

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**



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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, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the 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, 2019 and 2018, 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  
January 31, 2020



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 726,023	\$ 319,438
Accrued Liabilities	712,638	802,206
Accrued Compensated Absences	96,631	100,258
Accrued Benefit Cost	47,545	265,997
Custodial Student Fund	10,747	16,887
Total Current Liabilities	1,593,584	1,504,786
<b>ENVIRONMENTAL REMEDIATION LIABILITY</b>	14,228	13,625
<b>NOTES PAYABLE</b>	516,157	507,695
<b>UNFUNDED PENSION OBLIGATION</b>	1,293,598	185,999
Total Liabilities	3,417,567	2,212,105
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	50,797,401	51,501,696
Internally Designated	783,265	783,265
Total Without Donor Restrictions	51,580,666	52,284,961
With Donor Restrictions:		
Purpose Restricted	5,365,631	7,129,690
Perpetual in Nature	4,953,208	4,445,809
Total With Donor Restrictions	10,318,839	11,575,499
Total Net Assets	61,899,505	63,860,460
Total Liabilities and Net Assets	\$ 65,317,072	\$ 66,072,565

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Perpetual In Nature	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 4,313,503	\$ 1,892,699	\$ 591,616	\$ 6,797,818
In-Kind Support	310,595	-	-	310,595
Room and Board	6,155,848	-	-	6,155,848
Investment Income	2,643,907	-	3,859	2,647,766
Change in Beneficial Interests in Trusts	-	(2,673)	(88,076)	(90,749)
Supporting Business Activities	3,971,777	-	-	3,971,777
Other Income	241,339	-	-	241,339
Total	17,636,969	1,890,026	507,399	20,034,394
Net Assets Released from Restrictions	3,654,085	(3,654,085)	-	-
Total Support and Revenue	21,291,054	(1,764,059)	507,399	20,034,394
<b>EXPENSES</b>				
Program Services:				
Residential Living/Cottages	7,901,145	-	-	7,901,145
Case Management	1,200,963	-	-	1,200,963
OP Therapy	1,861,459	-	-	1,861,459
Program Services Support	552,851	-	-	552,851
College Scholarships	41,378	-	-	41,378
Recreation	176,361	-	-	176,361
Dietary	1,093,574	-	-	1,093,574
Foster Care	1,846,153	-	-	1,846,153
Day Treatment	1,599,176	-	-	1,599,176
Academy/Education	157,328	-	-	157,328
Clinics	247,619	-	-	247,619
Trauma Center	414,547	-	-	414,547
Total Program Services	17,092,554	-	-	17,092,554
Supporting Services:				
Administrative	1,105,623	-	-	1,105,623
Advancement	1,235,291	-	-	1,235,291
Total Supporting Services	2,340,914	-	-	2,340,914
Other Services	1,472,734	-	-	1,472,734
Total Expenses	20,906,202	-	-	20,906,202
<b>INCREASE (DECREASE) IN NET ASSETS BEFORE OTHER LOSSES</b>	384,852	(1,764,059)	507,399	(871,808)
Change in Unfunded Pension Liability	(1,089,147)	-	-	(1,089,147)
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(704,295)	(1,764,059)	507,399	(1,960,955)
Net Assets - Beginning of Year	52,284,961	7,129,690	4,445,809	63,860,460
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 51,580,666</u>	<u>\$ 5,365,631</u>	<u>\$ 4,953,208</u>	<u>\$ 61,899,505</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restricted	Perpetual In Nature	
<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	17,201,810	2,915,261	12,287	20,129,358
Net Assets Released from Restrictions	907,163	(907,163)	-	-
Total Support and Revenue	18,108,973	2,008,098	12,287	20,129,358
<b>EXPENSES</b>				
Program Services:				
Residential Living/Cottages	9,190,871	-	-	9,190,871
Case Management	456,026	-	-	456,026
OP Therapy	1,737,347	-	-	1,737,347
Program Services Support	188,644	-	-	188,644
College Scholarships	60,294	-	-	60,294
Recreation	76,593	-	-	76,593
Dietary	1,005,229	-	-	1,005,229
Foster Care	1,160,028	-	-	1,160,028
Day Treatment	1,573,479	-	-	1,573,479
Academy/Education	82,398	-	-	82,398
Clinics	387,377	-	-	387,377
Trauma Center	24,675	-	-	24,675
Total Program Services	15,942,961	-	-	15,942,961
Supporting Services:				
Administrative	1,291,956	-	-	1,291,956
Advancement	1,160,742	-	-	1,160,742
Total Supporting Services	2,452,698	-	-	2,452,698
Other Services	1,493,187	-	-	1,493,187
Total Expenses	19,888,846	-	-	19,888,846
<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	54,097,714	5,121,592	4,433,522	63,652,828
<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 FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Program Services								
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	College Scholarships	Recreation	Dietary	Academy/ Education	Clinics
Salaries	\$ 3,362,705	\$ 710,539	\$ 1,115,406	\$ 386,375	\$ -	\$ 22,031	\$ 298,954	\$ 49,989	\$ 90,025
Payroll Taxes	284,184	61,041	93,637	31,900	-	1,907	26,807	4,967	8,011
Employee Benefits	729,831	142,526	190,168	77,736	-	4,756	78,787	12,408	14,470
Insurance	515,080	473	19,071	96	-	-	70	219	9,038
Supplies	108,843	4,829	8,810	775	-	775	35,836	2,071	3,169
Utilities	335,775	10,418	23,031	2,368	-	19,154	33,713	43,141	3,060
Student Special Needs	30,292	21,071	-	-	-	-	-	-	-
Student Scholarships	-	118,759	-	-	41,378	-	-	-	-
Student Allowances	124,212	-	-	-	-	-	-	-	-
Staff Expenses	34,472	8,600	23,589	11,207	-	69	2,220	163	1,388
Food and Beverage	74,003	1,916	1,838	3,791	-	300	446,367	-	123
First Aid	45,576	433	-	-	-	-	-	-	641
Recreation	109,404	-	-	50	-	66,301	-	-	-
Equipment Rental	3,064	4,573	10,169	968	-	-	6,367	1,865	72
Freight and Postage	1,151	54	189	577	-	-	10	-	5
Professional Services	86,244	7,894	62,722	13,788	-	-	3,016	2,050	84,393
Maintenance, Repairs, and Contract Labor	404,098	20,392	36,796	920	-	2,725	17,191	14,096	1,129
Foster Care Parent Fees	-	-	-	-	-	-	-	-	-
Advertising	3,355	-	-	-	-	-	-	-	-
Dues and Subscriptions	3,776	268	2,548	725	-	-	122	85	32
Telephone	35,341	10,724	10,947	1,394	-	963	2,389	461	802
Printing, Publishing, and Solicitation	3,718	-	-	-	-	-	-	-	-
Property Taxes	3,753	-	-	-	-	-	-	-	-
Auto Expense	106,063	5,848	4,763	1,013	-	163	2,003	2,934	928
Student Work Programs	10,464	-	-	-	-	-	-	-	-
Travel	9,448	8,735	9,527	4,215	-	70	1,347	318	1,410
Cost of Goods Sold	-	-	-	-	-	-	-	-	-
Special Programs	53,982	-	5,857	-	-	22,524	-	20,561	810
Bank Service Charges	-	-	1,446	-	-	-	-	-	-
Trust Management Fees	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Bad Debt Expense	-	-	207,101	-	-	-	-	-	-
Miscellaneous	13,132	14,202	-	-	-	-	-	2,000	-
Total Expenses before Depreciation	6,491,966	1,153,295	1,827,615	537,898	41,378	141,738	955,199	157,328	219,506
Depreciation	1,409,179	47,668	33,844	14,953	-	34,623	138,375	-	28,113
Total Expenses	<u>\$ 7,901,145</u>	<u>\$ 1,200,963</u>	<u>\$ 1,861,459</u>	<u>\$ 552,851</u>	<u>\$ 41,378</u>	<u>\$ 176,361</u>	<u>\$ 1,093,574</u>	<u>\$ 157,328</u>	<u>\$ 247,619</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2019**

