

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
The Crossnore School & Children's Home  
Crossnore, North Carolina

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of The Crossnore School & Children's Home (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, 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 & Children's Home as of September 30, 2018 and 2017, and the changes in their net assets and their 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  
February 1, 2019

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash	\$ 1,003,117	\$ 1,478,117
Unconditional Promises to Give, Current	834,000	478,089
Accounts Receivable, Net	1,041,403	693,867
Other Receivables	25,471	20,812
Prepaid Expenses	49,251	66,801
Investments	33,221,934	33,038,998
Inventory	622,333	543,924
Real Estate Held for Sale	132,000	132,000
Total Current Assets	36,929,509	36,452,608
<b>UNCONDITIONAL PROMISES TO GIVE, NON-CURRENT, NET</b>	92,252	496,601
<b>BENEFICIAL INTERESTS IN PERPETUAL TRUSTS</b>	3,455,979	3,486,371
<b>BENEFICIAL INTERESTS IN TERM TRUST</b>	108,289	107,461
<b>PROPERTY AND EQUIPMENT, NET</b>	25,486,536	26,171,099
Total Assets	\$ 66,072,565	\$ 66,714,140
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 319,438	\$ 758,997
Accrued Liabilities	802,206	494,804
Accrued Compensated Absences	100,258	74,516
Accrued Benefit Cost	265,997	410,520
Custodial Student Fund	16,887	17,552
Line of Credit	-	600,000
Total Current Liabilities	1,504,786	2,356,389
<b>ENVIRONMENTAL REMEDIATION LIABILITY</b>	13,625	83,625
<b>NOTES PAYABLE</b>	507,695	504,300
<b>UNFUNDED PENSION OBLIGATION</b>	185,999	116,998
Total Liabilities	2,212,105	3,061,312
<b>NET ASSETS</b>		
Unrestricted	51,501,696	53,314,449
Unrestricted - Internally Designated	783,265	783,265
Temporarily Restricted	7,129,690	5,121,592
Permanently Restricted	4,445,809	4,433,522
Total Net Assets	63,860,460	63,652,828
Total Liabilities and Net Assets	\$ 66,072,565	\$ 66,714,140

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 4,711,439	\$ 2,914,433	\$ 5,756	\$ 7,631,628
In-Kind Support	305,507	-	-	305,507
Room and Board	5,864,336	-	-	5,864,336
Investment Income	2,936,352	-	36,923	2,973,275
Change in Beneficial Interests in Trusts	-	828	(30,392)	(29,564)
Supporting Business Activities	3,176,939	-	-	3,176,939
Other Income	207,237	-	-	207,237
Total	<u>17,201,810</u>	<u>2,915,261</u>	<u>12,287</u>	<u>20,129,358</u>
Net Assets Released from Restrictions	907,163	(907,163)	-	-
Total Support and Revenue	<u>18,108,973</u>	<u>2,008,098</u>	<u>12,287</u>	<u>20,129,358</u>
<b>EXPENSES</b>				
Program Services:				
Residential Living/Cottages	9,475,278	-	-	9,475,278
Case Management/Admissions	171,400	-	-	171,400
Intensive In Home / OP Therapy	1,108,365	-	-	1,108,365
Program Services Support	187,592	-	-	187,592
College Scholarships	60,294	-	-	60,294
Recreation	76,593	-	-	76,593
Dietary	1,005,229	-	-	1,005,229
Foster Care	1,159,991	-	-	1,159,991
Day Treatment	1,734,910	-	-	1,734,910
Academy/Education	82,398	-	-	82,398
Clinical Services	468,859	-	-	468,859
Trauma Center	24,675	-	-	24,675
Total Program Services	<u>15,555,584</u>	<u>-</u>	<u>-</u>	<u>15,555,584</u>
Supporting Services:				
Administrative	1,291,956	-	-	1,291,956
Advancement	1,160,742	-	-	1,160,742
Total Supporting Services	<u>2,452,698</u>	<u>-</u>	<u>-</u>	<u>2,452,698</u>
Other Services	1,880,564	-	-	1,880,564
Total Expenses	<u>19,888,846</u>	<u>-</u>	<u>-</u>	<u>19,888,846</u>
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER LOSSES</b>	(1,779,873)	2,008,098	12,287	240,512
Loss on Sale of Assets	(32,880)	-	-	(32,880)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(1,812,753)	2,008,098	12,287	207,632
Net Assets - Beginning of Year	<u>54,097,714</u>	<u>5,121,592</u>	<u>4,433,522</u>	<u>63,652,828</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 52,284,961</u>	<u>\$ 7,129,690</u>	<u>\$ 4,445,809</u>	<u>\$ 63,860,460</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 3,942,583	\$ 1,832,636	\$ 29,200	\$ 5,804,419
In-Kind Support	330,969	-	-	330,969
Room and Board	5,130,877	-	-	5,130,877
Investment Income	3,315,986	-	30,059	3,346,045
Change in Beneficial Interests in Trusts	-	10,235	160,315	170,550
Supporting Business Activities	2,202,054	-	-	2,202,054
Other Income	195,014	-	-	195,014
Total	<u>15,117,483</u>	<u>1,842,871</u>	<u>219,574</u>	<u>17,179,928</u>
Net Assets Released from Restrictions	1,670,826	(1,670,826)	-	-
Total Support and Revenue	<u>16,788,309</u>	<u>172,045</u>	<u>219,574</u>	<u>17,179,928</u>
<b>EXPENSES</b>				
Program Services:				
Residential Living/Cottages	8,070,673	-	-	8,070,673
Case Management/Admissions	236,187	-	-	236,187
Intensive In Home / OP Therapy	1,406,110	-	-	1,406,110
Program Services Support	268,508	-	-	268,508
College Scholarships	110,684	-	-	110,684
Recreation	36,812	-	-	36,812
Dietary	859,980	-	-	859,980
Foster Care	639,042	-	-	639,042
Day Treatment	675,555	-	-	675,555
Academy/Education	148,815	-	-	148,815
Total Program Services	<u>12,452,366</u>	<u>-</u>	<u>-</u>	<u>12,452,366</u>
Supporting Services:				
Administrative	1,489,886	-	-	1,489,886
Advancement	905,098	-	-	905,098
Total Supporting Services	<u>2,394,984</u>	<u>-</u>	<u>-</u>	<u>2,394,984</u>
Other Services	1,523,358	-	-	1,523,358
Total Expenses	<u>16,370,708</u>	<u>-</u>	<u>-</u>	<u>16,370,708</u>
<b>INCREASE IN NET ASSETS BEFORE OTHER GAINS</b>	417,601	172,045	219,574	809,220
Contribution from Acquisition of The Children's Home	6,843,143	1,385,577	3,586,025	11,814,745
Other Reclassifications	(312,852)	312,852	-	-
Gains on Sale of Assets	19,900	-	-	19,900
<b>INCREASE IN NET ASSETS</b>	6,967,792	1,870,474	3,805,599	12,643,865
Net Assets - Beginning of Year	<u>47,129,922</u>	<u>3,251,118</u>	<u>627,923</u>	<u>51,008,963</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 54,097,714</u>	<u>\$ 5,121,592</u>	<u>\$ 4,433,522</u>	<u>\$ 63,652,828</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 207,632	\$ 12,643,865
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,202,949	2,198,656
Discount Amortization	3,395	5,888
Contribution from Acquisition of The Children's Home	-	(11,814,745)
Cash Received from The Children's Home	-	1,118,967
(Gain) Loss on Disposal or Sale of Property and Equipment	32,880	(19,900)
Unrealized Gain on Investments	(1,560,186)	(2,076,001)
Realized Gain on Investments	(932,541)	(753,241)
Investment Income (Loss)	1,372,004	(10,864)
(Increase) Decrease in:		
Accounts Receivable	(347,536)	61,713
Promises to Give	48,438	473,938
Other Receivables	(4,659)	93,658
Prepaid Expenses	17,550	(24,344)
Inventory	(78,409)	(7,761)
Increase (Decrease) in:		
Accounts Payable	(439,559)	(610,385)
Custodial Student Funds	(665)	1,609
Accrued Liabilities and Compensated Absence	333,144	62,833
Environmental Remediation Liability	(70,000)	-
Unfunded Pension Liability	(75,522)	110,437
Net Cash Provided by Operating Activities	708,915	1,454,323
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(551,572)	(1,001,274)
Sale of Investments	1,518,923	1,815,536
Proceeds from Sale of Property and Equipment	116,120	19,900
Purchases of Plant, Property and Equipment	(1,667,386)	(2,208,785)
Net Cash Used in Investing Activities	(583,915)	(1,374,623)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Line of Credit	-	600,000
Payments on Line of Credit	(600,000)	-
Net Cash Provided by (Used in) Financing Activities	(600,000)	600,000
<b>NET INCREASE (DECREASE) IN CASH</b>	(475,000)	679,700
Cash - Beginning of Year	1,478,117	798,417
<b>CASH - END OF YEAR</b>	<b>\$ 1,003,117</b>	<b>\$ 1,478,117</b>
<b>SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES</b>		
Noncash Investing and Financing Activities from Acquisition:		
Acquisition of Fixed Assets	\$ -	\$ 6,130,000
Acquisition of Beneficial Interests in Trusts	-	3,423,283
Acquisition of Notes Payable	-	498,412
Acquisition of Unfunded Pension Obligation	-	417,081
	\$ -	\$ 10,468,776
Purchases of Capital Assets in Accounts Payable	\$ -	\$ 608,927
Cash Payments for Interest	\$ 3,563	\$ 6,984

