Crossroads Community Church, Inc.

August 31, 2023

Financial Statements and Independent Auditors' Report

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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Crossroads Community Church, Inc.
Cincinnati, Ohio

Opinion

We have audited the accompanying financial statements of Crossroads Community Church, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Community Church, Inc. as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Crossroads Community Church, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

As described in the notes to the financial statements, during 2023, Crossroads Community Church, Inc. adopted FASB ASC 842, *Leases.* Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossroads Community Church, Inc.'s ability to continue as a going concern within one year after the date that the 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 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 generally accepted auditing standards 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 financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the 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 Crossroads Community Church, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossroads Community Church, Inc.'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.

VonLehman & Company Inc.

Fort Wright, Kentucky
November 30, 2023

CROSSROADS COMMUNITY CHURCH, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

ASSETS

Assets	
Cash	$ 6,719,083
Accounts Receivable	697,584
Prepaid Expenses and Other Assets	1,670,254
Investments	3,341,724
Equity Investment	128,120
Property and Equipment, Net	98,566,011
Leasehold Improvements, Net	12,525,893
Right of Use Asset - Operating Leases	11,148,647
Total Assets	$ 134,797,316

LIABILITIES AND NET ASSETS

Liabilities	
Accounts Payable	$ 4,250,495
Accrued Expenses	2,791,785
Deferred Revenue	926,966
Operating Lease Liabilities	11,653,364
Notes Payable	26,526,378
Total Liabilities	46,148,988
Net Assets	
Without Donor Restrictions	86,179,606
With Donor Restrictions	2,468,722
Total Net Assets	88,648,328
Total Liabilities and Net Assets	$ 134,797,316

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains (Losses)			
Ministry Contributions	$ 70,497,103	$ 2,704,943	$ 73,202,046
Camp and Preschool Income	1,775,734	-	1,775,734
GO Trip Income	1,308,598	-	1,308,598
I'm In Campaign	-	63,065	63,065
Other Income	284,615	-	284,615
In-Kind Revenue	162,690	-	162,690
Interest Income	179,841	-	179,841
Net Investment Return	21,677	101,076	122,753
Loss on Disposal of Property and Equipment	(27,184)	-	(27,184)
Loss on Equity Investment	(106,235)	-	(106,235)
Total Revenue, Support, and Gains (Losses)	74,096,839	2,869,084	76,965,923
Net Assets Released From Restriction	2,926,344	(2,926,344)	-
Total Revenue, Support, Gains (Losses), and Reclassifications	77,023,183	(57,260)	76,965,923
Expenses			
Campus Operations	37,624,733	-	37,624,733
National Team Operations	11,713,535	-	11,713,535
ReachOut	9,078,920	-	9,078,920
Information and Technology	8,771,004	-	8,771,004
Depreciation	7,344,831	-	7,344,831
Interest Expense	1,067,653	-	1,067,653
Amortization	907,409	-	907,409
Total Expenses	76,508,085	-	76,508,085
Change in Net Assets	515,098	(57,260)	457,838
Net Assets, Beginning of Year	85,664,508	2,525,982	88,190,490
Net Assets, End of Year	$ 86,179,606	$ 2,468,722	$ 88,648,328

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023

	Program Services	Management and General	Fundraising and Development	Total
Staff, Benefit, and Other Related Expenses	$ 25,864,502	$ 5,675,316	$ 518,590	$ 32,058,408
Depreciation and Amortization	8,252,240	-	-	8,252,240
Ministry Expenses	6,059,989	1,357,397	164,204	7,581,590
Consultants/Contractors	7,296,842	143,154	160,370	7,600,366
Mission Support	4,871,545	-	-	4,871,545
Building Operations	4,138,681	-	-	4,138,681
Trips, Camps and Connect Events	4,023,479	-	-	4,023,479
Information Technology	2,093,654	523,455	-	2,617,109
Volunteer Expenses	1,590,204	-	-	1,590,204
Marketing/Advertising	1,464,017	-	-	1,464,017
Mortgage Interest	1,067,653	-	-	1,067,653
Administrative Fees	-	771,830	-	771,830
Insurance	291,195	-	-	291,195
Local Initiatives	179,768	-	-	179,768
Total Expenses by Function	$ 67,193,769	$ 8,471,152	$ 843,164	$ 76,508,085

