

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Crossnore Communities for Children
Crossnore, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Crossnore Communities for Children (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crossnore Communities for Children as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crossnore Communities for Children and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossnore Communities for Children's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in these consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crossnore Communities for Children's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossnore Communities for Children's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 on pages 30 to 36 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 these consolidated financial statements or to these consolidated financial statements themselves, and other additional procedures in accordance with GAAS. 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 3, 2023

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021**

ASSETS	2022	2021
CURRENT ASSETS		
Cash	\$ 1,748,868	\$ 4,747,579
Unconditional Promises to Give, Current	4,022,521	141,000
Accounts Receivable, Net	1,139,052	817,936
Other Receivables	6,046,100	34,136
Prepaid Expenses and Other Assets	(1,300)	(2,536)
Investments	34,399,441	43,351,215
Inventory	582,472	629,523
Real Estate Held for Sale	152,000	152,000
Total Current Assets	48,089,154	49,870,853
 UNCONDITIONAL PROMISES TO GIVE, NONCURRENT, Net	 5,715,490	 453,129
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	3,043,918	3,842,340
BENEFICIAL INTERESTS IN TERM TRUST	98,421	122,644
PROPERTY AND EQUIPMENT, Net	22,415,669	23,615,900
 Total Assets	 \$ 79,362,652	 \$ 77,904,866

See accompanying Notes to Consolidated Financial Statements.

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
SEPTEMBER 30, 2022 AND 2021

LIABILITIES AND NET ASSETS	2022	2021
CURRENT LIABILITIES		
Accounts Payable	\$ 134,070	\$ 602,892
Accrued Liabilities	446,346	586,361
Accrued Compensated Absences	268,230	243,233
Custodial Student Fund	9,848	2,845
Total Current Liabilities	858,494	1,435,331
ENVIRONMENTAL REMEDIATION LIABILITY	14,228	14,228
NOTES PAYABLE	543,668	534,129
Total Liabilities	1,416,390	1,983,688
NET ASSETS		
Without Donor Restrictions:		
Undesignated	49,860,269	55,102,776
Internally-Designated	5,687,815	7,897,872
Total Without Donor Restrictions	55,548,084	63,000,648
With Donor Restrictions	22,398,178	12,920,530
Total Net Assets	77,946,262	75,921,178
Total Liabilities and Net Assets	\$ 79,362,652	\$ 77,904,866

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 13,243,403	\$ 11,091,293	\$ 24,334,696
In-Kind Support	171,428	-	171,428
Room and Board	6,299,363	-	6,299,363
Investment Income (Loss)	(7,985,270)	13,949	(7,971,321)
Change in Beneficial Interests in Trusts	-	(822,645)	(822,645)
Supporting Business Activities	3,735,419	-	3,735,419
Other Income	651,770	-	651,770
Total	16,116,113	10,282,597	26,398,710
Net Assets Released from Restrictions	804,949	(804,949)	-
Total Support and Revenue	16,921,062	9,477,648	26,398,710
EXPENSES			
Program Services:			
Residential Living/Cottages	8,135,302	-	8,135,302
Case Management	1,168,710	-	1,168,710
OP Therapy	2,287,986	-	2,287,986
Program Services Support	1,107,067	-	1,107,067
Recreation	142,472	-	142,472
Dietary	1,360,826	-	1,360,826
Academy/Education	268,746	-	268,746
Tailored Management	47,722	-	47,722
Clinics	163,874	-	163,874
Foster Care	2,496,271	-	2,496,271
Day Treatment	883,216	-	883,216
Trauma Center	852,779	-	852,779
Home Builders	346,049	-	346,049
Other Services	1,607,181	-	1,607,181
Total Program Services	20,868,201	-	20,868,201
Supporting Services:			
Administrative	2,605,255	-	2,605,255
Advancement	900,170	-	900,170
Total Supporting Services	3,505,425	-	3,505,425
Total Expenses	24,373,626	-	24,373,626
INCREASE (DECREASE) IN NET ASSETS	(7,452,564)	9,477,648	2,025,084
Net Assets - Beginning of Year	63,000,648	12,920,530	75,921,178
NET ASSETS - END OF YEAR	\$ 55,548,084	\$ 22,398,178	\$ 77,946,262

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022**

	Program Services								
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Tailored Mainagement	Clinics
Salaries	\$ 3,907,823	\$ 711,684	\$ 1,604,534	\$ 777,534	\$ 43,738	\$ 414,486	\$ 79,776	\$ 44,486	\$ 79,315
Payroll Taxes	309,248	58,500	123,804	64,475	3,497	33,914	6,582	1,170	6,504
Employee Benefits	763,827	141,142	260,963	144,280	9,433	81,381	13,162	2,066	4,654
Insurance	454,317	4,842	30,507	-	-	-	4,537	-	7,706
Supplies	116,796	9,647	7,888	4,151	972	64,752	2,203	-	(6,930)
Utilities	356,694	15,381	22,100	3,587	23,645	34,608	43,414	-	1,543
Student Special Needs	29,578	19,514	-	-	-	-	-	-	-
Student Scholarships	-	43,131	-	10,270	-	-	-	-	-
Student Allowances	70,057	459	-	2,465	-	-	-	-	-
Staff Expenses	41,341	4,766	40,218	3,857	-	4,638	551	-	3,990
Food and Beverage	150,258	1,374	3,952	587	1,347	491,060	-	-	476
First Aid	45,663	800	-	511	122	-	-	-	4,798
Recreation	101,595	-	-	77	42,102	-	-	-	-
Equipment Rental	227	7,782	8,042	1,174	-	4,684	1,258	-	(187)
Freight and Postage	1,091	83	167	12,678	-	112	34	-	(48)
Professional Services	102,677	13,080	57,331	29,344	-	11,198	9,650	-	16,709
Maintenance, Repairs, and Contract Labor	427,126	51,745	61,440	11,086	2,749	69,037	19,325	-	17,443
Foster Care Parent Fees	-	-	-	462	-	-	-	-	-
Advertising	86	-	-	-	-	-	-	-	-
Dues and Subscriptions	7,053	622	3,171	1,151	-	1,490	205	-	(715)
Telephone	33,650	13,510	20,017	4,584	883	3,538	900	-	2,527
Printing, Publishing, and Solicitation	-	-	24	-	-	-	-	-	-
Property Taxes	1,407	-	-	-	-	-	-	-	-
Auto Expense	136,677	5,579	2,617	3,286	1,943	3,395	3,559	-	1,308
Student Work Programs	29,144	55	-	-	-	-	-	-	-
Travel	7,670	3,803	4,806	3,476	3,064	2,462	370	-	(2,333)
Cost of Goods Sold	-	-	-	-	-	-	-	-	-
Special Programs	31,650	-	(1,018)	25	1,232	-	-	-	310
Bank Service Charges	-	-	1,052	-	-	-	-	-	300
Trust Management Fees	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-	-
Miscellaneous	12,279	3,051	-	-	-	-	12,000	-	-
Total Expenses Before Depreciation	<u>7,137,934</u>	<u>1,110,550</u>	<u>2,251,615</u>	<u>1,079,060</u>	<u>134,727</u>	<u>1,220,755</u>	<u>197,526</u>	<u>47,722</u>	<u>137,370</u>
Depreciation	<u>997,368</u>	<u>58,160</u>	<u>36,371</u>	<u>28,007</u>	<u>7,745</u>	<u>140,071</u>	<u>71,220</u>	<u>-</u>	<u>26,504</u>
Total Expenses by Function	<u>\$ 8,135,302</u>	<u>\$ 1,168,710</u>	<u>\$ 2,287,986</u>	<u>\$ 1,107,067</u>	<u>\$ 142,472</u>	<u>\$ 1,360,826</u>	<u>\$ 268,746</u>	<u>\$ 47,722</u>	<u>\$ 163,874</u>

See accompanying Notes to Consolidated Financial Statements.