. See accompanying Notes to Consolidated Financial Statements.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Crossnore School & Children's Home is a North Carolina non-profit 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.

Effective January 1, 2017, the Crossnore School entered into an Agreement of Merger with The Children's Home (the Home), another North Carolina non-profit organization whose purpose was to provide a stable environment for children from families in crisis, to expand its operations into the triad region of North Carolina (See Note 16). Under this agreement, all rights, powers and franchises of the Home vested with the Crossnore School and the Home ceased to exist as a separate legal entity in accordance with North Carolina general statutes. As a result of this Agreement of Merger, the organization's name was changed to The Crossnore School & Children's Home. There are campuses in Crossnore and Winston-Salem, North Carolina. The revenue and expense activity reflected in the consolidated financial statements for the Winston campus represent activity for the nine-month period ended September 30, 2017. 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 The Crossnore School & Children's Home 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 & Children's Home. The Crossnore School & Children's Home elected to transfer its investments into the Foundation, and the Foundation manages those assets and makes periodic distributions to The Crossnore School & Children's Home, in accordance with the Foundation's spending policy, in support of The Crossnore School & Children's Home'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 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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

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

**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, 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.

***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.

**Basis of Accounting**

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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**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, 2018 and 2017, management recorded an allowance on program receivables of \$1,091,222 and \$474,908, respectively.

**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.

**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**

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.

**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 activities.

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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

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

**Beneficial Interest in Term and Perpetual Trusts**

The School 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 the School. 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 permanently restricted net assets. 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 temporarily restricted net assets.

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.

**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 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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

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

**Fair Value Measurements and Disclosures (Continued)**

*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, 2018 or 2017 under this standard. However, the School may elect to measure newly acquired financial instruments at fair value in the future.

During the year ended September 30, 2018, the School adopted Financial Accounting Standards Board (FASB) Account Standards Update (ASU) 2015-07, *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which amends the disclosure requirements of Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, for reporting entities that measure the fair value of an investment using the net asset value (NAV) per share (or its equivalent) as a practical expedient. The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy and make certain disclosures for all investments for which fair value is measured using the NAV per share practical expedient. This standard has been applied retrospectively for all periods presented.

**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 & Children's Home 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 & CHILDREN'S HOME**  
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**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 expenses for the years ended September 30, 2018 and 2017 were \$166,209 and \$116,571, 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.

**Reclassifications**

Certain amounts in the 2017 footnotes to the consolidated financial statements have been reclassified to conform to the 2018 presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

**Subsequent Events**

The School has evaluated subsequent events through February 1, 2019, which is the date the consolidated financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

As of September 30, 2018 and 2017, investments consisted of the following:

	2018	2017
Investments:		
Cash and Cash Equivalents	\$ 297,373	\$ 424,660
Fixed Income Investments	5,082,231	6,899,156
Mutual Funds	410,541	1,526,036
Equity Investments	7,200,522	16,813,433
Limited Partnership	20,231,267	7,371,064
Real Assets	-	4,649
Total Investments	\$ 33,221,934	\$ 33,038,998

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 2 INVESTMENTS (CONTINUED)**

Total investment income consisted of the following for the years ended September 30, 2018 and 2017:

	2018	2017
Interest Income	\$ 619,437	\$ 642,559
Investment Fees	(138,889)	(125,756)
Unrealized Gain, Net	1,560,186	2,076,001
Realized Gain, Net	932,541	753,241
Total Investment Income	<u>\$ 2,973,275</u>	<u>\$ 3,346,045</u>

