THE CROSSROADS CAMPUS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022

THE CROSSROADS CAMPUS

Table of Contents

December 31, 2022

THE CROSSROADS CAMPUS

Roster of Board of Directors and Management

As of December 31, 2022

Board of Directors

Karen Christian	Chair and Treasurer
Ann Fundis	Immediate Past Chair
David Conrad	Board Vice Chair
Teresa Nacarato	Board Secretary
Tara Armistead	Board Member
Margie Arnold	Board Member
Danny Brown	Board Member
Trey Calfee	Board Member
Robin Cohn	Board Member

Management

Lisa Stetar	Chief Executive Officer
Eric Davis	Director of Young Adult Programs
Daryl Evans	Director of Social Enterprise
Dott Freeman	Director of Development

Independent Auditor's Report

To the Board of Directors
The Crossroads Campus
Nashville, Tennessee

Opinion
We have audited the accompanying financial statements of The Crossroads Campus (the Organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, 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 the Organization as of December 31, 2022, and the changes in its net assets, functional expenses, and 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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.

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

(Auditor's report continued on next page)

40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215 p: (615) 296-0500 | f: (615) 296-0493
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067 pn-cpas.com

the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 and *Government 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.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 the Organization'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 the Organization'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.

(Auditor's report continued on next page)

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental Schedule of Expenditures of Federal and State Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Roster of the Board of Directors and Management on page 1, which is the responsibility of management, is of a nonaccounting nature and has not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion or provide assurance over the roster.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
June 29, 2023

The Crossroads Campus
Statement of Financial Position
December 31, 2022

Assets	
Current Assets	
Cash	$ 1,342,361
Investments	1,322,531
Grants receivable	1,393,477
Accounts receivable	19,821
Pledges receivable, current	715,263
Inventory	27,531
Prepaid insurance	15,911
Retainage receivable	210,208
Total Current Assets	5,047,103
Property and Equipment, net	7,977,969
Other Assets	
Long-term pledges receivable, net of discount	631,311
Total Other Assets	631,311
Total Assets	$ 13,656,383
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 623,729
Accrued expenses	551,549
Credit card payable	6,681
Current portion of long-term debt	68,978
Accrued wages	36,437
Total Current Liabilities	1,287,374
Long-Term Debt	
Mortgage payable	164,421
Economic Injury Disaster Loan	1,998,878
Construction loans	1,085,870
Total Long-Term Debt	3,249,169
Total Liabilities	4,536,543
Net Assets	
Without donor restrictions	9,119,840
Total Net Assets	9,119,840
Total Liabilities and Net Assets	$ 13,656,383

See independent auditor's report and accompanying notes to financial statements.

The Crossroads Campus
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Service revenue	$ 492,666	$ -	$ 492,666
Contributions	671,529	1,298,192	1,969,721
Event income	293,094	-	293,094
Contribution of nonfinancial assets	1,296	-	1,296
Rental income	13,011	-	13,011
Grant income	2,388,435	-	2,388,435
Employee retention revenue	128,856	-	128,856
Investment loss	(1,494)	-	(1,494)
Net assets released from restriction	2,906,253	(2,906,253)	-
Total Revenues and Support	6,893,646	(1,608,061)	5,285,585
Expenses			
Program services	1,096,066	-	1,096,066
Fundraising	173,079	-	173,079
General and administrative	202,441	-	202,441
Total Expenses	1,471,586	-	1,471,586
Change in Net Assets	5,422,060	(1,608,061)	3,813,999
Net Assets - Beginning of Year	3,697,780	1,608,061	5,305,841
Net Assets - End of Year	$ 9,119,840	$ -	$ 9,119,840

See independent auditor's report and accompanying notes to financial statements.