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022

	Program Services (Continued)					Total	Management	Fundraising	Total
	Foster Care	Day Treatment	Trauma Center	Home Builders	Other Services	Program Services	and General		
Salaries	\$ 1,367,810	\$ 461,380	\$ 533,084	\$ 247,739	\$ 552,425	\$ 10,825,814	\$ 964,783	\$ 458,604	\$ 12,249,201
Payroll Taxes	107,078	37,740	43,479	18,331	48,721	863,043	73,394	38,793	975,230
Employee Benefits	254,394	82,820	46,327	44,169	97,462	1,946,080	198,145	70,987	2,215,212
Insurance	10,558	43,764	30	-	38,349	594,610	14,170	-	608,780
Supplies	9,427	3,132	6,457	1,402	20,826	240,723	23,504	6,409	270,636
Utilities	17,926	26,618	23,952	-	31,113	600,581	28,893	17,757	647,231
Student Special Needs	5,267	1,454	-	104	-	55,917	-	-	55,917
Student Scholarships	-	-	-	-	-	53,401	(133,469)	-	(80,068)
Student Allowances	4,458	-	-	-	-	77,439	-	-	77,439
Staff Expenses	50,682	15,345	42,775	22,875	3,322	234,360	46,278	24,338	304,976
Food and Beverage	6,546	1,740	17,126	329	2,598	677,393	15,625	1,029	694,047
First Aid	78	-	-	-	-	51,972	-	-	51,972
Recreation	-	88	-	-	-	143,862	3,406	(2,966)	144,302
Equipment Rental	10,298	2,726	125	-	-	36,129	20,334	24,035	80,498
Freight and Postage	245	27	86	-	1,085	15,560	40,301	5,949	61,810
Professional Services	26,047	3,468	73,338	4,648	71	347,561	357,483	150,908	855,952
Maintenance, Repairs, and Contract Labor	31,558	31,232	519	50	72,232	795,542	181,641	17,829	995,012
Foster Care Parent Fees	497,690	-	-	-	-	498,152	-	-	498,152
Advertising	9,800	-	16,835	-	645	27,366	119,102	17,373	163,841
Dues and Subscriptions	4,845	1,476	1,563	238	429	21,528	20,120	2,570	44,218
Telephone	17,569	8,064	1,215	260	4,146	110,863	28,387	4,241	143,491
Printing, Publishing, and Solicitation	2,803	-	243	-	-	3,070	142,772	36,092	181,934
Property Taxes	-	-	-	-	11,318	12,725	-	-	12,725
Auto Expense	9,182	4,624	558	319	16,825	189,872	17,458	5,742	213,072
Student Work Programs	-	-	-	-	-	29,199	-	-	29,199
Travel	24,003	650	43,524	2,704	3,351	97,550	16,173	10,498	124,221
Cost of Goods Sold	-	-	-	-	522,345	522,345	-	-	522,345
Special Programs	1,226	-	-	-	6,113	39,538	-	-	39,538
Bank Service Charges	-	-	-	-	15,507	16,859	20,341	-	37,200
Trust Management Fees	-	-	-	-	-	-	113,207	-	113,207
Interest Expense	-	-	-	-	-	-	-	-	-
Miscellaneous	2,232	-	543	-	12,360	42,465	47,474	-	89,939
Total Expenses Before Depreciation	2,471,722	726,348	851,779	343,168	1,461,243	19,171,519	2,359,522	890,188	22,421,683
Depreciation	24,549	156,868	1,000	2,881	145,938	1,696,682	245,733	9,982	1,952,397
Total Expenses by Function	<u>\$ 2,496,271</u>	<u>\$ 883,216</u>	<u>\$ 852,779</u>	<u>\$ 346,049</u>	<u>\$ 1,607,181</u>	<u>\$ 20,868,201</u>	<u>\$ 2,605,255</u>	<u>\$ 900,170</u>	<u>\$ 24,373,626</u>

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 2,025,084	\$ 5,367,709
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	1,952,397	2,220,603
Discount Amortization	9,539	9,165
Forgiveness of Refundable Advance	-	(2,445,000)
Unrealized (Gain) Loss on Investments	9,265,882	(4,259,576)
Realized Gain on Investments	(926,985)	(1,062,038)
Other Investment Income	(107,160)	(909,309)
(Increase) Decrease in:		
Accounts Receivable	(321,116)	(132,865)
Promises to Give	(9,143,882)	267,405
Other Receivables	(6,011,964)	96,988
Prepaid Expenses	(1,236)	98,288
Inventory	47,051	52,025
Increase (Decrease) in:		
Accounts Payable	(468,822)	332,458
Custodial Student Funds	7,003	(334)
Accrued Liabilities and Compensated Absence	(115,018)	(170,152)
Net Cash Used by Operating Activities	(3,680,632)	(534,633)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,331,941)	(5,083,086)
Sale of Investments	2,874,623	7,851,841
Proceeds from Sale of Property and Equipment	36,443	-
Purchases of Property and Equipment	(897,204)	(1,888,579)
Net Cash Provided by Investing Activities	681,921	880,176
NET INCREASE (DECREASE) IN CASH	(2,998,711)	345,543
Cash - Beginning of Year	4,747,579	4,402,036
CASH - END OF YEAR	\$ 1,748,868	\$ 4,747,579

See accompanying Notes to Consolidated Financial Statements.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Crossnore Communities for Children 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. There are campuses in Crossnore and Winston-Salem, North Carolina. During 2018, the Crossnore Communities for Children opened an office in Hendersonville, North Carolina that specializes in foster care and outpatient therapy.

Principles of Consolidation

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

Basis of Presentation

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

Use of Estimates

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

Classification of Net Assets

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

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

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

Classification of Net Assets (Continued)

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

Basis of Accounting

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

Cash and Cash Equivalents

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

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, 2022 and 2021, management recorded an allowance on program receivables of \$237,355 and \$265,575, respectively.

