

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED SEPTEMBER 30, 2020 AND 2019**



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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the 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, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Crossnore School & Children's Home as of September 30, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
February 5, 2021



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 206,452	\$ 726,023
Accrued Liabilities	752,939	712,638
Accrued Compensated Absences	246,807	96,631
Accrued Benefit Cost	-	47,545
Refundable Advance	2,445,000	-
Custodial Student Fund	3,179	10,747
Total Current Liabilities	3,654,377	1,593,584
<b>ENVIRONMENTAL REMEDIATION LIABILITY</b>	14,228	14,228
<b>NOTES PAYABLE</b>	524,964	516,157
<b>UNFUNDED PENSION OBLIGATION</b>	-	1,293,598
Total Liabilities	4,193,569	3,417,567
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	50,713,656	50,797,401
Internally-Designated	8,541,201	783,265
Total Without Donor Restrictions	59,254,857	51,580,666
With Donor Restrictions:		
Purpose-Restricted	6,083,327	5,365,631
Perpetual in Nature	5,215,285	4,953,208
Total With Donor Restrictions	11,298,612	10,318,839
Total Net Assets	70,553,469	61,899,505
Total Liabilities and Net Assets	\$ 74,747,038	\$ 65,317,072

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose and Time Restricted	Perpetual In Nature	
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 15,161,762	\$ 1,602,988	\$ 104,063	\$ 16,868,813
In-Kind Support	202,988	-	-	202,988
Room and Board	6,321,631	-	-	6,321,631
Investment Income	3,934,886	-	33,077	3,967,963
Change in Beneficial Interests in Trusts	-	3,123	124,937	128,060
Supporting Business Activities	3,641,788	-	-	3,641,788
Other Income	273,070	-	-	273,070
Total	<u>29,536,125</u>	<u>1,606,111</u>	<u>262,077</u>	<u>31,404,313</u>
Net Assets Released from Restrictions	<u>888,415</u>	<u>(888,415)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>30,424,540</u>	<u>717,696</u>	<u>262,077</u>	<u>31,404,313</u>
<b>EXPENSES</b>				
Program Services:				
Residential Living/Cottages	8,250,720	-	-	8,250,720
Case Management	997,137	-	-	997,137
OP Therapy	1,927,055	-	-	1,927,055
Program Services Support	204,586	-	-	204,586
Recreation	144,993	-	-	144,993
Dietary	1,070,757	-	-	1,070,757
Academy/Education	147,559	-	-	147,559
Clinics	201,617	-	-	201,617
Foster Care	2,138,910	-	-	2,138,910
Day Treatment	1,518,637	-	-	1,518,637
Trauma Center	640,877	-	-	640,877
Other Services	1,087,040	-	-	1,087,040
Total Program Services	<u>18,329,888</u>	<u>-</u>	<u>-</u>	<u>18,329,888</u>
Supporting Services:				
Administrative	1,170,852	-	-	1,170,852
Advancement	1,212,561	-	-	1,212,561
Total Supporting Services	<u>2,383,413</u>	<u>-</u>	<u>-</u>	<u>2,383,413</u>
Total Expenses	<u>20,713,301</u>	<u>-</u>	<u>-</u>	<u>20,713,301</u>
<b>INCREASE IN NET ASSETS BEFORE OTHER GAINS</b>	9,711,239	717,696	262,077	10,691,012
Impairment Loss on Land	(2,145,500)	-	-	(2,145,500)
Change in Unfunded Pension Liability	<u>108,452</u>	<u>-</u>	<u>-</u>	<u>108,452</u>
	<u>(2,037,048)</u>	<u>-</u>	<u>-</u>	<u>(2,037,048)</u>
<b>INCREASE IN NET ASSETS</b>	7,674,191	717,696	262,077	8,653,964
Net Assets - Beginning of Year	<u>51,580,666</u>	<u>5,365,631</u>	<u>4,953,208</u>	<u>61,899,505</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 59,254,857</u>	<u>\$ 6,083,327</u>	<u>\$ 5,215,285</u>	<u>\$ 70,553,469</u>

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 and Time 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
Academy/Education	157,328	-	-	157,328
Clinics	247,619	-	-	247,619
Foster Care	1,846,153	-	-	1,846,153
Day Treatment	1,599,176	-	-	1,599,176
Trauma Center	414,547	-	-	414,547
Other Services	1,472,734	-	-	1,472,734
Total Program Services	18,565,288	-	-	18,565,288
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
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 FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Program Services							
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Clinics
Salaries	\$ 3,899,007	\$ 615,382	\$ 1,284,522	\$ 136,143	\$ 39,269	\$ 289,446	\$ 56,865	\$ 75,365
Payroll Taxes	320,321	50,514	101,626	10,983	3,246	23,975	4,604	6,117
Employee Benefits	818,707	124,204	216,931	23,497	9,371	70,630	10,624	9,476
Insurance	420,188	4,860	24,156	-	-	-	-	3,130
Supplies	107,961	4,710	6,818	1,035	1,629	71,781	1,752	5,782
Utilities	295,505	11,196	20,053	1,966	19,192	32,644	40,555	2,624
Student Special Needs	15,206	6,732	-	-	-	-	-	-
Student Scholarships	-	53,884	4,077	-	-	-	-	-
Student Allowances	42,162	-	-	-	-	-	-	-
Staff Expenses	40,309	5,380	34,853	2,104	-	1,435	380	1,170
Food and Beverage	92,390	504	1,984	417	492	416,815	-	40
First Aid	41,335	-	-	608	49	-	-	-
Recreation	79,900	-	-	-	22,616	-	-	-
Equipment Rental	2,672	6,950	3,224	334	-	3,839	180	72
Freight and Postage	2,113	18	398	845	-	55	-	19
Professional Services	82,797	4,425	20,829	8,342	595	737	312	64,717
Maintenance, Repairs, and Contract Labor	385,441	23,645	44,094	1,289	4,635	24,706	17,097	2,368
Foster Care Parent Fees	-	-	-	-	-	-	-	-
Advertising	4,700	-	18	-	-	-	-	-
Dues and Subscriptions	6,214	130	2,864	215	-	930	5	50
Telephone	41,590	8,038	13,217	667	1,361	1,931	440	753
Printing, Publishing, and Solicitation	6,520	-	-	-	-	-	-	-
Property Taxes	1,259	-	-	-	-	-	-	-
Auto Expense	65,951	7,880	2,216	625	80	806	2,337	545
Student Work Programs	27,515	-	-	-	-	-	-	-
Travel	5,706	2,350	3,091	724	29	213	408	458
Cost of Goods Sold	-	-	-	-	-	-	-	-
Special Programs	37,654	-	154	-	10,241	-	-	1,299
Bank Service Charges	-	-	1,421	-	-	-	-	-
Trust Management Fees	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-
Bad Debt Expense	28,956	-	103,675	-	-	-	-	-
Miscellaneous	11,110	11,018	349	-	-	-	12,000	-
Total Expenses Before Depreciation	<u>6,883,189</u>	<u>941,820</u>	<u>1,890,570</u>	<u>189,794</u>	<u>112,805</u>	<u>939,943</u>	<u>147,559</u>	<u>173,985</u>
Depreciation	<u>1,367,531</u>	<u>55,317</u>	<u>36,485</u>	<u>14,792</u>	<u>32,188</u>	<u>130,814</u>	<u>-</u>	<u>27,632</u>
Total Expenses by Function	<u>\$ 8,250,720</u>	<u>\$ 997,137</u>	<u>\$ 1,927,055</u>	<u>\$ 204,586</u>	<u>\$ 144,993</u>	<u>\$ 1,070,757</u>	<u>\$ 147,559</u>	<u>\$ 201,617</u>