The Crossroads Campus
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 838,540	$ 141,442	$ 30,307	$ 1,010,289
Advertising	838	12,051	2,797	15,686
Bank fees	-	-	9,156	9,156
Contract labor	1,083	-	16,967	18,050
Cost of goods sold	131,058	-	-	131,058
Depreciation	37,623	-	-	37,623
Events	102	13,373	-	13,475
Insurance	2,648	-	15,373	18,021
Interest expense	5,313	-	44,902	50,215
Office expenses	962	361	7,922	9,245
Other expenses	9,211	5,045	12,510	26,766
Professional fees	744	180	30,142	31,066
Program expenses	38,754	322	1,941	41,017
Rent expense	200	-	-	200
Repairs and maintenance	8,725	305	4,240	13,270
Taxes	17,681	-	4,065	21,746
Travel	1,815	-	2,303	4,118
Utilities	769	-	19,816	20,585
Total Functional Expenses	$ 1,096,066	$ 173,079	$ 202,441	$ 1,471,586
Percent of Total Expenses	74%	12%	14%	

See independent auditor's report and accompanying notes to financial statements.

The Crossroads Campus
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows from Operating Activities	
Change in net assets	$ 3,813,999
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities	
Depreciation	37,623
Unrealized loss on investments	6,542
(Increase) Decrease in Operating Assets	
(Increase) decrease in pledge receivable	(46,930)
(Increase) decrease in accounts receivable	(16,830)
(Increase) decrease in retainage receivable	(210,208)
(Increase) decrease in grants receivable	(1,393,477)
(Increase) decrease in inventory	4,799
(Increase) decrease in prepaid insurance	(508)
(Increase) decrease in other assets	3,198
Increase (Decrease) in Operating Liabilities	
Increase (decrease) in accounts payable and accrued expenses	1,123,960
Increase (decrease) in credit card payables	2,976
Increase (decrease) in accrued wages	4,034
Total Adjustments	(484,821)
Net Cash Provided by (Used for) Operating Activities	3,329,178
Cash Flows from Investing Activities	
Purchase of property and equipment	(5,272,891)
Investment (purchases) proceeds, net	(1,329,073)
Net Cash Provided by (Used for) Investing Activities	(6,601,964)
Cash Flows from Financing Activities	
Principal payments on mortgage payables	(1,011,461)
Proceeds on construction loan	1,281,354
Principal payments on construction loan	(195,484)
EIDL loan proceeds	1,539,540
EIDL loan payments	(9,836)
Net Cash Provided by (Used for) Financing Activities	1,604,113
Net Change in Cash	(1,668,673)
Cash - Beginning of Year	3,011,034
Cash - End of Year	$ 1,342,361
Supplemental Cash Flow Information	
Interest paid, net of capitalized interest	$ 47,945

See independent auditor's report and accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

The Crossroads Campus (the Organization) is a non-profit organization that connects people and animals in need of loving and transformative relationships through innovative community programs. The Organization offers hope and healing, provides jobs and training, and finds loving homes for abandoned animals. The Organization does this by giving disadvantaged youth and adults the opportunity to care for homeless cats and dogs. The Organization also provides low-income housing, and case management services to disadvantage youths.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned rather than when collected and expenses are recognized when incurred rather than disbursed.

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to two classes of net assets (net assets with and without restrictions) based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors that can be fulfilled by the actions of the Organization pursuant to those restrictions or that expire by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities and Changes in Net Assets.

Measure of Operations
The Statement of Activities and Changes in Net Assets reports changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities, contributions, event income and rental income. Non-operating activities are limited to resources that generate return from investments, permanently restricted contributions, net assets released for capital expenditures, and other activities considered to be of a more unusual or non-recurring nature.

Use of Estimates
The management of the Organization has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reporting of revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from those estimates.

Program and Supporting Services - Functional Expenses
The following program and supporting services are included in the accompanying financial statements in the Statement of Functional Expenses:

> **Program Services** - include activities carried out to fulfill the Organization's mission, resulting in services such as job-training, humane education, pet adoptions through the retail store, housing and case management and other programs conducted by the Organization.
>
> **Supporting Services - Management and General** - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program, event or fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include Organization oversight, business management, record keeping, budgeting, financing, and other administrative activities.
>
> **Supporting Services - Fundraising and Special Events** - includes cost of activities directed toward appeals for financial support, including special event costs including food, space rental, entertainment, communication, wait staff, etc. Other activities include the cost of solicitations and creation and distribution of fundraising materials.