The opening and closing contract balances were as follows:

	Accounts Receivable
Balance as of September 30, 2020	\$ 685,071
Balance as of September 30, 2021	817,936
Balance as of September 30, 2022	1,139,052

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

Investments

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

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

Inventories

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

Real Estate Held for Sale

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

Property and Equipment

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

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

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

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

Beneficial Interest in Term and Perpetual Trusts

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

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

Refundable Advance

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

In-Kind Contributions

Crossnore follows Financial Accounts Standards Board (FASB) ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. Donated materials and equipment are reflected as contributions in the accompanying consolidated financial statements at their estimated fair market value at date of receipt.

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

For the year ended September 30, 2022, in-kind contributions consisted of gift cards, supplies and other equipment for the sales store and coffee shop.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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

Fair Value Measurements and Disclosures

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

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

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

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

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

The fair value option for financial assets and liabilities allows entities the irrevocable option to elect fair value measurement for certain financial assets and liabilities that are not required to be reported at fair value, on an instrument-by-instrument basis. Crossnore has not elected to measure any existing financial instruments at fair value at September 30, 2022 or 2021 under this standard. However, Crossnore 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.

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

Tax-Exempt Status

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

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended September 30, 2022 and 2021 were \$163,841 and \$136,074, respectively.

Allocation of Functional Expenses

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

Subsequent Events

Crossnore has evaluated subsequent events through February 3, 2023, which is the date the consolidated financial statements were available to be issued.

NOTE 2 SUPPORT AND REVENUE

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

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

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 SUPPORT AND REVENUE (CONTINUED)

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

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

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

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

The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions and contractual adjustments were not considered material for the years ended September 30, 2022 and 2021. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 2 SUPPORT AND REVENUE (CONTINUED)

Grants and other assistance from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. The Employee Retention Credit (ERC) was introduced as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which was signed into law March 27, 2020. The ERC is a refundable tax credit against certain wages paid by an Eligible Employer. During the years ended September 30, 2022 Crossnore complied with the conditions of the ERC funding in the amount of approximately \$6,013,000, in compliance with the program, which is recorded as contribution income in the accompanying consolidated statement of activities and changes in net assets for the years ended September 30, 2022. This amount is recorded in other receivables in the accompanying statement of financial position as of September 30, 2022.

The timing of revenue recognition on contract revenue for the years ended September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Timing of Revenue and Recognition:		
Services Transferred Over Time	\$ 7,877,282	\$ 7,906,705
Sales at Point in Time	784,297	634,637
Services at Point in Time	<u>2,024,973</u>	<u>2,250,959</u>
Total	<u>\$ 10,686,552</u>	<u>\$ 10,792,301</u>

NOTE 3 INVESTMENTS

As of September 30, 2022 and 2021, investments consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 4,032,487	\$ 371,187
Fixed Income Investments	12,300,033	14,696,963
Mutual Funds	492,057	584,584
Equity Investments	262,248	4,564,399
Limited Partnership	17,112,616	22,934,082
Limited Liability Company	200,000	200,000
Total Investments	<u>\$ 34,399,441</u>	<u>\$ 43,351,215</u>

Total investment income consisted of the following for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest Income	\$ 480,783	\$ 999,085
Investment Fees	(113,207)	(70,979)
Unrealized Gain (Loss), Net	(9,265,882)	4,213,426
Realized Gain, Net	<u>926,985</u>	<u>1,062,038</u>
Total Investment Income	<u>\$ (7,971,321)</u>	<u>\$ 6,203,570</u>

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 PROMISES TO GIVE

Promises to give consisted of the following at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Due in Less than One Year	\$ 4,022,521	\$ 141,000
Due in Two to Five Years	<u>5,927,240</u>	<u>460,000</u>
Total	9,949,761	601,000
Less: Present Value Discount	<u>(211,750)</u>	<u>(6,871)</u>
Promises to Give, Net	<u>\$ 9,738,011</u>	<u>\$ 594,129</u>

The rate used to calculate the present value discount was 0.31%. At September 30, 2022, approximately \$100,000 of the outstanding promises to give are past due. Based on management's evaluation, they believe no allowance is necessary as of September 30, 2022 and 2021. However, management will continue to evaluate collectability of these amounts on a regular basis.

NOTE 5 PROPERTY AND EQUIPMENT, NET

Following is a summary of property and equipment and accumulated depreciation at September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Land and Land Improvements	\$ 6,438,031	\$ 6,520,462
Buildings and Improvements	35,078,602	33,585,897
Furniture and Equipment	5,200,384	4,903,381
Vehicles	1,722,591	1,498,414
Construction in Progress	<u>479,115</u>	<u>1,684,160</u>
Total	48,918,723	48,192,314
Less: Accumulated Depreciation	<u>26,503,054</u>	<u>24,576,414</u>
Property and Equipment, Net	<u>\$ 22,415,669</u>	<u>\$ 23,615,900</u>

Depreciation expense totaled \$1,952,397 and \$2,220,603 for the years ended September 30, 2022 and 2021, respectively. Construction in progress at September 30, 2022 is related to general renovations on both campuses. Construction in progress at September 30, 2021 was related to construction of a gym on the Crossnore campus and general renovations on the Winston campus.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 6 LINES OF CREDIT

Crossnore has a line of credit with a financial institution which is renewable each year with a maximum borrowing limit of \$1,500,000 and an interest rate of the Prime Rate plus 0.5%. 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, 2022 and 2021.

Crossnore has two lines of credit agreements with their investment company, both of which are dated May 19, 2022. One agreement has a maximum borrowing limit of \$7,000,000 and the other has a maximum borrowing limit of \$5,000,000. The interest rate is SOFR plus 1.5%. The line of credit is secured by their investments with the company and is due on demand. There were no amounts outstanding on these lines at September 30, 2022 and 2021.

NOTE 7 NOTES PAYABLE

Notes payable consisted of the following at September 30:

<u>Description</u>	<u>2022</u>	<u>2021</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 \$256,332 at September 30, 2022 (effective interest rate of 4%), with a face amount of \$500,000.	<u>243,668</u>	<u>234,129</u>
Total	<u><u>\$ 543,668</u></u>	<u><u>\$ 534,129</u></u>

Amortization of the discount is reported in the consolidated statement of activities as interest expense. Crossnore recognized approximately \$9,000 as interest expense related to the interest free loans for the years ended September 30, 2022 and 2021. Crossnore has no regularly required scheduled payments associated with these notes.

NOTE 8 ACCRUED COMPENSATED ABSENCES

Crossnore provides vacation and sick leave benefits to its employees and allows for the carryover of certain vacation leave from year to year. At September 30, 2022 and 2021, Crossnore was liable for benefits to its employees of approximately \$268,000 and \$243,000, respectively.

