Crossroads Community Church, Inc. and Subsidiary

August 31, 2022

Financial Statements and Independent Auditors' Report
Including Supplementary Information

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VonLehman
CPA & ADVISORY FIRM

INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the accompanying consolidated financial statements of Crossroads Community Church, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of August 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Crossroads Community Church, Inc. and Subsidiary as of August 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

The consolidated financial statements do not disclose an analysis of expenses by nature and function for the year ended August 31, 2022. In our opinion, disclosure of that information is required to conform with accounting principles generally accepted in the United States of America.

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 Consolidated 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 qualified audit opinion.

Emphasis of Matter

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended August 31, 2021, have been restated for the correction of material misstatements. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossroads Community Church, Inc. and its Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Crossroads Community Church, Inc. and its Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossroads Community Church, Inc. and its Subsidiary'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.

Report on Supplementary Information

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

VonLehman & Company Inc.

Fort Wright, Kentucky
April 5, 2023

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

ASSETS

Assets		
Cash	$	6,765,813
Accounts Receivable		724,593
Prepaid Expenses and Other Assets		1,407,349
Investments		2,894,730
Equity Investment		234,355
Property and Equipment, Net		94,820,172
Leasehold Improvements, Net		13,397,685
Total Assets	$	120,244,697

LIABILITIES AND NET ASSETS

Liabilities		
Accounts Payable	$	2,076,244
Accrued Expenses		1,841,985
Deferred Rent Payable		447,316
Deferred Revenue		384,524
Notes Payable		27,304,138
Total Liabilities		32,054,207
Net Assets		
Without Donor Restrictions		85,664,508
With Donor Restrictions		2,525,982
Total Net Assets		88,190,490
Total Liabilities and Net Assets	$	120,244,697

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains			
Ministry Contributions	$ 65,172,748	$ -	$ 65,172,748
Camp and Preschool Income	1,111,414	-	1,111,414
Mission Trip Contributions	908,579	-	908,579
Other Income	313,830	-	313,830
In-Kind Revenue	282,536	-	282,536
Interest Income	162,267	-	162,267
I'm In Campaign	-	160,631	160,631
Loss on Disposal of Property and Equipment	(70,998)	-	(70,998)
Net Investment Return	(33,142)	-	(33,142)
Loss on Equity Investment	(174,597)	-	(174,597)
Total Revenue, Support, and Gains	67,672,637	160,631	67,833,268
Net Assets Released From Restriction	412,476	(412,476)	-
Total Revenue, Support, Gains, and Reclassifications	68,085,113	(251,845)	67,833,268
Expenses			
Campus Operations	35,434,981	-	35,434,981
National Team Operations	10,722,701	-	10,722,701
Depreciation	6,991,434	-	6,991,434
ReachOut	6,912,141	-	6,912,141
Information and Technology	6,274,073	-	6,274,073
Interest Expense	1,340,912	-	1,340,912
Amortization	903,909	-	903,909
Total Expenses	68,580,151	-	68,580,151
Deficit of Revenue, Support, and Gains Over Expenses from Operations	(495,038)	(251,845)	(746,883)
Net Effect on Forgiveness of Notes	2,253,340	-	2,253,340
Change in Net Assets	1,758,302	(251,845)	1,506,457
Net Assets, Beginning of Year (As Restated)	83,906,206	2,777,827	86,684,033
Net Assets, End of Year	$ 85,664,508	$ 2,525,982	$ 88,190,490

See accompanying notes.

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2022

Cash Flows From Operating Activities	
Change in Net Assets	$ 1,506,457
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	6,991,434
Amortization	903,909
Amortized Loan Closing Cost Included in Interest Expense	16,222
Net Investment Return	33,142
Loss on Equity Investment	174,597
Donated Investments	(1,806,238)
Forgiveness of Note Receivable	567,121
Loss on Disposal of Property and Equipment	70,998
Changes in	
Accounts Receivable	(96,020)
Prepaid Expenses and Other Assets	(225,546)
Accounts Payable	(23,038)
Accrued Expenses	(219,644)
Deferred Rent Payable	92,783
Deferred Revenue	107,872
Net Cash Provided by Operating Activities	8,094,049
Cash Flows From Investing Activities	
Proceeds from Sale of Investments	2,823,859
Purchase of Investments	(862,569)
Purchases of Property and Equipment	(9,263,344)
Proceeds from Sale of Property and Equipment	757,735
Net Cash Used by Investing Activities	(6,544,319)
Cash Flows From Financing Activities	
Net Effect of Loan Forgiveness of Notes	(2,253,340)
Payments on Notes Payable	(735,953)
Net Cash Used by Financing Activities	(2,989,293)
Net Change in Cash	(1,439,563)
Cash, Beginning of Year	8,205,376
Cash, End of Year	$ 6,765,813

See accompanying notes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation

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

Crossroads OSG, Inc. ("OSG"), an Ohio Limited Liability Company, was established as a title holding corporation under Section 501(c)(2) of the Internal Revenue Code. OSG was organized exclusively for the purpose of holding title to real property, collecting income, and turning over the entire amount, less expenses, to the Church. The Church was the sole member of OSG. During 2022 the new market tax credit compliance period came to an end and all loans were forgiven and assets of OSG donated to the Church.