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**  
**YEAR ENDED SEPTEMBER 30, 2020**

	Program Services (Continued)					Management and General	Fundraising	Total
	Foster Care	Day Treatment	Trauma Center	Other Services	Total Program Services			
Salaries	\$ 1,045,198	\$ 919,223	\$ 282,926	\$ 348,938	\$ 8,992,284	\$ 482,762	\$ 704,307	\$ 10,179,353
Payroll Taxes	83,062	74,767	20,673	33,327	733,215	34,266	53,067	820,548
Employee Benefits	196,193	189,309	35,502	66,431	1,770,875	75,968	114,540	1,961,383
Insurance	9,784	32,886	7,650	23,983	526,637	6,363	3,016	536,016
Supplies	8,285	4,618	13,009	31,227	258,607	11,613	5,678	275,898
Utilities	16,317	21,557	3,102	22,275	486,986	16,052	16,341	519,379
Student Special Needs	395	1,153	-	-	23,486	-	-	23,486
Student Scholarships	-	-	-	-	57,961	-	-	57,961
Student Allowances	15,855	-	-	-	58,017	-	-	58,017
Staff Expenses	37,970	8,739	8,133	2,273	142,746	19,595	9,913	172,254
Food and Beverage	4,656	4,386	2,481	1,426	525,591	967	1,783	528,341
First Aid	80	37	-	18	42,127	-	-	42,127
Recreation	-	-	-	-	102,516	-	8,616	111,132
Equipment Rental	38,719	1,474	1,794	-	59,258	6,997	12,834	79,089
Freight and Postage	983	163	1,539	8	6,141	7,346	22,988	36,475
Professional Services	23,597	11,732	177,325	-	395,408	104,459	34,063	533,930
Maintenance, Repairs, and Contract Labor	50,795	36,578	3,844	36,302	630,794	34,785	8,881	674,460
Foster Care Parent Fees	537,578	-	-	-	537,578	-	-	537,578
Advertising	6,919	9	4,124	800	16,570	8,566	49,646	74,782
Dues and Subscriptions	2,065	920	3,189	250	16,832	8,843	6,791	32,466
Telephone	12,926	7,163	8,075	2,631	98,792	13,131	4,768	116,691
Printing, Publishing, and Solicitation	745	-	-	-	7,265	12,497	93,405	113,167
Property Taxes	-	-	-	7,499	8,758	-	-	8,758
Auto Expense	6,120	4,285	1,349	17,791	109,985	7,245	5,300	122,530
Student Work Programs	-	-	-	-	27,515	-	-	27,515
Travel	11,025	723	30,038	1,098	55,863	3,154	5,922	64,939
Cost of Goods Sold	-	-	-	388,259	388,259	-	-	388,259
Special Programs	511	-	-	8,547	58,406	-	43	58,449
Bank Service Charges	-	-	-	11,277	12,698	25,380	-	38,078
Trust Management Fees	-	-	-	-	-	117,550	-	117,550
Interest Expense	-	-	-	-	-	-	-	-
Bad Debt Expense	-	37,430	-	-	170,061	-	-	170,061
Miscellaneous	-	-	-	4,450	38,927	38,747	-	77,674
Total Expenses Before Depreciation	<u>2,109,778</u>	<u>1,357,152</u>	<u>604,753</u>	<u>1,008,810</u>	<u>16,360,158</u>	<u>1,036,286</u>	<u>1,161,902</u>	<u>18,558,346</u>
Depreciation	<u>29,132</u>	<u>161,485</u>	<u>36,124</u>	<u>78,230</u>	<u>1,969,730</u>	<u>134,566</u>	<u>50,659</u>	<u>2,154,955</u>
Total Expenses by Function	<u>\$ 2,138,910</u>	<u>\$ 1,518,637</u>	<u>\$ 640,877</u>	<u>\$ 1,087,040</u>	<u>\$ 18,329,888</u>	<u>\$ 1,170,852</u>	<u>\$ 1,212,561</u>	<u>\$ 20,713,301</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	<u>6,491,966</u>	<u>1,153,295</u>	<u>1,827,615</u>	<u>537,898</u>	<u>41,378</u>	<u>141,738</u>	<u>955,199</u>	<u>157,328</u>	<u>219,506</u>
Depreciation	<u>1,409,179</u>	<u>47,668</u>	<u>33,844</u>	<u>14,953</u>	<u>-</u>	<u>34,623</u>	<u>138,375</u>	<u>-</u>	<u>28,113</u>
Total Expenses by Function	<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 (Continued)							Total
	Foster Care	Day Treatment	Trauma Center	Other Services	Total Program Services	Management and General	Fundraising	
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	<u>24,283</u>	<u>146,781</u>	<u>38,388</u>	<u>74,651</u>	<u>1,990,858</u>	<u>148,539</u>	<u>61,871</u>	<u>2,201,268</u>
Total Expenses by Function	<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 CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 8,653,964	\$ (1,960,955)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,154,955	2,201,268
Discount Amortization	8,807	8,462
Change in Unfunded Pension Liability	(108,452)	1,089,147
Impairment Loss on Land	2,145,500	-
Unrealized (Gain) Loss on Investments	1,198,085	(715,105)
Realized Gain on Investments	(4,708,359)	(1,103,566)
Other Investment (Income) Loss	(150,296)	(220,746)
(Increase) Decrease in:		
Accounts Receivable	323,272	33,060
Promises to Give	(30,743)	95,461
Other Receivables	(91,372)	(14,281)
Prepaid Expenses	(47,291)	790
Inventory	(113,509)	54,294
Increase (Decrease) in:		
Accounts Payable	(1,290,832)	(290,415)
Custodial Student Funds	(7,568)	(6,140)
Accrued Liabilities and Compensated Absence	190,477	(93,195)
Environmental Remediation Liability	-	603
Net Cash Provided (Used) by Operating Activities	8,126,638	(921,318)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(12,859,029)	(508,733)
Sale of Investments	7,611,473	4,368,447
Purchases of Property and Equipment	(1,346,816)	(3,616,295)
Net Cash Provided (Used) by Investing Activities	(6,594,372)	243,419
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Refundable Advance	2,445,000	-
Net Cash Provided by Financing Activities	2,445,000	-
<b>NET INCREASE (DECREASE) IN CASH</b>	3,977,266	(677,899)
Cash - Beginning of Year	325,218	1,003,117
<b>CASH - END OF YEAR</b>	\$ 4,302,484	\$ 325,218
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ -	\$ 6,865
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITY</b>		
Purchases of Capital Assets in Accounts Payable	\$ 35,570	\$ 497,000