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 9 CONCENTRATIONS

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

NOTE 10 CUSTODIAL SAVINGS ACCOUNT

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

NOTE 11 LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 1,748,868	\$ 4,747,579
Investments:		
Cash and Cash Equivalents	4,032,487	371,187
Fixed Income Investments	12,300,033	14,696,963
Mutual Funds	492,057	584,584
Equity Investments	262,248	4,564,399
Accounts Receivable, Net	1,139,052	817,936
Other Receivables	6,046,100	34,136
Less: Endowments	-	(1,650,013)
Less: Purpose-Restricted Net Assets with Donor Restrictions	<u>(6,845,197)</u>	<u>(6,450,556)</u>
Total Financial Assets Available to Meet Liquidity Needs	<u>\$ 19,175,648</u>	<u>\$ 17,716,215</u>

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Residential Scholarships	\$ 112,253	\$ 112,253
Operating Reserves	1,154,858	2,645,979
Capital Reserves	2,338,870	3,057,806
Strategic Reserves	1,410,662	1,410,662
Endowment Fund	671,172	671,172
Total	<u>\$ 5,687,815</u>	<u>\$ 7,897,872</u>

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

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for Time:		
Beneficial Interest	\$ 98,421	\$ 122,644
Loan Forgiveness	256,332	265,871
Pledges Receivable	10,236,511	576,129
Restricted for Purpose:		
Building Projects	1,236,622	1,228,532
Classroom Without Walls	1,012,613	1,012,613
Residential Scholarships	1,071,329	1,056,886
College Scholarships	1,650,529	1,527,554
Center for Trauma Resilient Communities	687,260	-
Homebuilders Pilot Program	-	650,000
Other	1,186,844	974,971
Perpetual In Nature:		
Beneficial Interests in Perpetual Trusts	3,043,918	3,842,340
Residential Scholarships	407,201	407,201
College Scholarships	450,702	446,813
Athletic Equipment	293,977	293,977
Other	765,919	514,999
Total	<u>\$ 22,398,178</u>	<u>\$ 12,920,530</u>

During the years ended September 30, 2022 and 2021, net assets were released from donor restrictions as follows:

	<u>2022</u>	<u>2021</u>
For Time:		
Loan Forgiveness	\$ 9,539	\$ 9,165
Pledges Receivable	120,000	331,405
For Purpose:		
Other	25,410	55,605
Homebuilders Pilot Program	650,000	-
Total	<u>\$ 804,949</u>	<u>\$ 396,175</u>

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 12 NET ASSETS (CONTINUED)

Perpetual in Nature

Endowment Funds

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

Corpus:

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

Income:

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

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

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

Investment Objectives and Strategies:

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

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 12 NET ASSETS (CONTINUED)

Perpetual in Nature (Continued)

Investment Objectives and Strategies (Continued):

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

Appropriation Policy:

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

Deficiencies:

From time to time, the fair value of the assets in endowment funds may fall below the required level stipulated by the donor. In accordance with UPMIFA Standard, deficiencies of this nature are reported in net assets without donor restrictions. If future investments do not alleviate the deficit, Crossnore may be required to contribute additional amounts to the fund. There were no deficiencies at September 30, 2022 and 2021.

The following table summarized endowment fund activity, including contributions, income earned and appropriations for the years ended September 30, 2022 and 2021:

	Without Donor Restrictions	With Donor Restriction		Total
		Purpose- Restricted	Perpetual In Nature	
Net Assets - Year Ended September 30, 2020	\$ 671,172	\$ 103,917	\$ 1,618,518	\$ 2,393,607
Contributions	-	-	31,495	31,495
Transferred from the Children's Home	-	-	-	-
Net Unrealized Gain of Securities	-	97,198	-	97,198
Appropriations for Expenditures	-	-	-	-
Net Assets - Year Ended September 30, 2021	671,172	201,115	1,650,013	2,522,300
Contributions	-	-	251,225	251,225
Net Unrealized Gain of Securities	-	27,822	-	27,822
Net Assets - Year Ended September 30, 2022	<u>\$ 671,172</u>	<u>\$ 228,937</u>	<u>\$ 1,901,238</u>	<u>\$ 2,801,347</u>

NOTE 13 FAIR VALUE MEASUREMENTS

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

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the fair value hierarchy for the balances of the assets of Crossnore measured at fair value on a recurring basis as of September 30, 2022 and 2021:

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 12,300,033	\$ -	\$ 12,300,033
Mutual Funds	492,057	-	-	492,057
Equity Investments	262,248	-	-	262,248
Beneficial Interest in Trusts	-	-	3,142,339	3,142,339
Total Assets at Fair Value	<u>\$ 754,305</u>	<u>\$ 12,300,033</u>	<u>\$ 3,142,339</u>	<u>\$ 16,196,677</u>

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 14,696,963	\$ -	\$ 14,696,963
Mutual Funds	584,584	-	-	584,584
Equity Investments	4,564,399	-	-	4,564,399
Beneficial Interests in Trusts	-	-	3,964,984	3,964,984
Total Assets at Fair Value	<u>\$ 5,148,983</u>	<u>\$ 14,696,963</u>	<u>\$ 3,964,984</u>	<u>\$ 23,810,930</u>

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

The following table illustrates the activity of Level 3 assets measured at fair value on a recurring basis from September 30, 2020 to September 30, 2022:

Fair Value - September 30, 2020	\$ 3,600,846
Unrealized Gains on Investments	<u>364,138</u>
Fair Value - September 30, 2021	3,964,984
Unrealized Loss on Investments	<u>(822,645)</u>
Fair Value - September 30, 2022	<u>\$ 3,142,339</u>

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

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2022	2021		
Beneficial Interests in Trusts	<u>\$ 3,142,339</u>	<u>\$ 3,964,984</u>	FMV of Trust Investments	Time Period of Trust

CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)

Certain alternative investments held by Crossnore calculate net asset value per share (or its equivalent). The following tables set forth additional disclosures for the fair value measurement of these investments that calculate net asset value per share for the years ended September 30, 2022 and 2021:

	September 30, 2022			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Clarkston BBH WS	\$ 200,000	\$ -	Monthly	30 Business Days
Altarock Partners Series	2,302,437	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	1,395,189	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	1,120,543	-	Monthly	30 Business Days
Select Equity Series	2,388,314	-	Monthly	30 Business Days
BBH AH Cayman	45,328	200,756	Long-Term	N/A
BBH Capital Partners Opportunities	173,924	238,341	Long-Term	N/A
BBH Capital Partners V-1 Sub-Trust	967,233	122,950	Long-Term	N/A
BBH Capital Partners VI-2	536,967	380,862	Long-Term	N/A
Valley Forge	2,381,253	-	Monthly	30 Business Days
Martello RE	717,160	389,548	Long-Term	N/A
BBH Enhanced Value Fund I	204,880	777,575	Long-Term	N/A
Makaira Partners Series	1,043,791	-	Monthly	30 Business Days
GQG Partners Emerging Markets Equity Series	1,044,621	-	Monthly	30 Business Days
Barings Loan Sub-Trust	1,129,489	866,180	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	925,708	267,526	Long-Term	N/A
Oaktree Opportunities Sub-Trust	535,780	164,892	Long-Term	N/A
Total	<u>\$ 17,112,617</u>	<u>\$ 3,408,630</u>		

