,414)	(1,467,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Debt	-	(1,617,804)
NET INCREASE (DECREASE) IN CASH	(3,699,046)	2,481,160
Cash - Beginning of Year	4,497,463	2,016,303
CASH - END OF YEAR	\$ 798,417	\$ 4,497,463
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES		
Purchases of Capital Assets in Accounts Payable	\$ 145,426	\$ 290,217
Cash Payments for Interest	\$ -	\$ 46,794

See accompanying Notes to Consolidated Financial Statements.

THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Crossnore School is a North Carolina non-profit organization whose purpose is to provide a stable environment for children from families in crisis. The Crossnore School's support comes primarily from charitable contributions and government funding.

Principles of Consolidation

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

Basis of Presentation

The accompanying consolidated financial statements of the School 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 not-for-profit organizations.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles 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.

Classification of Net Assets

Contributions received are recorded as an increase in unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Accordingly, net assets of the School and changes therein are classified and reported as follows:

Unrestricted net assets consist of all resources of the School which have no donor-imposed restrictions. Unrestricted net assets 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. The School's governing board may, at their discretion, designate unrestricted net assets for a specified purpose.

THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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

Basis of Accounting

Temporarily restricted net assets consist of contributions received whose use by the School is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled by actions of the School. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as assets released from restrictions.

Permanently restricted net assets consist of contributions received from donors whose use by the School is restricted to investment in perpetuity. Income from the investment of permanently restricted net assets is classified as unrestricted or temporarily restricted.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations. Support restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same reporting period in which the contribution is recognized.

Cash and Cash Equivalents

The School 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.

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, 2016 and 2015, management determined no allowance for uncollectible accounts was necessary.

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. 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.

**THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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

Inventories

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

Real Estate Held for Sale

Generally accepted accounting principles 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. During the year ended September 30, 2015, the School sold real estate for a loss of \$111,135 included in Other Income (Loss) in the consolidated statement of activities. During the year ended September 30, 2016, there was no activity.

Property and Equipment

The School 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 financial position.

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

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.

The School generally pays for services requiring specific expertise but does receive certain professional services at no cost. The School recognizes the value of contributed services that enhance non-financial assets. If the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by persons who possess those skills, and would otherwise be purchased by the School, 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 CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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

Fair Value Measurements and Disclosures (Continued)

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 the School 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. The School has not elected to measure any existing financial instruments at fair value at September 30, 2016 or 2015 under this standard. However, the School may elect to measure newly acquired financial instruments at fair value in the future.

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 not-for-profit 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 not-for-profit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

Tax-Exempt Status

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

**THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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

Tax-Exempt Status (Continued)

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

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2016 and 2015 was \$73,271 and \$2,883, respectively.

Allocation of Functional Expenses

The School 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 the School allocates costs based on these amounts.

Subsequent Events

The School has evaluated subsequent events through January 27, 2017, which is the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

As of September 30, 2016 and 2015, investments consisted of the following:

	<u>2016</u>	<u>2015</u>
Investments:		
Cash and Cash Equivalents	\$ 3,390,977	\$ (47,088)
Fixed Income Investments	5,661,768	5,173,278
Equity Investments	18,996,627	16,908,985
Real Assets	1,094,451	966,721
Alternative Investments	-	2,819,180
Total Investments	<u>\$ 29,143,823</u>	<u>\$ 25,821,076</u>

At September 30, 2015, alternative investments included 91,000 shares in a closely held company acquired via donation in a prior year, representing an ownership interest of approximately 2.2%. The carrying value of this investment had been adjusted in various years since its donation, and was not recorded in accordance with the cost basis of accounting. During the year ended September 30, 2016, these investments were sold resulting in a gain of \$1,193,920 which is included in Investment Income in the accompanying consolidated statements of activities.

THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 2 INVESTMENTS (CONTINUED)

Unrestricted investment income consisted of the following for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Interest Income	\$ 531,344	\$ 396,556
Investment Fees	(128,363)	(117,040)
Unrealized Gain (Loss), Net	1,982,043	(1,543,971)
Realized Gain, Net	1,193,920	448,907
Total Investment Income	<u>\$ 3,578,944</u>	<u>\$ (815,548)</u>

NOTE 3 PROMISES TO GIVE

Promises to give consisted of the following at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Due in Less than One Year	\$ 348,578	751,800
Due in Two to Five Years	1,114,791	1,624,621
	1,463,369	2,376,421
Less: Present Value Discount	(14,741)	(25,628)
Promises to Give, Net	<u>\$ 1,448,628</u>	<u>\$ 2,350,793</u>

The rate used to calculate the present value discount was 0.31%. At September 30, 2016, approximately \$29,000 of the outstanding promises to give are past due. Based on management's evaluation, they believe no allowance is necessary as of September 30, 2016 and 2015. However, management will continue to evaluate collectability of these amounts on a regular basis.

NOTE 4 PROPERTY AND EQUIPMENT, NET

Following is a summary of property and equipment and accumulated depreciation at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 2,225,943	\$ 3,232,357
Buildings and Improvements	22,549,739	24,045,931
Furniture and Equipment	2,573,418	5,631,164
Vehicles	899,153	933,043
Construction in Progress	4,853,512	994,537
Total	33,101,765	34,837,032
Less: Accumulated Depreciation	13,679,722	18,601,085
Net Property and Equipment	<u>\$ 19,422,043</u>	<u>\$ 16,235,947</u>

Depreciation expense totaled \$1,391,504 and \$1,459,427 for the years ended September 30, 2016 and 2015, respectively. Construction in progress at September 30, 2016 and 2015 includes amounts related to the new Children's Village and renovations to the gym and fitness center.

THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 5 LINE OF CREDIT

The School has a \$925,000 line of credit with Brown Brothers Harriman to be drawn upon as needed with an interest rate of 2.5%. As of September 30, 2016 and 2015 there was no balance. The line of credit is secured by the School's investments held with Brown Brothers Harriman and is listed as a current liability as the terms state that the line is due on demand.

The School also 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 4%. The line of credit is secured by the property located at 100 DAR Drive, Crossnore, North Carolina. There were no outstanding borrowings at September 30, 2016 and 2015.

NOTE 6 NOTES PAYABLE

The School had a note payable to the United States Department of Agriculture, due in annual installments of \$43,750 at an annual rate of 4.125%, secured by real property on the school grounds and assignment of income. The note was repaid in full during the year ended September 30, 2015.

Interest expense for the year ended September 30, 2015 was \$33,368. There was no interest expense for the year ended September 30, 2016.

NOTE 7 ACCRUED COMPENSATED ABSENCES

The School 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, 2016 and 2015, the School was liable for benefits to its employees of approximately \$39,000 and \$33,000, respectively.

NOTE 8 RETIREMENT PLAN

The School maintains a profit-sharing plan with a 401(k) employee contribution option. All contributions by the School are discretionary and require Board approval. The School could match up to 50% of the first 8% deferred by eligible employees. The School also makes a 4% contribution for each eligible employee, upon board approval. The School made contributions to the 401(k) plan of \$196,599 and \$202,992 for the years ended September 30, 2016 and 2015, respectively.

NOTE 9 CONCENTRATIONS

The School banks with institutions that are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000. At times during the year, the School 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.

**THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 10 CUSTODIAL SAVINGS ACCOUNT

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

NOTE 11 NET ASSETS

Unrestricted – Internally Designated

Unrestricted – internal designated net assets are available for the following purposes at September 30, 2016 and 2015:

	2016	2015
Residential Scholarships	\$ 112,088	\$ 112,059
Endowment Fund	665,698	657,958
Total	\$ 777,786	\$ 770,017

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

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	2016	2015
Building Projects	\$ 142,530	\$ 3,370,763
Classroom Without Walls	750,000	750,000
Residential Scholarships	618,769	599,339
College Scholarships	1,209,516	1,122,146
Other	530,303	524,783
Total	\$ 3,251,118	\$ 6,367,031

During the years ended September 30, 2016 and 2015, net assets were released from donor restrictions by expenditures on construction projects and incurring expenses satisfying the restricted purposes totaling \$3,806,957 and \$674,074, respectively.

**THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 11 NET ASSETS (CONTINUED)

Permanently Restricted

Permanently restricted net assets consisted of the following at September 30, 2016 and 2015:

	2016	2015
Residential Scholarships	\$ 113,224	\$ 130,089
College Scholarships	244,699	101,634
Other	270,000	20,000
Total	\$ 627,923	\$ 251,723

Endowment Funds

The School has several endowment funds, the income of which may be expended for specific purposes. Effective October 1, 2008, the School adopted the provisions of the financial accounting standard for endowments of not-for-profit 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. The School 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 temporarily restricted net assets until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed in UPMIFA. The School 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 the School and the donor restricted endowment fund
- General economic conditions
- The expected total return from income and the appreciation of investments
- Other resources of the School
- The investment policy of the School

**THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 11 NET ASSETS (CONTINUED)

Permanently Restricted (Continued)

Investment Objectives and Strategies

The School 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 the School 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, the School 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 the School's long-term rate-of-return objectives while avoiding undue risk from imprudent concentration in any single asset class or investment vehicle.

Appropriation Policy

The School'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 unrestricted net assets. If future investments do not alleviate the deficit, the School may be required to contribute additional amounts to the fund. There were no deficiencies at September 30, 2016 and 2015.

The following table summarized endowment fund activity, including contributions, income earned and appropriations for the years ended September 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets, Year Ended September 30, 2014	\$ -	\$ -	\$ 250,191	\$ 250,191
Contributions	-	-	1,532	1,532
Investment Income	-	-	-	-
Appropriations for Expenditures	-	-	-	-
Net Assets, Year Ended September 30, 2015	-	-	251,723	251,723
Contributions	-	-	376,200	376,200
Investment Income	-	-	-	-
Appropriations for Expenditures	-	-	-	-
Net Assets, Year Ended September 30, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,923</u>	<u>\$ 627,923</u>

THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 12 FAIR VALUE MEASUREMENTS

The School uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures. For additional information on how the School 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 the School measured at fair value on a recurring basis as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed Income	\$ 5,661,768	\$ -	\$ -	\$ 5,661,768
Equity Investments	18,996,627	-	-	18,996,627
Real Assets	-	1,094,451	-	1,094,451
Alternative Investments	-	-	-	-
Total Investments	<u>\$ 24,658,395</u>	<u>\$ 1,094,451</u>	<u>\$ -</u>	<u>\$ 25,752,846</u>

The following table presents the fair value hierarchy for the balances of the assets of the School measured at fair value on a recurring basis as of September 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Fixed Income	\$ 5,173,278	\$ -	\$ -	\$ 5,173,278
Equity Investments	16,908,985	-	-	16,908,985
Real Assets	-	966,721	-	966,721
Alternative Investments	-	-	2,819,180	2,819,180
Total Investments	<u>\$ 22,082,263</u>	<u>\$ 966,721</u>	<u>\$ 2,819,180</u>	<u>\$ 25,868,164</u>

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from September 30, 2014 to September 30, 2016.

Fair Value - September 30, 2014	\$ 2,819,180
Net Unrealized Gains (Losses)	<u>-</u>
Fair Value - September 30, 2015	2,819,180
Sale of Assets	<u>(2,819,180)</u>
Fair Value - September 30, 2016	<u>\$ -</u>

NOTE 13 RESERVE FOR SELF-INSURANCE

The School maintains a health care plan for its' employees which is partially self-insured, subsidizing up to \$2,950 of the first \$5,000 in medical expenses per employee per year for the years ended September 30, 2016 and 2015. The School accrues a reserve for self-insurance, which is classified as a current liability. As of September 30, 2016 and 2015, the balances in the reserve account were \$134,233 and \$50,000, respectively.

