THE CROSSROADS CAMPUS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2019

THE CROSSROADS CAMPUS

Table of Contents

December 31, 2019

PURYEAR &
NOONAN, CPAs

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying financial statements of The Crossroads Campus (the Organization) which comprise the statement of financial position as of December 31, 2019, 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.

(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

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

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, 2019, and the results of its activities and changes in net assets, cash flows and functional expenses for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
May 8, 2020

The Crossroads Campus
Statement of Financial Position
December 31, 2019

Assets

Current Assets	
Cash	$ 722,759
Accounts receivable	5,365
Pledge receivable, current	50,000
Inventory	28,035
Total Current Assets	806,159
Property and Equipment, net	2,297,518
Other Assets	
Long-term pledge receivable, net of discount	137,896
Artwork	3,198
Total Other Assets	141,094
Total Assets	$ 3,244,771

Liabilities and Net Assets

Current Liabilities	
Accounts payable and accrued expenses	$ 12,738
Current portion of long-term debt	10,451
Payroll liabilities	18,828
Total Current Liabilities	42,017
Long-Term Debt	
Mortgage payable	1,198,858
Total Liabilities	1,240,875
Net Assets	
Without donor restrictions	1,904,792
With donor restrictions	99,104
Total Net Assets	2,003,896
Total Liabilities and Net Assets	$ 3,244,771

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

The Crossroads Campus
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Service revenue	$ 434,629	$ -	$ 434,629
Contributions	583,297	399,074	982,371
Event income	205,319	-	205,319
In-Kind income	18,857	-	18,857
Rental income	48,784	-	48,784
Net assets released from restriction	675,075	(675,075)	-
Total Revenues and Support	1,965,961	(276,001)	1,689,960
Expenses			
Program services	1,021,995	-	1,021,995
Fundraising	108,869	-	108,869
General and administrative	95,558	-	95,558
Total Expenses	1,226,422	-	1,226,422
Change in Net Assets	739,539	(276,001)	463,538
Net Assets - Beginning of Year	1,165,253	375,105	1,540,358
Net Assets - End of Year	$ 1,904,792	$ 99,104	$ 2,003,896

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

The Crossroads Campus
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities	
Change in net assets	$ 463,538
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	60,915
(Increase) decrease in pledge receivable	(187,896)
(Increase) decrease in accounts receivable	(2,691)
(Increase) decrease in inventory	2,709
(Increase) decrease in other assets	25,000
(Increase) decrease in advanced software fees	8,273
(Increase) decrease in prepaid land development	19,653
Increase (decrease) in accounts payable and accrued expenses	(6,730)
Net Cash Provided by (Used for) Operating Activities	382,771
Cash Flows from Investing Activities	
Purchase of property and equipment	(1,539,572)
Net Cash Provided by (Used for) Investing Activities	(1,539,572)
Cash Flows from Financing Activities	
Principal payments on mortgage payable	(10,092)
Principal proceeds on mortgage payable	1,000,000
Net Cash Provided by (Used for) Financing Activities	989,908
Net Change in Cash	(166,893)
Cash - Beginning of Year	889,652
Cash - End of Year	$ 722,759
Supplemental Cash Flow Information	
Interest paid	$ 65,239

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

The Crossroads Campus
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 668,355	$ 15,021	$ 67,586	$ 750,962
Advertising	595	1,787	5,160	7,542
Bank fees	13	14,548	1,702	16,263
Contract labor	135	575	-	710
Cost of goods sold	175,488	-	-	175,488
Depreciation	60,915	-	-	60,915
Events	-	-	3,469	3,469
Insurance	1,836	8,849	-	10,685
Interest expense	55,153	10,086	-	65,239
Office expenses	1,742	2,382	-	4,124
Other expenses	9,541	5,799	4,846	20,186
Professional fees	3,698	21,318	309	25,325
Program expenses	26,603	7,441	11,867	45,911
Rent expense	2,600	-	-	2,600
Repairs and maintenance	1,045	6,050	-	7,095
Taxes	7,400	4,136	-	11,536
Travel	2,498	84	619	3,201
Utilities	4,378	10,793	-	15,171
Total Functional Expenses	$ 1,021,995	$ 108,869	$ 95,558	$ 1,226,422

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

Note 1 - Summary of Significant Accounting Policies

Organization and Business Activity

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 received, and expenses are recorded when incurred rather than when paid.

Use of Estimates

Preparation of the Organization's financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 two classes of net assets (net assets with and without donor 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.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by 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.

Revenue Recognition

Revenues 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.

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

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 pledged receivables and are recorded net of any discounts or allowances (see Note 8). 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.

