# THE CROSSROADS CAMPUS

## FINANCIAL STATEMENTS AND
## INDEPENDENT AUDITOR'S REPORT

## DECEMBER 31, 2018

**THE CROSSROADS CAMPUS**
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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, 2018, 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)*



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***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, 2018, 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.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, TN
March 22, 2019

**The Crossroads Campus**
**Statement of Financial Position**
**December 31, 2018**

## Assets

| | |
|---|---|
| **Current Assets** | |
| Cash | $ 889,652 |
| Accounts Receivable | 2,674 |
| Deposits | 25,000 |
| Inventory | 30,744 |
| **Total Current Assets** | 948,070 |
| | |
| **Property and Equipment, net** | 818,861 |
| | |
| **Other Assets** | |
| Artwork | 3,198 |
| Advanced Software Fees | 8,273 |
| Prepaid Land Development | 19,653 |
| **Total Other Assets** | 31,124 |
| | |
| **Total Assets** | $ 1,798,055 |

## Liabilities and Net Assets

| | |
|---|---|
| **Current Liabilities** | |
| Accounts Payable and Accrued Expenses | $ 38,221 |
| Current Portion of Long-Term Debt | 9,967 |
| Payroll Liabilities | 75 |
| **Total Current Liabilities** | 48,263 |
| | |
| **Long-Term Debt** | |
| Mortgage Payable | 209,434 |
| | |
| **Total Liabilities** | 257,697 |
| | |
| **Net Assets** | |
| Without Donor Restrictions | 1,165,253 |
| With Donor Restrictions | 375,105 |
| **Total Net Assets** | 1,540,358 |
| | |
| **Total Liabilities and Net Assets** | $ 1,798,055 |



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

## The Crossroads Campus
## Statement of Activities
## For the Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and Support:** | | | |
| Service Revenue | $ 391,033 | $ - | $ 391,033 |
| Contributions | 631,203 | 275,105 | 906,308 |
| Event Income | 115,468 | - | 115,468 |
| In-Kind Income | 3,047 | - | 3,047 |
| Rental Income | 13,211 | - | 13,211 |
| Net assets released from Restriction | 10,000 | (10,000) | - |
| **Total Revenues and Support** | 1,163,962 | 265,105 | 1,429,067 |
| **Expenses:** | | | |
| Program Services | 843,241 | - | 843,241 |
| Fundraising | 67,448 | - | 67,448 |
| General and Administrative | 98,679 | - | 98,679 |
| **Total Expenses** | 1,009,368 | - | 1,009,368 |
| **Change in Net Assets** | 154,594 | 265,105 | 419,699 |
| **Net Assets, Beginning of the Year** | 1,010,659 | 110,000 | 1,120,659 |
| **Net Assets, End of the Year** | $ 1,165,253 | $ 375,105 | $ 1,540,358 |



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, 2018

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in Net Assets | $ | 419,699 |
| **Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities** | | |
| Depreciation | | 34,187 |
| (Increase) Decrease in Accounts Receivable | | 22,971 |
| (Increase) Decrease in Inventory | | 4,250 |
| (Increase) Decrease in Other Assets | | (27,926) |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | | 3,147 |
| **Total Adjustments** | | 36,629 |
| **Net Cash Provided by Operating Activities** | | 456,328 |
| | | |
| **Cash Flows from Investing Activities** | | |
| Cash Payments for Property and Equipment | | (5,042) |
| **Net Cash Used for Investing Activities** | | (5,042) |
| | | |
| **Cash Flows from Financing Activities** | | |
| Principal Payments on Mortgage Payable | | (9,528) |
| **Net Cash Used for Financing Activities** | | (9,528) |
| | | |
| **Net Change in Cash** | | 441,758 |
| | | |
| **Cash, Beginning of the Year** | | 447,894 |
| | | |
| **Cash, End of Year** | $ | 889,652 |
| | | |
| **Supplemental Cash Flow Information:** | | |
| Interest Paid | $ | 10,649 |

# The Crossroads Campus
## Statement of Functional Expenses
## For the Year Ended December 31, 2018

| | Program Services | Fundraising | General and Administrative | Total |
|---|---|---|---|---|
| Salaries | $ 581,332 | $ 51,675 | $ 12,918 | $ 645,925 |
| Advertising | 3,775 | 3,705 | 11,254 | 18,735 |
| Bank Fees | 94 | - | 11,136 | 11,230 |
| Contract Labor | - | - | 5,500 | 5,500 |
| Cost of Goods Sold | 156,703 | - | - | 156,703 |
| Depreciation | 34,187 | - | - | 34,187 |
| Events | - | 7,367 | - | 7,367 |
| Insurance | 764 | - | 8,923 | 9,687 |
| Interest Expense | 7,157 | - | 3,492 | 10,649 |
| Office Expenses | 601 | - | 7,271 | 7,872 |
| Other Expenses | 5,652 | 3,548 | 4,567 | 13,767 |
| Professional Fees | 5,543 | - | 14,449 | 19,992 |
| Program Expenses | 35,701 | - | 3,047 | 38,748 |
| Rent Expense | 2,400 | - | - | 2,400 |
| Repairs and Maintenance | 2,560 | - | 3,686 | 6,246 |
| Taxes | - | - | 3,941 | 3,941 |
| Travel | 2,435 | 35 | 3 | 2,473 |
| Utilities | 4,337 | 1,118 | 8,492 | 13,947 |
| **Total Functional Expenses** | $ 843,241 | $ 67,448 | $ 98,679 | $ 1,009,369 |