THE CROSSNORE SCHOOL
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

NOTE 14 RELATED PARTY TRANSACTIONS

The School pays for some expenses on behalf of The Crossnore Academy, such as facilities, maintenance and utilities. The School charges only \$1 per year to The Crossnore Academy for those amenities. Expenses for items paid for by the School on behalf of The Crossnore Academy totaled \$56,102 and \$87,698 for the years ended September 30, 2016 and 2015, respectively.

The School's Board Chair is the President of Linville Resorts, Inc., which owns Chestnut Construction Co. During the years ended September 30, 2016 and 2015, the School contracted with Chestnut Construction Co. to construct some of the School's large capital projects. Costs incurred with Chestnut Construction Co. during 2016 and 2015 were \$4,193 and \$201,483, respectively.

NOTE 15 SUBSEQUENT EVENTS

Subsequent to year end, the School entered into an Agreement of Merger with The Children's Home (the Home). Under this agreement, on the effective date of January 1, 2017, all rights, powers and franchises of the Home will vest with the School and the Home will cease to exist as a separate legal entity in accordance with North Carolina general statutes.

THE CROSSNORE SCHOOL
CONSOLIDATED SCHEDULES OF SUPPORT AND REVENUE
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)
(SEE INDEPENDENT AUDITORS' REPORT)

	2016					2015	
	General	Unrestricted Blair Fraley Sales Store	Crossnore Weavers and Gallery	Temporarily Restricted	Permanently Restricted	Total	Comparative Total
SUPPORT							
Contributions:							
Individuals	\$ 1,422,653	\$ -	\$ -	\$ 691,044	\$ 376,200	\$ 2,489,897	\$ 7,743,242
Legacies and Bequests	314,901	-	-	-	-	314,901	1,564,773
Foundations	89,439	-	-	-	-	89,439	93,895
Trusts	234,134	-	-	-	-	234,134	201,098
Special Events	(38,139)	-	-	-	-	(38,139)	39,486
Total Contributions	<u>2,022,988</u>	<u>-</u>	<u>-</u>	<u>691,044</u>	<u>376,200</u>	<u>3,090,232</u>	<u>9,642,494</u>
DONATED PROPERTY	244,000	-	-	-	-	244,000	-
IN-KIND SUPPORT	-	270,786	-	-	-	270,786	401,482
REVENUE							
Room and Board:							
Foster Care Funds	3,377,199	-	-	-	-	3,377,199	3,323,020
Academy Contract	90,730	-	-	-	-	90,730	82,532
School Food Programs	52,301	-	-	-	-	52,301	50,499
Relatives	22,832	-	-	-	-	22,832	10,280
Total Room and Board	<u>3,543,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,543,062</u>	<u>3,466,331</u>
INVESTMENT INCOME							
Interest and Dividends	531,344	-	-	-	-	531,344	845,463
Investment Fees	(128,363)	-	-	-	-	(128,363)	(117,040)
Investment Gains (Losses)	3,175,963	-	-	-	-	3,175,963	(1,543,971)
Total Investment Income	<u>3,578,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,578,944</u>	<u>(815,548)</u>
SUPPORTING BUSINESS ACTIVITIES							
Blair Fraley Sales Store	-	256,666	-	-	-	256,666	260,642
Crossnore Weavers and Gallery	-	-	453,016	-	-	453,016	439,301
Miracle Grounds Coffee Shop	108,100	-	-	-	-	108,100	100,200
Outpatient Therapy Services	128,265	-	-	-	-	128,265	137,954
Total Supporting Business Activities	<u>236,365</u>	<u>256,666</u>	<u>453,016</u>	<u>-</u>	<u>-</u>	<u>946,047</u>	<u>938,097</u>
OTHER INCOME							
Rents and Royalties	79,071	-	-	-	-	79,071	84,338
Other Revenue (Loss)	7,285	-	-	-	-	7,285	(87,278)
Total Other Income	<u>86,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,356</u>	<u>(2,940)</u>
Total Support and Revenue	<u>\$ 9,711,715</u>	<u>\$ 527,452</u>	<u>\$ 453,016</u>	<u>\$ 691,044</u>	<u>\$ 376,200</u>	<u>\$ 11,759,427</u>	<u>\$ 13,629,916</u>