See accompanying Notes to Consolidated Financial Statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND 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 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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**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**

The School adopted the provisions of ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 605), during the year ended September 30, 2020 as management believes the standard improves the usefulness and understandability of the Corporation's financial reporting. The Corporation's financial statements reflect the application of ASU 2018-08 beginning October 1, 2019. The accounting standard was applied on a modified perspective basis. The adoption of this standard had no significant impact on the School's consolidated financial statements.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

**Cash and Cash Equivalents**

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

**Accounts Receivable**

Receivables consist of contributions and other program receivables and are stated at cost less an allowance for doubtful accounts, where applicable. Unconditional promises receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. At September 30, 2020 and 2019, management recorded an allowance on program receivables of \$128,722 and \$209,976, 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**

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.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

**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.

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

**Beneficial Interest in Term and Perpetual Trusts**

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.

**Refundable Advance**

On April 15, 2020 the School 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, the School has classified this loan as a conditional contribution for accounting purposes. As of September 30, 2020, the School has submitted their application for forgiveness, however they have not received formal SBA approval of their forgiveness application.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

**Refundable Advance (Continued)**

Accordingly, this amount is presented on the consolidated statement of financial position as a Refundable Advance. This amount is expected to be forgiven in fiscal year 2021, therefore it is being shown as current on the consolidated statement of financial position as of September 30, 2020. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. If the SBA determines that a portion of the PPP Loan proceeds will not be forgiven, the School would be obligated to repay those funds to the SBA at an interest rate of 1% over a period of 2 years, with principal and interest payments commencing in November 2020 through the maturity date in April 2022.

**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.

*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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

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

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, 2020 or 2019 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 School 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 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, 2020 and 2019 were \$74,782 and \$142,984, 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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

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

**Subsequent Events**

The School has evaluated subsequent events through February 5, 2021, which is the date the consolidated financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

As of September 30, 2020 and 2019, investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 8,110,136	\$ 1,739,751
Fixed Income Investments	7,883,550	6,286,852
Mutual Funds	458,537	413,743
Equity Investments	5,048,275	4,931,542
Limited Partnership	18,572,687	17,920,498
Limited Liability Company	200,000	200,000
Total Investments	<u>\$ 40,273,185</u>	<u>\$ 31,492,386</u>

Total investment income consisted of the following for the years ended September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest Income	\$ 569,389	\$ 975,945
Investment Fees	(111,700)	(146,850)
Unrealized Gain (Loss), Net	(1,198,085)	715,105
Realized Gain, Net	4,708,359	1,103,566
Total Investment Income	<u>\$ 3,967,963</u>	<u>\$ 2,647,766</u>

**NOTE 3 PROMISES TO GIVE**

Promises to give consisted of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Due in Less than One Year	\$ 270,000	\$ 411,550
Due in Two to Five Years	602,000	426,000
Total	872,000	837,550
Less: Present Value Discount	(10,466)	(6,759)
Promises to Give, Net	<u>\$ 861,534</u>	<u>\$ 830,791</u>

The rate used to calculate the present value discount was 0.31%. At September 30, 2020, approximately \$4,000 of the outstanding promises to give are past due. Based on management's evaluation, they believe no allowance is necessary as of September 30, 2020 and 2019. 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, 2020 AND 2019**

**NOTE 4 PROPERTY AND EQUIPMENT, NET**

Following is a summary of property and equipment and accumulated depreciation at September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Land and Land Improvements	\$ 6,507,092	\$ 8,511,278
Buildings and Improvements	33,393,167	29,716,900
Furniture and Equipment	4,668,535	4,526,337
Vehicles	1,419,728	1,354,423
Construction in Progress	433,161	3,572,859
Total	<u>46,421,683</u>	<u>47,681,797</u>
Less: Accumulated Depreciation	<u>22,438,189</u>	<u>20,283,234</u>
Property and Equipment, Net	<u>\$ 23,983,494</u>	<u>\$ 27,398,563</u>

Depreciation expense totaled \$2,154,955 and \$2,201,268 for the years ended September 30, 2020 and 2019, respectively. Construction in progress at September 30, 2020 is related to construction of a gym on the Crossnore campus and general renovations on the Winston campus. Construction in progress at September 30, 2019 is related to renovations of a building on the Winston campus.

**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, 2020 and 2019.

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, 2020 and 2019.

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. An additional \$1,000,000 was drawn on the line of credit from the Foundation in 2020. In the year ended September 30, 2020 the outstanding balance of \$2,000,000 was repaid to the Foundation. There are no amounts outstanding as of September 30, 2020.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020 AND 2019**

**NOTE 6 NOTES PAYABLE**

Notes payable consisted of the following at September 30:

<u>Description</u>	<u>2020</u>	<u>2019</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 \$275,036 at September 30, 2020 (effective interest rate of 4%), with a face amount of \$500,000.	224,964	216,157
Total	<u>\$ 524,964</u>	<u>\$ 516,157</u>

Amortization of the discount is reported in the consolidated statement of activities as interest expense. The School recognized approximately \$9,000 and \$8,000 as interest expense related to the interest free loans for the years ended September 30, 2020 and 2019, 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, 2020 and 2019, the School was liable for benefits to its employees of approximately \$247,000 and \$97,000, 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**  
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**NOTE 8 RETIREMENT PLAN (CONTINUED)**

During the year ended September 30, 2020, the School carried out the termination provisions of the Plan by determining the final benefit for each Plan participant. Participants had the option to take a lump sum distribution or have an annuity purchased on their behalf. In order to complete termination of the Plan, an additional \$1,000,000 was placed in the Plan assets in 2020. There were fees of approximately \$53,000 related to termination of the Plan. A gain of \$108,452 is recorded as a change in unfunded pension liability on the consolidated statement of activities for 2020 related to the termination of this plan.

The foregoing actuarial assumptions utilized in the preparation of the last actuarial valuation dated January 1, 2019 were based on the presumption that the Plan would continue. The Plan was terminated effective September 25, 2020, which is after the benefit information date. The most recent actuarial valuation as of January 1, 2019 and showed an accumulated plan benefit obligation of \$3,125,674. Due to termination of the Plan, the valuation has not been updated for January 1, 2020.