The consolidated financial statements include Crossroads Community Church, Inc. and its Subsidiary ("Crossroads"). The Church has both control and an economic interest in Crossroads OSG, Inc. Under accounting principles generally accepted in the United States of America (U.S. GAAP), Crossroads is required to present consolidated financial statements reflecting the financial position and results of the operations of both entities.

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.

All significant inter-entity transactions and balances have been eliminated in consolidation.

Use of Estimates

The process of preparing consolidated 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 consolidated 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, 2022 since Crossroads does not expect any material losses.

Contract Liabilities

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated statement of financial position. Net investment return is reported in the consolidated 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).

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, 2022.

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 consolidated statement of financial position, net of the unamortized loan closing costs.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 consolidated statement of activities as net assets released from restrictions.

Operations

Operating results in the consolidated statement of activities reflect all transactions increasing or decreasing net assets without donor restrictions except those items associated with the unwind of the new market tax credit.

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.

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.

Contributions for mission trips are considered donations to the overall trip, not to a specific participant of the trip. Trip contributions will be restricted for use on trip costs only.

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 consolidated 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022 was $408,000. 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.

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.

Income Tax Status

The Church 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, the Church is not required to file annual federal or state informational returns. However, the Church is subject to federal income tax on any unrelated business taxable income.

The Church's IRS Form 990-T is subject to review and examination by federal and state authorities. The Church 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 consolidated financial statements.

OSG is exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code and a similar provision of Ohio law. OSG is not considered a private foundation. However, OSG is subject to federal income tax on any unrelated business taxable income.

OSG's IRS Form 990 is subject to review and examination by federal and state authorities. OSG is not aware of any activities that would jeopardize its exempt status.

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 consolidated statement of activities for the year ended August 31, 2022. 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. The Church and OSG are not currently under audit nor have they been contacted by these jurisdictions.

Based on the evaluation of the Church and OSG's 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, 2022.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Significant Accounting Standards

Lease Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases that are not excluded by this standard. Such leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The ASU is effective for nonpublic entities for years beginning after December 15, 2021.

Crossroads is currently in the process of evaluating the impact of adoption of this ASU on their consolidated financial statements.

Subsequent Events

Crossroads has evaluated subsequent events through April 5, 2023, which is the date the consolidated financial statements were available to be issued.

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 consolidated statement of financial position are comprised of the following:

	August 31, 2022
Cash	$ 6,765,813
Investments	2,894,730
Accounts Receivable	724,593
Total Financial Assets	10,385,136
Donor and Legally Restricted Assets	
Leadership Scholor Program	(2,050,265)
Awaited Campaign	(9,044)
GO Trip Contributions	(466,673)
Deferred Compensation Liability	(1,075,796)
Total Donor and Legally Restricted Assets	(3,601,778)
Total Financial Assets Available	$ 6,783,358

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 consolidated 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, 2022 was $1,325,156.

NOTE 4 - INVESTMENTS

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

	August 31, 2022
Mutual Funds at Fair Market Value	$ 1,043,301

Other investments were as follows:

Cash and Cash Equivalents	$ 102,358
Mutual Funds and Exchange Traded Funds	1,711,735
Common Stocks	37,336
Total Other Investments	$ 1,851,429
Total Investments	$ 2,894,730

The activity on the investments held for funding the deferred compensation plan is not recognized in the consolidated 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 consolidated 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 the Church has the ability to access at the measurement date.

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

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.

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, 2022.

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 the Church 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, 2022.

Risks and Uncertainties

The Church 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 consolidated statement of financial position.

NOTE 6 - PROPERTY AND EQUIPMENT

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

	August 31, 2022
Land	$ 9,844,958
Buildings and Improvements	104,535,522
Construction in Progress	1,172,950
Equipment	17,698,848
IT Equipment and Software	29,641,480
Furniture and Fixtures	2,191,393
Vehicles	324,599
	165,409,750
Less Accumulated Depreciation	70,589,578
Total Property and Equipment, Net	$ 94,820,172

NOTE 7 - LEASEHOLD IMPROVEMENTS

Leasehold improvements and related accumulated amortization consist of the following:

Leasehold Improvements	$ 18,070,712
Less Accumulated Amortization	4,673,027
Total Leasehold Improvements, Net	$ 13,397,685