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Foster Care	Day Treatment	Trauma Center	Other Services				
Salaries	\$ 886,214	\$ 979,862	\$ 159,314	\$ 376,561	\$ 8,437,975	\$ 436,788	\$ 623,601	\$ 9,498,364
Payroll Taxes	73,084	83,699	12,415	32,388	714,040	36,515	49,300	799,855
Employee Benefits	163,626	203,173	20,112	64,605	1,702,198	76,170	104,793	1,883,161
Insurance	169	19,041	1,631	28,644	593,532	106	143	593,781
Supplies	24,721	43,504	7,156	10,903	251,392	11,072	8,618	271,082
Utilities	18,785	23,338	3,139	29,197	545,119	16,339	20,698	582,156
Student Special Needs	81	-	-	-	51,444	-	-	51,444
Student Scholarships	-	-	-	-	160,137	-	-	160,137
Student Allowances	1,047	-	-	-	125,259	-	-	125,259
Staff Expenses	30,685	10,113	133,520	2,762	258,788	30,843	28,149	317,780
Food and Beverage	5,472	9,154	1,143	1,552	545,659	3,077	2,092	550,828
First Aid	100	10	-	-	46,760	38	-	46,798
Recreation	-	3,357	-	-	179,112	-	3,149	182,261
Equipment Rental	14,230	1,529	2,225	-	45,062	13,157	21,960	80,179
Freight and Postage	485	89	799	4	3,363	5,358	26,176	34,897
Professional Services	20,332	16,441	(8,840)	5,100	293,140	45,558	15,509	354,207
Maintenance, Repairs, and Contract Labor	38,855	38,545	4,641	15,790	595,178	33,374	6,611	635,163
Foster Care Parent Fees	479,108	-	-	-	479,108	-	-	479,108
Advertising	6,831	-	5,884	225	16,295	14,827	111,862	142,984
Dues and Subscriptions	136	410	3,009	375	11,486	11,967	4,763	28,216
Telephone	9,159	6,750	3,511	3,862	86,303	7,748	4,247	98,298
Printing, Publishing, and Solicitation	744	201	-	451	5,114	13,147	112,458	130,719
Property Taxes	-	-	-	7,500	11,253	-	-	11,253
Auto Expense	15,858	4,716	2,423	37,034	183,746	9,733	7,281	200,760
Student Work Programs	-	-	-	-	10,464	-	-	10,464
Travel	22,547	1,537	24,077	1,766	84,997	8,197	21,570	114,764
Cost of Goods Sold	-	-	-	742,201	742,201	-	-	742,201
Special Programs	9,601	6,926	-	17,414	137,675	60	440	138,175
Bank Service Charges	-	-	-	11,072	12,518	22,920	-	35,438
Trust Management Fees	-	-	-	-	-	153,225	-	153,225
Interest Expense	-	-	-	-	-	6,865	-	6,865
Bad Debt Expense	-	-	-	-	207,101	-	-	207,101
Miscellaneous	-	-	-	8,677	38,011	-	-	38,011
Total Expenses before Depreciation	<u>1,821,870</u>	<u>1,452,395</u>	<u>376,159</u>	<u>1,398,083</u>	<u>16,574,430</u>	<u>957,084</u>	<u>1,173,420</u>	<u>18,704,934</u>
Depreciation	24,283	146,781	38,388	74,651	1,990,858	148,539	61,871	2,201,268
Total Expenses	<u>\$ 1,846,153</u>	<u>\$ 1,599,176</u>	<u>\$ 414,547</u>	<u>\$ 1,472,734</u>	<u>\$ 18,565,288</u>	<u>\$ 1,105,623</u>	<u>\$ 1,235,291</u>	<u>\$ 20,906,202</u>

See accompanying Notes to Consolidated Financial Statements.

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

	Program Services								
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	College Scholarships	Recreation	Dietary	Academy/ Education	Clinics
Salaries	\$ 4,174,225	\$ 225,744	\$ 994,461	\$ 72,238	\$ -	\$ -	\$ 240,997	\$ 51,927	\$ 91,234
Payroll Taxes	349,385	17,561	81,314	5,576	-	-	20,075	3,960	7,010
Employee Benefits	871,569	24,771	162,240	9,949	-	-	50,222	10,388	13,947
Insurance	333,676	3,665	17,408	135	-	-	209	(88)	2,710
Supplies	135,714	3,944	5,532	898	-	-	24,724	729	1,858
Utilities	478,324	4,695	22,456	2,167	-	-	33,665	6,794	2,666
Student Special Needs	79,859	40,565	-	-	-	-	-	-	-
Student Scholarships	-	-	-	-	60,294	-	-	-	-
Student Allowances	93,967	-	-	-	-	-	-	-	-
Staff Expenses	63,762	7,246	20,966	53,694	-	-	8,696	393	2,127
Food and Beverage	210,627	205	1,453	300	-	-	415,308	-	77
First Aid	42,896	2	21	-	-	-	-	-	1,181
Recreation	173,583	200	-	-	-	75,138	-	-	-
Equipment Rental	9,629	6,054	3,179	62	-	-	3,967	17	305
Freight and Postage	3,094	4	37	4	-	-	36	-	33
Professional Services	(26,377)	5,020	48,424	11,689	-	1,455	5,638	-	222,445
Maintenance, Repairs, and Contract Labor	429,293	19,903	20,477	8,172	-	-	71,685	5,629	7,912
Foster Care Parent Fees	-	-	-	-	-	-	-	-	-
Advertising	4,370	-	-	-	-	-	365	-	-
Dues and Subscriptions	8,533	245	(338)	468	-	-	475	-	92
Telephone	40,682	1,019	11,047	543	-	-	1,681	365	712
Printing, Publishing, and Solicitation	9,483	398	36	-	-	-	3	-	-
Property Taxes	1,619	-	-	-	-	-	-	-	-
Auto Expense	79,097	5,260	2,038	1,625	-	-	1,732	1,609	1,039
Student Work Programs	9,772	-	-	-	-	-	-	-	-
Travel	25,963	8,203	14,030	2,075	-	-	2,048	675	2,388
Cost of Goods Sold	-	-	-	-	-	-	-	-	-
Special Programs	62,542	3,655	12,439	-	-	-	-	-	719
Bank Service Charges	-	-	90	-	-	-	-	-	-
Trust Management Fees	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Bad Debt Expense	-	-	290,580	-	-	-	-	-	-
Miscellaneous	18,188	33,382	(22)	-	-	-	-	-	-
Total Expenses before Depreciation	<u>7,683,475</u>	<u>411,741</u>	<u>1,707,868</u>	<u>169,595</u>	<u>60,294</u>	<u>76,593</u>	<u>881,526</u>	<u>82,398</u>	<u>358,455</u>
Depreciation	1,507,396	44,285	29,479	19,049	-	-	123,703	-	28,922
Total Expenses	<u>\$ 9,190,871</u>	<u>\$ 456,026</u>	<u>\$ 1,737,347</u>	<u>\$ 188,644</u>	<u>\$ 60,294</u>	<u>\$ 76,593</u>	<u>\$ 1,005,229</u>	<u>\$ 82,398</u>	<u>\$ 387,377</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2018**