**NOTE 3 PROMISES TO GIVE**

Promises to give consisted of the following at September 30, 2018 and 2017:

	2018	2017
Due in Less than One Year	\$ 834,000	\$ 478,089
Due in Two to Five Years	94,050	500,791
	<u>928,050</u>	<u>978,880</u>
Less: Present Value Discount	(1,798)	(4,190)
Promises to Give, Net	<u>\$ 926,252</u>	<u>\$ 974,690</u>

The rate used to calculate the present value discount was 0.31%. At September 30, 2018, approximately \$60,000 of the outstanding promises to give are past due. Based on management's evaluation, they believe no allowance is necessary as of September 30, 2018 and 2017. 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, 2018 and 2017:

	2018	2017
Land and Land Improvements	\$ 8,480,928	\$ 8,442,686
Buildings and Improvements	29,290,947	28,570,437
Furniture and Equipment	4,273,942	3,619,559
Vehicles	1,204,907	1,072,871
Construction in Progress	317,138	343,924
Total	<u>43,567,862</u>	<u>42,049,477</u>
Less: Accumulated Depreciation	18,081,326	15,878,378
Net Property and Equipment	<u>\$ 25,486,536</u>	<u>\$ 26,171,099</u>

Depreciation expense totaled \$2,202,949 and \$2,198,656 for the years ended September 30, 2018 and 2017, respectively. Construction in progress at September 30, 2018 and 2017 relates to general renovations to both campuses.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 5 LINE OF CREDIT**

The School 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 was \$600,000 in outstanding borrowings at September 30, 2017. There were no amounts outstanding at September 30, 2018.

In 2018 the School entered into a line of credit agreement with their investment company with a maximum borrowing limit of \$2,000,000 and an interest rate of 30-day LIBOR plus 1.5 percent. The line of credit is secured by their investments with the company. There were no amounts outstanding at September 30, 2018.

**NOTE 6 NOTES PAYABLE**

As part of the merger discussed in Note 16, the School assumed the liability related to the Home's notes payable effective January 1, 2017. Notes payable consisted of the following at September 30:

	2018	2017
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 non-profit organization, collateralized by a deed of trust, maturing on September 14, 2040, net of unamortized discount of \$292,305 at September 30, 2018 (effective interest rate of 4%), with a face amount of \$500,000.	207,695	204,300
Total	\$ 507,695	\$ 504,300

Amortization of the discount is reported in the consolidated statement of activities as interest expense. The School recognized approximately \$3,000 and \$6,000 as interest expense related to the interest free loans for the years ended September 30, 2018 and 2017, respectively. The School has no regularly required scheduled payments associated with these notes.

**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, 2018 and 2017, the School was liable for benefits to its employees of approximately \$100,000 and \$75,000, respectively.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
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**NOTE 8 RETIREMENT PLAN**

As part of the transaction discussed in Note 16, the School assumed the liability related to the Home's noncontributory defined benefit pension plan (the Plan) which covered substantially all of its employees. The School's policy is to fund pension cost as recommended by the Plan's actuary. Contributions to the Plan comply with the funding requirements of the Employee Retirement Income Security Act. Assets of the Plan are invested in shares of the registered investment companies, including debt and equity mutual funds. The School uses a September 30 measurement date for its Plan. During 2006, the Board of Trustees of the Home froze the Plan's participation and limited it to employees hired on or before December 31, 2006.

The following sets forth changes in the benefit obligation, changes in Plan assets, and components of net periodic pension costs:

	2018	2017
Change in Benefit Obligation		
Benefit Obligation - Beginning of Year	\$ 2,165,811	\$ 2,040,843
Interest Cost	119,612	90,968
Actuarial Gain	3,855	155,256
Benefits Paid	(63,416)	(121,256)
Benefit Obligation - End of Year	2,225,862	2,165,811
Change in Plan Assets		
Fair Value of Plan Assets, Beginning of Year	1,638,293	1,623,762
Actual Return on Plan Assets	63,989	135,787
Employer Contributions	135,000	-
Benefits Paid	(63,416)	(121,256)
Fair Value of Plan Assets, End of Year	1,773,866	1,638,293
Funded Status of Plan (Under-Funded)	\$ (451,996)	\$ (527,518)
Amounts Recognized in Statement of Financial Position		
Accrued Benefit Cost	\$ 265,997	\$ 410,520
Unfunded Pension Obligation	185,999	116,998
	\$ 451,996	\$ 527,518
	2018	2017
Components of Net Periodic Benefit Cost		
Interest Cost	\$ 119,612	\$ 90,968
Expected Return on Plan Assets	(129,135)	(97,529)
Net Periodic Pension Cost	\$ (9,523)	\$ (6,561)
Amounts Recognized in Unrestricted Net Assets		
Unrecognized Net Prior Service Costs	\$ -	\$ -
Unrecognized Net Loss	69,001	116,998
Net Amount	\$ 69,001	\$ 116,998

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 8 RETIREMENT PLAN (CONTINUED)**

The School's accumulated benefit obligation at September 30, 2018 and 2017 was \$2,225,862 and \$2,165,811, respectively.

**Assumptions**

Weighted average assumptions used to determine the benefit obligation are as follows:

	<u>2018</u>	<u>2017</u>
Discount Rate	5.60%	5.60%
Rate of Compensation Increase	n/a	n/a

Weighted average assumptions used to determine the net benefit cost are as follows:

	<u>2018</u>	<u>2017</u>
Discount Rate	5.60%	5.60%
Expected Long-Term Return on Plan Assets	8.00%	8.00%

The expected long-term rate of return for the Plan's total assets is based on an analysis of anticipated returns for equity and fixed income investments for the portfolio allocation.

**Plan Assets**

The Plan's assets are invested in various commingled equity and fixed income investment funds offered by Stanley Benefits. The Trustees of the Plan have in place an Investment Policy Statement that outlines objectives, policies, and guidelines for the Plan's investments. The targeted, long-term investment asset mix is 60%-70% equity funds and 30%-40% fixed income funds. The Plan's investment return objective is to provide an annual rate of return over a period of 5-10 years that meets or exceeds the Plan's actuarial expected rate of return of 8.0% annually.