THE CROSSNORE SCHOOL
CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)
(SEE INDEPENDENT AUDITORS' REPORT)

	2016				2015
	Program Services	Supporting Services	Other Services	Total	Comparative Total
Salaries	\$ 2,970,438	\$ 549,019	\$ 282,665	\$ 3,802,122	\$ 3,461,342
Payroll Taxes	254,795	45,604	25,641	326,040	314,438
Employee Benefits	585,155	86,014	36,016	707,185	605,053
Insurance	339,312	5,654	8,987	353,953	323,215
Supplies	131,217	8,476	25,900	165,593	185,560
Utilities	322,522	16,559	23,090	362,171	388,971
Student Special Needs	127,489	-	-	127,489	59,031
Student Scholarships	-	-	113,855	113,855	83,719
Student Allowances	54,070	-	-	54,070	54,787
Staff Expenses	35,352	14,373	2,820	52,545	64,758
Food	306,990	29,360	85	336,435	365,978
First Aid	40,774	761	-	41,535	42,182
Recreation	115,040	-	-	115,040	88,051
Equipment Rental	11,931	15,674	-	27,605	37,405
Freight and Postage	4,569	27,140	748	32,457	32,217
Professional Services	70,635	44,339	108	115,082	72,204
Maintenance, Repairs and Contract Labor	194,809	5,684	4,745	205,238	189,496
Advertising	2,198	68,290	2,783	73,271	59,684
Dues and Subscriptions	6,539	11,735	176	18,450	16,449
Classrooms Without Walls	79,479	-	-	79,479	131,556
Pet and Equine Therapy	15,425	-	-	15,425	19,524
Holiday Gifts	41,867	-	-	41,867	25,602
Printing, Publishing and Solicitation	9,363	70,514	-	79,877	82,006
Property Taxes	3,464	-	6,302	9,766	9,462
Auto Expense	54,063	6,606	9,262	69,931	72,145
Student Work Programs	18,536	-	-	18,536	21,856
Travel	19,142	64,906	1,818	85,866	162,475
Cost of Goods Sold	-	-	596,266	596,266	719,861
Bank Service Charges	-	19,304	16,652	35,956	13,595
Trust Management Fees	-	130,702	-	130,702	133,706
Interest Expense	-	-	-	-	33,368
Miscellaneous	6,572	906	(1,851)	5,627	659
Total Expenses before Depreciation	<u>5,821,746</u>	<u>1,221,620</u>	<u>1,156,068</u>	<u>8,199,434</u>	<u>7,870,355</u>
Depreciation	1,253,088	72,472	65,944	1,391,504	1,459,427
Total Expenses	<u>\$ 7,074,834</u>	<u>\$ 1,294,092</u>	<u>\$ 1,222,012</u>	<u>\$ 9,590,938</u>	<u>\$ 9,329,782</u>

THE CROSSNORE SCHOOL
CONSOLIDATED SCHEDULES OF PROGRAM SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)
(SEE INDEPENDENT AUDITORS' REPORT)