	September 30, 2021			
	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
Cedar Rock Partners Series	\$ 1,869,897	\$ -	Monthly	30 Business Days
Altarock Partners Series	3,262,308	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	3,270,542	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	1,192,112	-	Monthly	30 Business Days
Select Equity Series	4,520,785	-	Monthly	30 Business Days
Port Capital Small Cap Series	1,251,167	-	Quarterly	30 Business Days
BBH Capital Partners Opportunities	169,154	241,340	Long-Term	N/A
BBH Capital Partners V-1 Sub-Trust	1,242,112	175,398	Long-Term	N/A
BBH Capital Partners V1-2	240,143	643,455	Long-Term	N/A
Valley Forge	2,734,662	-	Monthly	30 Business Days
Martello RE	-	1,000,000	Long-Term	N/A
BBH Enhanced Value Fund I	-	1,000,000	Long-Term	N/A
GQG Partners Emerging Markets Equity Series	792,673	-	Monthly	30 Business Days
Barings Loan Sub-Trust	1,053,796	913,579	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	869,968	446,314	Long-Term	N/A
Oaktree Opportunities Sub-Trust	464,763	190,400	Long-Term	N/A
Total	<u>\$ 22,934,082</u>	<u>\$ 4,610,486</u>		

**CROSSNORE COMMUNITIES FOR CHILDREN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 14 COMMITMENTS AND CONTINGENCIES

Liability Insurance

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

Self-Insured Health Plan

Crossnore maintains a health care plan for its' employees which is partially self-insured, where Crossnore accrues a reserve for self-insurance, which is classified as a current liability. As of September 30, 2022 and 2021, the balances in the reserve account were \$127,268 and \$96,201, respectively.

NOTE 15 RELATED PARTY TRANSACTIONS

Crossnore pays for some expenses on behalf of The Crossnore Academy, such as facilities, maintenance and utilities. Crossnore charges only \$1 per year to The Crossnore Academy for those amenities. Expenses for items paid for by Crossnore on behalf of The Crossnore Academy totaled \$268,746 and \$243,896 for the years ended September 30, 2022 and 2021, respectively. As of the year ended December 31, 2022, Crossnore had related party receivables totaling \$1,122,000.

NOTE 16 RISKS AND UNCERTAINTIES

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

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF SUPPORT AND REVENUE
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022						2021	
	Crossnore Campus		Winston Campus		Hendersonville Office		Total	Comparative Total
	Without Donor Restrictions	With Donor Restriction	Without Donor Restrictions	With Donor Restriction	Without Donor Restrictions	With Donor Restriction		
SUPPORT								
Contributions:								
Individuals	\$ 10,621,308	\$ 11,091,293	\$ 1,393,285	\$ -	\$ 110,483	\$ -	\$ 23,216,369	\$ 8,119,845
Legacies and Bequests	211,715	-	-	-	-	-	211,715	787,393
Foundations	542,985	-	-	-	-	-	542,985	535,609
Trusts	294,772	-	71,941	-	-	-	366,713	443,925
Special Events	(3,086)	-	-	-	-	-	(3,086)	1,100
Total Contributions	<u>11,667,694</u>	<u>11,091,293</u>	<u>1,465,226</u>	<u>-</u>	<u>110,483</u>	<u>-</u>	<u>24,334,696</u>	<u>9,887,872</u>
IN-KIND SUPPORT - SALES STORE	171,428	-	-	-	-	-	171,428	172,985
REVENUE								
Room and Board:								
Foster Care Funds	3,776,103	-	2,308,625	-	-	-	6,084,728	5,903,500
Academy Contract	89,959	-	-	-	-	-	89,959	102,716
School Food Programs	111,240	-	-	-	-	-	111,240	81,470
COVID Add-On Revenue	-	-	-	-	-	-	-	34,961
Relatives	-	-	13,436	-	-	-	13,436	(423)
Total Room and Board	<u>3,977,302</u>	<u>-</u>	<u>2,322,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,299,363</u>	<u>6,122,224</u>
INVESTMENT INCOME								
Interest and Dividends	427,368	-	53,415	-	-	-	480,783	999,085
Investment Fees	(113,207)	-	-	-	-	-	(113,207)	(117,129)
Investment Gains (Losses)	(7,411,801)	-	(876,863)	13,949	(64,182)	-	(8,338,897)	5,321,614
Total Investment Income	<u>(7,097,640)</u>	<u>-</u>	<u>(823,448)</u>	<u>13,949</u>	<u>(64,182)</u>	<u>-</u>	<u>(7,971,321)</u>	<u>6,203,570</u>
CHANGE IN BENEFICIAL INTEREST IN TRUSTS	-	-	-	(822,645)	-	-	(822,645)	364,138
SUPPORTING BUSINESS ACTIVITIES								
Blair Fraley Sales Store	215,070	-	-	-	-	-	215,070	217,439
Crossnore Weavers and Gallery	444,741	-	-	-	-	-	444,741	315,805
Miracle Grounds Coffee Shop	122,063	-	-	-	-	-	122,063	86,212
Farm Sales	-	-	2,423	-	-	-	2,423	15,181
Training Center	-	-	419,898	-	-	-	419,898	607,220
Behavioral Health:								
Mental and Medical Services	209,699	-	703,058	-	139,426	-	1,052,183	1,405,767
Foster Care and Adoptions	183,870	-	889,530	-	405,641	-	1,479,041	1,576,489
Total Supporting Business Activities	<u>1,175,443</u>	<u>-</u>	<u>2,014,909</u>	<u>-</u>	<u>545,067</u>	<u>-</u>	<u>3,735,419</u>	<u>4,224,113</u>
OTHER INCOME								
Rents and Royalties	160,720	-	-	-	-	-	160,720	165,332
Other Revenue	323,507	-	167,543	-	-	-	491,050	280,632
Total Other Income	<u>484,227</u>	<u>-</u>	<u>167,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>651,770</u>	<u>445,964</u>
Total Support and Revenue	<u>\$ 10,378,454</u>	<u>\$ 11,091,293</u>	<u>\$ 5,146,291</u>	<u>\$ (808,696)</u>	<u>\$ 591,368</u>	<u>\$ -</u>	<u>\$ 26,398,710</u>	<u>\$ 27,420,866</u>

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF EXPENSES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)**