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2023

Cash Flows From Operating Activities		
Change in Net Assets	$	457,838
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Depreciation		7,344,831
Amortization		907,409
Amortized Loan Closing Cost Included in Interest Expense		3,250
Net Investment Return		(122,753)
Loss on Equity Investment		106,235
Donated Investments		(2,702,590)
Loss on Disposal of Property and Equipment		27,184
Changes in		
Accounts Receivable		27,009
Prepaid Expenses and Other Assets		(262,905)
Right of Use Asset - Operating Leases		732,493
Accounts Payable		886,520
Accrued Expenses		949,800
Deferred Revenue		542,442
Operating Lease Liabilities		(675,092)
Net Cash Provided by Operating Activities		8,221,671
Cash Flows From Investing Activities		
Proceeds from Sale of Investments		3,030,986
Proceeds from Sale of Property and Equipment		82,483
Purchase of Investments		(652,637)
Acquisition of Property and Equipment		(9,912,606)
Acquisition of Leasehold Improvements		(35,617)
Net Cash Used by Investing Activities		(7,487,391)
Cash Flows From Financing Activities		
Payments on Notes Payable		(781,010)
Net Change in Cash		(46,730)
Cash, Beginning of Year		6,765,813
Cash, End of Year	$	6,719,083

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles

Crossroads Community Church, Inc. (Crossroads) was incorporated as a not-for-profit church under the laws of the State of Ohio. Crossroads' mission is connecting seekers to a community of growing Christ-followers who are changing the world. Crossroads' revenue and other support are derived principally from contributions. Crossroads fulfills its mission by focusing its efforts in its ministry programs: Camps, Community Care, Kids' Club, Student Ministry, Groups, and ReachOut.

Crossroads' viability is dependent on continuation of a strong congregational base along with the continued success of offered services and collection on contribution and mission trip revenue.

Use of Estimates

The process of preparing financial statements in conformity with U.S. GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounts Receivable

A large majority of Crossroads' accounts receivable represent electronic contributions made prior to year-end that have not been processed and transferred into Crossroads' bank account by the third party vendor until after year-end.

Accounts receivable are stated at contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. Crossroads begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on Crossroads' collection history, the financial stability and recent payment history of the grantors and clients, and other pertinent factors. Accounts receivables are written off as uncollectable after Crossroads has used reasonable collection efforts and deems them uncollectable. Based on these criteria, no allowance for doubtful accounts or pledges has been provided at August 31, 2023 since Crossroads does not expect any material losses.

Investments

Investments if purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less any external and direct internal investment expenses. Cash equivalents, other securities and investments held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each brokerage account with a limit of $250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments. Crossroads' policy is to promptly sell marketable securities contributed by donors.

Equity Investment

The equity investment is a 50% ownership in a partnership with another nonprofit organization to produce and distribute curriculum. The investment is accounted for on the equity method (original and additional cash outlays, plus or minus income or loss, less distributions).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Leasehold Improvements

Property and equipment and leasehold improvements are stated at cost, or if donated, at fair value at the date of donation, and depreciated or amortized over the estimated useful lives of the related assets. Depreciation and amortization are computed using the straight-line method for financial reporting purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized for items in excess of $5,000.

The useful lives of property and equipment for purposes of computing depreciation are:

Buildings and Improvements	40 Years
Furniture, Fixtures, Software, and Equipment	3 – 5 Years
Vehicles	5 Years
Leasehold Improvements	15 – 20 Years

Long-Lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are measured based on the fair value of the asset, and long-lived assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell. Long-lived assets were measured for impairment, and no adjustments were deemed necessary during the year ended August 31, 2023.

Loan Closing Costs

Loan closing costs associated with the issuance of long-term debt are capitalized and amortized over the life of the associated debt using the straight-line method. The respective long term debt is presented on the statement of financial position, net of the unamortized loan closing costs.

Contract Liabilities

Contract liabilities are reported as deferred revenue in the accompanying statement of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) – imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue From Contracts with Customers

Revenue is measured as the amount of consideration expected to be received in exchange for transferring goods or providing service. Crossroads recognizes contract revenue for financial reporting purposes at a point in time. Depending on the terms of the contract, Crossroads may defer the recognition of revenue and record a contract liability when a future performance obligation has not yet occurred.

Mission trip, camp and preschool revenue, which are nonrefundable, are recognized at the time in which the trip, camp or preschool services are provided. Crossroads will defer any payments received prior to the time of the services.

Revenue From Contributions

Crossroads recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donated Services, Equipment, and In-Kind Contributions

Donations of equipment and in-kind contributions are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Crossroads.