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

	2019
Change in Benefit Obligation:	
Benefit Obligation - Beginning of Year	\$ 2,225,862
Interest Cost	122,713
Actuarial Gain	1,019,689
Benefits Paid	(242,590)
Benefit Obligation - End of Year	3,125,674
Change in Plan Assets:	
Fair Value of Plan Assets, Beginning of Year	1,773,866
Actual Return on Plan Assets	53,255
Employer Contributions	200,000
Benefits Paid	(242,590)
Fair Value of Plan Assets - End of Year	1,784,531
Funded Status of Plan (Under-Funded)	\$ (1,341,143)
Amounts Recognized in Statement of Financial Position:	
Accrued Benefit Cost	\$ (47,545)
Unfunded Pension Obligation	(1,293,598)
Total	\$ (1,341,143)

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

	2019
Components of Net Periodic Benefit Cost:	
Interest Cost	\$ 122,713
Expected Return on Plan Assets	(141,165)
Net Periodic Pension Cost	\$ (18,452)
Amounts Recognized in Net Assets Without Donor Restrictions:	
Unrecognized Net Prior Service Costs	\$ -
Unrecognized Net Loss	1,107,599
Net Amount	\$ 1,107,599

There is no accumulated benefit obligation at September 30, 2020. The School's accumulated benefit obligation at September 30, 2019 was \$3,125,674. 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.

**Assumptions**

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

	2019
Discount Rate	5.60 %
Rate of Compensation Increase	N/A

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

	2019
Discount Rate	5.60 %
Expected Long-Term Return on Plan Assets	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 were invested in various commingled equity and fixed income investment funds. The trustees of the Plan had in place an Investment Policy Statement that outlines objectives, policies, and guidelines for the Plan's investments. The targeted, long-term investment asset mix was 60%-70% equity funds and 30%-40% fixed income funds. The Plan's investment return objective was to provide an annual rate of return over a period of 5-10 years that met or exceeded the Plan's actuarial expected rate of return of 8.0% annually.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 8 RETIREMENT PLAN (CONTINUED)**

**Plan Assets (Continued)**

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

	2019
Asset Category:	
Cash and Cash Equivalents	1 %
Equity Securities	48
Debt Securities	51
Total	100 %

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.

Due to the termination of the Plan, there were no plan assets outstanding at September 30, 2020. The following table set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30:

	2019			
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

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

**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 \$377,816 and \$532,843 for the years ended September 30, 2020 and 2019, respectively.

**NOTE 9 CONCENTRATIONS**

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

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

	2020	2019
Cash and Cash Equivalents	\$ 4,302,484	\$ 325,218
Investments:		
Cash and Cash Equivalents	8,110,136	1,739,751
Fixed Income Investments	7,883,550	6,286,852
Mutual Funds	458,537	413,743
Equity Investments	5,048,275	4,931,542
Accounts Receivable, Net	685,071	1,008,343
Other Receivables	131,124	39,752
Less: Endowments	(1,722,445)	(1,584,562)
Less: Purpose-Restricted Net Assets with Donor Restrictions	(4,873,761)	(4,298,674)
Total Financial Assets Available to Meet Liquidity Needs	\$ 20,022,971	\$ 8,861,965

**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, 2020 and 2019:

	2020	2019
Residential Scholarships	\$ 112,223	\$ 112,193
Operating Reserves	3,000,000	-
Capital Reserves	3,057,806	-
Strategic Reserves	1,700,000	-
Endowment Fund	671,172	671,072
Total	\$ 8,541,201	\$ 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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 12 NET ASSETS (CONTINUED)**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted for Time:		
Beneficial Interest	\$ 107,996	\$ 104,873
Loan Forgiveness	275,036	283,843
Pledges Receivable	826,534	678,241
Restricted for Purpose:		
Building Projects	882,732	473,889
Classroom Without Walls	1,012,613	1,012,613
Residential Scholarships	965,607	938,101
College Scholarships	1,263,213	1,262,030
Other	749,596	612,041
Perpetual In Nature:		
Beneficial Interests in Perpetual Trusts	3,492,850	3,368,646
Residential Scholarships	407,203	406,460
College Scholarships	493,291	463,430
Athletic Equipment	293,977	293,977
Other	527,964	420,695
Total	<u>\$ 11,298,612</u>	<u>\$ 10,318,839</u>

During the years ended September 30, 2020 and 2019, net assets were released from donor restrictions as follows:

	<u>2020</u>	<u>2019</u>
For Time:		
Loan Forgiveness	\$ 8,807	\$ 8,462
Pledges Receivable	251,707	660,259
For Purpose:		
Building Projects	627,901	2,814,490
College Scholarships	-	11,687
Foster Care - Hendersonville	-	159,187
Total	<u>\$ 888,415</u>	<u>\$ 3,654,085</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
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**NOTE 12 NET ASSETS (CONTINUED)**

**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 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.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
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**NOTE 12 NET ASSETS (CONTINUED)**

**Perpetual in Nature (Continued)**

*Investment Objectives and Strategies: (Continued)*

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, 2020 and 2019.

The following table summarized endowment fund activity, including contributions, income earned and appropriations for the years ended September 30, 2020 and 2019:

	Without Donor Restrictions	With Donor Restriction		Total
		Purpose- Restricted	Perpetual In Nature	
Net Assets - Year Ended September 30, 2018	\$ 671,072	\$ -	\$ 989,830	\$ 1,660,902
Contributions	-	-	591,616	591,616
Net Unrealized Gain of Securities			3,116	3,116
Net Assets - Year Ended September 30, 2019	671,072	-	1,584,562	2,255,634
Contributions	100	-	104,806	104,906
Net Unrealized Gain of Securities	-	-	33,077	33,077
Net Assets - Year Ended September 30, 2020	<u>\$ 671,172</u>	<u>\$ -</u>	<u>\$ 1,722,445</u>	<u>\$ 2,393,617</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 CROSSNORE SCHOOL & CHILDREN'S HOME**  
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**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2020 and 2019:

	Level 1	Level 2	Level 3	Total
<u>September 30, 2020</u>				
Fixed Income	\$ -	\$ 7,883,550	\$ -	\$ 7,883,550
Mutual Funds	458,537	-	-	458,537
Equity Investments	5,048,275	-	-	5,048,275
Beneficial Interest in Trusts	-	-	3,600,846	3,600,846
Total Assets at Fair Value	<u>\$ 5,506,812</u>	<u>\$ 7,883,550</u>	<u>\$ 3,600,846</u>	<u>\$ 16,991,208</u>
<u>September 30, 2019</u>				
Fixed Income	\$ -	\$ 6,286,852	\$ -	\$ 6,286,852
Mutual Funds	413,743	-	-	413,743
Equity Investments	4,931,542	-	-	4,931,542
Beneficial Interests 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>