The Plan weighted average asset allocations at September 30, by asset category are as follows:

	<u>2018</u>	<u>2017</u>
Asset Category		
Cash and Cash Equivalents	1%	2%
Equity Securities	46%	50%
Debt Securities	53%	48%
Total	<u>100%</u>	<u>100%</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
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**NOTE 8 RETIREMENT PLAN (CONTINUED)**

The School uses fair value measurements to record fair value adjustments to Plan assets and to determine fair value disclosures. For additional information on how the Home measures fair value refer to Note 1 – Organization and Summary of Significant Accounting Policies. The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30:

	2018			Total
	Level 1	Level 2	Level 3	
Investments:				
Stock Mutual Funds	\$ 934,622	\$ -	\$ -	\$ 934,622
Bond Mutual Funds	390,949	-	-	390,949
Government Bonds	433,704	-	-	433,704
Total Investments	\$ 1,759,275	\$ -	\$ -	\$ 1,759,275

  

	2017			Total
	Level 1	Level 2	Level 3	
Investments:				
Stock Mutual Funds	\$ 817,015	\$ -	\$ -	\$ 817,015
Bond Mutual Funds	373,989	-	-	373,989
Government Bonds	414,480	-	-	414,480
Total Investments	\$ 1,605,484	\$ -	\$ -	\$ 1,605,484

Plan assets included cash and cash equivalents of approximately \$15,000 and \$33,000 as of September 30, 2018 and 2017, respectively, which are not included in the fair value hierarchy tables above.

**Future Contributions**

The School expects to contribute approximately \$150,000 to the Plan during the year ending September 30, 2019.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year Ending September 30,</u>	<u>Pension Benefits</u>
2019	\$ 80,000
2020	80,000
2021	80,000
2022	90,000
2023	90,000
2024 through 2028	720,000

**Profit-Sharing 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 \$469,275 and \$336,373 for the years ended September 30, 2018 and 2017, respectively.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**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.

**NOTE 10 CUSTODIAL SAVINGS ACCOUNT**

The School maintains a custodial savings account for the benefit of the children of The Crossnore School & Children's Home. 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, 2018 and 2017:

	2018	2017
Residential Scholarships	\$ 112,193	\$ 112,193
Endowment Fund	671,072	671,072
Total	\$ 783,265	\$ 783,265

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 consisted of the following at September 30, 2018 and 2017:

	2018	2017
Restricted for Time:		
Beneficial Interest	\$ 108,289	\$ 107,461
Loan Forgiveness	292,305	295,700
Pledges Receivable	658,000	-
Restricted for Purpose:		
Building Projects	2,191,902	871,406
Classroom Without Walls	927,910	821,025
Residential Scholarships	914,314	651,704
College Scholarships	1,266,252	1,774,282
Foster Care - Hendersonville	159,187	-
Other	611,531	600,014
Total	\$ 7,129,690	\$ 5,121,592

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 NET ASSETS (CONTINUED)**

**Temporarily Restricted (Continued)**

During the years ended September 30, 2018 and 2017, net assets were released from donor restrictions by expenditures on construction projects and incurring expenses satisfying the restricted purposes totaling \$907,163 and \$1,670,826 respectively.

**Permanently Restricted**

Permanently restricted net assets consisted of the following at September 30, 2018 and 2017:

	2018	2017
Beneficial Interests in Perpetual Trusts	\$ 3,455,979	\$ 3,486,371
Residential Scholarships	113,224	113,224
College Scholarships	460,831	432,400
Other	415,775	401,527
Total	\$ 4,445,809	\$ 4,433,522

**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. Income earned on endowment funds which is expended within the same year as received is reflected as unrestricted investment income in the accompanying consolidated statements of activities.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 11 NET ASSETS (CONTINUED)**

**Permanently Restricted (Continued)**

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

***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, 2018 and 2017.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 11 NET ASSETS (CONTINUED)**

**Permanently Restricted (Continued)**

The following table summarized endowment fund activity, including contributions, income earned and appropriations for the years ended September 30, 2018 and 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Net Assets, Year Ended September 30, 2016</b>	\$ 665,593	\$ -	\$ 627,923	\$ 1,293,516
Contributions	5,479	-	29,200	34,679
Transferred from the Children's Home	-	-	259,969	259,969
Net Unrealized Gain of Securities	-	-	30,059	30,059
<b>Net Assets, Year Ended September 30, 2017</b>	<u>671,072</u>	<u>-</u>	<u>947,151</u>	<u>1,618,223</u>
Contributions	-	-	5,756	5,756
Net Unrealized Gain of Securities	-	-	36,923	36,923
<b>Net Assets, Year Ended September 30, 2018</b>	<u>\$ 671,072</u>	<u>\$ -</u>	<u>\$ 989,830</u>	<u>\$ 1,660,902</u>

**NOTE 12 FAIR VALUE MEASUREMENTS**

The School 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 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, 2018:

	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 5,082,231	\$ -	\$ 5,082,231
Mutual Funds	410,541	-	-	410,541
Equity Investments	7,200,522	-	-	7,200,522
Real Assets	-	-	-	-
Beneficial Interest in Trusts	-	-	3,564,268	3,564,268
Total Assets at Fair Value	<u>\$ 7,611,063</u>	<u>\$ 5,082,231</u>	<u>\$ 3,564,268</u>	<u>\$ 16,257,562</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, 2017:

	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 6,899,156	\$ -	\$ 6,899,156
Mutual Funds	1,526,036	-	-	1,526,036
Equity Investments	16,813,433	-	-	16,813,433
Real Assets	-	4,649	-	4,649
Beneficial Interests in Trusts	-	-	3,593,832	3,593,832
Total Assets at Fair Value	<u>\$ 18,339,469</u>	<u>\$ 6,903,805</u>	<u>\$ 3,593,832</u>	<u>\$ 28,837,106</u>

As described in Note 1, the adoption of ASU 2015-07 states that certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient should not be classified in the fair value hierarchy. Per the adoption, limited partnerships measured at net asset value are excluded from the hierarchy.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018 AND 2017**

**NOTE 12 FAIR VALUE MEASUREMENTS (CONTINUED)**

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from September 30, 2016 to September 30, 2018:

Fair Value - September 30, 2016	\$ -
Transferred from the Children's Home	3,423,283
Unrealized Gains on Investments	170,549
Fair Value - September 30, 2017	3,593,832
Unrealized Losses on Investments	(29,564)
Fair Value - September 30, 2018	\$ 3,564,268

Certain alternative investments held by the School 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, 2018 and 2017:

	2018			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
REM Group Series	\$ 998,598	\$ -	Monthly	30 Business Days
Cedar Rock Partners Series	1,000,000	-	Monthly	30 Business Days
Altarock Partners Series	3,203,238	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	4,349,855	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	2,030,189	-	Monthly	30 Business Days
Select Equity Series	4,799,152	-	Monthly	30 Business Days
Burgundy Emerging Markets Series	1,590,094	-	Monthly	30 Business Days
Hitchwood Capital Partners Sub-Trust	1,111,027	-	Quarterly	80 Business Days
BBH Capital Partners V-1 Sub-Trust	457,593	756,956	N/A	N/A
Barrings Loan Sub-Trust	559,725	1,330,827	Long-Term	90 Business Days
Oaktree Opportunities Sub-Trust	131,796	434,124	N/A	N/A
<b>Total</b>	<b>\$ 20,231,267</b>	<b>\$ 2,521,907</b>		