Crossroads has significant time contributed to its mission through volunteers, however, the statement of activities does not reflect the value of these services as they do not meet recognition criteria required under U.S. GAAP.

Advertising Costs

Crossroads expenses advertising costs as they are incurred.

Self-Insured Employee Health Plan Coverage and Costs

Crossroads participates in a full self-insured health benefits plan, which provides medical benefits to employees electing coverage under the plan. The estimated liability for outstanding claims at August 31, 2023 was $869,000. Crossroads adjusts the self-insured medical benefits reserve as Crossroads' loss experience changes due to medical inflation, changes in the number of plan participants and an aging employee base.

The plan utilizes a stop-loss insurance policy for catastrophic cases. Specific loss limits are $125,000 per individual. In addition, there is an aggregate loss limit of $1,000,000 annually.

Retirement Plan

Crossroads maintains a defined contribution retirement plan (the "Plan") under IRC Section 403(b) for all eligible employees except leased employees and employees who normally work less than 25 hours per week. The Plan provides for both employee and employer contributions. Crossroads contributes a discretionary amount up to 5% of the employee's regular salary. By its nature, the Plan is fully funded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Compensation Plan

Crossroads sponsors a nonqualified deferred compensation plan for the benefit of several key management employees. Crossroads is the legal and beneficial owner of all deferred amounts, securities and earnings on the investments under the plan until the deferred amounts vest with the participants. Such amounts are subject to the general creditors of Crossroads.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include staff expenses, ministry expenses, consultants/contractors, and information technology, which are allocated on the basis of estimates of time and effort.

Income Tax Status

Crossroads is an Ohio nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to the Internal Revenue Code with the exception of unrelated business income. As a religious organization, Crossroads is not required to file annual federal or state informational returns. However, Crossroads is subject to federal income tax on any unrelated business taxable income.

Crossroads' IRS Form 990-T, if applicable and filed, is subject to review and examination by federal and state authorities. Crossroads believes it has appropriate support for any tax positions taken, and therefore, does not have any uncertain income tax positions that are material to the financial statements.

Crossroads has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. Crossroads recognized no interest or penalties in the statement of activities for the year ended August 31, 2023. If the situation arose in which Crossroads would have interest to recognize, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. Crossroads is not currently under audit, nor have they been contacted by these jurisdictions.

Based on the evaluation of Crossroads' tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended August 31, 2023.

Adoption of New Accounting Standards

Lease Accounting Standard

Effective September 1, 2022, Crossroads adopted FASB ASC 842, *Leases*. The new standard establishes a right of use (ROU) model that requires a lessee to record a ROU assets and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a right of use asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term.

Crossroads elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows Crossroads to initially apply the new lease standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of net assets in the period of adjustment.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Crossroads elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract.

The adoption of FASB ASC 842, *Leases* resulted in the following impact at September 1, 2022:

Right of Use Asset - Operating Leases	$ 11,617,685
Operating Lease Liabilities	$ 12,065,001
Deferred Rent	(447,316)
Total Liabilities	$ 11,617,685

NOTE 2 - LIQUIDITY

Financial assets available for general use and without donor or other restrictions or designations limiting their use, within one year of the statement of financial position are comprised of the following:

	August 31, 2023
Cash	$ 6,719,083
Accounts Receivable	697,584
Investments	3,341,724
Total Financial Assets	10,758,391
Donor and Legally Restricted Assets	
Leadership Scholar Program	(1,925,050)
Trailblazers Campaign	(237,706)
GO Trips	(305,966)
Deferred Compensation Liability	(1,517,092)
Total Donor and Legally Restricted Assets	(3,985,814)
Total Financial Assets Available	$ 6,772,577

Crossroads has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 - CASH AND CASH FLOWS

For purposes of the statement of cash flows, Crossroads considers all highly liquid investments available for current use with an initial maturity of three months or less not held in an investment account to be a cash equivalent.

At various times throughout the year, Crossroads may have cash in financial institutions in excess of insured limits. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to $250,000 for each business depositor.

Cash paid for interest during the year ended August 31, 2023 was $1,062,909.