	Program Services				Total Program Services	Management and General	Fundraising	Total
	Foster Care	Day Treatment	Trauma Center	Other Services				
Salaries	\$ 626,785	\$ 1,068,259	\$ -	\$ 401,669	\$ 7,947,539	\$ 556,589	\$ 529,042	\$ 9,033,170
Payroll Taxes	49,468	87,622	-	30,318	652,289	38,446	41,125	731,860
Employee Benefits	120,670	145,216	-	53,563	1,462,535	186,341	106,362	1,755,238
Insurance	29,961	18,588	-	17,728	423,992	4,929	1,106	430,027
Supplies	7,182	14,286	1,121	8,246	204,234	16,030	6,993	227,257
Utilities	14,820	19,872	-	32,847	618,306	4,553	22,165	645,024
Student Special Needs	7	26	-	-	120,457	-	-	120,457
Student Scholarships	-	-	-	-	60,294	-	-	60,294
Student Allowances	-	-	-	-	93,967	-	-	93,967
Staff Expenses	14,162	4,255	3,179	3,929	182,409	13,032	5,811	201,252
Food and Beverage	1,694	8,572	-	940	639,176	604	611	640,391
First Aid	29	17	-	-	44,146	-	-	44,146
Recreation	-	200	-	-	249,121	-	350	249,471
Equipment Rental	14,512	1,855	-	-	39,580	8,132	9,273	56,985
Freight and Postage	497	37	-	3,078	6,820	4,354	34,662	45,836
Professional Services	15,682	21,592	-	5,115	310,683	28,847	25,843	365,373
Maintenance, Repairs, and Contract Labor	13,012	30,857	-	90,599	697,539	56,111	15,807	769,457
Foster Care Parent Fees	199,168	-	-	-	199,168	-	-	199,168
Advertising	3,558	-	10,000	14,075	32,368	3,886	129,955	166,209
Dues and Subscriptions	588	236	-	321	10,620	5,051	3,767	19,438
Telephone	7,777	6,568	-	5,188	75,582	18,415	3,979	97,976
Printing, Publishing, and Solicitation	1,067	696	-	10,833	22,516	2,348	121,815	146,679
Property Taxes	-	-	-	6,974	8,593	-	-	8,593
Auto Expense	6,013	4,777	-	24,581	127,771	1,201	7,136	136,108
Student Work Programs	-	-	-	2	9,774	-	-	9,774
Travel	14,868	6,441	10,375	3,770	90,836	13,005	31,776	135,617
Cost of Goods Sold	-	-	-	642,740	642,740	-	-	642,740
Special Programs	425	2,052	-	31,968	113,800	-	470	114,270
Bank Service Charges	-	-	-	15,959	16,049	21,673	-	37,722
Trust Management Fees	-	-	-	-	-	138,889	-	138,889
Interest Expense	-	-	-	-	-	12,837	-	12,837
Bad Debt Expense	-	-	-	-	290,580	-	-	290,580
Miscellaneous	492	25	-	7,027	59,092	-	-	59,092
Total Expenses before Depreciation	1,142,437	1,442,049	24,675	1,411,470	15,452,576	1,135,273	1,098,048	17,685,897
Depreciation	17,591	131,430	-	81,717	1,983,572	156,683	62,694	2,202,949
Total Expenses	\$ 1,160,028	\$ 1,573,479	\$ 24,675	\$ 1,493,187	\$ 17,436,148	\$ 1,291,956	\$ 1,160,742	\$ 19,888,846

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (1,960,955)	\$ 207,632
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,201,268	2,202,949
Discount Amortization	8,462	3,395
Change in Unfunded Pension Liability	1,089,147	-
Loss on Disposal or Sale of Property and Equipment	-	32,880
Unrealized Gain on Investments	(715,105)	(1,560,186)
Realized Gain on Investments	(1,103,566)	(932,541)
Investment Income (Loss)	(220,746)	1,372,004
(Increase) Decrease in:		
Accounts Receivable	33,060	(347,536)
Promises to Give	95,461	48,438
Other Receivables	(14,281)	(4,659)
Prepaid Expenses	790	17,550
Inventory	54,294	(78,409)
Increase (Decrease) in:		
Accounts Payable	(290,415)	(439,559)
Custodial Student Funds	(6,140)	(665)
Accrued Liabilities and Compensated Absence	(93,195)	333,144
Environmental Remediation Liability	603	(70,000)
Unfunded Pension Liability	-	(75,522)
Net Cash Provided (Used) by Operating Activities	(921,318)	708,915
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(508,733)	(551,572)
Sale of Investments	4,368,447	1,518,923
Proceeds from Sale of Property and Equipment	-	116,120
Purchases of Plant, Property, and Equipment	(3,616,295)	(1,667,386)
Net Cash Provided (Used) by Investing Activities	243,419	(583,915)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Line of Credit	-	(600,000)
Net Cash Used by Financing Activities	-	(600,000)
<b>NET DECREASE IN CASH</b>	(677,899)	(475,000)
Cash - Beginning of Year	1,003,117	1,478,117
<b>CASH - END OF YEAR</b>	\$ 325,218	\$ 1,003,117
<b>SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES</b>		
Purchases of Capital Assets in Accounts Payable	\$ 497,000	\$ -
Cash Payments for Interest	\$ 6,865	\$ 3,563

. See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

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

**Organization**

The Crossnore School & Children's Home is a North Carolina nonprofit organization whose purpose is to provide a stable environment for children from families in crisis. Their support comes primarily from charitable contributions and government funding.

Effective January 1, 2017, the Crossnore School entered into an Agreement of Merger with The Children's Home (the Home), another North Carolina nonprofit 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. 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. 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 nonprofit 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, 2019 AND 2018**

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

**Classification of Net Assets**

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

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

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

**Basis of Accounting**

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

**Adoption of Accounting Standard**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The School has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented and has had no effect on previously reported changes in net assets.

**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, 2019 AND 2018**

**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, 2019 and 2018, management recorded an allowance on program receivables of \$209,976 and \$1,091,222, 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. Investments in limited partnerships are stated at net asset value determined based on pricing services that are believed to be reliable. Investments in limited liability corporations are stated at cost. Interest and dividend income and gains or losses on investments (including realized gains on sale of investments and gains on the change in fair value of investments) are included in support and revenue.

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

**Inventories**

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

**Real Estate Held for Sale**

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, 2019 AND 2018**

**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 net assets with donor restrictions. Under the terms of term trusts, the principal of the trust is to be distributed 25 years after the death of their surviving spouse. Due to this restriction, this fund is reported as a term trust and is included in net assets with donor restrictions.

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

**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 nonfinancial assets. If the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by persons who possess those skills, and would otherwise be purchased by 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, 2019 AND 2018**

**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, 2019 or 2018 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 nonprofit accounting standard for reporting of endowment funds (the UPMIFA Standard), which is intended to improve the quality and consistency of financial reporting of endowments held by nonprofit organizations. Under UPMIFA, all unappropriated endowment funds are considered restricted.

