

The Crossroads Campus

Financial Statements
December 31, 2014

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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 consolidated financial statements of The Crossroads Campus (the Organization) which comprise the consolidated statements of financial position as of December 31, 2014, and the related consolidated statements of activities, 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 as of December 31, 2014, 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 blue ink, reading "McKerley & Noonan". The signature is written in a cursive, flowing style.

McKerley & Noonan, P.C.

Nashville, TN

February 25, 2015

**The Crossroads Campus
Statement of Financial Position
December 31, 2014**

Assets

Current Assets:

Cash	\$ 181,710
Inventory	35,781
Total Current Assets	<u>217,491</u>

Fixed Assets:

Land	79,079
Building and Improvements	530,861
Furniture & Equipment	35,347
Less: Accumulated Depreciation	<u>(17,832)</u>
Net Fixed Assets	<u>627,455</u>

Total Assets	<u><u>\$ 844,946</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable and Accrued Expenses	\$ 16,905
Current Portion of Long-Term Debt	8,244
Payroll Liabilities	<u>11,559</u>
Total Current Liabilities	36,708

Long-Term Debt

Mortgage Payable	<u>246,496</u>
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Total Liabilities	283,204
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Net Assets:

Unrestricted Net Assets	549,242
Temporarily Restricted Net Assets	<u>12,500</u>
Total Net Assets	<u>561,742</u>

Total Liabilities and Net Assets	<u><u>\$ 844,946</u></u>
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The Crossroads Campus
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support:			
Service Revenue	\$ 199,599	\$ -	\$ 199,599
Contributions	327,318	285,000	612,318
Rental Income	5,550	-	5,550
Net assets released from Restriction	<u>285,000</u>	<u>(285,000)</u>	<u>-</u>
Total Revenues and Support	<u>817,467</u>	<u>-</u>	<u>817,467</u>
Expenses:			
Program Services	420,120	-	420,120
Fundraising	34,269	-	34,269
General and Administrative	<u>48,372</u>	<u>-</u>	<u>48,372</u>
Total Expenses	<u>502,761</u>	<u>-</u>	<u>502,761</u>
Change in Net Assets	314,706	-	314,706
Net Assets, Beginning of the Year	<u>234,536</u>	<u>12,500</u>	<u>247,036</u>
Net Assets - End of the Year	<u><u>\$ 549,242</u></u>	<u><u>\$ 12,500</u></u>	<u><u>\$ 561,742</u></u>

**The Crossroads Campus
Statement of Cash Flows
For the Year Ended December 31, 2014**

Cash Flows from Operating Activities:

Change in Net Assets \$ 314,706

Adjustments to Reconcile Change in Net Assets

to Net Cash Provided by Operating Activities:

Depreciation 15,150

(Increase) Decrease in Inventory (1,837)

Increase (Decrease) in Accounts Payable and Accrued Expenses 21,243

Total Adjustments 34,556

Net Cash Provided by Operating Activities 349,262

Cash Flows from Financing Activities

Cash Payments for Fixed Assets (615,149)

Net Cash Used for Financing Activities (615,149)

Cash Flows from Financing Activities

Proceeds from Mortgage Payable 260,000

Principal Payments on Mortgage Payable (5,260)

Net Cash Used for Financing Activities 254,740

Net Decrease in Cash (11,147)

Cash, Beginning of the Year 192,857

Cash, End of Year \$ 181,710

Supplemental Cash Flow Information:

Interest Paid \$ 8,192

The Crossroads Campus
Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 220,853	\$ 23,994	\$ 27,811	\$ 272,658
Cost of Goods Sold	88,389	-	-	88,389
Advertising	9,327	112	3,169	12,608
Bank Fees	3,734	267	445	4,446
Contract Labor	9,459	604	-	10,063
Depreciation	15,150	-	-	15,150
Events	1,102	-	1,059	2,161
Insurance	7,679	6,283	-	13,962
Interest Expense	8,192	-	-	8,192
Office Expenses	2,977	2,194	245	5,416
Other Expenses	8,725	5,164	1,540	15,429
Professional Fees	4,260	9,754	-	14,014
Program Expenses	18,144	-	-	18,144
Rent Expense	8,590	-	-	8,590
Repairs and Maintenance	5,414	-	-	5,414
Utilities	8,125	-	-	8,125
Total Functional Expenses	\$ 420,120	\$ 48,372	\$ 34,269	\$ 502,761

The Crossroads Campus

Notes to Financial Statements

December 31, 2014

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, 2014, there were \$12,500 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, 2014, 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 (formerly FIN 48). 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. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2011. The Organization incurred no interest or penalties during the year ended December 31, 2014.

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, 2014:

Building	\$448,114
Furniture & Equipment	35,347
Building Improvements	82,747
Land	79,079
	<hr/> 645,287
Less accumulated depreciation	(17,832)
	<hr/> \$ 627,455

Depreciation expense was \$15,150 for the year ended December 31, 2014.

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. The Organization also received \$290,000 in donations from a single donor during 2014, \$260,000 of which was earmarked for the purchase of the Organization's Building which houses the retail store.

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 \$254,740 at December 31, 2014 collateralized by property and a building. The note matures on April 25, 2034. Interest expense on this loan was \$8,192 for the year ended December 31, 2014.

NOTE 7 – SPECIAL EVENTS

The Organization held several special fundraising events during the year ended December 31, 2014. The related revenues and costs were as follows for the year ended December 31, 2014:

	Revenues	Expenses
Special events	\$79,344	\$2,161

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 25, 2014, the date that the financial statements were available to be issued.