	2022									2021	
	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	\$ 4,221,694	\$ 342,925	\$ 478,037	\$ 5,354,059	\$ 831,509	\$ 74,388	\$ 697,636	\$ 248,953	\$ -	\$ 12,249,201	\$ 10,643,235
Payroll Taxes	342,940	12,846	42,641	416,412	80,515	6,080	54,970	18,826	-	975,230	824,149
Employee Benefits	835,133	121,300	85,350	890,802	113,289	12,112	122,683	34,543	-	2,215,212	2,223,505
Insurance	311,732	3,143	8,464	244,529	11,027	29,885	-	-	-	608,780	556,477
Supplies	116,368	5,243	18,371	99,866	14,801	2,455	3,663	9,869	-	270,636	201,597
Utilities	328,981	12,312	28,418	237,242	34,310	2,695	3,245	28	-	647,231	566,694
Student Special Needs	28,448	-	-	27,469	-	-	-	-	-	55,917	39,226
Student Scholarships	43,131	(133,469)	-	10,270	-	-	-	-	-	(80,068)	-
Student Allowances	38,087	-	-	35,514	-	-	3,838	-	-	77,439	37,948
Staff Expenses	46,607	9,045	2,770	162,300	51,945	552	22,131	9,626	-	304,976	217,468
Food and Beverage	470,249	3,270	2,526	200,412	7,793	72	4,134	5,591	-	694,047	608,616
First Aid	28,765	-	-	23,207	-	-	-	-	-	51,972	49,055
Recreation	96,324	721	-	47,538	(1,094)	-	-	813	-	144,302	114,589
Equipment Rental	13,952	7,219	-	12,023	10,513	-	10,154	26,637	-	80,498	89,676
Freight and Postage	1,319	25,328	1,085	12,966	15,208	-	190	5,714	-	61,810	37,752
Professional Services	60,294	251,932	-	274,169	238,856	71	13,027	17,603	-	855,952	693,178
Maintenance, Repairs, and Contract Labor	386,716	7,909	38,147	324,243	185,897	34,085	12,351	-	-	989,348	913,214
Foster Care Parent Fees	49,009	-	-	277,177	-	-	171,966	5,664	-	503,816	528,932
Advertising	9,800	37,111	645	16,921	81,850	-	-	17,514	-	163,841	136,074
Dues and Subscriptions	6,566	(2,744)	429	10,989	24,467	-	3,544	967	-	44,218	50,643
Telephone	46,595	8,817	3,904	49,619	19,954	242	10,503	3,857	-	143,491	121,722
Printing, Publishing, and Solicitation	339	71,870	-	639	72,145	-	2,092	34,849	-	181,934	202,200
Property Taxes	1,407	-	11,318	-	-	-	-	-	-	12,725	3,877
Auto Expense	90,009	10,586	10,065	78,324	11,028	6,760	4,714	1,586	-	213,072	122,132
Student Work Programs	29,199	-	-	-	-	-	-	-	-	29,199	46,474
Travel	15,407	16,457	3,220	71,798	7,178	131	6,994	3,036	-	124,221	78,242
Cost of Goods Sold	-	-	522,345	-	-	-	-	-	-	522,345	466,788
Special Programs	25,062	-	-	8,053	-	6,113	310	-	-	39,538	51,183
Bank Service Charges	400	11,103	15,507	529	9,238	-	423	-	-	37,200	37,317
Trust Management Fees	-	50,907	-	-	62,300	-	-	-	-	113,207	70,979
Interest Expense	-	-	-	-	-	-	-	-	-	-	9,165
Miscellaneous	24,156	23,201	12,360	4,541	23,819	-	1,408	454	-	89,939	90,447
Total Expenses Before Depreciation	7,668,689	897,032	1,285,602	8,891,611	1,906,548	175,641	1,149,976	446,130	-	22,421,229	19,832,554
Depreciation	1,124,297	73,714	115,689	414,960	178,195	30,249	11,487	3,806	-	1,952,397	2,220,603
Total Expenses	<u>\$ 8,792,986</u>	<u>\$ 970,746</u>	<u>\$ 1,401,291</u>	<u>\$ 9,306,571</u>	<u>\$ 2,084,743</u>	<u>\$ 205,890</u>	<u>\$ 1,161,463</u>	<u>\$ 449,936</u>	<u>\$ -</u>	<u>\$ 24,373,626</u>	<u>\$ 22,053,157</u>

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – CROSSNORE CAMPUS
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022										2021
	Crossnore Campus										Comparative
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Clinic	Foster Care	Total	Total
Salaries	\$ 2,555,033	\$ 443,485	\$ 342,516	\$ 170,718	\$ 40,200	\$ 330,684	79,776	\$ 23,558	\$ 235,724	\$ 4,221,694	\$ 3,790,697
Payroll Taxes	199,649	36,571	27,571	14,057	3,497	27,044	6,582	1,894	26,075	342,940	302,397
Employee Benefits	515,486	89,649	58,918	30,379	9,420	67,267	13,162	3,063	47,789	835,133	889,622
Insurance	293,527	4,223	1,118	-	-	-	4,537	7,706	621	311,732	290,316
Supplies	58,253	3,239	2,363	1,689	899	53,915	2,203	(8,342)	2,149	116,368	103,043
Utilities	200,463	12,547	8,092	1,772	23,645	34,191	43,414	1,509	3,348	328,981	302,627
Student Special Needs	25,038	3,346	-	-	-	-	-	-	64	28,448	20,543
Student Scholarships	-	43,131	-	-	-	-	-	-	-	43,131	-
Student Allowances	38,087	-	-	-	-	-	-	-	-	38,087	2,288
Staff Expenses	16,997	2,019	11,287	3,857	-	3,528	551	367	8,001	46,607	49,766
Food and Beverage	99,673	826	699	587	1,265	365,611	-	240	1,348	470,249	451,758
First Aid	28,643	-	-	-	122	-	-	-	-	28,765	24,404
Recreation	54,177	-	-	45	42,102	-	-	-	-	96,324	90,398
Equipment Rental	1,391	2,175	1,480	381	-	4,544	1,258	(216)	2,939	13,952	12,247
Freight and Postage	955	51	40	185	-	81	34	(63)	36	1,319	2,542
Professional Services	82,156	10,189	27,709	29,344	-	9,813	9,650	(119,879)	11,312	60,294	61,716
Maintenance, Repairs, and Contract Labor	217,828	33,240	17,188	11,086	526	62,738	19,325	12,182	12,603	386,716	339,836
Foster Care Parent Fees	-	-	-	-	-	-	-	-	49,009	49,009	122,007
Advertising	-	-	-	-	-	-	-	-	9,800	9,800	3,612
Dues and Subscriptions	2,894	415	894	1,151	-	1,241	205	(868)	634	6,566	8,383
Telephone	22,113	8,661	4,457	1,472	883	2,557	900	230	5,322	46,595	40,800
Printing, Publishing, and Solicitation	-	-	-	-	-	-	-	-	339	339	6,859
Property Taxes	1,407	-	-	-	-	-	-	-	-	1,407	1,248
Auto Expense	73,496	3,345	401	1,800	1,943	2,960	3,559	1,227	1,278	90,009	59,029
Student Work Programs	29,144	55	-	-	-	-	-	-	-	29,199	43,976
Travel	5,361	2,677	988	1,175	3,064	2,074	370	(3,490)	3,188	15,407	5,330
Special Programs	23,461	-	-	25	1,232	-	-	310	34	25,062	27,830
Bank Service Charges	-	-	200	-	-	-	-	200	-	400	478
Miscellaneous	9,105	3,051	-	-	-	-	12,000	-	-	24,156	22,389
Total Expenses Before Depreciation	4,554,337	702,895	505,921	269,723	128,798	968,248	197,526	(80,372)	421,613	7,668,689	7,076,141
Depreciation	804,448	45,006	14,370	19,285	7,745	129,307	71,220	24,035	8,881	1,124,297	1,317,093
Total Expenses	<u>\$ 5,358,785</u>	<u>\$ 747,901</u>	<u>\$ 520,291</u>	<u>\$ 289,008</u>	<u>\$ 136,543</u>	<u>\$ 1,097,555</u>	<u>\$ 268,746</u>	<u>\$ (56,337)</u>	<u>\$ 430,494</u>	<u>\$ 8,792,986</u>	<u>\$ 8,393,234</u>