Classification of Expenses
Expenses are classified functionally as a measure of service efforts and accomplishments. Direct expenses, incurred for a single function, are allocated entirely to that function. Joint expenses, applicable to more than one function, are allocated on the basis of objectively summarized information or management estimates.

Donated Items

Certain contributed nonfinancial items, primarily meals and dog food are recorded as support and expenses. The Organization received no specialized services that were recorded as support and expense during the year ended December 31, 2022. Volunteer services, which neither create nor enhance nonfinancial assets or do not require specialized skills, are not recorded as support.

Inventory

The Organization values its inventory at the lower of cost or net realizable value, with cost being determined using the first in, first out (FIFO) method. Inventory consists of pet food and pet supplies.

Property and Equipment

Property and equipment are stated at cost or, if donated, at their estimated market value at the date of gift, less accumulated depreciation. Depreciation is provided over the assets' estimated useful lives using the straight-line method. Buildings, furniture and equipment, building improvements, and vehicles are depreciated over five to thirty-nine years. When significant, a portion of interest costs may be capitalized during construction-in-progress. During 2022, the Organization incurred and capitalized $13,110 in interest.

Expenditures for maintenance and repairs and items less than $1,000 are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in other income on the Statement of Activities and Changes in Net Assets.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there was no impairment at December 31, 2022.

Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and therefore, no provision for federal or state income taxes is included in the financial statements.

The Organization follows the guidance in FASB ASC 740 on accounting for uncertainty in income taxes. For all tax positions taken by the Organization, management believes it is clear that the likelihood is greater than 50 percent that the full amount of the tax positions taken will be ultimately realized. Therefore management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2019 - 2021). The Organization identifies its major tax jurisdiction's as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. The Organization incurred no interest or penalties during the year ended December 31, 2022.

Advertising
The Organization expenses advertising costs as incurred. During the year ended December 31, 2022, the Organization expensed $15,686 of advertising costs.

Fair Value Measurements
The Organization follows FASB ASC 820-10, *Fair Value Measurements*, with respect to its financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. U.S. GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Organization groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are as follows:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 - Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

U.S. GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, investments, inventory, accounts and pledge receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Investment Valuation

A majority of the Organization's investments consist of marketable securities and certificates of deposits and are measured on a recurring basis at fair value at the reporting date using quoted prices in active markets for identical assets (Level 1). All realized and unrealized gains (losses) are recognized in the Statement of Activities and Changes in Net Assets. Gains (losses) and investment income whose restrictions are met in the same reporting period are shown as unrestricted support.

Accounts and Grants Receivable

Accounts and grants receivable are stated at uncollected balances, less an allowance for doubtful accounts, if necessary. An allowance for doubtful accounts is established through a provision for receivable losses charged to expense. Management's estimate of doubtful accounts is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimate of the allowance for doubtful accounts could change. Receivables are charged against the allowance when management believes the collectibility of the receivable is unlikely. There was no allowance for doubtful accounts at December 31, 2022 and the Organization had not recognized any bad debt expense.

Right-of-Use Assets and Liabilities

Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and liabilities are recognized at commencement date based on the present value of future lease payments over the lease term, which includes only payments that are fixed and determinable at the time of commencement. When readily determinable, the Organization uses the interest rate implicit in a lease to determine the present value of future lease payments. For leases where the implicit rate is not readily determinable, the Organization's incremental borrowing rate is used. The Organization calculates its incremental borrowing rate on a periodic basis using a third-party financial model that estimates the rate of interest the Organization would have to pay to borrow an amount equal to the total lease payments on a collateralized basis over a term similar to the lease. The Organization applies its incremental borrowing rate using a portfolio approach. The ROU assets also include any lease payments made prior to commencement and is recorded net of any lease incentives received. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise such options. The Organization had no ROU assets or liabilities as of December 31, 2022.