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, 2018 to September 30, 2020:

Fair Value - September 30, 2018	\$ 3,564,268
Unrealized Losses on Investments	<u>(90,749)</u>
Fair Value - September 30, 2019	3,473,519
Unrealized Losses on Investments	<u>127,327</u>
Fair Value - September 30, 2020	<u>\$ 3,600,846</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2020 and 2019:

	Net Asset Value	Unfunded Commitments	Frequency (If Currently Eligible)	Redemption Notice Period
<u>September 30, 2020</u>				
Cedar Rock Partners Series	\$ 1,797,550	\$ -	Monthly	30 Business Days
Altarock Partners Series	3,196,510	-	Monthly	30 Business Days
Bares Mid/Large Cap Series	4,029,184	-	Monthly	30 Business Days
Clarkston Capital Partners Small/Mid Cap Series	1,699,607	-	Monthly	30 Business Days
Select Equity Series	4,334,927	-	Monthly	30 Business Days
Port Capital Small Cap Series	493,177	-	Quarterly	30 Business Days
BBH Capital Partners Opportunities	28,539	316,720	Long-Term	N/A
BBH Capital Partners V-1 Sub-Trust	862,942	407,977	Long-Term	N/A
GQG Partners Emerging Markets Equity Series	356,753	-	Monthly	30 Business Days
Barings Loan Sub-Trust	992,699	913,579	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	421,400	598,146	Long-Term	N/A
Oaktree Opportunities Sub-Trust	359,399	228,570	Long-Term	N/A
Total	<u>\$ 18,572,687</u>	<u>\$ 2,464,992</u>		
<u>September 30, 2019</u>				
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	Monthly	30 Business Days
BBH Capital Partners V-1 Sub-Trust	852,361	585,693	Quarterly	80 Business Days
GQG Partners Emerging Markets Equity Series	291,963	-	N/A	N/A
Barings Loan Sub-Trust	741,648	1,330,827	Long-Term	90 Business Days
Silver Point Distressed Opportunity Sub Trust	24,230	975,770		
Oaktree Opportunities Sub-Trust	168,963	434,124	N/A	N/A
Total	<u>\$ 17,920,498</u>	<u>\$ 3,719,547</u>		

**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, 2020 and 2019. The School accrues a reserve for self-insurance, which is classified as a current liability. As of September 30, 2020 and 2019, the balances in the reserve account were \$101,629 and \$131,973, respectively.

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 AND 2019**

**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 \$147,559 and \$157,328 for the years ended September 30, 2020 and 2019, respectively.

**NOTE 16 RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared COVID-19 a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the School'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 the School is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.