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, 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.

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 net realizable value. Net realizable value is based on the selling price.

Property and Equipment
Property and equipment are recorded at cost, or for donated assets, at fair value at the date of donation, less accumulated depreciation. Property and equipment 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 in excess of $1,000 are capitalized. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

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 were no impairments at December 31, 2019.

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 at a future fundraiser. 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 Accounting Standards Codification (ACS) 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, 2019.

Advertising

The Organization expenses advertising costs as incurred. During the year ended December 31, 2019, the Organization expensed $7,542 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:

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, inventory, accounts receivable, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair values.

Note 2 - Adoption of New Accounting Pronouncement

In May 2014, FASB issued Accounting Standard Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This guidance supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, (Topic 605), and most industry-specific revenue recognition guidance throughout the Industry Topics of the ASC. The updated guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers,* which requires deferral of incremental costs of obtaining a contract with a customer. Collectively, Topic 606 and Subtopic 340-40 are referred to as the "new standard."

The Organization adopted the new standard effective January 1, 2019. There was no effect on net assets as a result of this adoption.

Note 3 – Liquidity and Availability

The Organization has $778,124 of financial assets consisting of cash, accounts receivable and current pledges receivable, of which $99,104 is subject to donor restrictions, therefore, leaving $679,020 available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. 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 – Credit Risk

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

Note 5 – Property and Equipment

Property and equipment consist of the following at December 31, 2019:

Building	$1,614,369
Building Improvements	350,080
Furniture and Equipment	82,672
Land	432,179
Vehicles	24,500
	2,503,800
Less - Accumulated depreciation	(206,282)
	$ 2,297,518

Depreciation expense was $60,915 for the year ended December 31, 2019.

Note 6 – Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specified purposes:

Job Training Fund	$ 63,125
Building Fund	25,979
Humane Education Fund	10,000
Total	$ 99,104

Net assets of $675,075 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in 2019.

Note 7 – 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 8 – Pledge Receivable

Pledges receivable as of December 31, 2019 represent amounts pledged in relation to the new building fund fundraiser. All pledges receivable are considered collectible as of December 31, 2019.

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 3.75%.

Pledges receivable as of December 31, 2019 are calculated as follows:

Pledges receivable	$ 200,000
Discount on pledges receivable	(12,104)
Pledges receivable, net	$ 187,896

Pledges receivable are due as follows:

2020	$ 50,000
2021	50,000
2022	50,000
2023	50,000
Pledges receivable, gross	$200,000

Note 9 – Long-Term Debt

Long-term debt consists of the following at December 31, 2019:

Commercial Bank Note	(1)	$ 209,309
Promissory Note	(2)	1,000,000
		1,209,309
Current portion of long-term debt		(10,451)
Total long-term debt		$1,198,858

(1) 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.

(2) Promissory note with an original amount of $1,000,000 dated January 17, 2019. The note is interest only at prime rate plus 1.00% (effective rate of 5.75% at December 31, 2019). The note and any unpaid interest is due on March 1, 2021. The note may be extended for an additional twelve months if certain conditions are met. The note is secured by a Deed of Trust, Assignment of Rents and Security Agreement and Fixture Filing.

Future minimum principal payments are as follows:

2020	**2021**	**2022**	**2023**	**2024**	**Thereafter**
$10,451	$1,010,959	$11,492	$12,051	$12,636	$151,720

Note 10 – Special Events

The Organization held several special fundraising events during the year ended December 31, 2019. The related revenues and expenses were as follows for the year ended December 31, 2019:

	Revenues	**Expenses**
Special events	$205,319	$3,469

Note 11 – Subsequent Events

The Organization's location at Monroe 707, Nashville, Tennessee 37208 was effected by the Nashville tornadoes that occurred on March 3, 2020. Damages are between $150,000 to $200,000, and will be covered by insurance. In addition, in December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, virtually all jurisdictions in the U.S. have declared a state of emergency and have declared a "shelter in place" mandate for all residents and closure of all non-essential businesses. It is anticipated that these impacts will continue for some time. The further effects of these issues are unknown.

Management has evaluated subsequent events through May 8, 2020, the date that the financial statements were available to be issued.

Note 12 – Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842), which requires lessees to recognize assets and liabilities for most leases. The recognition measurement, and presentation of expenses and cash flows arising from a lease by a lessee is not expected to significantly change under such guidance. The standard as amended will be effective for annual reporting periods beginning after December 15, 2020. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2021. The Organization is currently evaluating the impact that adoption of the ASU will have on the Organization's financial position and results of operations.