Revenue Recognition
The Organization's revenues primarily consist of grant revenue, contributions, pet food product sales, and grooming services.

Grant revenue results from agreements, typically with government agencies or foundations, that fund specific activities of the Organization. The grants are of three primary types: unconditional contributions, conditional contributions, and contracts with customers. An agreement is a contribution if its primary purpose is to enable the Organization to provide a service to or for the benefit of members of the Organization or the general public rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit. The Organization recognizes grant and contract revenue associated with unconditional contributions without donor stipulations as revenue and net assets without donor restrictions. Unconditional contributions with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. The Organization recognizes grant and contract revenue associated with conditional contributions as earned when the conditions are met (allowable expenses have been incurred or as milestones are met). Any unused funds are forfeited, and if any expenditures are unallowed, the Organization is required to refund the amounts drawn down. In contrast, if the grant or contract provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer.

Grant revenue is subject to review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Revenue is recognized based on the following five step model:

- Identification of the contract with a customer or member
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Organization satisfies a performance obligation

Revenues from contracts are recognized when control of the promised goods or services is transferred to the member in an amount that reflects the consideration the Organization expects to be entitled to in exchange for transferring those goods or services.

The Organization is a 501(c)(3) not for profit organization. Contributors donate directly to the Organization to support the operations, expansion, and the charitable causes that the Organization sponsors. The Organization records the contributions when received either as contributions with or without donor restrictions based on the presence or absence of donor-imposed restrictions. In certain cases, the Organization receives written pledges from foundations or individuals for contributions that will be given over time. These are recorded as pledge receivables and are recorded net of any discounts or allowances (see Note 10). Verbal pledges are considered intentions to give and are not recorded until received.

Pet food, products and grooming services purchased at the pet store are recognized based on point of sale.

Note 2 - Adoption of New Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. ASU 2020-07 was issued to increase the transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in an Organization's programs and other activities. The Organization adopted the new standard effective January 1, 2022. There was no effect on changes in net assets as a result of this adoption and it did not have a significant impact on the financial statements, with the exception of increased disclosure.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 which requires lessees to recognize leases on the Statement of Financial Position and disclose key information about leasing arrangements. ASU 2016-02 was subsequently amended by ASU 2018-01, *Land Easement Practical Expedient for Transition* to Topic 842; ASU 2018-10, *Codification Improvements* to Topic 842, *Leases*; and ASU 2018-11, *Targeted Improvements*. ASU 2016-02 establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the Statement of Financial Position for all leases with a term longer than 12 months. Leases are also classified as finance or operating, with classification affecting the pattern and classification of expense recognition on the Statement of Activities and Changes in Net Assets. The Organization adopted the new standard effective January 1, 2022 using the optional alternative method of adoption. This method allows the Organization to apply the new requirements to only those leases that exist as of December 31, 2021. There was no effect on the Statement of Activities and Changes in Net Assets as a result of this adoption.

Using the adoption of the new lease standard, the Organization has elected to apply the following package of practical expedients:

- Contracts need not be reassessed to determine whether they are or contain leases.
- All existing leases that were previously classified as operating leases continue to be classified as operating leases, and all existing leases that were previously classified as capital leases continue to be classified as finance leases.
- Initial direct costs need not be reassessed.

The Organization has also elected the following practical expedients: (1) not to separate lease components from non-lease components, (2) as an accounting policy election, to apply the short-term lease exception, which does not require the capitalization of leases with terms of 12 months or less, (3) the use of hindsight in determining the lease term and in assessing impairment of ROU assets, (4) to apply the option not to assess whether existing or expired land easements, that were not previously evaluated, are or contain a lease. At December 31, 2022, the Organization had no significant ROU asset or liabilities that extended beyond 12 months.