**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF SUPPORT AND REVENUE**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020										2019
	Crossnore Campus			Winston Campus			Hendersonville Office				
	Without Donor Restrictions	Purpose and Time Restricted	Perpetual In Nature	Without Donor Restrictions	Purpose and Time Restricted	Perpetual In Nature	Without Donor Restrictions	Purpose and Time Restricted	Perpetual In Nature	Total	Comparative Total
<b>SUPPORT</b>											
Contributions:											
Individuals	\$ 2,840,730	\$ 826,641	\$ 104,063	\$ 6,969,398	\$ 776,347	\$ -	\$ 290,068	\$ -	\$ -	\$ 11,807,247	\$ 5,428,486
Legacies and Bequests	4,119,426	-	-	-	-	-	-	-	-	4,119,426	811,420
Foundations	450,796	-	-	-	-	-	-	-	-	450,796	185,432
Trusts	301,798	-	-	139,845	-	-	-	-	-	441,643	349,866
Special Events	49,701	-	-	-	-	-	-	-	-	49,701	22,614
Total Contributions	<u>7,762,451</u>	<u>826,641</u>	<u>104,063</u>	<u>7,109,243</u>	<u>776,347</u>	<u>-</u>	<u>290,068</u>	<u>-</u>	<u>-</u>	<u>16,868,813</u>	<u>6,797,818</u>
<b>IN-KIND SUPPORT - SALES STORE</b>	202,988	-	-	-	-	-	-	-	-	202,988	310,595
<b>REVENUE</b>											
Room and Board:											
Foster Care Funds	3,812,608	-	-	2,258,121	-	-	-	-	-	6,070,729	5,974,169
Academy Contract	76,810	-	-	-	-	-	-	-	-	76,810	99,654
School Food Programs	102,758	-	-	-	-	-	-	-	-	102,758	72,622
COVID Add-On Revenue	35,243	-	-	39,995	-	-	(188)	-	-	75,050	-
Relatives	150	-	-	(3,866)	-	-	-	-	-	(3,716)	9,403
Total Room and Board	<u>4,027,569</u>	<u>-</u>	<u>-</u>	<u>2,294,250</u>	<u>-</u>	<u>-</u>	<u>(188)</u>	<u>-</u>	<u>-</u>	<u>6,321,631</u>	<u>6,155,848</u>
<b>INVESTMENT INCOME</b>											
Interest and Dividends	549,944	-	-	19,445	-	-	-	-	-	569,389	975,945
Investment Fees	(111,700)	-	-	-	-	-	-	-	-	(111,700)	(146,850)
Investment Gains	3,182,810	-	-	294,387	-	33,077	-	-	-	3,510,274	1,818,671
Total Investment Income	<u>3,621,054</u>	<u>-</u>	<u>-</u>	<u>313,832</u>	<u>-</u>	<u>33,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,967,963</u>	<u>2,647,766</u>
<b>CHANGE IN BENEFICIAL INTEREST IN TRUSTS</b>	-	-	-	-	3,123	124,937	-	-	-	128,060	(90,749)
<b>SUPPORTING BUSINESS ACTIVITIES</b>											
Blair Fraley Sales Store	173,391	-	-	-	-	-	-	-	-	173,391	215,002
Crossnore Weavers and Gallery	275,528	-	-	-	-	-	-	-	-	275,528	430,324
Miracle Grounds Coffee Shop	80,543	-	-	-	-	-	-	-	-	80,543	113,737
Farm Sales	-	-	-	14,555	-	-	-	-	-	14,555	128
Behavioral Health:											
Mental and Medical Services	714,574	-	-	1,136,715	-	-	217,454	-	-	2,068,743	2,555,146
Foster Care and Adoptions	(1,685)	-	-	839,724	-	-	190,989	-	-	1,029,028	657,440
Total Supporting Business Activities	<u>1,242,351</u>	<u>-</u>	<u>-</u>	<u>1,990,994</u>	<u>-</u>	<u>-</u>	<u>408,443</u>	<u>-</u>	<u>-</u>	<u>3,641,788</u>	<u>3,971,777</u>
<b>OTHER INCOME</b>											
Rents and Royalties	164,039	-	-	-	-	-	-	-	-	164,039	149,117
Other Revenue	23,433	-	-	85,598	-	-	-	-	-	109,031	92,222
Total Other Income	<u>187,472</u>	<u>-</u>	<u>-</u>	<u>85,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>273,070</u>	<u>241,339</u>
<b>Total Support and Revenue</b>	<u>\$ 17,043,885</u>	<u>\$ 826,641</u>	<u>\$ 104,063</u>	<u>\$ 11,793,917</u>	<u>\$ 779,470</u>	<u>\$ 158,014</u>	<u>\$ 698,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,404,313</u>	<u>\$ 20,034,394</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019)**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020									2019	
	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	\$ 3,828,937	\$ 670,068	\$ 306,930	\$ 4,201,957	\$ 396,631	\$ 42,008	\$ 612,452	\$ 120,370	\$ -	\$ 10,179,353	\$ 9,498,364
Payroll Taxes	312,566	47,545	29,663	339,285	30,563	3,664	48,037	9,225	-	820,548	799,855
Employee Benefits	793,021	105,695	65,498	800,379	64,755	933	111,044	20,058	-	1,961,383	1,883,161
Insurance	277,330	2,485	5,378	225,324	6,894	18,605	-	-	-	536,016	593,781
Supplies	134,532	8,734	11,671	89,201	7,159	19,556	3,647	1,398	-	275,898	271,082
Utilities	265,426	22,267	21,123	196,690	10,004	1,152	2,595	122	-	519,379	582,156
Student Special Needs	17,900	-	-	5,586	-	-	-	-	-	23,486	51,444
Student Scholarships	53,884	-	-	4,077	-	-	-	-	-	57,961	160,137
Student Allowances	18,622	-	-	35,603	-	-	3,792	-	-	58,017	125,259
Staff Expenses	44,990	18,354	1,444	81,729	9,860	829	13,754	1,294	-	172,254	317,780
Food and Beverage	387,991	1,095	1,426	132,749	1,026	-	3,425	629	-	528,341	550,828
First Aid	27,270	-	18	14,839	-	-	-	-	-	42,127	46,798
Recreation	53,513	5,514	-	49,003	2,671	-	-	431	-	111,132	182,261
Equipment Rental	14,858	11,418	-	8,625	6,110	-	35,775	2,303	-	79,089	80,179
Freight and Postage	1,506	17,152	8	3,970	9,524	-	657	3,658	-	36,475	34,897
Professional Services	23,365	93,101	-	368,554	44,817	-	3,489	604	-	533,930	354,207
Maintenance, Repairs, and Contract Labor	269,869	33,461	9,349	317,497	10,002	26,953	7,126	203	-	674,460	635,163
Foster Care Parent Fees	215,204	-	-	253,951	-	-	68,423	-	-	537,578	479,108
Advertising	1,967	31,434	-	12,619	21,276	800	1,184	5,502	-	74,782	142,984
Dues and Subscriptions	2,249	9,188	250	14,018	6,004	-	315	442	-	32,466	28,216
Telephone	40,197	4,829	2,631	49,866	11,788	-	6,098	1,282	-	116,691	98,298
Printing, Publishing, and Solicitation	3,214	51,594	-	4,051	33,110	-	-	21,198	-	113,167	130,719
Property Taxes	1,259	-	7,499	-	-	-	-	-	-	8,758	11,253
Auto Expense	52,998	6,290	8,635	37,031	6,048	9,156	2,165	207	-	122,530	200,760
Student Work Programs	26,395	-	-	1,120	-	-	-	-	-	27,515	10,464
Travel	11,094	5,293	829	38,824	2,245	269	4,847	1,538	-	64,939	114,764
Cost of Goods Sold	-	-	388,259	-	-	-	-	-	-	388,259	742,201
Special Programs	36,866	-	-	12,328	43	8,547	665	-	-	58,449	138,175
Bank Service Charges	-	18,448	11,277	548	6,932	-	873	-	-	38,078	35,438
Trust Management Fees	-	117,550	-	-	-	-	-	-	-	117,550	153,225
Interest Expense	-	-	-	-	-	-	-	-	-	-	6,865
Bad Debt Expense	30,096	-	-	101,730	-	-	38,235	-	-	170,061	207,101
Miscellaneous	32,397	38,499	4,450	2,080	248	-	-	-	-	77,674	38,011
Total Expenses Before Depreciation	6,979,516	1,320,014	876,338	7,403,234	687,710	132,472	968,598	190,464	-	18,558,346	18,704,934
Depreciation	1,389,490	133,995	51,946	497,765	50,694	26,284	4,245	536	-	2,154,955	2,201,268
Total Expenses	\$ 8,369,006	\$ 1,454,009	\$ 928,284	\$ 7,900,999	\$ 738,404	\$ 158,756	\$ 972,843	\$ 191,000	\$ -	\$ 20,713,301	\$ 20,906,202