**Tax-Exempt Status**

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

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**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, 2019 and 2018 were \$142,983 and \$166,209, 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. In 2019, support departments were not allocated to other support departments. Only revenue producing departments were subject to allocation. In 2018, all expenses were subject to allocation.

**Reclassifications**

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 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 January 31, 2020, which is the date the consolidated financial statements were available to be issued.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 2 INVESTMENTS**

As of September 30, 2019 and 2018, investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Investments:		
Cash and Cash Equivalents	\$ 1,739,751	\$ 297,373
Fixed Income Investments	6,286,852	5,082,231
Mutual Funds	413,743	410,541
Equity Investments	4,931,542	7,200,522
Limited Partnership	17,920,498	20,231,267
Limited Liability Company	200,000	-
Total Investments	<u>\$ 31,492,386</u>	<u>\$ 33,221,934</u>

Total investment income consisted of the following for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Interest Income	\$ 975,945	\$ 619,437
Investment Fees	(146,850)	(138,889)
Unrealized Gain, Net	715,105	1,560,186
Realized Gain, Net	1,103,566	932,541
Total Investment Income	<u>\$ 2,647,766</u>	<u>\$ 2,973,275</u>

**NOTE 3 PROMISES TO GIVE**

Promises to give consisted of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Due in Less than One Year	\$ 411,550	\$ 834,000
Due in Two to Five Years	426,000	94,050
	837,550	928,050
Less: Present Value Discount	(6,759)	(1,798)
Promises to Give, Net	<u>\$ 830,791</u>	<u>\$ 926,252</u>

The rate used to calculate the present value discount was 0.31%. At September 30, 2019, approximately \$106,000 of the outstanding promises to give are past due. Based on management's evaluation, they believe no allowance is necessary as of September 30, 2019 and 2018. However, management will continue to evaluate collectability of these amounts on a regular basis.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 4 PROPERTY AND EQUIPMENT, NET**

Following is a summary of property and equipment and accumulated depreciation at September 30, 2019 and 2018:

	2019	2018
Land and Land Improvements	\$ 8,511,278	\$ 8,480,928
Buildings and Improvements	29,716,900	29,290,947
Furniture and Equipment	4,526,337	4,273,942
Vehicles	1,354,423	1,204,907
Construction in Progress	3,572,859	317,138
Total	47,681,797	43,567,862
Less: Accumulated Depreciation	20,283,234	18,081,326
Net Property and Equipment	\$ 27,398,563	\$ 25,486,536

Depreciation expense totaled \$2,201,268 and \$2,202,949 for the years ended September 30, 2019 and 2018, respectively. Construction in progress at September 30, 2019 is related to renovations of a building on the Winston campus. Construction in progress at September 30, 2018 relates to general renovations to both campuses.

**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 were no amounts outstanding at September 30, 2019 and 2018.

The School has a line of credit agreement with their investment company with a maximum borrowing limit of \$5,000,000 and an interest rate of 30-day LIBOR plus 1.5%. The line of credit is secured by their investments with the company. There were no amounts outstanding at September 30, 2019 and 2018.

The Crossnore School and Children's Home has an interest-free line of credit with the Foundation with a maximum borrowing limit of \$2,500,000. There was \$1,000,000 in outstanding borrowings at September 30, 2019 which has been eliminated in consolidation. Subsequent to year end, an additional \$1,000,000 has been drawn on the line of credit from the Foundation.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 6 NOTES PAYABLE**

Notes payable consisted of the following at September 30:

	<u>2019</u>	<u>2018</u>
Interest-free construction loan from a governmental agency, collateralized by a deed of trust, maturing on September 24, 2030, with a face amount of \$300,000. Constructed property must be used for its intended purpose.	\$ 300,000	\$ 300,000
Interest-free loan from a nonprofit organization, collateralized by a deed of trust, maturing on September 14, 2040, net of unamortized discount of \$283,843 at September 30, 2019 (effective interest rate of 4%), with a face amount of \$500,000.	<u>216,157</u>	<u>207,695</u>
Total	<u><u>\$ 516,157</u></u>	<u><u>\$ 507,695</u></u>

Amortization of the discount is reported in the consolidated statement of activities as interest expense. The School recognized approximately \$8,000 and \$3,000 as interest expense related to the interest free loans for the years ended September 30, 2019 and 2018, 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, 2019 and 2018, the School was liable for benefits to its employees of approximately \$97,000 and \$100,000, respectively.

**NOTE 8 RETIREMENT PLAN**

As part of the merger transaction discussed in Note 1, 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 CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 8 RETIREMENT PLAN (CONTINUED)**

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

	2019	2018
Change in Benefit Obligation:		
Benefit Obligation - Beginning of Year	\$ 2,225,862	\$ 2,165,811
Interest Cost	122,713	119,612
Actuarial Gain	1,019,689	3,855
Benefits Paid	(242,590)	(63,416)
Benefit Obligation - End of Year	3,125,674	2,225,862
Change in Plan Assets		
Fair Value of Plan Assets, Beginning of Year	1,773,866	1,638,293
Actual Return on Plan Assets	53,255	63,989
Employer Contributions	200,000	135,000
Benefits Paid	(242,590)	(63,416)
Fair Value of Plan Assets, End of Year	1,784,531	1,773,866
Funded Status of Plan (Under-Funded)	\$ (1,341,143)	\$ (451,996)
Amounts Recognized in Statement of Financial Position:		
Accrued Benefit Cost	\$ (47,545)	\$ (265,997)
Unfunded Pension Obligation	(1,293,598)	(185,999)
	\$ (1,341,143)	\$ (451,996)
Components of Net Periodic Benefit Cost		
Interest Cost	\$ 122,713	\$ 119,612
Expected Return on Plan Assets	(141,165)	(129,135)
Net Periodic Pension Cost	\$ (18,452)	\$ (9,523)
Amounts Recognized in Net Assets Without Donor Restrictions		
Unrecognized Net Prior Service Costs	\$ -	\$ -
Unrecognized Net Loss	1,107,599	69,001
Net Amount	\$ 1,107,599	\$ 69,001

The School's accumulated benefit obligation at September 30, 2019 and 2018 was \$3,125,674 and \$2,225,862, respectively. Because management does not consider it material, management included the net periodic benefit cost and change in unfunded pension liability in other changes in net assets.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 8 RETIREMENT PLAN (CONTINUED)**

**Assumptions**

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

	<u>2019</u>	<u>2018</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>2019</u>	<u>2018</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:

Asset Category:	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	1%	1%
Equity Securities	48%	46%
Debt Securities	51%	53%
Total	<u>100%</u>	<u>100%</u>

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 CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 8 RETIREMENT PLAN (CONTINUED)**

**Plan Assets (Continued)**

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Stock Mutual Funds	\$ 903,536	\$ -	\$ -	\$ 903,536
Bond Mutual Funds	423,813	-	-	423,813
Government Bonds	442,729	-	-	442,729
Total Investments	\$ 1,770,078	\$ -	\$ -	\$ 1,770,078
	2018			
	Level 1	Level 2	Level 3	Total
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

The table above excludes cash and cash equivalents of \$14,453 and \$14,591 as of September 30, 2019 and 2018, respectively.

**Future Contributions**

The School expects to contribute an amount in the year ended September 30, 2020 to get the unfunded pension liability to \$0 so that they can terminate the plan.