Note 3 - Liquidity and Availability

The Organization's financial assets available within one year of the Statement of Financial Position for general expenditure are as follows:

Cash	$ 1,342,361
Investments	1,322,531
Grants receivable	1,393,477
Accounts receivable	19,821
Pledge receivable, current	715,263
Inventory	27,531
Prepaid insurance	15,911
Financial assets available to meet general expenditures over the next twelve months	$ 4,836,895

The Organization has no donor restricted net assets.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 4 - Investments

The Organization maintains investment accounts with two brokerage firms. Funds in these accounts have been primarily invested in certificates of deposit with maturity greater than three months and marketable equitable securities. The certificates of deposit and marketable equity securities are recorded at fair value with realized and unrealized gains/losses recorded as investment income in the Statement of Activities and Changes in Net Assets.

The following summarizes the investments by classification and method of valuation at December 31, 2022:

	Fair Value
Marketable equitable securities	$ 65,637
Certificates of deposit	1,255,048
Cash and cash equivalents	1,846
	1,322,531
Carrying value	(1,329,073)
Unrealized loss	$ (6,542)

The following is a summary of investment income at December 31, 2022:

Realized loss on investments	$ (3,861)
Interest and dividends	8,909
Unrealized loss on investments	(6,542)
Investment loss	$ (1,494)

Note 5 - Accrued Expenses

A summary of accrued expenses and liabilities as of December 31, 2022 is as follows:

Retainage payable	$ 545,732
Sales tax payable	4,187
Gift card liability	1,250
Tips liability	380
	$ 551,549

Note 6 - Concentrations of Credit Risk

The standard Federal Deposit Insurance Corporation (FDIC) insurance amount is set to $250,000 per depositor, per insured bank; and, therefore, amounts in excess of this $250,000 held by the Organization during the current year were uninsured and uncollateralized. Deposits have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any issues with respect to such amounts.

Investments are subject to market risk, the risk inherent in a fluctuating market. The brokers/dealers that are the custodians of the Organization's securities are covered by the Securities Investor Protection Corporation (SIPC), which provides limited protection to investors. SIPC coverage is limited to specified investor-owned securities (notes, bonds, mutual funds, investment company securities, and registered securities) held by an insolvent SIPC member at the time a supervising trustee is appointed. The SIPC also protects against unauthorized trading in the Organization's security account. SIPC coverage is limited to $500,000 per customer, including $250,000 for cash that is on deposit as the result of a security transaction. The SIPC protection does not insure against market risk.

Note 7 - Net Assets With Donor Restrictions

Net assets released from donor restrictions for the year ended December 31, 2022 are as follows:

Satisfaction of Program Restrictions

Buchanan Building Fund	$2,906,253

There are no net assets with donor restrictions as of December 31, 2022.

Note 8 - Property and Equipment

Property and equipment consist of the following at December 31, 2022:

Building	$ 694,599
Building improvements	111,195
Construction in progress	6,907,248
Furniture and equipment	100,286
Land	432,179
Vehicles	24,500
	8,270,007
Less - Accumulated depreciation	(292,038)
	$ 7,977,969

Depreciation expense was $37,623 for the year ended December 31, 2022.

Construction in progress at December 31, 2022 consists of costs related to the construction of new facilities on Buchanan Street in Nashville, Tennessee.

Note 9 - Concentrations

The Organization receives a substantial amount of its support and revenues from the retail store, grooming services, and donations from businesses, individuals, events, and foundations.

Note 10 - Pledges Receivable

Pledges receivable as of December 31, 2022 represent amounts pledged in relation to the new building capital campaign. All pledges receivable are considered collectible as of December 31, 2022.

A discount on pledges receivable expected to be received over several years is computed using risk-free interest rates applicable to the years in which the pledges are received. Future amortization of the discount will be included in donations revenue. The interest rate used in computing the discount of estimated future cash flows was 4.11%.