	2017			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
REM Group Series	\$ 1,041,468	\$ -	Monthly	30 Business Days
Altarock Partners Series	2,427,874	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	3,164,546	-	Monthly	30 Business Days
BBH Capital Partners V-1 Sub-Trust	347,404	883,495	N/A	N/A
Barrings Loan Sub-Trust	330,479	1,676,386	Long-Term	90 Business Days
Oaktree Opportunities Sub-Trust	59,293	548,471	N/A	N/A
	<b>\$ 7,371,064</b>	<b>\$ 3,108,352</b>		

The limited partnerships are stated at net asset value (NAV), which is based on market value of the underlying investments.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 13 RESERVE FOR SELF-INSURANCE**

The School maintains a health care plan for its' employees which is partially self-insured, subsidizing up to \$2,500 of the first \$5,000 in medical expenses per employee per year for the years ended September 30, 2018 and 2017. The School accrues a reserve for self-insurance, which is classified as a current liability. As of September 30, 2018 and 2017, the balances in the reserve account were \$383,771 and \$284,086, respectively.

**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 \$82,398 and \$109,511 for the years ended September 30, 2018 and 2017, respectively.

**NOTE 15 FUNCTIONAL EXPENSES**

The following schedule details functional expense as compared to total expense:

	<u>2018</u>	<u>2017</u>
Program Activities	\$ 15,555,584	\$ 12,452,366
General and Administrative	3,597,290	3,266,020
Fundraising	735,972	652,322
	<u>\$ 19,888,846</u>	<u>\$ 16,370,708</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017**

**NOTE 16 BUSINESS COMBINATION**

As noted in Note 1, effective January 1, 2017, The Crossnore School entered into an Agreement of Merger with The Children's Home. As no consideration was paid for this transaction it resulted in contribution from acquisition of The Children's Home of \$11,814,745. The Crossnore School assumed control of the following assets and liabilities as a result of this transaction:

Cash	\$ 1,118,967
Receivables	401,790
Investments	2,039,877
Beneficial Interest in Term Trust	97,226
Beneficial Interests in Perpetual Trusts	3,326,057
Fixed Assets	6,130,000
Accounts Payable	(232,858)
Accrued Expenses	(67,196)
Notes Payable	(498,412)
Unfunded Pension Obligation	(417,081)
Environmental Remediation Liability	(83,625)
Contribution from Acquisition of The Children's Home	<u>\$ 11,814,745</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF SUPPORT AND REVENUE**  
**YEAR ENDED SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018									2017	
	Crossnore Campus			Winston Campus			Hendersonville Office			Total	Comparative Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>SUPPORT</b>											
Contributions:											
Individuals	\$ 1,289,550	\$ 997,616	\$ 5,756	\$ 1,879,437	\$ 1,606,817	\$ -	\$ -	\$ 250,000	\$ -	\$ 6,029,176	\$ 3,667,889
Legacies and Bequests	1,067,558	-	-	-	-	-	-	-	-	1,067,558	1,048,593
Foundations	186,374	-	-	-	-	-	-	-	-	186,374	268,149
Trusts	239,849	-	-	61,627	-	-	-	-	-	301,476	786,467
Special Events	47,044	-	-	-	-	-	-	-	-	47,044	33,321
Total Contributions	<u>2,830,375</u>	<u>997,616</u>	<u>5,756</u>	<u>1,941,064</u>	<u>1,606,817</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>7,631,628</u>	<u>5,804,419</u>
<b>IN-KIND SUPPORT - SALES STORE</b>	305,507	-	-	-	-	-	-	-	-	305,507	330,969
<b>REVENUE</b>											
Room and Board:											
Foster Care Funds	4,349,069	-	-	1,336,897	-	-	-	-	-	5,685,966	4,947,517
Academy Contract	108,857	-	-	-	-	-	-	-	-	108,857	105,972
School Food Programs	62,852	-	-	-	-	-	-	-	-	62,852	70,900
Relatives	-	-	-	6,661	-	-	-	-	-	6,661	6,488
Total Room and Board	<u>4,520,778</u>	<u>-</u>	<u>-</u>	<u>1,343,558</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,864,336</u>	<u>5,130,877</u>
<b>INVESTMENT INCOME</b>											
Interest and Dividends	543,326	-	-	76,111	-	-	-	-	-	619,437	642,559
Investment Fees	(138,889)	-	-	-	-	-	-	-	-	(138,889)	(125,756)
Investment Gains	2,443,458	-	-	12,346	-	36,923	-	-	-	2,492,727	2,829,242
Total Investment Income	<u>2,847,895</u>	<u>-</u>	<u>-</u>	<u>88,457</u>	<u>-</u>	<u>36,923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,973,275</u>	<u>3,346,045</u>
<b>CHANGE IN BENEFICIAL INTEREST IN TRUSTS</b>	-	-	-	-	828	(30,392)	-	-	-	(29,564)	170,550
<b>SUPPORTING BUSINESS ACTIVITIES</b>											
Blair Fraley Sales Store	227,046	-	-	-	-	-	-	-	-	227,046	244,089
Crossnore Weavers and Gallery	425,336	-	-	-	-	-	-	-	-	425,336	483,563
Miracle Grounds Coffee Shop	119,130	-	-	-	-	-	-	-	-	119,130	117,188
Farm Sales	-	-	-	52,668	-	-	-	-	-	52,668	95,475
Behavioral Health:											
Mental and Medical Services	355,269	-	-	1,616,144	-	-	-	-	-	1,971,413	889,409
Foster Care and Adoptions	20,400	-	-	360,946	-	-	-	-	-	381,346	372,330
Total Supporting Business Activities	<u>1,147,181</u>	<u>-</u>	<u>-</u>	<u>2,029,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,176,939</u>	<u>2,202,054</u>
<b>OTHER INCOME</b>											
Rents and Royalties	134,236	-	-	-	-	-	-	-	-	134,236	108,447
Other Revenue	6,581	-	-	66,420	-	-	-	-	-	73,001	86,567
Total Other Income	<u>140,817</u>	<u>-</u>	<u>-</u>	<u>66,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207,237</u>	<u>195,014</u>
Total Support and Revenue	<u>\$ 11,792,553</u>	<u>\$ 997,616</u>	<u>\$ 5,756</u>	<u>\$ 5,469,257</u>	<u>\$ 1,607,645</u>	<u>\$ 6,531</u>	<u>\$ -</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 20,129,358</u>	<u>\$ 17,179,928</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018									2017	
	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	\$ 3,794,719	\$ 627,325	\$ 325,348	\$ 3,599,346	\$ 458,306	\$ 167,555	\$ 60,571	\$ -	\$ -	\$ 9,033,170	\$ 6,735,185
Payroll Taxes	316,661	44,151	24,500	293,492	35,420	12,828	4,808	-	-	731,860	529,538
Employee Benefits	783,019	74,006	37,660	609,300	159,579	29,850	2,671	-	-	1,696,085	1,402,668
Insurance	271,333	3,891	4,774	132,151	2,144	15,664	70	-	-	430,027	438,073
Supplies	107,189	7,834	7,258	84,483	15,189	2,846	2,458	-	-	227,257	217,064
Utilities	354,515	21,547	19,602	299,275	27,939	21,811	593	-	-	745,282	584,514
Student Special Needs	57,362	-	-	62,445	-	-	-	-	-	119,807	119,178
Student Scholarships	60,294	-	-	-	-	-	-	-	-	60,294	110,684
Student Allowances	69,960	-	-	24,657	-	-	-	-	-	94,617	67,908
Staff Expenses	99,904	16,398	4,313	74,825	2,116	1,743	1,659	-	-	200,958	117,707
Food and Beverage	542,666	335	897	93,312	506	120	273	-	-	638,109	490,771
First Aid	27,166	-	1,173	15,799	-	8	-	-	-	44,146	48,890
Recreation	142,551	57	-	73,874	293	-	-	-	-	216,775	134,223
Equipment Rental	11,794	9,078	288	15,081	8,327	17	12,400	-	-	56,985	30,980
Freight and Postage	2,275	20,605	585	1,292	18,121	2,526	142	290	-	45,836	49,044
Professional Services	34,417	23,832	-	260,346	97,734	227,560	-	-	-	643,889	526,785
Maintenance, Repairs and Contract Labor	321,283	26,630	5,539	65,529	45,288	92,972	576	-	-	557,817	589,352
Advertising	2,570	42,145	-	13,248	68,171	14,075	2,475	23,525	-	166,209	91,470
Dues and Subscriptions	7,240	4,813	159	2,877	3,384	254	90	-	-	18,817	19,746
Classrooms Without Walls	32,696	-	-	-	-	-	-	-	-	32,696	92,909
Pet and Equine Therapy	20,994	-	-	-	-	-	-	-	-	20,994	24,848
Holiday Gifts	31,835	-	-	-	-	-	-	-	-	31,835	41,350
Printing, Publishing and Solicitation	8,232	58,112	158	3,228	65,235	10,675	223	1,437	-	147,300	135,082
Property Taxes	351	-	6,974	1,268	-	-	-	-	-	8,593	8,136
Auto Expense	73,659	4,461	15,618	28,459	5,610	10,002	33	-	-	137,842	128,012
Student Work Programs	9,772	-	2	-	-	-	-	-	-	9,774	45,070
Travel	36,052	18,713	3,921	40,377	16,905	2,237	8,249	-	-	126,454	121,859
Cost of Goods Sold	-	-	622,640	-	-	20,100	-	-	-	642,740	690,303
Special Programs	18,373	-	128	9,911	470	32,559	-	-	-	61,441	73,970
Bank Service Charges	-	21,507	15,388	90	166	571	-	-	-	37,722	40,503
Trust Management Fees	-	138,889	-	-	-	-	-	-	-	138,889	130,985
Interest Expense	-	-	-	-	12,837	-	-	-	-	12,837	19,951
Bad Debt Expense	25,939	-	-	264,641	-	-	-	-	-	290,580	273,902
Miscellaneous	88,053	-	7,027	163,180	-	-	-	-	-	258,260	41,392
Total Expenses before Depreciation	7,352,874	1,164,329	1,103,952	6,232,486	1,043,740	665,973	97,291	25,252	-	17,685,897	14,172,052
Depreciation	1,605,733	167,484	82,779	266,823	51,893	27,860	377	-	-	2,202,949	2,198,656
Total Expenses	<u>\$ 8,958,607</u>	<u>\$ 1,331,813</u>	<u>\$ 1,186,731</u>	<u>\$ 6,499,309</u>	<u>\$ 1,095,633</u>	<u>\$ 693,833</u>	<u>\$ 97,668</u>	<u>\$ 25,252</u>	<u>\$ -</u>	<u>\$ 19,888,846</u>	<u>\$ 16,370,708</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF PROGRAM SERVICES EXPENSES – CROSSNORE CAMPUS**  
**YEAR ENDED SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018										2017	
	Crossnore Campus											
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	College Scholarships	Recreation	Dietary	Academy/ Education	Clinical Services	Foster Care	Total	Comparative Total
Salaries	\$ 2,992,882	\$ 67,297	\$ 1,308	\$ 43,418	\$ -	\$ -	\$ 232,989	\$ 51,927	\$ 296,511	\$ 108,387	\$ 3,794,719	\$ 3,368,422
Payroll Taxes	251,445	5,137	-	3,425	-	-	19,464	3,960	24,787	8,443	316,661	267,653
Employee Benefits	648,989	9,486	-	5,222	-	-	48,664	10,388	51,425	8,845	783,019	652,510
Insurance	264,941	3,391	-	93	-	-	196	(88)	1,168	1,632	271,333	294,973
Supplies	77,415	648	-	525	-	-	24,306	729	1,601	1,965	107,189	141,777
Utilities	293,548	3,644	-	1,732	-	-	34,813	7,159	11,661	1,958	354,515	321,554
Student Special Needs	57,362	-	-	-	-	-	-	-	-	-	57,362	105,685
Student Scholarships	-	-	-	-	60,294	-	-	-	-	-	60,294	110,684
Student Allowances	69,960	-	-	-	-	-	-	-	-	-	69,960	58,011
Staff Expenses	55,026	4,298	-	26,769	-	-	8,521	393	3,988	909	99,904	43,237
Food and Beverage	126,547	165	-	553	-	-	415,300	-	(17)	118	542,666	453,368
First Aid	27,139	2	-	-	-	-	-	-	-	25	27,166	41,796
Recreation	67,413	-	-	-	-	75,138	-	-	-	-	142,551	98,000
Equipment Rental	7,786	17	-	15	-	-	3,798	17	109	52	11,794	10,733
Freight and Postage	2,176	-	-	-	-	-	22	-	-	77	2,275	2,536
Professional Services	20,579	196	-	393	-	1,455	2,833	-	8,907	54	34,417	64,841
Maintenance, Repairs and Contract Labor	224,654	6,803	-	3,840	-	-	69,493	5,629	7,222	3,642	321,283	245,898
Advertising	2,205	-	-	-	-	-	365	-	-	-	2,570	3,636
Dues and Subscriptions	6,561	229	-	457	-	-	457	-	(480)	16	7,240	4,959
Classrooms Without Walls	32,696	-	-	-	-	-	-	-	-	-	32,696	92,909
Pet and Equine Therapy	20,994	-	-	-	-	-	-	-	-	-	20,994	24,848
Holiday Gifts	31,835	-	-	-	-	-	-	-	-	-	31,835	41,350
Printing, Publishing and Solicitation	7,825	398	-	-	-	-	-	-	7	2	8,232	4,669
Property Taxes	351	-	-	-	-	-	-	-	-	-	351	1,174
Auto Expense	64,056	1,420	-	1,409	-	-	1,590	1,609	548	3,027	73,659	68,587
Student Work Programs	9,772	-	-	-	-	-	-	-	-	-	9,772	45,070
Travel	18,951	1,827	-	1,504	-	-	1,966	675	8,802	2,327	36,052	35,387
Special Programs	6,111	-	-	-	-	-	-	-	12,170	92	18,373	40,605
Bad Debt Expense	-	-	-	-	-	-	-	-	25,939	-	25,939	21,352
Miscellaneous	49,723	-	-	-	-	-	-	-	(23)	38,353	88,053	15,315
Total Expenses before Depreciation	5,438,942	104,958	1,308	89,355	60,294	76,593	864,777	82,398	454,325	179,924	7,352,874	6,681,539
Depreciation	1,402,926	42,866	-	17,386	-	-	121,982	-	14,534	6,039	1,605,733	1,883,379
Total Expenses	\$ 6,841,868	\$ 147,824	\$ 1,308	\$ 106,741	\$ 60,294	\$ 76,593	\$ 986,759	\$ 82,398	\$ 468,859	\$ 185,963	\$ 8,958,607	\$ 8,564,918