NOTE 8 - ACCRUED EXPENSES

Accrued expenses consisted of the following:

Employee Benefit Liabilities	$ 491,138
Deferred Compensation	1,075,796
Other Accrued Expenses	198,802
Accrued Payroll	76,249
	$ 1,841,985

NOTE 9 - CONTRACT BALANCES

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

		August 31, 2022
Accounts Receivable		
Beginning of the Year	$	628,573
End of the Year	$	724,593
Deferred Revenue		
Beginning of the Year	$	276,652
End of the Year	$	384,524

NOTE 10 - LINE OF CREDIT

The Church has established a $24,000,000 line of credit with a bank, collateralized by certain real estate and personal property of the Church. Amounts outstanding bear interest at the lender's deposit rate plus 2.5% (3.5% at August 31, 2022). At August 31, 2022, 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, 2022.

NOTE 11 - NOTES PAYABLE

		August 31, 2022
The Church 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 the Church 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 the Church 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, 2022.	$	22,307,370
The Church 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 the Church 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 the Church and an assignment of interest in life insurance policies on the Senior Pastor.		5,031,164
Principal Amount		27,338,534
Less Unamortized Loan Costs		34,396
Total Notes Payable	$	27,304,138

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

Years Ending August 31,		
2023	$	778,130
2024		806,550
2025		841,870
2026		875,733
2027		911,257
Thereafter		23,124,994
	$	27,338,534

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	August 31, 2022
Subject to Expenditure of Specific Purpose	
Leadership Scholar Program	$ 2,050,265
Awaited Campaign	9,044
Go Trips	466,673
	$ 2,525,982

NOTE 13 - DONATED SERVICES, EQUIPMENT, AND IN-KIND CONTRIBUTIONS

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

Donated Goods and Services Category	Types of Contributions	Program or Activity Usage	Donor Imposed Restrictions	Valuation	2022
Supplies	On-site Production and Office Supplies	Campus Operations	None	Standard Pricing for Similar Supplies	$ 255,967
Professional Services	Audio Visual and Related Services	National Team Operations	None	Standard Pricing for Similar Services	18,640
Professional Services	Website Services	Information and Technology	None	Standard Pricing for Similar Services	2,640
Maintenance Services	Paving and Stone Work	Campus Operations	None	Standard Pricing for Similar Services	2,100
Food	Fresh Food Donations	Campus Operations	None	Direct Cost of Food Used	1,806
Professional Services	Discounts on General Services Provided	National Team Operations	None	Total of Nonprofit Discount Given	1,383
Total					$ 282,536

NOTE 14 - OPERATING LEASES

The Church leases various space through lease agreements which expire at various dates through January 2038. Total lease expense (including additional charges) incurred during the year ended August 31, 2022 was $1,023,092.

The following are the net minimum lease payments for the remainder of these leases:

Years Ending August 31,		
2023	$	1,046,648
2024		1,022,978
2025		936,478
2026		936,478
2027		936,478
Thereafter		10,760,198
	$	15,639,258

NOTE 15 - RETIREMENT PLAN EXPENSES

During the year ended August 31, 2022, the Church incurred contributions and expenses related to the 403(b) plan in the amounts of $966,699.

NOTE 16 - ADVERTISING EXPENSES

Advertising expense was $1,341,314 for the year ended August 31, 2022.

NOTE 17 - NEW MARKET TAX CREDIT (NMTC)

The Church financed the development and construction of a building project through the New Market Tax Credit (NMTC) program. PNC New Markets Investment Partners, LLC, a Delaware limited liability company, contributed $2,768,874 in equity to Crossroads OSG Investment Fund, LLC (the “Fund”), an unaffiliated Delaware limited liability company. In conjunction with this equity investment, the Church made a loan of $6,105,723 to the Fund. In turn, the Fund made two Qualified Equity Investments (QEIs) in UNIF V, LLC (UCI sub-CDE), an Ohio limited liability company and community development entity (sub-CDE), and PNC CDE 61, LP (PNC Sub-CDE), a Pennsylvania limited partnership and community development entity (sub-CDE), of $7,251,200 and $1,623,397, respectively. In return, the sub-CDEs allocated $3,461,093 in New Market Tax Credits (the credits) to the Fund. Credits of $2,827,968 were allocated to UCI sub-CDE and $633,125 were allocated to PNC sub-CDE, pursuant to Section 45D of the Internal Revenue Code. UCI sub-CDE and PNC sub-CDE made loans to OSG for $7,033,664 and $1,623,397, respectively, which were used to finance the development and construction of its building project. The Church had pledged various assets as collateral for these loans. During 2022 the new market tax credit compliance period came to an end and all loans were forgiven and assets of Crossroads OSG donated to the Church.