Crossroads had noncash financing, operating and investing activities as follows:

		August 31, 2023
Right of Use Assets Obtained in Exchange for Operating Lease Liabilities Upon Adoption of FASB ASC 842, *Leases*		
Right of Use Asset		11,617,685
Deferred Rent		447,316
Operating Lease Liabilities	$	12,065,001
Right of Use Assets Obtained in Exchange for New Operating Lease Liabilities	$	263,455
Acquisition of Property and Equipment Through Accounts Payable	$	1,287,731

NOTE 4 - INVESTMENTS

Investments held for funding the deferred compensation plan were as follows:

Mutual Funds at Fair Market Value	$	1,472,596

Other investments were as follows:

Cash and Cash Equivalents	$	303,325
Mutual Funds and Exchange Traded Funds		1,547,932
Common Stocks		17,871
Total Other Investments	$	1,869,128
Total Investments	$	3,341,724

The activity on the investments held for funding the deferred compensation plan is not recognized in the statement of activities as the employee is entitled to these earnings when the qualifications have been met for the employee to receive their payment under their plan. Accordingly, these amounts are recorded as increases and decreases to the deferred compensation liability recorded on the statement of financial position.

NOTE 5 - FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

LEVEL 1 - Inputs to the valuation methodology are unadjusted quoted prices for the identical assets or liabilities in active markets that Crossroads has the ability to access at the measurement date.

LEVEL 2 – Inputs for the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

LEVEL 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for marketable securities measured at fair value. There have been no changes in the methodologies used at August 31, 2023.

Cash and Cash Equivalents: Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds and Exchange Traded Funds: Valued at the daily closing price as reported by the fund. Mutual funds held are open-end mutual funds that are registered with the SEC.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Crossroads believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the operating date.

All investments were valued at level 1 at August 31, 2023.

Risks and Uncertainties

Crossroads invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect account balances and amounts reported in the statement of financial position.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consists of the following:

	August 31, 2023
Land	$ 10,495,769
Buildings and Improvements	107,446,015
Construction in Progress	2,490,053
Equipment	19,562,918
IT Equipment and Software	33,935,052
Furniture and Fixtures	2,191,393
Vehicles	324,599
	176,445,799
Less Accumulated Depreciation	77,879,788
Total Property and Equipment, Net	$ 98,566,011

NOTE 7 - LEASEHOLD IMPROVEMENTS

Leasehold improvements and related accumulated amortization consist of the following:

Leasehold Improvements	$ 18,107,822
Less Accumulated Amortization	5,581,929
Total Leasehold Improvements, Net	$ 12,525,893

NOTE 8 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

Employee Benefit Liabilities	$ 1,036,828
Deferred Compensation	1,517,092
Other Accrued Expenses	162,659
Accrued Payroll	75,206
	$ 2,791,785

NOTE 9 - CONTRACT BALANCES

Accounts receivable and deferred revenue balances from contracts with customers were as follows:

	August 31, 2023
Accounts Receivable	
Beginning of the Year	$ 724,593
End of the Year	$ 697,584
Deferred Revenue	
Beginning of the Year	$ 384,524
End of the Year	$ 926,966

NOTE 10 - NOTES PAYABLE

Crossroads has a note payable with an unrelated party. During 2021 the note charged interest at a rate of 4.9% with monthly principal and interest payments of $130,244. In November 2021 Crossroads renewed the term of the note at an interest rate of 3.95% with monthly principal and interest payments of $125,380. The maturity date remained March 2033 at which point the remaining unpaid principal and interest are due. The note is secured by mortgages on certain real and personal property owned by Crossroads and an assignment of interest in life insurance policies on the Senior Pastor. The note is subject to various covenants, all of which were met as of August 31, 2023.	$ 21,670,111
Crossroads has a note payable with an unrelated party. During 2021 the note charged interest at a rate of 4.4% with monthly principal and interest payments of $29,821. In November 2021 Crossroads renewed the term of the note at an interest rate of 3.95% with monthly principal and interest payments of $28,280. The maturity date remained March 2033 at which point the remaining unpaid principal and interest are due. The note is secured by mortgages on certain real and personal property owned by Crossroads and an assignment of interest in life insurance policies on the Senior Pastor.	4,887,413
Principal Amount	26,557,524
Less Unamortized Loan Costs	31,146
Total Notes Payable	$ 26,526,378

NOTE 10 - NOTES PAYABLE (Continued)

Remaining maturities (not including unamortized loan closing costs) on the notes payable are as follows:

Years Ending August 31,		
2024	$	806,550
2025		829,318
2026		875,733
2027		910,957
2028		945,106
Thereafter		22,189,860
	$	26,557,524

NOTE 11 - LINE OF CREDIT

Crossroads has established a $24,000,000 line of credit with a bank, collateralized by certain real estate and personal property of Crossroads. Amounts outstanding bear interest at the lender's deposit rate plus 2.5% (8.0% at August 31, 2023). At August 31, 2023, the line was not drawn on. The line matures in February 2027 and is subject to certain financial covenants, all of which were met at August 31, 2023.