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF PROGRAM SERVICES EXPENSES – WINSTON CAMPUS**  
**YEAR ENDED SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018								2017	
	Winston Campus									
	Residential Living/ Cottages	Admissions	OP Therapy	Program Services Support	Foster Care	Dietary	Day Treatment	Trauma Center	Total	Comparative Total
Salaries	\$ 1,333,203	\$ 6,587	\$ 692,310	\$ 27,512	\$ 463,467	\$ 8,008	\$ 1,068,259	\$ -	\$ 3,599,346	\$ 2,044,112
Payroll Taxes	109,871	493	56,035	2,151	36,709	611	87,622	-	293,492	160,087
Employee Benefits	236,419	1,446	110,780	4,727	109,154	1,558	145,216	-	609,300	400,730
Insurance	68,943	66	16,236	42	28,263	13	18,588	-	132,151	127,191
Supplies	61,490	105	3,931	373	2,759	418	14,286	1,121	84,483	36,708
Utilities	228,871	220	21,672	978	20,561	533	26,440	-	299,275	162,678
Student Special Needs	62,412	-	-	-	7	-	26	-	62,445	13,493
Student Allowances	24,657	-	-	-	-	-	-	-	24,657	9,897
Staff Expenses	9,912	1,772	16,887	26,925	11,720	175	4,255	3,179	74,825	41,672
Food and Beverage	82,338	-	1,470	3	921	8	8,572	-	93,312	34,282
First Aid	15,757	-	21	-	4	-	17	-	15,799	7,031
Recreation	73,474	200	-	-	-	-	200	-	73,874	32,196
Equipment Rental	7,864	16	3,070	47	2,060	169	1,855	-	15,081	8,026
Freight and Postage	920	2	37	4	278	14	37	-	1,292	1,104
Professional Services	165,058	4,450	39,517	11,296	15,628	2,805	21,592	-	260,346	272,770
Maintenance, Repairs and Contract Labor	-	6,099	13,255	4,332	8,794	2,192	30,857	-	65,529	159,591
Advertising	2,165	-	-	-	1,083	-	-	10,000	13,248	1,140
Dues and Subscriptions	1,988	-	142	11	482	18	236	-	2,877	2,921
Printing, Publishing and Solicitation	1,658	-	29	-	842	3	696	-	3,228	1,049
Property Taxes	1,268	-	-	-	-	-	-	-	1,268	-
Auto Expense	18,572	309	1,490	216	2,953	142	4,777	-	28,459	17,396
Travel	13,060	328	4,887	571	4,633	82	6,441	10,375	40,377	24,610
Special Programs	7,193	64	269	-	333	-	2,052	-	9,911	4,756
Bad Debt Expense	-	-	103,210	-	-	-	161,431	-	264,641	252,550
Bank Service Charges	-	-	90	-	-	-	-	-	90	-
Miscellaneous	1,847	-	1	-	161,307	-	25	-	163,180	15,451
Total Expenses before Depreciation	<u>2,528,940</u>	<u>22,157</u>	<u>1,085,339</u>	<u>79,188</u>	<u>871,958</u>	<u>16,749</u>	<u>1,603,480</u>	<u>24,675</u>	<u>6,232,486</u>	<u>3,831,441</u>
Depreciation	104,470	1,419	14,864	1,663	11,256	1,721	131,430	-	266,823	56,007
Total Expenses	<u>\$ 2,633,410</u>	<u>\$ 23,576</u>	<u>\$ 1,100,203</u>	<u>\$ 80,851</u>	<u>\$ 883,214</u>	<u>\$ 18,470</u>	<u>\$ 1,734,910</u>	<u>\$ 24,675</u>	<u>\$ 6,499,309</u>	<u>\$ 3,887,448</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF PROGRAM SERVICES EXPENSES – HENDERSONVILLE OFFICE**  
**YEAR ENDED SEPTEMBER 30, 2018**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018		
	Hendersonville Office		
	Foster Care	OP Therapy	Total
Salaries	\$ 54,931	\$ 5,640	\$ 60,571
Payroll Taxes	4,316	492	4,808
Employee Benefits	2,671	-	2,671
Insurance	66	4	70
Supplies	2,458	-	2,458
Utilities	423	170	593
Staff Expenses	1,533	126	1,659
Food and Beverage	273	-	273
Equipment Rental	12,400	-	12,400
Freight and Postage	142	-	142
Maintenance, Repairs and Contract Labor	576	-	576
Advertising	2,475	-	2,475
Dues and Subscriptions	90	-	90
Printing, Publishing and Solicitation	223	-	223
Auto Expense	33	-	33
Travel	7,908	341	8,249
Total Expenses before Depreciation	90,518	6,773	97,291
Depreciation	296	81	377
Total Expenses	\$ 90,814	\$ 6,854	\$ 97,668