**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>
2020	\$ 80,000
2021	80,000
2022	80,000
2023	90,000
2024	90,000
2025 Through 2029	770,000

**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 \$532,843 and \$469,275 for the years ended September 30, 2019 and 2018, respectively.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**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 LIQUIDITY AND AVAILABILITY**

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

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 325,218	\$ 1,003,117
Investments:		
Cash and Cash Equivalents	1,739,751	297,373
Fixed Income Investments	6,286,852	5,082,231
Mutual Funds	413,743	410,541
Equity Investments	4,931,542	7,200,522
Accounts Receivable, Net	1,008,343	1,041,403
Other Receivables	39,752	25,471
Less: Endowments	(1,584,562)	(989,830)
Less: Purpose Restricted Net Assets with Donor Restrictions	<u>(4,298,674)</u>	<u>(6,071,096)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 8,861,965</u>	<u>\$ 7,999,732</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 12 NET ASSETS**

**Net Assets Without Donor Restrictions**

Net assets without donor restrictions are internally designated for the following purposes as of September 30, 2019 and 2018:

	2019	2018
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.

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at September 30, 2019 and 2018:

	2019	2018
Restricted for Time:		
Beneficial Interest	\$ 104,873	\$ 108,289
Loan Forgiveness	283,843	292,305
Pledges Receivable	678,241	658,000
Restricted for Purpose:		
Building Projects	473,889	2,191,902
Classroom Without Walls	1,012,613	927,910
Residential Scholarships	938,101	914,314
College Scholarships	1,262,030	1,266,252
Foster Care - Hendersonville	-	159,187
Other	612,041	611,531
Perpetual In Nature:		
Beneficial Interests in Perpetual Trusts	3,368,646	3,455,979
Residential Scholarships	406,460	113,224
College Scholarships	463,430	460,831
Athletic Equipment	293,977	
Other	420,695	415,775
Total	\$ 10,318,839	\$ 11,575,499

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019 AND 2018**

**NOTE 12 NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions (Continued)**

During the years ended September 30, 2019 and 2018, net assets were released from donor restrictions as follows:

	<u>2019</u>	<u>2018</u>
For Time:		
Loan Forgiveness	\$ 8,462	\$ 3,395
Pledges Receivable	660,259	-
For Purpose:		
Building Projects	2,814,490	276,604
College Scholarships	11,687	536,351
Foster Care - Hendersonville	159,187	90,813
	<u>\$ 3,654,085</u>	<u>\$ 907,163</u>
Total		

**Perpetual in Nature**

**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 nonprofit organizations (the "UPMIFA Standard") with respect to the accounting for the corpus and income recognition on endowment funds as follows:

***Corpus***

Endowment funds include: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment. 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 net assets with purpose donor restrictions 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 investment income without donor restrictions in the accompanying consolidated statements of activities.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 12 NET ASSETS (CONTINUED)**

**Perpetual in Nature (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 net assets without donor restrictions. 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, 2019 and 2018.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 12 NET ASSETS (CONTINUED)**

**Perpetual in Nature (Continued)**

The following table summarized endowment fund activity, including contributions, income earned and appropriations for the years ended September 30, 2019 and 2018:

	Without Donor Restrictions	With Donor Restriction		Total
		Purpose Restricted	Perpetual In Nature	
<b>Net Assets, Year Ended September 30, 2017</b>	\$ 671,072	\$ -	\$ 947,151	\$ 1,618,223
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>
Contributions	-	-	591,616	591,616
Net Unrealized Gain of Securities	-	-	3,116	3,116
<b>Net Assets, Year Ended September 30, 2019</b>	<u>\$ 671,072</u>	<u>\$ -</u>	<u>\$ 1,584,562</u>	<u>\$ 2,255,634</u>

**NOTE 13 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, 2019:

	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 6,286,852	\$ -	\$ 6,286,852
Mutual Funds	413,743	-	-	413,743
Equity Investments	4,931,542	-	-	4,931,542
Beneficial Interest in Trusts	-	-	3,473,519	3,473,519
Total Assets at Fair Value	<u>\$ 5,345,285</u>	<u>\$ 6,286,852</u>	<u>\$ 3,473,519</u>	<u>\$ 15,105,656</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, 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
Beneficial Interests 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>

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

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 13 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, 2017 to September 30, 2019:

Fair Value - September 30, 2017	\$ 3,593,832
Unrealized Losses on Investments	(29,564)
Fair Value - September 30, 2018	3,564,268
Unrealized Losses on Investments	(90,749)
Fair Value - September 30, 2019	\$ 3,473,519

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, 2019 and 2018:

	2019			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Cedar Rock Partners Series	\$ 2,134,133	\$ -	Monthly	30 Business Days
Altarock Partners Series	3,109,360	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	2,942,139	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	2,104,842	-	Monthly	30 Business Days
Select Equity Series	4,743,394	-	Monthly	30 Business Days
Burgundy Emerging Markets Series	759,598	-	Monthly	30 Business Days
BBH Capital Partners Opportunities	47,867	393,133	Long-Term	N/A
BBH Capital Partners V-1 Sub-Trust	852,361	585,693	Long-Term	N/A
GQG Partners Emerging Markets Equity Series	291,963	-	Monthly	30 Business Days
Barings Loan Sub-Trust	741,648	1,330,827	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	24,230	975,770	Long-Term	N/A
Oaktree Opportunities Sub-Trust	168,963	434,124	Long-Term	N/A
<b>Total</b>	<b>\$ 17,920,498</b>	<b>\$ 3,719,547</b>		

	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
Barings 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>\$ 20,231,267</b>	<b>\$ 2,521,907</b>		

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**

**NOTE 14 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, 2019 and 2018. The School accrues a reserve for self-insurance, which is classified as a current liability. As of September 30, 2019 and 2018, the balances in the reserve account were \$131,973 and \$383,771, respectively.