Asset Management Fee Reserve

OSG was required to pay annual asset management fees due to UCI sub-CDE during the NMTC compliance period. Beginning December 2015, OSG was required to pay UCI sub-CDE service fees of $36,256 and audit and tax fees of $12,000 annually for seven years. The final payments of those fees were completed during 2022.

NOTE 17 - NEW MARKET TAX CREDIT (NMTC) (Continued)

Other

After the seven-year NMTC period expired during 2022, as anticipated ownership interest in the Fund was transferred to the Church. The Fund was liquidated, and its assets distributed to the Church. Immediately after the exit transactions were completed, the Church held the note payable from OSG and discharged the debt.

NOTE 18 - RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

In 2020, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial and economic markets across the World and within the United States. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the Church's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the Church.

NOTE 19 - PRIOR PERIOD ADJUSTMENT

The previously issued consolidated financial statements for the year ended August 31, 2021, have been restated to recognize contributions as restricted net assets which were originally recognized as without donor restricted contributions and a correction of lives related to leasehold improvements. For the year ended August 31, 2021, the effect of the restatements was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets at August 31, 2021	$ 87,115,373	$ 2,231,575	$ 89,346,948
Correction of Leasehold Improvement Lives	(2,662,915)	-	(2,662,915)
Trip Contributions Moved to With Donor Restrictions	(546,252)	546,252	-
Net Assets at September 1, 2021 - As Restated	$ 83,906,206	$ 2,777,827	$ 86,684,033

SUPPLEMENTARY INFORMATION

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2022

ASSETS

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Assets				
Cash	$ 6,765,813	$ -	$ -	$ 6,765,813
Accounts Receivable	724,593	-	-	724,593
Prepaid Expenses and Other Assets	1,407,349	-	-	1,407,349
Investments	2,894,730	-	-	2,894,730
Equity Investment	234,355	-	-	234,355
Property and Equipment, Net	94,820,172	-	-	94,820,172
Leasehold Improvements, Net	13,397,685	-	-	13,397,685
Total Assets	$ 120,244,697	$ -	$ -	$ 120,244,697

LIABILITIES AND NET ASSETS

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Liabilities				
Accounts Payable	$ 2,076,244	$ -	$ -	$ 2,076,244
Accrued Expenses	1,841,985	-	-	1,841,985
Deferred Rent Payable	447,316	-	-	447,316
Deferred Revenue	384,524	-	-	384,524
Notes Payable	27,304,138	-	-	27,304,138
Total Liabilities	32,054,207	-	-	32,054,207
Net Assets				
Without Donor Restrictions	85,664,508	-	-	85,664,508
With Donor Restrictions	2,525,982	-	-	2,525,982
Total Net Assets	88,190,490	-	-	88,190,490
Total Liabilities and Net Assets	$ 120,244,697	$ -	$ -	$ 120,244,697

CROSSROADS COMMUNITY CHURCH, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022

	Crossroads Community Church, Inc.	Crossroads OSG, Inc.	Eliminations	Total
Revenue, Support, and Gains				
Ministry Contributions	$ 65,172,748	$ -	$ -	$ 65,172,748
Camp and Preschool Income	1,111,414	-	-	1,111,414
Mission Trip Contributions	908,579	-	-	908,579
Other Income	313,830	748,638	(748,638)	313,830
In-Kind Revenue	282,536	-	-	282,536
Interest Income	162,267	-	-	162,267
I'm In Campaign	160,631	-	-	160,631
Loss on Disposal of Property and Equipment	(70,998)	-	-	(70,998)
Net Investment Return	(33,142)	-	-	(33,142)
Loss on Equity Investment	(174,597)	-	-	(174,597)
Total Revenue, Support, and Gains	67,833,268	748,638	(748,638)	67,833,268
Expenses				
Campus Operations	35,434,981	-	-	35,434,981
National Team Operations	11,373,719	97,620	(748,638)	10,722,701
Depreciation	6,677,793	313,641	-	6,991,434
ReachOut	6,912,141	-	-	6,912,141
Information and Technology	6,274,073	-	-	6,274,073
Interest Expense	1,151,332	189,580	-	1,340,912
Amortization	903,909	-	-	903,909
Total Expenses	68,727,948	600,841	(748,638)	68,580,151
(Deficit) Excess of Revenue, Support, and Gains Over Expenses from Operations	(894,680)	147,797	-	(746,883)
Net Effect on Forgiveness of Notes	(6,105,723)	8,359,063	-	2,253,340
Net Effect of Unwind of New Market Tax Credit	13,507,987	(13,507,987)		-
Change in Net Assets	6,507,584	(5,001,127)	-	1,506,457
Net Assets, Beginning of Year (As Restated)	81,682,906	5,001,127	-	86,684,033
Net Assets, End of Year	$ 88,190,490	$ -	$ -	$ 88,190,490