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF SUPPORTING SERVICES EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2018**  
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)  
(SEE INDEPENDENT AUDITORS' REPORT)

	2018						2017	
	Crossnore Campus		Winston Campus		Hendersonville Office		Total	Comparative Total
	Administrative	Advancement	Administrative	Advancement	Administrative	Advancement		
Salaries	\$ 364,709	\$ 262,616	\$ 191,880	\$ 266,426	\$ -	\$ -	\$ 1,085,631	\$ 967,494
Payroll Taxes	23,809	20,342	14,637	20,783	-	-	79,571	71,272
Employee Benefits	17,650	56,356	109,573	50,006	-	-	233,585	290,060
Insurance	3,651	240	1,278	866	-	-	6,035	2,509
Supplies	4,878	2,956	11,152	4,037	-	-	23,023	23,636
Utilities	12,576	8,971	10,766	17,173	-	-	49,486	66,727
Staff Expenses	13,032	3,366	-	2,116	-	-	18,514	25,442
Food and Beverage	-	335	230	276	-	-	841	2,075
Recreation	-	57	-	293	-	-	350	4,027
Equipment Rental	3,436	5,642	4,696	3,631	-	-	17,405	12,214
Freight and Postage	2,749	17,856	1,605	16,516	-	290	39,016	43,631
Professional Services	12,308	11,524	83,415	14,319	-	-	121,566	154,996
Maintenance, Repairs and Contract Labor	20,238	6,392	35,873	9,415	-	-	71,918	79,685
Advertising	2,159	39,986	1,727	66,444	-	23,525	133,841	81,297
Dues and Subscriptions	2,912	1,901	1,518	1,866	-	-	8,197	11,606
Printing, Publishing and Solicitation	-	58,112	2,969	62,266	-	1,437	124,784	124,827
Auto Expense	-	4,461	2,935	2,675	-	-	10,071	24,462
Travel	-	18,713	3,513	13,392	-	-	35,618	56,980
Special Programs	-	-	-	470	-	-	470	630
Bank Service Charges	21,507	-	166	-	-	-	21,673	19,342
Trust Management Fees	138,889	-	-	-	-	-	138,889	130,985
Interest Expense	-	-	12,837	-	-	-	12,837	19,951
Miscellaneous	-	-	-	-	-	-	-	1,407
Total Expenses before Depreciation	<u>644,503</u>	<u>519,826</u>	<u>490,770</u>	<u>552,970</u>	<u>-</u>	<u>25,252</u>	<u>2,233,321</u>	<u>2,215,255</u>
Depreciation	119,831	47,653	36,852	15,041	-	-	219,377	179,729
Total Expenses	<u>\$ 764,334</u>	<u>\$ 567,479</u>	<u>\$ 527,622</u>	<u>\$ 568,011</u>	<u>\$ -</u>	<u>\$ 25,252</u>	<u>\$ 2,452,698</u>	<u>\$ 2,394,984</u>



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULES OF OTHER SERVICES EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2018**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2017)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2018								2017	
	Crossnore Campus				Winston Campus		Hendersonville Office			Comparative Total
	Blair Fraley Sales Store	Weavers and Gallery	Miracle Grounds Coffee Shop	Crossnore Clinic	Farm	Medical Clinic	Foster Care	Intensive In Home / OP Therapy		
Salaries	\$ 167,014	\$ 51,490	\$ 53,587	\$ 53,257	\$ 129,578	\$ 37,977	\$ -	\$ -	\$ 492,903	\$ 355,157
Payroll Taxes	14,733	5,223	415	4,129	9,947	2,881	-	-	37,328	30,526
Employee Benefits	16,852	12,846	939	7,023	22,926	6,924	-	-	67,510	59,368
Insurance	77	2,085	3	2,609	15,563	101	-	-	20,438	13,400
Supplies	2,537	3,326	410	985	1,973	873	-	-	10,104	14,943
Utilities	13,212	3,119	495	2,776	21,209	602	-	-	41,413	33,555
Staff Expenses	1,189	1,067	40	2,017	1,633	110	-	-	6,056	7,356
Food and Beverage	286	504	30	77	120	-	-	-	1,017	1,046
First Aid	-	-	-	1,173	-	8	-	-	1,181	63
Equipment Rental	-	-	-	288	-	17	-	-	305	7
Freight and Postage	-	585	-	-	2,493	33	-	-	3,111	1,773
Professional Services	-	-	-	-	5,115	222,445	-	-	227,560	34,178
Maintenance, Repairs and Contract Labor	720	400	316	4,103	89,163	3,809	-	-	98,511	104,178
Advertising	-	-	-	-	14,075	-	-	-	14,075	5,397
Dues and Subscriptions	-	159	(91)	91	253	1	-	-	413	260
Printing, Publishing and Solicitation	-	158	-	-	10,675	-	-	-	10,833	4,537
Property Taxes	5,661	1,313	-	-	-	-	-	-	6,974	6,962
Auto Expense	14,557	146	-	915	9,878	124	-	-	25,620	17,567
Student Work Programs	-	-	2	-	-	-	-	-	2	-
Travel	1,392	840	7	1,682	1,531	706	-	-	6,158	4,882
Cost of Goods Sold	281,124	279,207	62,309	-	20,100	-	-	-	642,740	690,303
Special Programs	-	-	-	128	31,968	591	-	-	32,687	27,979
Bank Service Charges	3,626	11,659	103	-	571	-	-	-	15,959	21,161
Miscellaneous	-	7,027	-	-	-	-	-	-	7,027	9,219
Total Expenses before Depreciation	522,980	381,154	118,565	81,253	388,771	277,202	-	-	1,769,925	1,443,817
Depreciation	37,687	16,684	567	27,841	26,779	1,081	-	-	110,639	79,541
Total Expenses	<u>\$ 560,667</u>	<u>\$ 397,838</u>	<u>\$ 119,132</u>	<u>\$ 109,094</u>	<u>\$ 415,550</u>	<u>\$ 278,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,880,564</u>	<u>\$ 1,523,358</u>



Investment advisory services are offered through CliftonLarsonAllen  
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