**NOTE 15 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 \$78,029 and \$82,398 for the years ended September 30, 2019 and 2018, respectively.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF SUPPORT AND REVENUE**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019									2018	
	Crossnore Campus			Winston Campus			Hendersonville Office			Total	Comparative Total
	Without Donor Restrictions	Purpose Restricted	Perpetual In Nature	Without Donor Restrictions	Purpose Restricted	Perpetual In Nature	Without Donor Restrictions	Purpose Restricted	Perpetual In Nature		
<b>SUPPORT</b>											
Contributions:											
Individuals	\$ 1,644,929	\$ 1,270,457	\$ 591,616	\$ 957,588	\$ 622,242	\$ -	\$ 341,654	\$ -	\$ -	\$ 5,428,486	\$ 6,029,176
Legacies and Bequests	811,420	-	-	-	-	-	-	-	-	811,420	1,067,558
Foundations	185,432	-	-	-	-	-	-	-	-	185,432	186,374
Trusts	337,315	-	-	12,551	-	-	-	-	-	349,866	301,476
Special Events	22,614	-	-	-	-	-	-	-	-	22,614	47,044
Total Contributions	<u>3,001,710</u>	<u>1,270,457</u>	<u>591,616</u>	<u>970,139</u>	<u>622,242</u>	<u>-</u>	<u>341,654</u>	<u>-</u>	<u>-</u>	<u>6,797,818</u>	<u>7,631,628</u>
<b>IN-KIND SUPPORT - SALES STORE</b>	310,595	-	-	-	-	-	-	-	-	310,595	305,507
<b>REVENUE</b>											
Room and Board:											
Foster Care Funds	3,886,320	-	-	2,087,849	-	-	-	-	-	5,974,169	5,685,966
Academy Contract	99,654	-	-	-	-	-	-	-	-	99,654	108,857
School Food Programs	72,622	-	-	-	-	-	-	-	-	72,622	62,852
Relatives	-	-	-	9,403	-	-	-	-	-	9,403	6,661
Total Room and Board	<u>4,058,596</u>	<u>-</u>	<u>-</u>	<u>2,097,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,155,848</u>	<u>5,864,336</u>
<b>INVESTMENT INCOME</b>											
Interest and Dividends	530,569	-	-	445,376	-	-	-	-	-	975,945	619,437
Investment Fees	(146,850)	-	-	-	-	-	-	-	-	(146,850)	(138,889)
Investment Gains	1,902,844	-	-	(88,032)	-	3,859	-	-	-	1,818,671	2,492,727
Total Investment Income	<u>2,286,563</u>	<u>-</u>	<u>-</u>	<u>357,344</u>	<u>-</u>	<u>3,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,647,766</u>	<u>2,973,275</u>
<b>CHANGE IN BENEFICIAL INTEREST IN TRUSTS</b>	-	-	-	-	(2,673)	(88,076)	-	-	-	(90,749)	(29,564)
<b>SUPPORTING BUSINESS ACTIVITIES</b>											
Blair Fraley Sales Store	215,002	-	-	-	-	-	-	-	-	215,002	227,046
Crossnore Weavers and Gallery	430,324	-	-	-	-	-	-	-	-	430,324	425,336
Miracle Grounds Coffee Shop	113,737	-	-	-	-	-	-	-	-	113,737	119,130
Farm Sales	-	-	-	128	-	-	-	-	-	128	52,668
Behavioral Health:											
Mental and Medical Services	732,244	-	-	1,742,978	-	-	79,924	-	-	2,555,146	1,971,413
Foster Care and Adoptions	26,525	-	-	565,342	-	-	65,573	-	-	657,440	381,346
Total Supporting Business Activities	<u>1,517,832</u>	<u>-</u>	<u>-</u>	<u>2,308,448</u>	<u>-</u>	<u>-</u>	<u>145,497</u>	<u>-</u>	<u>-</u>	<u>3,971,777</u>	<u>3,176,939</u>
<b>OTHER INCOME</b>											
Rents and Royalties	149,117	-	-	-	-	-	-	-	-	149,117	134,236
Other Revenue	3,868	-	-	88,354	-	-	-	-	-	92,222	73,001
Total Other Income	<u>152,985</u>	<u>-</u>	<u>-</u>	<u>88,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,339</u>	<u>207,237</u>
<b>Total Support and Revenue</b>	<u>\$ 11,328,281</u>	<u>\$ 1,270,457</u>	<u>\$ 591,616</u>	<u>\$ 5,821,537</u>	<u>\$ 619,569</u>	<u>\$ (84,217)</u>	<u>\$ 487,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,034,394</u>	<u>\$ 20,129,358</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019									2018		
	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	\$ 3,723,777	\$ 632,815	\$ 283,275	\$ 4,019,408	\$ 309,044	\$ 93,286	\$ 318,229	\$ 118,530	\$ -	\$ 9,498,364	\$ 9,033,170	
Payroll Taxes	319,185	51,479	24,908	336,096	25,246	7,480	26,371	9,090	-	799,855	731,860	
Employee Benefits	820,774	116,807	53,504	770,557	53,793	11,101	46,262	10,363	-	1,883,161	1,755,238	
Insurance	343,695	170	9,785	221,163	74	18,859	30	5	-	593,781	430,027	
Supplies	121,497	7,632	10,017	112,848	6,862	886	6,144	5,196	-	271,082	227,257	
Utilities	280,188	23,537	23,293	234,496	12,969	5,904	1,238	531	-	582,156	645,024	
Student Special Needs	18,203	-	-	33,241	-	-	-	-	-	51,444	120,457	
Student Scholarships	160,137	-	-	-	-	-	-	-	-	160,137	60,294	
Student Allowances	78,110	-	-	47,149	-	-	-	-	-	125,259	93,967	
Staff Expenses	43,654	26,911	2,262	206,265	14,868	500	6,107	17,213	-	317,780	201,252	
Food and Beverage	426,401	1,531	1,552	115,905	2,517	-	1,801	1,121	-	550,828	640,391	
First Aid	26,877	-	-	19,883	38	-	-	-	-	46,798	44,146	
Recreation	119,293	426	-	59,819	2,723	-	-	-	-	182,261	249,471	
Equipment Rental	12,860	12,899	-	12,069	7,392	-	20,133	14,826	-	80,179	56,985	
Freight and Postage	1,537	18,149	4	1,638	9,703	-	184	3,682	-	34,897	45,836	
Professional Services	37,448	31,507	-	240,558	28,499	5,100	10,034	1,061	-	354,207	365,373	
Maintenance, Repairs, and Contract Labor	266,681	28,011	9,422	311,029	10,813	6,368	1,678	1,161	-	635,163	769,457	
Foster Care Parent Fees	229,683	-	-	227,020	-	-	22,405	-	-	479,108	199,168	
Advertising	4,764	58,345	-	8,292	43,253	225	3,014	25,091	-	142,984	166,209	
Dues and Subscriptions	1,954	7,727	250	9,157	8,490	125	-	513	-	28,216	19,438	
Telephone	41,545	5,633	2,436	37,707	6,041	1,426	3,189	321	-	98,298	97,976	
Printing, Publishing, and Solicitation	2,166	59,833	-	2,497	38,120	451	-	27,652	-	130,719	146,679	
Property Taxes	2,516	-	7,500	1,237	-	-	-	-	-	11,253	8,593	
Auto Expense	93,388	12,291	15,973	51,223	4,500	21,061	2,101	223	-	200,760	136,108	
Student Work Programs	10,464	-	-	-	-	-	-	-	-	10,464	9,774	
Travel	28,178	19,297	1,693	48,095	8,329	73	6,958	2,141	-	114,764	135,617	
Cost of Goods Sold	-	-	741,612	-	-	589	-	-	-	742,201	642,740	
Special Programs	101,253	-	-	13,426	-	17,414	5,582	500	-	138,175	114,270	
Bank Service Charges	243	22,356	11,072	628	564	-	575	-	-	35,438	37,722	
Trust Management Fees	-	153,225	-	-	-	-	-	-	-	153,225	138,889	
Interest Expense	-	6,865	-	-	-	-	-	-	-	6,865	12,837	
Bad Debt Expense	17,010	-	-	179,778	-	-	10,313	-	-	207,101	290,580	
Miscellaneous	23,957	-	8,677	5,377	-	-	-	-	-	38,011	59,092	
Total Expenses before Depreciation	7,357,438	1,297,446	1,207,235	7,326,561	593,838	190,848	492,348	239,220	-	18,704,934	17,685,897	
Depreciation	1,474,076	157,593	54,785	439,201	51,643	19,866	2,930	1,174	-	2,201,268	2,202,949	
Total Expenses	<u>\$ 8,831,514</u>	<u>\$ 1,455,039</u>	<u>\$ 1,262,020</u>	<u>\$ 7,765,762</u>	<u>\$ 645,481</u>	<u>\$ 210,714</u>	<u>\$ 495,278</u>	<u>\$ 240,394</u>	<u>\$ -</u>	<u>\$ 20,906,202</u>	<u>\$ 19,888,846</u>	

