

The Crossroads Campus

Financial Statements
December 31, 2016

Table of Contents

Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to Financial Statements	7
Note 1 - Description and Purpose of the Organization.....	8
Note 2 - Summary of Significant Accounting Policies	8
Note 3 – Credit Risk.....	11
Note 4 – Fixed Assets	11
Note 5 – Concentrations	11
Note 6 – Long-Term Debt.....	11
Note 7 – Special events	12
Note 8 – Subsequent Events	12

Independent Auditor's Report

To the Board of Directors of
The Crossroads Campus
Nashville, TN

Report on the Financial Statements

We have audited the accompanying financial statements of The Crossroads Campus (the Organization) which comprise the statements of financial position as of December 31, 2016, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Auditor's report continued on next page)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Crossroads Campus as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.

Nashville, TN

March 4, 2017

**The Crossroads Campus
Statement of Financial Position
December 31, 2016**

Assets

Current Assets

Cash	\$ 182,174
Accounts Receivable	19,108
Deposits	25,000
Inventory	38,427
Investments	62,829
Total Current Assets	<u>327,538</u>

Fixed Assets

Building and Improvements	783,654
Furniture & Equipment	52,193
Land	79,079
Vehicles	24,500
Less: Accumulated Depreciation	<u>(76,023)</u>
Net Fixed Assets	863,403

Other Assets

3,198

Total Assets

\$ 1,194,139

Liabilities and Net Assets

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 59,724
Current Portion of Long-Term Debt	9,065
Payroll Liabilities	6,213
Total Current Liabilities	<u>75,002</u>

Long-Term Debt

Mortgage Payable	<u>229,103</u>
------------------	----------------

Total Liabilities

304,105

Net Assets

Unrestricted Net Assets	851,284
Temporarily Restricted Net Assets	38,750
Total Net Assets	<u>890,034</u>

Total Liabilities and Net Assets

\$ 1,194,139

The Crossroads Campus
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Service Revenue	\$ 303,559	\$ -	\$ 303,559
Contributions	374,854	-	374,854
Event Income	120,848	-	120,848
Grant Income	43,858	52,500	96,358
In-Kind Income	3,198	-	3,198
Rental Income	11,350		11,350
Net assets released from Restriction	38,818	(38,818)	-
Total Revenues and Support	<u>896,485</u>	<u>13,682</u>	<u>910,167</u>
Expenses:			
Program Services	588,697	-	588,697
Fundraising	54,098	-	54,098
General and Administrative	86,063	-	86,063
Total Expenses	<u>728,858</u>	<u>-</u>	<u>728,858</u>
Change in Net Assets	167,627	13,682	181,309
Net Assets, Beginning of the Year	<u>683,657</u>	<u>25,068</u>	<u>708,725</u>
Net Assets, End of the Year	<u><u>\$ 851,284</u></u>	<u><u>\$ 38,750</u></u>	<u><u>\$ 890,034</u></u>

**The Crossroads Campus
Statement of Cash Flows
For the Year Ended December 31, 2016**

Cash Flows from Operating Activities:

Change in Net Assets \$ 181,309

**Adjustments to Reconcile Change in Net Assets
to Net Cash Provided by Operating Activities:**

Depreciation	33,542
In-Kind Donations	(3,198)
(Increase) Decrease in Accounts Receivable	(17,570)
(Increase) Decrease in Inventory	8,399
(Increase) Decrease in Investments	(62,827)
Increase (Decrease) in Accounts Payable and Accrued Expenses	9,648

Total Adjustments	<u>(32,006)</u>
--------------------------	-----------------

Net Cash Provided by Operating Activities	<u>149,303</u>
--	----------------

Cash Flows from Financing Activities

Cash Deposits on Real Estate	(25,000)
Cash Payments for Fixed Assets	<u>(148,359)</u>

Net Cash Used for Financing Activities	<u>(173,359)</u>
---	------------------

Cash Flows from Financing Activities

Principal Payments on Mortgage Payable	<u>(8,365)</u>
--	----------------

Net Cash Used for Financing Activities	<u>(8,365)</u>
---	----------------

Net Decrease in Cash	(32,421)
-----------------------------	----------

Cash, Beginning of the Year	<u>214,595</u>
------------------------------------	----------------

Cash, End of Year	<u><u>\$ 182,174</u></u>
--------------------------	--------------------------

Supplemental Cash Flow Information:

Interest Paid	\$ 10,185
---------------	-----------

The Crossroads Campus
Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 345,903	\$ 32,275	\$ 41,505	\$ 419,683
Cost of Goods Sold	127,898	-	-	127,898
Depreciation	33,542	-	-	33,542
Professional Fees	5,928	20,650	2,033	28,611
Program Expenses	19,868	-	-	19,868
Other Expenses	4,057	3,713	6,870	14,640
Office Expenses	1,511	11,549	37	13,097
Utilities	10,173	916	-	11,089
Interest Expense	10,185	-	-	10,185
Insurance	498	9,456	-	9,954
Advertising	6,600	1,231	1,074	8,905
Bank Fees	6,913	684	-	7,597
Taxes	6,608	-	-	6,608
Contract Labor	820	5,487	-	6,307
Repairs and Maintenance	4,784	-	-	4,784
Travel	1,849	42	425	2,316
Events	-	60	2,154	2,214
Rent Expense	1,560	-	-	1,560
Total Functional Expenses	\$ 588,697	\$ 86,063	\$ 54,098	\$ 728,858

The Crossroads Campus

Notes to Financial Statements

December 31, 2016

NOTE 1 - DESCRIPTION AND PURPOSE OF THE ORGANIZATION

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 Crossroads Campus offers hope and healing, provides jobs and training, and finds loving homes for abandoned animals. The Crossroads Campus does this by giving disadvantaged youth and adults the opportunity to care for homeless cats and dogs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting which means that revenues are recognized when earned and expenses are recorded when incurred. The significant accounting policies of the Organization are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

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

Financial Statement Presentation

For financial statement presentation, the Organization reports its financial information according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based on the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets

Unrestricted net assets are donations that are not subject to donor-imposed stipulations. Monies received without restriction or released from restriction are generally used to finance the normal day-to-day operations of the Organization.

Temporarily Restricted Net Assets

Temporarily restricted net assets are donations that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2016, there were \$38,750 of temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are donations subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of December 31, 2016, there were no permanently restricted net assets.

Program and Supporting Services – Functional Allocation

The following program and supporting services are included in the accompanying financial statements:

Program services - include activities carried out to fulfill the Organization's mission, resulting in services such as job-training, humane education and pet adoptions through the retail store 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.

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.

Donated Services

Donated services that require specialized skills and would be purchased if not provided by the donor are recognized as support and expenses based on the fair value of the services received.

Deposits

The Organization made a deposit of \$25,000 as earnest money on property it wants to purchase during 2017. The fair market value of the property is estimated to be \$1.5 million. The earnest money is refundable until the end of the 60-day due diligence phase, which has not yet begun as of March 4, 2017.

The Organization plans to use the property to expand affordable housing, job training, and animal welfare and pet adoption services.

Inventory

Inventory consists of merchandise sold at the Organization's retail store and is reported at the lower of cost (first-in, first-out method) or market.

Investments

The Organization maintains an investment account to accept stock donations from donors. The Organization's policy is to sell stocks upon receipt and not to hold them as investments. The balance in investments of \$62,827 was the result of stock donations received on December 27, 2016. These stocks were sold in January of 2017.

Fixed Assets

Fixed assets are recorded at cost and are depreciated using the straight-line method based on the following estimated useful lives of the assets.

Building	39 years
Vehicle	5 years
Furniture & Equipment	5 – 7 years

Significant additions and betterments are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Other Assets

During the year ended December 31, 2016 the Organization received a work of art as a donation to be sold at a fundraising event. The artwork is expected to be sold during 2017. The artwork has been recorded at its estimated fair market value which is based on comparison with similar paintings by the same artist.

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.

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 applicable.

The Organization follows the guidance in 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. The Organization incurred no interest or penalties during the year ended December 31, 2016.

NOTE 3 – CREDIT RISK

The Organization maintains its cash in bank deposit accounts that at times may exceed the federally insured limit of \$250,000.

NOTE 4 – FIXED ASSETS

Property and equipment consist of the following at December 31, 2016:

Building	\$448,114
Building Improvements	335,540
Furniture & Equipment	52,193
Land	79,079
Vehicles	24,500
	<hr/>
	939,426
Less accumulated depreciation	(76,023)
	<hr/>
	<u>\$ 863,403</u>

Depreciation expense was \$33,542 for the year ended December 31, 2016.

NOTE 5 – 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 6 – LONG-TERM DEBT

Long-Term Debt consists of a single commercial note bearing an interest rate of 4.69% with a balance of \$238,168 at December 31, 2016 collateralized by property and a building. The note matures on April 25, 2034. Interest expense on this loan was \$10,185 for the year ended December 31, 2016.

Future minimum principal payments are as follows:

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
\$9,065	\$9,505	\$9,967	\$10,451	\$10,959	\$188,221

NOTE 7 – SPECIAL EVENTS

The Organization held several special fundraising events during the year ended December 31, 2016. The related revenues and expenses were as follows for the year ended December 31, 2016:

	Revenues	Expenses
Special events	\$120,848	\$2,214

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 4, 2017, the date that the financial statements were available to be issued.