

# The Crossroads Campus

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Financial Statements  
December 31, 2015

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**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, 2015, 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, 2015, 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.



McKerley & Noonan, P.C.  
Nashville, TN  
March 4, 2016

**The Crossroads Campus  
Statement of Financial Position  
December 31, 2015**

**Assets**

**Current Assets**

Cash	\$ 214,595
Credit Card Receivable	1,538
Inventory	46,828
<b>Total Current Assets</b>	<u>262,961</u>

**Fixed Assets**

Land	79,079
Building and Improvements	537,169
Furniture & Equipment	44,055
Vehicles	24,500
Construction In Progress	106,264
Less: Accumulated Depreciation	<u>(42,481)</u>
<b>Net Fixed Assets</b>	<u>748,586</u>

<b>Total Assets</b>	<u><u>\$ 1,011,547</u></u>
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**Liabilities and Net Assets**

**Current Liabilities**

Accounts Payable and Accrued Expenses	\$ 35,160
Current Portion of Long-Term Debt	8,644
Payroll Liabilities	21,129
<b>Total Current Liabilities</b>	<u>64,933</u>

**Long-Term Debt**

Mortgage Payable	<u>237,889</u>
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<b>Total Liabilities</b>	302,822
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**Net Assets**

Unrestricted Net Assets	683,657
Temporarily Restricted Net Assets	25,068
<b>Total Net Assets</b>	<u>708,725</u>

<b>Total Liabilities and Net Assets</b>	<u><u>\$ 1,011,547</u></u>
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**The Crossroads Campus**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Support:</b>			
Service Revenue	\$ 276,461	\$ -	\$ 276,461
Contributions	226,508	105,000	331,508
Event Income	123,632	-	123,632
Grant Income	-	55,191	55,191
Net assets released from Restriction	147,623	(147,623)	-
<b>Total Revenues and Support</b>	<u>774,224</u>	<u>12,568</u>	<u>786,792</u>
<b>Expenses:</b>			
Program Services	512,413	-	512,413
Fundraising	65,865	-	65,865
General and Administrative	61,531	-	61,531
<b>Total Expenses</b>	<u>639,809</u>	<u>-</u>	<u>639,809</u>
<b>Change in Net Assets</b>	134,415	12,568	146,983
<b>Net Assets, Beginning of the Year</b>	<u>549,242</u>	<u>12,500</u>	<u>561,742</u>
<b>Net Assets, End of the Year</b>	<u>\$ 683,657</u>	<u>\$ 25,068</u>	<u>\$ 708,725</u>

**The Crossroads Campus  
Statement of Cash Flows  
For the Year Ended December 31, 2015**

**Cash Flows from Operating Activities:**

Change in Net Assets \$ 146,983

**Adjustments to Reconcile Change in Net Assets**

**to Net Cash Provided by Operating Activities:**

Depreciation 24,649

(Increase) Decrease in Credit Card Receivable (1,538)

(Increase) Decrease in Inventory (11,047)

Increase (Decrease) in Accounts Payable and Accrued Expenses 27,825

**Total Adjustments** 39,889

**Net Cash Provided by Operating Activities** 186,872

**Cash Flows from Financing Activities**

Cash Payments for Construction In Progress (106,264)

Cash Payments for Fixed Assets (39,516)

**Net Cash Used for Financing Activities** (145,780)

**Cash Flows from Financing Activities**

Principal Payments on Mortgage Payable (8,207)

**Net Cash Used for Financing Activities** (8,207)

**Net Increase in Cash** 32,885

**Cash, Beginning of the Year** 181,710

**Cash, End of Year** \$ 214,595

**Supplemental Cash Flow Information:**

Interest Paid \$ 11,970

**The Crossroads Campus**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2015**

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 304,885	\$ 30,298	\$ 43,556	\$ 378,739
Cost of Goods Sold	101,185	-	-	101,185
Depreciation	24,649	-	-	24,649
Program Expenses	23,755	450	-	24,205
Professional Fees	3,862	13,095	107	17,064
Interest Expense	11,970	-	-	11,970
Advertising	5,049	414	4,841	10,304
Utilities	10,101	-	-	10,101
Office Expenses	2,966	4,413	2,431	9,810
Events	584	-	9,157	9,741
Other Expenses	3,819	3,438	2,138	9,395
Repairs and Maintenance	9,182	34	-	9,216
Bank Fees	6,451	1,062	76	7,589
Contract Labor	-	4,744	972	5,716
Travel	349	1,527	2,587	4,463
Insurance	408	1,856	-	2,264
Taxes	1,923	-	-	1,923
Rent Expense	1,275	200	-	1,475
<b>Total Functional Expenses</b>	<b>\$ 512,413</b>	<b>\$ 61,531</b>	<b>\$ 65,865</b>	<b>\$ 639,809</b>

# The Crossroads Campus

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## **Notes to Financial Statements**

December 31, 2015

**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, 2015, there were \$25,068 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, 2015, 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.

***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.

***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.

***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, 2015.

**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, 2015:

Building	\$448,114
Furniture & Equipment	44,055
Building Improvements	89,055
Land	79,079
Vehicles	24,500
	<hr/> 684,803
Less accumulated depreciation	<hr/> (42,481)
	<hr/> \$ 642,322 <hr/>

Depreciation expense was \$24,649 for the year ended December 31, 2015.

**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 \$246,533 at December 31, 2015 collateralized by property and a building. The note matures on April 25, 2034. Interest expense on this loan was \$11,970 for the year ended December 31, 2015.

Future minimum principal payments are as follows:

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
\$8,644	\$9,065	\$9,505	\$9,967	\$10,451	\$198,901

**NOTE 7 – SPECIAL EVENTS**

The Organization held several special fundraising events during the year ended December 31, 2015. The related revenues and expenses were as follows for the year ended December 31, 2015:

	<b>Revenues</b>	<b>Expenses</b>
Special events	\$123,632	\$9,741

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 4, 2016, the date that the financial statements were available to be issued.