Pledges receivable as of December 31, 2022 are calculated as follows:

Pledges receivable	$1,423,441
Discount on pledges receivable	(76,867)
Pledges receivable, net	$1,346,574

Pledges receivable are due as follows:

2023	$ 715,263
2024	350,044
2025	210,669
2026	127,465
2027	7,500
Thereafter	12,500
Pledges receivable, gross	$ 1,423,441

Note 11 - Mortgage Debt

Mortgage debt consists of the following at December 31, 2022:

Commercial bank note	$ 176,472
Current portion of long-term debt	(12,051)
Total long-term debt	$ 164,421

Commercial bank note with an original amount of $260,000 dated April 25, 2014. Fixed payment schedule of $1,682 per month for 239 consecutive months. Interest is fixed at 4.69%. The note terminates on April 25, 2034 and is secured by real estate with a net carrying value of $427,612.

Future minimum principal payments are as follows:

2023	$ 12,051
2024	12,636
2025	13,250
2026	13,894
2027	14,570
Thereafter	110,071
	$ 176,472

Note 12 - Construction Loan

The Organization has a $4,280,000 construction loan with First Horizon of which $1,109,543, exclusive of $23,673 related loan costs, was outstanding at December 31, 2022, and it matures on February 18, 2032. The first payment is due on March 18, 2024. Twenty-four monthly interest payments are required beginning March 18, 2022 with interest at 4.3%. The loan is secured by real estate with a carrying value of $7,260,348. The Organization is in compliance with the loan's financial covenants and ratios at year-end.

Note 13 - EIDL Loan

In May 2020, the Organization applied for and received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) totaling $499,900. In 2022, the SBA extended the first payment of the EIDL loan from two years to thirty months. Monthly interest and principal payments totaling $2,136 began on November 1, 2022. The interest rate is 2.75% and began accruing on the date the Organization received the EIDL funds. Since no payments are due for 30 months, accrued interest totaling $31,677 was added to the principal balance at December 31, 2022. The final loan payment will be 30 years from the date of the loan. The SBA has a continuing security interest in the assets of the Organization.

In May 2022, the Organization applied for and received additional EIDL funds totaling $1,499,900. In 2022, the SBA extended the first payment of the EIDL loan from two years to thirty months. Monthly interest and principal payments totaling $6,731 begin in November 2024. The interest rate is 2.75% and began accruing on the date the Organization received the EIDL funds. Since no payments are due for 30 months, accrued interest totaling $24,329 was added to the principal balance at December 31, 2022. The final loan payment will be 30 years from the date of the loan. The SBA has a continuing security interest in the assets of the Organization.

Maturities of EIDLs as of December 31, 2022 are summarized as follows:

2023	$ 56,927
2024	54,661
2025	40,730
2026	51,646
2027	53,085
Thereafter	1,798,756
Total principal payments	$ 2,055,805

Note 14 - Grant Revenue

Grant revenue - Federal and State awards (conditional contributions) for the year ending December 31, 2022 are as follows:

	2022
Conditional Contributions	
Cost reimbursement grant - MDHA	$ 994,020
Cost reimbursement grant - THDA	370,923
Cost reimbursement grant - Metro Nashville	693,492
Cost reimbursement grant - THDA	330,000
Total conditional contributions	2,388,435
Total grant revenue - federal and state awards	$ 2,388,435

Conditional contributions totaling $2,388,435, of which $994,958 has been received, are included in grant revenue at December 31, 2022. Conditional amounts which have been earned but not been received, totaling approximately $1,393,477, are included in grants receivable at December 31, 2022.

Note 15 - Special Events

The Organization held several special fundraising events during the year ended December 31, 2022. The related revenues and expenses were as follows for the year ended December 31, 2022:

	Revenues	Expenses
Special events	$293,094	$13,475

Note 16 - Employee Retention Credit

The Organization determined its eligibility for the Employee Retention Credit (ERC) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act), which is a refundable credit against certain employment taxes of up to $5,000 per employee for eligible employees. The credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extended and slightly expanded the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the credit was equal to 70% of qualified wages paid to employees during the quarter, and the limit on qualified wages per employee was increased to $10,000 of qualified wages per quarter. The ERC is included in the Statement of Activities and Changes in Net Assets as Employee Retention revenue.