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – CROSSNORE CAMPUS**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020										2019
	Crossnore Campus										Comparative
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Recreation	Dietary	Academy/ Education	Clinic	Foster Care	Total	Total
Salaries	\$ 2,506,373	\$ 381,080	\$ 230,749	\$ 34,999	\$ 39,269	\$ 242,416	\$ 56,865	\$ 47,985	\$ 289,201	\$ 3,828,937	\$ 3,723,777
Payroll Taxes	205,519	31,274	17,513	2,765	3,246	20,093	4,604	3,842	23,710	312,566	319,185
Employee Benefits	533,146	76,686	34,908	5,117	9,371	60,514	10,624	7,302	55,353	793,021	820,774
Insurance	268,905	4,125	700	-	-	-	-	2,771	829	277,330	343,695
Supplies	71,410	4,246	2,094	275	1,629	45,408	1,752	4,911	2,807	134,532	121,497
Utilities	148,998	8,692	8,950	507	19,192	32,117	40,555	2,586	3,829	265,426	280,188
Student Special Needs	8,412	9,488	-	-	-	-	-	-	-	17,900	18,203
Student Scholarships	-	53,884	-	-	-	-	-	-	-	53,884	160,137
Student Allowances	6,777	-	-	-	-	-	-	-	11,845	18,622	78,110
Staff Expenses	17,101	1,496	10,720	458	-	1,236	380	1,020	12,579	44,990	43,654
Food and Beverage	51,350	307	346	135	492	335,026	-	37	298	387,991	426,401
First Aid	26,533	-	-	608	49	-	-	-	80	27,270	26,877
Recreation	40,284	-	-	-	13,229	-	-	-	-	53,513	119,293
Equipment Rental	708	6,934	176	114	-	3,839	180	72	2,835	14,858	12,860
Freight and Postage	640	17	170	361	-	55	-	19	244	1,506	1,537
Professional Services	7,595	312	2,590	7,837	595	377	312	3,116	631	23,365	37,448
Maintenance, Repairs, and Contract Labor	180,151	15,189	12,400	476	1,455	23,589	17,097	1,735	17,777	269,869	266,681
Foster Care Parent Fees	-	-	-	-	-	-	-	-	215,204	215,204	229,683
Advertising	1,958	-	9	-	-	-	-	-	-	1,967	4,764
Dues and Subscriptions	344	5	435	139	-	930	5	50	341	2,249	1,954
Telephone	22,964	6,063	3,449	242	1,361	1,345	440	441	3,892	40,197	41,545
Printing, Publishing, and Solicitation	3,214	-	-	-	-	-	-	-	-	3,214	2,166
Property Taxes	1,259	-	-	-	-	-	-	-	-	1,259	2,516
Auto Expense	39,307	7,275	223	319	80	493	2,337	487	2,477	52,998	93,388
Student Work Programs	26,395	-	-	-	-	-	-	-	-	26,395	10,464
Travel	3,579	1,889	41	133	29	211	408	454	4,350	11,094	28,178
Special Programs	26,412	-	-	-	10,241	-	-	213	-	36,866	101,253
Bank Service Charges	-	-	-	-	-	-	-	-	-	-	243
Bad Debt Expense	28,956	-	1,140	-	-	-	-	-	-	30,096	17,010
Miscellaneous	9,379	11,018	-	-	-	-	12,000	-	-	32,397	23,957
Total Expenses Before Depreciation	4,237,669	619,980	326,613	54,485	100,238	767,649	147,559	77,041	648,282	6,979,516	7,357,438
Depreciation	1,124,259	50,517	14,931	1,205	32,188	128,981	-	27,153	10,256	1,389,490	1,474,076
Total Expenses	\$ 5,361,928	\$ 670,497	\$ 341,544	\$ 55,690	\$ 132,426	\$ 896,630	\$ 147,559	\$ 104,194	\$ 658,538	\$ 8,369,006	\$ 8,831,514

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – WINSTON CAMPUS**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020										2019	
	Winston Campus											
	Residential Living/ Cottages	Case Management	OP Therapy	Program Services Support	Foster Care	Recreation	Dietary	Day Treatment	Trauma Center	Medical Clinic	Total	Comparative Total
Salaries	\$ 1,392,634	\$ 234,302	\$ 706,111	\$ 101,144	\$ 491,207	\$ -	\$ 47,030	\$ 919,223	\$ 282,926	\$ 27,380	\$ 4,201,957	\$ 4,019,408
Payroll Taxes	114,802	19,240	56,650	8,218	38,778	-	3,882	74,767	20,673	2,275	339,285	336,096
Employee Benefits	285,561	47,518	119,308	18,380	92,511	-	10,116	189,309	35,502	2,174	800,379	770,557
Insurance	151,283	735	23,456	-	8,955	-	-	32,886	7,650	359	225,324	221,163
Supplies	36,551	464	4,004	760	2,551	-	26,373	4,618	13,009	871	89,201	112,848
Utilities	146,507	2,504	11,103	1,459	9,893	-	527	21,557	3,102	38	196,690	234,496
Student Special Needs	6,794	(2,756)	-	-	395	-	-	1,153	-	-	5,586	33,241
Student Scholarships	-	-	4,077	-	-	-	-	-	-	-	4,077	-
Student Allowances	35,385	-	-	-	218	-	-	-	-	-	35,603	47,149
Staff Expenses	23,208	3,884	18,436	1,646	17,334	-	199	8,739	8,133	150	81,729	206,265
Food and Beverage	41,040	197	1,235	282	1,336	-	81,789	4,386	2,481	3	132,749	115,905
First Aid	14,802	-	-	-	-	-	-	37	-	-	14,839	19,883
Recreation	39,616	-	-	-	-	9,387	-	-	-	-	49,003	59,819
Equipment Rental	1,964	16	2,083	220	1,074	-	-	1,474	1,794	-	8,625	12,069
Freight and Postage	1,473	1	182	484	128	-	-	163	1,539	-	3,970	1,638
Professional Services	75,202	4,113	18,239	505	19,477	-	360	11,732	177,325	61,601	368,554	240,558
Maintenance, Repairs, and Contract Labor	205,290	8,456	31,682	813	25,904	3,180	1,117	36,578	3,844	633	317,497	311,029
Foster Care Parent Fees	-	-	-	-	253,951	-	-	-	-	-	253,951	227,020
Advertising	2,742	-	9	-	5,735	-	-	9	4,124	-	12,619	8,292
Dues and Subscriptions	5,870	125	2,391	76	1,447	-	-	920	3,189	-	14,018	9,157
Telephone	18,626	1,975	7,160	425	5,544	-	586	7,163	8,075	312	49,866	37,707
Printing, Publishing, and Solicitation	3,306	-	-	-	745	-	-	-	-	-	4,051	2,497
Property Taxes	-	-	-	-	-	-	-	-	-	-	-	1,237
Auto Expense	26,644	605	1,931	306	1,540	-	313	4,285	1,349	58	37,031	51,223
Student Work Programs	1,120	-	-	-	-	-	-	-	-	-	1,120	-
Travel	2,127	461	2,005	591	2,873	-	2	723	30,038	4	38,824	48,095
Special Programs	11,242	-	-	-	-	-	-	-	-	1,086	12,328	13,426
Bank Service Charges	-	-	548	-	-	-	-	-	-	-	548	628
Bad Debt Expense	-	-	64,300	-	-	-	-	37,430	-	-	101,730	179,778
Miscellaneous	1,731	-	349	-	-	-	-	-	-	-	2,080	5,377
Total Expenses Before Depreciation	2,645,520	321,840	1,075,259	135,309	981,596	12,567	172,294	1,357,152	604,753	96,944	7,403,234	7,326,561
Depreciation	243,272	4,800	19,598	13,587	16,587	-	1,833	161,485	36,124	479	497,765	439,201
Total Expenses	\$ 2,888,792	\$ 326,640	\$ 1,094,857	\$ 148,896	\$ 998,183	\$ 12,567	\$ 174,127	\$ 1,518,637	\$ 640,877	\$ 97,423	\$ 7,900,999	\$ 7,765,762