## 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 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. The Campus Crossroads 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 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 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.

***Measure of Operations***

The statement of activities reports all 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.

***Cash and Cash Equivalents***

Cash and cash equivalents are liquid assets with minimal interest rate risk and original maturities of three months or less when purchased. Such assets primarily consist of depository account balances and money market funds. The Organization had no cash equivalents at December 31, 2018.

***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.

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. The property is currently under litigation between the seller and another person who was attempting to purchase the property. The fair market value of the property is estimated to be $1.5 million (See Note 10).

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 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, 2018.

***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.

The Organization paid $19,653 in legal fees, zoning fees, and environmental site assessments that relate to a purchase of property that will take place in January 2019. The fees will be capitalized in 2019 after the purchase.

The Organization paid $8,273 in software fees that relate to software that will be in service in 2019. The fees will be capitalized in 2019 after the software is placed in service.

***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, 2018.

***Advertising***

The Organization expenses advertising costs as incurred. During the year ended December 31, 2018, the Organization expensed $18,735 of advertising costs.

***Fair Value Measurements***

The Organization follows ASC 820-10, Fair Value Measurements, with respect to its financial assets and liabilities. ASC 820-10 defines fair value and establishes a framework for measuring fair value under generally accepted accounting principles. The current practice includes: (1) the definition of fair value, which focuses on an exit price rather than on entry price; (2) the methods used to measure fair value, such as emphasis that fair value is a market-based measurement, not an entity-specific measurement, as well as the inclusion of an adjustment for risk, restrictions, and credit standing; and (3) the expanded disclosures about fair value measurements. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value as follows:

> **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
>
> **Level 2** – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may included quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
>
> **Level 3** – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing the Organization's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available. These inputs may be supported by little or no market activity.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the instrument. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Generally accepted accounting principles require 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

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

The Organization has $889,944 of financial assets consisting of cash and cash equivalents, of which $375,105 is subject to donor restrictions, therefore, leaving $514,839 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, 2018:

| | |
|---|---|
| Building | $448,114 |
| Building Improvements | 350,080 |
| Furniture & Equipment | 62,455 |
| Land | 79,079 |
| Vehicles | 24,500 |
| | 964,228 |
| Less accumulated depreciation | (145,367) |
| | $ 818,861 |

Depreciation expense was $34,187 for the year ended December 31, 2018.

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets of $10,000 were released from donor restrictions by incurring expenses satisfying the restrictions specified by the donor in 2018. At December 31, 2018, there was $375,105 earmarked by donors for expansion.

## 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 – LONG-TERM DEBT

Long-Term Debt consists of a single commercial note bearing an interest rate of 4.69% with a balance of $219,401 at December 31, 2018 collateralized by property and a building. The note matures on April 25, 2034. Interest expense on this loan was $10,649 for the year ended December 31, 2018.

Future minimum principal payments are as follows:

| 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter |
|---|---|---|---|---|---|
| $9,967 | $10,541 | $10,959 | $11,492 | $12,051 | $164,391 |

## NOTE 9 – SPECIAL EVENTS

The Organization held several special fundraising events during the year ended December 31, 2018. The related revenues and expenses were as follows for the year ended December 31, 2018:

| | Revenues | Expenses |
|---|---|---|
| Special events | $115,468 | $7,367 |

## NOTE 10 – SUBSEQUENT EVENTS

The Organization closed on a property for $1.5 million dollars on January 17, 2019. The Organization made a down payment of $500,000 and financed a $1,000,000 loan. The loan terms are 2 years interest only at the prime rate plus 1%. The property is located at 1601, 1603, 1609 Buchanan St and 1737 16th Avenue North in Nashville, TN.

Management has evaluated subsequent events through March 22, 2019, the date that the financial statements were available to be issued.

**NOTE 11 – RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the FASB issued ASU 2014-09, “Revenue from Contracts with Customers,” which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-4, “Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date,” which deferred the effective date for one year. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect the provisions of ASU 2014-09 will have on the financial statements.

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 will be effective for annual reporting periods beginning after December 15, 2019. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2020. The Organization is currently evaluating the impact that adoption of the ASU will have on the Organization’s financial position and results of operations.