	2016							2015	
	Residential Living/ Cottages	Case Management	Clinical Services	Program Services Support	Recreation	Dietary	Academy/ Education	Total	Comparative Total
Salaries	\$ 2,075,680	\$ 233,986	\$ 266,789	\$ 208,883	\$ 33,904	\$ 151,196	\$ -	\$ 2,970,438	\$ 2,713,783
Payroll Taxes	181,143	25,307	22,368	10,004	2,977	12,996	-	254,795	247,420
Employee Benefits	421,757	45,075	45,347	27,196	8,162	37,618	-	585,155	492,134
Insurance	334,657	1,892	1,856	-	67	840	-	339,312	309,794
Supplies	90,353	3,124	2,321	6,496	3,710	24,529	684	131,217	154,925
Utilities	221,000	6,426	11,095	563	19,273	27,705	36,460	322,522	342,099
Student Special Needs	126,602	887	-	-	-	-	-	127,489	59,031
Student Allowances	54,070	-	-	-	-	-	-	54,070	54,787
Staff Expenses	18,525	1,926	3,714	8,712	947	1,363	165	35,352	28,237
Food	34,417	135	50	-	-	272,388	-	306,990	337,368
First Aid	40,774	-	-	-	-	-	-	40,774	42,182
Recreation	79,508	-	-	-	35,532	-	-	115,040	88,051
Equipment Rental	4,518	2,799	573	-	-	2,840	1,201	11,931	15,072
Freight and Postage	4,291	150	102	4	-	22	-	4,569	4,325
Professional Services	38,946	7,150	20,827	1,261	570	1,881	-	70,635	50,156
Maintenance, Repairs and Contract Labor	158,894	1,107	3,707	22	4,170	13,400	13,509	194,809	182,406
Advertising	854	27	6	-	-	1,311	-	2,198	6,387
Dues and Subscriptions	5,307	533	605	-	-	94	-	6,539	10,691
Classrooms Without Walls	2,702	-	-	-	73,177	-	3,600	79,479	131,556
Pet and Equine Therapy	6,785	-	8,640	-	-	-	-	15,425	19,524
Holiday Gifts	41,867	-	-	-	-	-	-	41,867	25,602
Printing, Publishing and Solicitation	9,363	-	-	-	-	-	-	9,363	8,463
Property Taxes	3,464	-	-	-	-	-	-	3,464	3,381
Auto Expense	48,578	2,382	1,273	344	414	589	483	54,063	58,746
Student Work Programs	18,536	-	-	-	-	-	-	18,536	21,856
Travel	7,816	5,354	3,084	1,007	986	895	-	19,142	44,786
Miscellaneous	6,505	40	20	-	-	7	-	6,572	413
Total Expenses before Depreciation	<u>4,036,912</u>	<u>338,300</u>	<u>392,377</u>	<u>264,492</u>	<u>183,889</u>	<u>549,674</u>	<u>56,102</u>	<u>5,821,746</u>	<u>5,453,175</u>
Depreciation	1,118,904	823	4,811	-	11,940	116,610	-	1,253,088	1,254,712
Total Expenses	<u>\$ 5,155,816</u>	<u>\$ 339,123</u>	<u>\$ 397,188</u>	<u>\$ 264,492</u>	<u>\$ 195,829</u>	<u>\$ 666,284</u>	<u>\$ 56,102</u>	<u>\$ 7,074,834</u>	<u>\$ 6,707,887</u>

THE CROSSNORE SCHOOL
CONSOLIDATED SCHEDULES OF SUPPORTING SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)
(SEE INDEPENDENT AUDITORS' REPORT)