Note 17 - Subsequent Events

Subsequent to December 31, 2022, the Organization made withdrawals on their construction loan totaling $970,000 and made a payment of $194,968.

The Organization has evaluated subsequent events through June 29, 2023, the date which the financial statements were available to be issued.

Note 18 - Accounting Standards Not Yet Adopted

For time-to-time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Organization adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the financial statements upon adoption.

SUPPLEMENTARY INFORMATION

The Crossroads Campus
Schedule of Expenditures of Federal and State Awards
Year Ended December 31, 2022

Federal Grantor/ Pass-Through Grantor Agency/ State Program Title	Program Name	Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Federal Awards				
U.S. Department of Housing and Urban Development:				
Through Metropolitan Development and Housing Agency (MDHA):	The Crossroads Campus Expansion Project	14.218	N/A	$ 994,020
Through Tennessee Housing Development Agency (THDA):	The Crossroads Campus Expansion Project	14.275	N/A	370,923
	Total U.S. Department of Housing and Urban Development			1,364,943
Small Business Administration (SBA):				
COVID-19 Economic Injury Disaster Loan		59.008	N/A	1,499,900
	Total Federal Awards			2,864,843
State Awards				
Metropolitan Government of Nashville and Davidson County - The Crossroads Campus Expansion Project	N/A	N/A	N/A	693,492
Tennessee Housing Development Agency - The Crossroads Campus Expansion Project	N/A	N/A	N/A	330,000
	Total State Awards			1,023,492
	Total Federal and State Awards			$ 3,888,335

Notes to Schedule of Expenditures of Federal and State Awards

Note 1 - Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal grant activity of the Organization under programs of the federal government passed through from the State of Tennessee for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies For Federal Expenditures

The Schedule is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Total federal awards include the Economic Injury Disaster funds received through the SBA in May 2022. Installment payments of $6,731, including principal and interest at a rate of 2.75% will begin in November 2024 and mature May 2052. The loan balance is $1,499,900 at December 31, 2022.

The Organization did not expend any Federal or State awards during 2022 in the form of non-cash assistance or provide any funds to subrecipients.

Note 3 - Contingencies

These programs are subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

Note 4 - Reconciliation to Statement of Activities

Grant revenue of Federal and State awards per books	$ 2,388,435
COVID-19 Economic Injury Disaster Loan	1,499,900
Total Federal and State Awards per SEFA	$ 3,885,335

PURYEAR &
NOONAN, CPAs

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
The Crossroads Campus
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Crossroads Campus (the Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2023.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these

(Auditor's report continued on next page)

40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215 p: (615) 296-0500 | f: (615) 296-0493
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067 pn-cpas.com

limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
June 29, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
The Crossroads Campus
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Crossroads Campus (the Organization), a nonprofit organization, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

(Auditor's report continued on next page)

40 Burton Hills Blvd. | Suite 170 | Nashville, TN 37215 p: (615) 296-0500 | f: (615) 296-0493
830 Crescent Centre Drive | Suite 320 | Franklin, TN 37067 pn-cpas.com

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

(Auditor's report continued on next page)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
June 29, 2023

Section I Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:
- Material weakness(es) identified? ____ yes __X__ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ____ yes __X__ none reported

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

Internal control over major programs:
- Material weakness(es) identified? ____ yes __X__ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ____ yes __X__ none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? ____ yes __X__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	MDHA - The Crossroads Campus Expansion Project
59.008	SBA – COVID-19 – Economic Injury Disaster Loan

(Continued on next page)

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	_____	yes	X	no

Section II Financial Statement Findings

No matters were reported.

Section III Federal Award Findings and Questioned Costs

No matters were reported.