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF PROGRAM SERVICES EXPENSES – HENDERSONVILLE**  
**OFFICE**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020			2019
	<b>Hendersonville Office</b>			Comparative Total
	Foster Care	OP Therapy	Total	
Salaries	\$ 264,790	\$ 347,662	\$ 612,452	\$ 318,229
Payroll Taxes	20,574	27,463	48,037	26,371
Employee Benefits	48,329	62,715	111,044	46,262
Insurance	-	-	-	30
Supplies	2,927	720	3,647	6,144
Utilities	2,595	-	2,595	1,238
Student Allowances	3,792	-	3,792	-
Staff Expenses	8,057	5,697	13,754	6,107
Food and Beverage	3,022	403	3,425	1,801
Equipment Rental	34,810	965	35,775	20,133
Freight and Postage	611	46	657	184
Professional Services	3,489	-	3,489	10,034
Maintenance, Repairs, and Contract Labor	7,114	12	7,126	1,678
Foster Care Parent Fees	68,423	-	68,423	22,405
Advertising	1,184	-	1,184	3,014
Dues and Subscriptions	277	38	315	-
Telephone	3,490	2,608	6,098	3,189
Auto Expense	2,103	62	2,165	2,101
Travel	3,802	1,045	4,847	6,958
Special Programs	511	154	665	5,582
Bank Service Charges	-	873	873	575
Bad Debt Expense	-	38,235	38,235	10,313
Total Expenses before Depreciation	<u>479,900</u>	<u>488,698</u>	<u>968,598</u>	<u>492,348</u>
Depreciation	<u>2,289</u>	<u>1,956</u>	<u>4,245</u>	<u>2,930</u>
Total Expenses	<u>\$ 482,189</u>	<u>\$ 490,654</u>	<u>\$ 972,843</u>	<u>\$ 495,278</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF SUPPORTING SERVICES EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020							2019
	Crossnore Campus		Winston Campus		Hendersonville Office		Total	Comparative Total
	Administrative	Advancement	Administrative	Advancement	Administrative	Advancement		
Salaries	\$ 339,134	\$ 330,934	\$ 121,205	\$ 275,426	\$ 22,423	\$ 97,947	\$ 1,187,069	\$ 1,060,389
Payroll Taxes	23,083	24,462	9,615	20,948	1,568	7,657	87,333	85,815
Employee Benefits	51,278	54,417	20,796	43,959	3,894	16,164	190,508	180,963
Insurance	2,485	-	3,878	3,016	-	-	9,379	249
Supplies	5,930	2,804	5,265	1,894	418	980	17,291	19,690
Utilities	12,839	9,428	3,213	6,791	-	122	32,393	37,037
Staff Expenses	12,547	5,807	6,798	3,062	250	1,044	29,508	58,992
Food and Beverage	380	715	357	669	230	399	2,750	5,169
First Aid	-	-	-	-	-	-	-	38
Recreation	-	5,514	-	2,671	-	431	8,616	3,149
Equipment Rental	4,281	7,137	1,968	4,142	748	1,555	19,831	35,117
Freight and Postage	5,675	11,477	1,634	7,890	37	3,621	30,334	31,534
Professional Services	70,486	22,615	33,973	10,844	-	604	138,522	61,067
Maintenance, Repairs, and Contract Labor	28,404	5,057	6,379	3,623	2	201	43,666	39,985
Advertising	7,007	24,427	1,559	19,717	-	5,502	58,212	126,689
Dues and Subscriptions	5,336	3,852	3,477	2,527	30	412	15,634	16,730
Telephone	2,732	2,097	10,131	1,657	268	1,014	17,899	11,995
Printing, Publishing, and Solicitation	9,756	41,838	2,741	30,369	-	21,198	105,902	125,605
Auto Expense	3,135	3,155	4,081	1,967	29	178	12,545	17,014
Travel	2,401	2,892	357	1,888	396	1,142	9,076	29,767
Special Programs	-	-	-	43	-	-	43	500
Bank Service Charges	18,448	-	6,932	-	-	-	25,380	22,920
Trust Management Fees	117,550	-	-	-	-	-	117,550	153,225
Interest Expense	-	-	-	-	-	-	-	6,865
Miscellaneous	38,499	-	248	-	-	-	38,747	-
Total Expenses before Depreciation	761,386	558,628	244,607	443,103	30,293	160,171	2,198,188	2,130,504
Depreciation	91,693	42,302	42,697	7,997	176	360	185,225	210,410
Total Expenses	<u>\$ 853,079</u>	<u>\$ 600,930</u>	<u>\$ 287,304</u>	<u>\$ 451,100</u>	<u>\$ 30,469</u>	<u>\$ 160,531</u>	<u>\$ 2,383,413</u>	<u>\$ 2,340,914</u>

**THE CROSSNORE SCHOOL & CHILDREN'S HOME**  
**CONSOLIDATED SCHEDULE OF OTHER SERVICES EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2020**  
**(WITH COMPARATIVE TOTALS FOR YEAR ENDED SEPTEMBER 30, 2019**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	2020					2019	
	Crossnore Campus			Winston Campus		Total	Comparative Total
	Blair Fraley Sales Store	Weavers and Gallery	Miracle Grounds Coffee Shop	Farm	Miracle Grounds Network		
Salaries	\$ 177,678	\$ 59,620	\$ 69,632	\$ -	\$ 42,008	\$ 348,938	\$ 376,561
Payroll Taxes	15,304	6,667	7,692	727	2,937	33,327	32,388
Employee Benefits	30,785	17,099	17,614	-	933	66,431	64,605
Insurance	-	5,378	-	18,605	-	23,983	28,644
Supplies	2,602	3,502	5,567	19,556	-	31,227	10,903
Utilities	11,474	2,628	7,021	1,152	-	22,275	29,197
Staff Expenses	201	811	432	274	555	2,273	2,762
Food and Beverage	327	471	628	-	-	1,426	1,552
First Aid	-	-	18	-	-	18	-
Freight and Postage	-	8	-	-	-	8	4
Professional Services	-	-	-	-	-	-	5,100
Maintenance, Repairs, and Contract Labor	1,249	2,174	5,926	26,953	-	36,302	15,790
Advertising	-	-	-	800	-	800	225
Dues and Subscriptions	-	250	-	-	-	250	375
Telephone	1,403	868	360	-	-	2,631	3,862
Printing, Publishing, and Solicitation	-	-	-	-	-	-	451
Property Taxes	6,086	1,413	-	-	-	7,499	7,500
Auto Expense	7,361	1,274	-	9,145	11	17,791	37,034
Travel	622	207	-	269	-	1,098	1,766
Cost of Goods Sold	194,780	152,323	41,156	-	-	388,259	742,201
Special Programs	-	-	-	3,810	4,737	8,547	17,414
Bank Service Charges	2,468	6,804	2,005	-	-	11,277	11,072
Miscellaneous	-	4,450	-	-	-	4,450	8,677
Total Expenses Before Depreciation	452,340	265,947	158,051	81,291	51,181	1,008,810	1,398,083
Depreciation	34,819	5,670	11,457	26,032	252	78,230	74,651
Total Expenses	<u>\$ 487,159</u>	<u>\$ 271,617</u>	<u>\$ 169,508</u>	<u>\$ 107,323</u>	<u>\$ 51,433</u>	<u>\$ 1,087,040</u>	<u>\$ 1,472,734</u>