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – CROSSNORE CAMPUS**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019										2018	
	Crossnore Campus											
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	College Scholarships	Recreation	Dietary	Academy/ Education	Clinic	Foster Care	Total	Comparative Total
Salaries	\$ 2,233,001	\$ 464,187	\$ 250,170	\$ 141,326	\$ -	\$ 22,031	\$ 249,890	\$ 49,989	\$ 58,128	\$ 255,055	\$ 3,723,777	\$ 3,847,976
Payroll Taxes	190,487	40,318	21,109	11,911	-	1,907	22,549	4,967	5,052	20,885	319,185	320,790
Employee Benefits	516,229	97,190	41,888	25,968	-	4,756	69,732	12,408	9,838	42,765	820,774	790,042
Insurance	333,788	422	98	52	-	-	60	219	9,028	28	343,695	273,942
Supplies	64,329	3,446	1,792	465	-	775	30,853	2,071	2,909	14,857	121,497	108,174
Utilities	161,323	5,967	8,136	1,738	-	19,154	33,555	43,141	2,939	4,235	280,188	319,963
Student Special Needs	13,794	4,409	-	-	-	-	-	-	-	-	18,203	57,362
Student Scholarships	-	118,759	-	-	41,378	-	-	-	-	-	160,137	60,294
Student Allowances	77,588	-	-	-	-	-	-	-	-	522	78,110	69,960
Staff Expenses	14,679	4,021	5,650	5,501	-	69	2,144	163	1,266	10,161	43,654	101,921
Food and Beverage	49,208	468	312	175	-	300	374,957	-	112	869	426,401	542,743
First Aid	26,877	-	-	-	-	-	-	-	-	-	26,877	28,339
Recreation	52,942	-	-	50	-	66,301	-	-	-	-	119,293	175,247
Equipment Rental	710	3,378	228	226	-	-	6,367	1,865	72	14	12,860	12,082
Freight and Postage	840	48	89	355	-	-	10	-	5	190	1,537	2,275
Professional Services	12,071	3,398	9,458	2,182	-	-	2,563	2,050	4,744	982	37,448	34,417
Maintenance, Repairs, and Contract Labor	185,910	13,220	13,716	460	-	2,725	16,131	14,096	834	19,589	266,681	325,386
Foster Care Parent Fees	-	-	-	-	-	-	-	-	-	229,683	229,683	38,337
Advertising	1,750	-	-	-	-	-	-	-	-	3,014	4,764	2,570
Dues and Subscriptions	645	268	283	474	-	-	121	85	29	49	1,954	7,331
Telephone	22,807	7,640	4,161	833	-	963	1,544	461	589	2,547	41,545	37,328
Printing, Publishing, and Solicitation	2,166	-	-	-	-	-	-	-	-	-	2,166	8,232
Property Taxes	2,516	-	-	-	-	-	-	-	-	-	2,516	351
Auto Expense	70,553	5,226	730	455	-	163	1,127	2,934	783	11,417	93,388	74,574
Student Work Programs	10,464	-	-	-	-	-	-	-	-	-	10,464	9,772
Travel	5,227	7,041	3,071	2,298	-	70	1,341	318	1,190	7,622	28,178	37,734
Special Programs	47,796	-	5,782	-	-	22,524	-	20,561	496	4,094	101,253	71,330
Bank Service Charges	-	-	243	-	-	-	-	-	-	-	243	-
Bad Debt Expense	-	-	17,010	-	-	-	-	-	-	-	17,010	25,939
Miscellaneous	7,755	14,202	-	-	-	-	-	2,000	-	-	23,957	49,716
Total Expenses before Depreciation	4,105,455	793,608	383,926	194,469	41,378	141,738	812,944	157,328	98,014	628,578	7,357,438	7,434,127
Depreciation	1,189,512	45,138	16,284	13,867	-	34,623	137,250	-	27,636	9,766	1,474,076	1,633,574
Total Expenses	<u>\$ 5,294,967</u>	<u>\$ 838,746</u>	<u>\$ 400,210</u>	<u>\$ 208,336</u>	<u>\$ 41,378</u>	<u>\$ 176,361</u>	<u>\$ 950,194</u>	<u>\$ 157,328</u>	<u>\$ 125,650</u>	<u>\$ 638,344</u>	<u>\$ 8,831,514</u>	<u>\$ 9,067,701</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – WINSTON CAMPUS**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019										2018
	Winston Campus										
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Foster Care	Dietary	Day Treatment	Trauma Center	Medical Clinic	Total	Comparative Total
Salaries	\$ 1,129,704	\$ 246,352	\$ 697,662	\$ 245,049	\$ 480,504	\$ 49,064	\$ 979,862	\$ 159,314	\$ 31,897	\$ 4,019,408	\$ 3,637,323
Payroll Taxes	93,697	20,723	57,717	19,989	40,639	4,258	83,699	12,415	2,959	336,096	296,373
Employee Benefits	213,602	45,336	124,325	51,768	98,554	9,055	203,173	20,112	4,632	770,557	616,224
Insurance	181,292	51	18,972	44	112	10	19,041	1,631	10	221,163	132,252
Supplies	44,514	1,383	4,693	310	6,045	4,983	43,504	7,156	260	112,848	85,356
Utilities	174,452	4,451	14,591	630	13,616	158	23,338	3,139	121	234,496	265,496
Student Special Needs	16,498	16,662	-	-	81	-	-	-	-	33,241	63,095
Student Allowances	46,624	-	-	-	525	-	-	-	-	47,149	24,007
Staff Expenses	19,793	4,579	16,832	5,706	15,524	76	10,113	133,520	122	206,265	74,935
Food and Beverage	24,795	1,448	1,504	3,616	2,824	71,410	9,154	1,143	11	115,905	95,220
First Aid	18,699	433	-	-	100	-	10	-	641	19,883	15,807
Recreation	56,462	-	-	-	-	-	3,357	-	-	59,819	73,874
Equipment Rental	2,354	1,195	2,749	742	1,275	-	1,529	2,225	-	12,069	15,098
Freight and Postage	311	6	100	222	111	-	89	799	-	1,638	1,325
Professional Services	74,173	4,496	44,675	11,606	17,905	453	16,441	(8,840)	79,649	240,558	271,151
Maintenance, Repairs, and Contract Labor	218,188	7,172	22,499	460	18,169	1,060	38,545	4,641	295	311,029	280,978
Foster Care Parent Fees	-	-	-	-	227,020	-	-	-	-	227,020	160,831
Advertising	1,605	-	-	-	803	-	-	5,884	-	8,292	13,248
Dues and Subscriptions	3,131	-	2,265	251	87	1	410	3,009	3	9,157	2,878
Telephone	12,534	3,084	6,024	561	4,185	845	6,750	3,511	213	37,707	32,473
Printing, Publishing, and Solicitation	1,552	-	-	-	744	-	201	-	-	2,497	3,228
Property Taxes	1,237	-	-	-	-	-	-	-	-	1,237	1,268
Auto Expense	35,510	622	3,722	558	2,651	876	4,716	2,423	145	51,223	28,583
Travel	4,221	1,694	4,847	1,917	9,576	6	1,537	24,077	220	48,095	41,083
Special Programs	6,186	-	-	-	-	-	6,926	-	314	13,426	10,502
Bank Service Charges	-	-	628	-	-	-	-	-	-	628	90
Bad Debt Expense	-	-	179,778	-	-	-	-	-	-	179,778	264,641
Miscellaneous	5,377	-	-	-	-	-	-	-	-	5,377	2,349
Total Expenses before Depreciation	2,386,511	359,687	1,203,583	343,429	941,050	142,255	1,452,395	376,159	121,492	7,326,561	6,509,688
Depreciation	219,667	2,530	15,762	1,086	13,385	1,125	146,781	38,388	477	439,201	267,904
Total Expenses	\$ 2,606,178	\$ 362,217	\$ 1,219,345	\$ 344,515	\$ 954,435	\$ 143,380	\$ 1,599,176	\$ 414,547	\$ 121,969	\$ 7,765,762	\$ 6,777,592