NOTE 12 - LEASES

Lessee

Crossroads has six operating leases for the use of building and warehouse space and three operating leases for equipment, for which right of use assets were recorded on the statement of financial position of Crossroads. These leases expire on various dates through 2038, and several of these leases are subject to renewal and/or termination options which were not included in the calculation of the lease term as they are not reasonably certain to be exercised.

Additionally, Crossroads has signed an operating lease for building space, which is accounted for as a short-term lease. Crossroads has elected the practical expedient for short-term leases which allows for lease payments to be recognized in the statement of activities on a straight-line basis over the lease term.

The components of lease expenses that are included in the statement of activities are as follows:

		Year Ended August 31, 2023
Lease Expense		
Operating Lease Expense	$	1,149,091
Short-term Lease Expense		25,450
Total	$	1,174,541

NOTE 12 - LEASES (Continued)

The following summarizes the cash flow information, weighted average lease term, and discount rate related to operating leases as of and for the year ended August 31, 2023:

		Year Ended August 31, 2023
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities		
Operating Cash Flows from Operating Leases	$	1,091,690
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	$	12,328,456
Weighted-Average Remaining Lease Term in Years for Operating Leases		14.07
Weighted-Average Discount Rate for Operating Leases		3.59%

The maturities of operating lease liabilities are as follows:

Years Ending August 31,		
2024	$	1,128,963
2025		1,011,689
2026		981,874
2027		981,874
2028		1,020,098
Thereafter		9,789,277
Total Undiscounted Cash Flows		14,913,776
Less Present Value Discount		(3,260,412)
Total Lease Liabilities	$	11,653,364

Lessor

Crossroads has an operating lease agreement, as the lessor, in which Crossroads leases warehouse space to an unrelated party. The lease requires monthly payments of $21,075, and the lease expires in March 2024. The cost of the building in which space is leased was $3,945,783 and had a net book value of $3,912,911 at August 31, 2023. Additionally, Crossroads leases a portion of a parcel of land for a utility tower under an operating lease agreement, as the lessor. The lease requires annual payments varying from $19,044 to $33,308, and the lease expires in March 2047. Crossroads also has various short-term rental arrangements in which Crossroads is the lessor. Total lease revenue under operating lease agreements and short-term rental arrangements was $192,158 for the year ended August 31, 2023.

NOTE 12 - LEASES (Continued)

Minimum future rental payments under operating lease agreements are as follows:

Years Ending August 31,		
2024	$	166,569
2025		19,044
2026		19,044
2027		21,901
2028		21,901
Thereafter		502,988
Total	$	751,447

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

		August 31, 2023
Subject to Expenditure of Specific Purpose		
Leadership Scholar Program	$	1,925,050
Trailblazer Campaign		237,706
GO Trips		305,966
	$	2,468,722

NOTE 14 - DONATED SERVICES, EQUIPMENT, AND IN-KIND CONTRIBUTIONS

Gifts in-kind recognized in the statement of activities are as follows:

Donated Goods and Services Category	Types of Contributions	Program or Activity Usage	Donor Imposed Restrictions	Valuation	2023
Supplies	On-site Production and Office Supplies	Campus Operations	None	Standard Pricing for Similar Supplies	$ 107,285
Professional Services	Audio Visual and Related Services	National Team Operations	None	Standard Pricing for Similar Services	25,533
Professional Services	Website Services	Information and Technology	None	Standard Pricing for Similar Services	16,395
Food	Fresh Food Donations	Campus Operations	None	Direct Cost of Food Used	1,644
Professional Services	Discounts on General Services Provided	National Team Operations	None	Total of Nonprofit Discount Given	11,833
Total					$ 162,690

NOTE 15 - RETIREMENT PLAN EXPENSES

During the year ended August 31, 2023, Crossroads incurred contributions and expenses related to the 403(b) plan in the amounts of $958,761.

NOTE 16 - ADVERTISING EXPENSES

Advertising expense was $1,464,017 for the year ended August 31, 2023.

NOTE 17 - SUBSEQUENT EVENTS

Crossroads has evaluated subsequent events through November 30, 2023, which is the date the financial statements were available to be issued.

Subsequent to year-end, Crossroads entered into a real estate purchase agreement to purchase property for a price of $5,200,000.