	2016					2015
	Administrative	Investments and Interest Expense	Advancement	Fundraising	Total	Comparative Total
Salaries	\$ 265,115	\$ -	\$ 199,325	\$ 84,579	\$ 549,019	\$ 426,940
Payroll Taxes	22,301	-	16,153	7,150	45,604	37,145
Employee Benefits	39,179	-	33,230	13,605	86,014	67,762
Insurance	3,459	-	1,843	352	5,654	2,719
Supplies	4,747	-	2,699	1,030	8,476	10,687
Utilities	10,270	-	5,172	1,117	16,559	17,818
Staff Expenses	9,807	-	4,264	302	14,373	35,674
Food	26,424	-	2,936	-	29,360	27,933
First Aid	761	-	-	-	761	-
Equipment Rental	3,212	-	8,195	4,267	15,674	22,252
Freight and Postage	3,957	-	14,870	8,313	27,140	26,312
Professional Services	24,429	-	14,005	5,905	44,339	21,610
Maintenance, Repairs and Contract Labor	4,533	-	1,151	-	5,684	2,832
Advertising	187	-	68,103	-	68,290	50,559
Dues and Subscriptions	10,191	-	1,384	160	11,735	5,568
Printing, Publishing and Solicitation	130	-	45,699	24,685	70,514	73,543
Auto Expense	3,011	-	2,860	735	6,606	3,930
Travel	45,326	-	19,580	-	64,906	112,831
Bank Service Charges	19,304	-	-	-	19,304	-
Trust Management Fees	-	130,702	-	-	130,702	133,706
Interest Expense	-	-	-	-	-	33,368
Miscellaneous	252	-	654	-	906	-
Total Expenses before Depreciation	<u>496,595</u>	<u>130,702</u>	<u>442,123</u>	<u>152,200</u>	<u>1,221,620</u>	<u>1,113,189</u>
Depreciation	58,385	-	14,087	-	72,472	79,904
Total Expenses	<u>\$ 554,980</u>	<u>\$ 130,702</u>	<u>\$ 456,210</u>	<u>\$ 152,200</u>	<u>\$ 1,294,092</u>	<u>\$ 1,193,093</u>

THE CROSSNORE SCHOOL
CONSOLIDATED SCHEDULES OF OTHER SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2016
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2015)
(SEE INDEPENDENT AUDITORS' REPORT)

	2016						2015
	Blair Fraley Sales Store	Weavers and Gallery	Miracle Grounds Coffee Shop	Crossnore Clinic	College Scholarships	Total	Comparative Total
Salaries	\$ 171,530	\$ 62,940	\$ 6,003	\$ 42,192	\$ -	\$ 282,665	\$ 320,619
Payroll Taxes	15,699	5,903	549	3,490	-	25,641	29,873
Employee Benefits	19,324	10,816	976	4,900	-	36,016	45,157
Insurance	440	5,460	20	3,067	-	8,987	10,702
Supplies	1,715	15,700	583	7,902	-	25,900	19,948
Utilities	12,993	6,065	648	3,384	-	23,090	29,054
Student Scholarships	-	-	-	-	113,855	113,855	83,719
Staff Expenses	838	562	50	1,370	-	2,820	847
Food	1	76	8	-	-	85	677
Equipment Rental	-	-	-	-	-	-	81
Freight and Postage	2	740	-	6	-	748	1,580
Professional Services	-	-	-	108	-	108	438
Maintenance, Repairs and Contract Labor	1,707	1,661	371	1,006	-	4,745	4,258
Advertising	45	2,713	24	1	-	2,783	2,738
Dues and Subscriptions	-	-	-	176	-	176	190
Printing, Publishing and Solicitation	-	-	-	-	-	-	-
Property Taxes	5,021	1,281	-	-	-	6,302	6,081
Auto Expense	8,340	795	-	127	-	9,262	9,469
Travel	669	1,097	28	24	-	1,818	4,858
Cost of Goods Sold	231,848	314,576	49,842	-	-	596,266	719,861
Bank Service Charges	4,501	10,137	2,014	-	-	16,652	13,595
Miscellaneous	-	-	(1,853)	2	-	(1,851)	246
Total Expenses before Depreciation	<u>474,673</u>	<u>440,522</u>	<u>59,263</u>	<u>67,755</u>	<u>113,855</u>	<u>1,156,068</u>	<u>1,303,991</u>
Depreciation	35,945	19,613	10,386	-	-	65,944	124,811
Total Expenses	<u>\$ 510,618</u>	<u>\$ 460,135</u>	<u>\$ 69,649</u>	<u>\$ 67,755</u>	<u>\$ 113,855</u>	<u>\$ 1,222,012</u>	<u>\$ 1,428,802</u>