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – HENDERSONVILLE OFFICE**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019			2018
	Hendersonville Office			
	Foster Care	OP Therapy	Total	Comparative Total
Salaries	\$ 150,655	\$ 167,574	\$ 318,229	\$ 60,571
Payroll Taxes	11,560	14,811	26,371	4,808
Employee Benefits	22,307	23,955	46,262	2,706
Insurance	29	1	30	70
Supplies	3,819	2,325	6,144	2,458
Utilities	934	304	1,238	-
Staff Expenses	5,000	1,107	6,107	1,624
Food and Beverage	1,779	22	1,801	273
Equipment Rental	12,941	7,192	20,133	12,400
Freight and Postage	184	-	184	142
Professional Services	1,445	8,589	10,034	-
Maintenance, Repairs, and Contract Labor	1,097	581	1,678	576
Foster Care Parent Fees	22,405	-	22,405	-
Advertising	3,014	-	3,014	2,475
Dues and Subscriptions	-	-	-	90
Telephone	2,427	762	3,189	593
Printing, Publishing, and Solicitation	-	-	-	223
Auto Expense	1,790	311	2,101	33
Travel	5,349	1,609	6,958	8,249
Special Programs	5,507	75	5,582	-
Bank Service Charges	-	575	575	-
Bad Debt Expense	-	10,313	10,313	-
Total Expenses before Depreciation	<u>252,242</u>	<u>240,106</u>	<u>492,348</u>	<u>97,291</u>
Depreciation	1,132	1,798	2,930	377
Total Expenses	<u>\$ 253,374</u>	<u>\$ 241,904</u>	<u>\$ 495,278</u>	<u>\$ 97,668</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF SUPPORTING SERVICES EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019						2018	
	Crossnore Campus		Winston Campus		Hendersonville Office		Total	Comparative Total
	Administrative	Advancement	Administrative	Advancement	Administrative	Advancement		
Salaries	\$ 329,255	\$ 303,560	\$ 91,202	\$ 217,842	\$ 16,331	\$ 102,199	\$ 1,060,389	\$ 1,085,631
Payroll Taxes	27,559	23,920	7,809	17,437	1,147	7,943	85,815	79,571
Employee Benefits	58,284	58,523	15,769	38,024	2,117	8,246	180,963	292,703
Insurance	84	86	22	52	-	5	249	6,035
Supplies	4,607	3,025	4,620	2,242	1,845	3,351	19,690	23,023
Utilities	13,336	10,201	2,864	10,105	139	392	37,037	26,718
Staff Expenses	19,704	7,207	10,176	4,692	963	16,250	58,992	18,843
Food and Beverage	641	890	1,628	889	808	313	5,169	1,215
First Aid	-	-	38	-	-	-	38	-
Recreation	-	426	-	2,723	-	-	3,149	350
Equipment Rental	4,927	7,972	2,477	4,915	5,753	9,073	35,117	17,405
Freight and Postage	4,335	13,814	1,023	8,680	-	3,682	31,534	39,016
Professional Services	23,452	8,055	21,844	6,655	262	799	61,067	54,690
Maintenance, Repairs, and Contract Labor	25,058	2,953	7,851	2,962	465	696	39,985	71,918
Advertising	12,050	46,295	2,777	40,476	-	25,091	126,689	133,841
Dues and Subscriptions	5,026	2,701	6,941	1,549	-	513	16,730	8,818
Telephone	3,227	2,406	4,487	1,554	34	287	11,995	22,394
Printing, Publishing, and Solicitation	10,269	49,564	2,878	35,242	-	27,652	125,605	124,163
Auto Expense	7,365	4,926	2,337	2,163	31	192	17,014	8,337
Travel	6,810	12,487	1,282	7,047	105	2,036	29,767	44,781
Special Programs	-	-	-	-	60	440	500	470
Bank Service Charges	22,356	-	564	-	-	-	22,920	21,673
Trust Management Fees	153,225	-	-	-	-	-	153,225	138,889
Interest Expense	6,865	-	-	-	-	-	6,865	12,837
Total Expenses before Depreciation	<u>738,435</u>	<u>559,011</u>	<u>188,589</u>	<u>405,249</u>	<u>30,060</u>	<u>209,160</u>	<u>2,130,504</u>	<u>2,233,321</u>
Depreciation	107,069	50,524	41,117	10,526	353	821	210,410	219,377
Total Expenses	<u>\$ 845,504</u>	<u>\$ 609,535</u>	<u>\$ 229,706</u>	<u>\$ 415,775</u>	<u>\$ 30,413</u>	<u>\$ 209,981</u>	<u>\$ 2,340,914</u>	<u>\$ 2,452,698</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF OTHER SERVICES EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2018)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2019					2018	
	Crossnore Campus			Winston Campus		Comparative Total	
	Blair Fraley Sales Store	Weavers and Gallery	Miracle Grounds Coffee Shop	Farm	Total		
Salaries	\$ 160,053	\$ 59,827	\$ 63,395	\$ 93,286	\$ 376,561	\$ 401,669	
Payroll Taxes	14,201	4,553	6,154	7,480	32,388	30,318	
Employee Benefits	23,400	13,868	16,236	11,101	64,605	53,563	
Insurance	21	9,749	15	18,859	28,644	17,728	
Supplies	1,330	3,849	4,838	886	10,903	8,246	
Utilities	12,215	2,648	8,430	5,904	29,197	32,847	
Staff Expenses	764	1,129	369	500	2,762	3,929	
Food and Beverage	286	512	754	-	1,552	940	
Freight and Postage	-	4	-	-	4	3,078	
Professional Services	-	-	-	5,100	5,100	5,115	
Maintenance, Repairs, and Contract Labor	1,124	1,170	7,128	6,368	15,790	90,599	
Advertising	-	-	-	225	225	14,075	
Dues and Subscriptions	-	250	-	125	375	321	
Telephone	694	1,161	581	1,426	3,862	5,188	
Printing, Publishing, and Solicitation	-	-	-	451	451	10,833	
Property Taxes	6,087	1,413	-	-	7,500	6,974	
Auto Expense	15,833	140	-	21,061	37,034	24,581	
Student Work Programs	-	-	-	-	-	2	
Travel	1,161	532	-	73	1,766	3,770	
Cost of Goods Sold	337,458	343,210	60,944	589	742,201	642,740	
Special Programs	-	-	-	17,414	17,414	31,968	
Bank Service Charges	2,500	6,581	1,991	-	11,072	15,959	
Miscellaneous	-	8,677	-	-	8,677	7,027	
Total Expenses before Depreciation	<u>577,127</u>	<u>459,273</u>	<u>170,835</u>	<u>190,848</u>	<u>1,398,083</u>	<u>1,411,470</u>	
Depreciation	<u>37,219</u>	<u>6,337</u>	<u>11,229</u>	<u>19,866</u>	<u>74,651</u>	<u>81,717</u>	
Total Expenses	<u>\$ 614,346</u>	<u>\$ 465,610</u>	<u>\$ 182,064</u>	<u>\$ 210,714</u>	<u>\$ 1,472,734</u>	<u>\$ 1,493,187</u>	