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – WINSTON CAMPUS
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022												2021	
	Winston Campus													
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Foster Care	Recreation	Dietary	Day Treatment	Trauma Center	Home Builders	Medical Clinic	Tailored Management	Total	Comparative Total
Salaries	\$ 1,352,790	\$ 228,348	\$ 914,010	\$ 606,816	\$ 822,309	\$ 3,538	\$ 83,802	\$ 461,380	\$ 533,084	\$ 247,739	\$ 55,757	\$ 44,486	\$ 5,354,059	\$ 4,471,956
Payroll Taxes	109,599	18,662	68,818	50,418	56,715	-	6,870	37,740	43,479	18,331	4,610	1,170	416,412	340,073
Employee Benefits	248,341	43,746	143,811	113,901	149,903	13	14,114	82,820	46,327	44,169	1,591	2,066	890,802	952,042
Insurance	160,790	619	29,389	-	9,937	-	-	43,764	30	-	-	-	244,529	221,626
Supplies	58,543	6,408	3,845	2,462	5,295	73	10,837	3,132	6,457	1,402	1,412	-	99,866	57,914
Utilities	156,231	2,834	13,941	1,815	11,400	-	417	26,618	23,952	-	34	-	237,242	199,148
Student Special Needs	4,540	16,168	-	-	5,203	-	-	1,454	-	104	-	-	27,469	18,683
Student Allowances	31,970	459	-	2,465	620	-	-	-	-	-	-	-	35,514	32,974
Staff Expenses	24,344	2,747	21,662	-	27,819	-	1,110	15,345	42,775	22,875	3,623	-	162,300	72,765
Food and Beverage	50,585	548	2,937	-	1,380	82	125,449	1,740	17,126	329	236	-	200,412	142,093
First Aid	17,020	800	-	511	78	-	-	-	-	-	4,798	-	23,207	24,651
Recreation	47,418	-	-	32	-	-	-	88	-	-	-	-	47,538	24,191
Equipment Rental	(1,164)	5,607	2,301	793	1,466	-	140	2,726	125	-	29	-	12,023	15,789
Freight and Postage	136	32	83	12,493	63	-	31	27	86	-	15	-	12,966	2,328
Professional Services	20,521	2,891	20,240	-	11,090	-	1,385	3,468	73,338	4,648	136,588	-	274,169	378,688
Maintenance, Repairs, and Contract Labor	209,298	18,505	38,101	-	12,755	2,223	6,299	31,232	519	50	5,261	-	324,243	318,233
Foster Care Parent Fees	-	-	-	462	276,715	-	-	-	-	-	-	-	277,177	260,843
Advertising	86	-	-	-	-	-	-	-	16,835	-	-	-	16,921	8,107
Dues and Subscriptions	4,159	207	2,016	-	928	-	249	1,476	1,563	238	153	-	10,989	8,036
Telephone	11,537	4,257	11,077	3,112	6,819	-	981	8,064	1,215	260	2,297	-	49,619	41,594
Printing, Publishing, and Solicitation	-	-	-	-	396	-	-	-	243	-	-	-	639	8,660
Auto Expense	63,181	2,118	1,861	1,486	3,661	-	435	4,624	558	319	81	-	78,324	34,889
Student Work Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	2,498
Travel	2,309	1,126	3,166	2,301	14,473	-	388	650	43,524	2,704	1,157	-	71,798	12,102
Special Programs	8,189	-	(1,018)	-	882	-	-	-	-	-	-	-	8,053	10,747
Bank Service Charges	-	-	429	-	-	-	-	-	-	-	100	-	529	989
Miscellaneous	3,174	-	-	-	824	-	-	-	543	-	-	-	4,541	2,840
Total Expenses Before Depreciation	<u>2,583,597</u>	<u>356,082</u>	<u>1,276,669</u>	<u>809,337</u>	<u>1,420,731</u>	<u>5,929</u>	<u>252,507</u>	<u>726,348</u>	<u>851,779</u>	<u>343,168</u>	<u>217,742</u>	<u>47,722</u>	<u>8,891,611</u>	<u>7,664,459</u>
Depreciation	<u>192,920</u>	<u>8,888</u>	<u>18,268</u>	<u>8,722</u>	<u>12,180</u>	<u>-</u>	<u>10,764</u>	<u>156,868</u>	<u>1,000</u>	<u>2,881</u>	<u>2,469</u>	<u>-</u>	<u>414,960</u>	<u>433,332</u>
Total Expenses	<u>\$ 2,776,517</u>	<u>\$ 364,970</u>	<u>\$ 1,294,937</u>	<u>\$ 818,059</u>	<u>\$ 1,432,911</u>	<u>\$ 5,929</u>	<u>\$ 263,271</u>	<u>\$ 883,216</u>	<u>\$ 852,779</u>	<u>\$ 346,049</u>	<u>\$ 220,211</u>	<u>\$ 47,722</u>	<u>\$ 9,306,571</u>	<u>\$ 8,097,791</u>

**CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES
HENDERSONVILLE OFFICE
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)**

	2022				2021
	Hendersonville Office				Comparative Total
	Foster Care	OP Therapy	Case Management	Total	
Salaries	\$ 309,777	\$ 348,008	\$ 39,851	\$ 697,636	\$ 613,652
Payroll Taxes	24,288	27,415	3,267	54,970	44,003
Employee Benefits	56,702	58,234	7,747	122,683	121,888
Supplies	1,983	1,680	-	3,663	8,507
Utilities	3,178	67	-	3,245	2,687
Student Allowances	3,838	-	-	3,838	2,686
Staff Expenses	14,862	7,269	-	22,131	18,559
Food and Beverage	3,818	316	-	4,134	3,242
Equipment Rental	5,893	4,261	-	10,154	9,131
Freight and Postage	146	44	-	190	296
Professional Services	3,645	9,382	-	13,027	6,065
Maintenance, Repairs, and Contract Labor	6,200	6,151	-	12,351	8,109
Foster Care Parent Fees	171,966	-	-	171,966	146,082
Advertising	-	-	-	-	3
Dues and Subscriptions	3,283	261	-	3,544	3,841
Telephone	5,428	4,483	592	10,503	7,785
Printing, Publishing, and Solicitation	2,068	24	-	2,092	167
Auto Expense	4,243	355	116	4,714	1,562
Travel	6,342	652	-	6,994	531
Special Programs	310	-	-	310	902
Bank Service Charges	-	423	-	423	1,265
Miscellaneous	1,408	-	-	1,408	-
Total Expenses Before Depreciation	<u>629,378</u>	<u>469,025</u>	<u>51,573</u>	<u>1,149,976</u>	<u>1,000,963</u>
Depreciation	<u>3,488</u>	<u>3,733</u>	<u>4,266</u>	<u>11,487</u>	<u>7,410</u>
Total Expenses	<u>\$ 632,866</u>	<u>\$ 472,758</u>	<u>\$ 55,839</u>	<u>\$ 1,161,463</u>	<u>\$ 1,008,373</u>

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF SUPPORTING SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022						2021	
	Crossnore Campus		Winston Campus		Hendersonville Office		Total	Comparative Total
	Administrative	Advancement	Administrative	Advancement	Administrative	Advancement		
Salaries	\$ 235,659	\$ 107,266	\$ 714,267	\$ 117,242	\$ 14,857	\$ 234,096	\$ 1,423,387	\$ 1,295,500
Payroll Taxes	3,536	9,310	69,809	10,706	49	18,777	112,187	97,550
Employee Benefits	103,453	17,847	92,015	21,274	2,677	31,866	269,132	173,612
Insurance	3,143	-	11,027	-	-	-	14,170	12,396
Supplies	4,704	539	10,686	4,115	8,114	1,755	29,913	17,878
Utilities	9,561	2,751	19,304	15,006	28	-	46,650	40,880
Student Scholarships	(133,469)	-	-	-	-	-	(133,469)	-
Staff Expenses	(3,042)	12,087	45,160	6,785	4,160	5,466	70,616	75,915
Food and Beverage	5,624	(2,354)	7,889	(96)	2,112	3,479	16,654	9,638
Recreation	1,625	(904)	1,781	(2,875)	-	813	440	-
Equipment Rental	5,012	2,207	9,696	817	5,626	21,011	44,369	52,509
Freight and Postage	25,226	102	15,072	136	3	5,711	46,250	31,627
Professional Services	98,668	153,264	251,300	(12,444)	7,515	10,088	508,391	240,709
Maintenance, Repairs, and Contract Labor	(265)	8,174	180,817	5,080	1,089	4,575	199,470	143,022
Advertising	36,909	202	82,193	(343)	-	17,514	136,475	124,352
Dues and Subscriptions	(3,592)	848	23,187	1,280	525	442	22,690	29,810
Telephone	8,186	631	18,988	966	1,213	2,644	32,628	29,072
Printing, Publishing, and Solicitation	69,104	2,766	73,836	(1,691)	(168)	35,017	178,864	186,484
Auto Expense	7,779	2,807	9,096	1,932	583	1,003	23,200	14,777
Travel	10,415	6,042	5,152	2,026	606	2,430	26,671	60,242
Special Programs	-	-	-	-	-	-	-	-
Bank Service Charges	11,103	-	9,238	-	-	-	20,341	23,080
Trust Management Fees	50,907	-	62,300	-	-	-	113,207	70,979
Interest Expense	-	-	-	-	-	-	-	9,165
Miscellaneous	23,201	-	23,819	-	454	-	47,474	58,622
Total Expenses before Depreciation	<u>573,447</u>	<u>323,585</u>	<u>1,736,632</u>	<u>169,916</u>	<u>49,443</u>	<u>396,687</u>	<u>3,249,710</u>	<u>2,797,819</u>
Depreciation	<u>69,648</u>	<u>4,066</u>	<u>175,065</u>	<u>3,130</u>	<u>1,020</u>	<u>2,786</u>	<u>255,715</u>	<u>296,745</u>
Total Expenses	<u>\$ 643,095</u>	<u>\$ 327,651</u>	<u>\$ 1,911,697</u>	<u>\$ 173,046</u>	<u>\$ 50,463</u>	<u>\$ 399,473</u>	<u>\$ 3,505,425</u>	<u>\$ 3,094,564</u>

CROSSNORE COMMUNITIES FOR CHILDREN
CONSOLIDATED SCHEDULE OF OTHER SERVICES EXPENSES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2021)
(SEE INDEPENDENT AUDITORS' REPORT)

	2022						2021
	Crossnore Campus			Winston Campus			Comparative Total
	Blair Fraley Sales Store	Weavers and Gallery	Miracle Grounds Coffee Shop	Farm	Miracle Grounds Network	Total	
Salaries	\$ 259,072	\$ 107,526	\$ 111,439	\$ 29,098	\$ 45,290	\$ 552,425	\$ 471,430
Payroll Taxes	21,497	10,858	10,286	2,400	3,680	48,721	40,126
Employee Benefits	37,722	25,018	22,610	4,489	7,623	97,462	86,341
Insurance	-	6,849	1,615	29,885	-	38,349	32,139
Supplies	536	5,248	12,587	2,047	408	20,826	14,255
Utilities	13,859	6,024	8,535	2,695	-	31,113	21,352
Staff Expenses	757	1,726	287	21	531	3,322	463
Food and Beverage	714	1,155	657	72	-	2,598	1,885
First Aid	-	-	-	-	-	-	-
Freight and Postage	2	1,081	2	-	-	1,085	959
Professional Services	-	-	-	71	-	71	6,000
Maintenance, Repairs, and Contract Labor	11,103	16,748	10,296	34,085	-	72,232	104,014
Advertising	-	645	-	-	-	645	-
Dues and Subscriptions	73	310	46	-	-	429	573
Telephone	1,589	1,684	631	242	-	4,146	2,471
Printing, Publishing, and Solicitation	-	-	-	-	-	-	30
Property Taxes	9,148	2,170	-	-	-	11,318	2,629
Auto Expense	7,785	1,934	346	6,674	86	16,825	11,875
Travel	129	3,034	57	131	-	3,351	37
Cost of Goods Sold	145,692	321,446	55,207	-	-	522,345	466,788
Special Programs	-	-	-	5,450	663	6,113	11,704
Bank Service Charges	3,231	8,507	3,769	-	-	15,507	11,505
Miscellaneous	-	11,216	1,144	-	-	12,360	6,596
Total Expenses Before Depreciation	512,909	533,179	239,514	117,360	58,281	1,461,243	1,293,172
Depreciation	61,829	31,139	22,721	29,242	1,007	145,938	166,023
Total Expenses	<u>\$ 574,738</u>	<u>\$ 564,318</u>	<u>\$ 262,235</u>	<u>\$ 146,602</u>	<u>\$ 59,288</u>	<u>\$ 1,607,181</u>	<u>\$ 1,459,195</u>