THE CROSSROADS CAMPUS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020

THE CROSSROADS CAMPUS

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DECEMBER 31, 2020

PURYEAR &
NOONAN, CPAs

Independent Auditor's Report

To the Board of Directors
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, 2020, 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)

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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 Organization as of December 31, 2020, 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, Tennessee
June 7, 2021

The Crossroads Campus
Statement of Financial Position
December 31, 2020

Assets	
Current Assets	
Cash	$ 1,548,367
Accounts receivable	1,365
Pledge receivable, current	300,500
Inventory	36,273
Prepaid Insurance	8,546
Total Current Assets	1,895,051
Property and Equipment, net	2,537,035
Other Assets	
Long-term pledge receivable, net of discount	545,885
Artwork	3,198
Total Other Assets	549,083
Total Assets	$ 4,981,169
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 12,268
Current portion of long-term debt	17,248
Payroll liabilities	33,273
Total Current Liabilities	62,789
Long-Term Debt	
Mortgage payable	1,187,929
Paycheck Protection Program Loan	142,308
Economic Injury Disaster Loan	503,921
Total Long-Term Debt	1,834,158
Total Liabilities	1,896,947
Net Assets	
Without donor restrictions	3,084,222
With donor restrictions	-
Total Net Assets	3,084,222
Total Liabilities and Net Assets	$ 4,981,169

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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Service revenue	$ 397,763	$ -	$ 397,763
Contributions	573,855	1,058,304	1,632,159
Event income	214,875	-	214,875
In-Kind income	15,278	-	15,278
Rental income	42,767	-	42,767
Grant income	5,000	-	5,000
Tornado damage insurance proceeds	222,941	-	222,941
Net assets released from restriction	1,157,408	(1,157,408)	-
Total Revenues and Support	2,629,887	(99,104)	2,530,783
Expenses			
Program services	1,022,387	-	1,022,387
Fundraising	87,745	-	87,745
General and administrative	340,325	-	340,325
Total Expenses	1,450,457	-	1,450,457
Change in Net Assets	1,179,430	(99,104)	1,080,326
Net Assets - Beginning of Year	1,904,792	99,104	2,003,896
Net Assets - End of Year	$ 3,084,222	$ -	$ 3,084,222

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, 2020

Cash Flows from Operating Activities	
Change in net assets	$ 1,080,326
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used for) Operating Activities	
Depreciation	66,382
(Increase) decrease in pledge receivable	(658,489)
(Increase) decrease in accounts receivable	4,000
(Increase) decrease in inventory	(8,238)
(Increase) decrease in prepaid insurance	(8,546)
Increase (decrease) in accounts payable and accrued expenses	24,285
Net Cash Provided by (Used for) Operating Activities	499,720
Cash Flows from Investing Activities	
Purchase of property and equipment	(305,899)
Net Cash Provided by (Used for) Investing Activities	(305,899)
Cash Flows from Financing Activities	
Principal payments on mortgage payable	(10,421)
PPP loan proceeds	142,308
EIDL loan proceeds	499,900
Net Cash Provided by (Used for) Financing Activities	631,787
Net Change in Cash	825,608
Cash - Beginning of Year	722,759
Cash - End of Year	$ 1,548,367
Supplemental Cash Flow Information	
Interest paid	$ 53,088

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, 2020

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 694,190	$ 75,163	$ 16,306	$ 785,659
Advertising	1,821	5,878	4,530	12,229
Bank fees	5,404	-	14,865	20,269
Contract labor	1,865	-	15,500	17,365
Cost of goods sold	117,930	-	-	117,930
Depreciation	66,382	-	-	66,382
Events	-	1,318	-	1,318
Insurance	1,823	-	13,022	14,845
Interest expense	45,212	-	18,186	63,398
Office expenses	5,735	26	4,159	9,920
Other expenses	9,971	3,779	7,645	21,395
Professional fees	4,408	1,575	23,098	29,081
Program expenses	34,913	-	15,278	50,191
Rent expense	736	-	-	736
Repairs and maintenance	7,146	-	3,287	10,433
Tornado repairs	7,220	-	189,495	196,715
Taxes	13,025	-	5,077	18,102
Travel	49	6	15	70
Utilities	4,557	-	9,862	14,419
Total Functional Expenses	$ 1,022,387	$ 87,745	$ 340,325	$ 1,450,457

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 collected and expenses are recognized when incurred rather than disbursed.

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 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.

Use of Estimates

The management of the Organization has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reporting of revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Actual results could differ from those estimates.

Program and Supporting Services – Functional Expenses

The following program and supporting services are included in the accompanying financial statements in the Statements of Activities and Changes in Net Assets:

> **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.

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.

In-Kind Contributions
Donated facilities and materials are recorded as gifts in the period received at fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if they create or enhance non-financial assets or the donated service requires specialized skills, was performed by a donor who possess such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

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 carried at cost, or if donated, at fair market value at the date of the gift. Property and equipment are depreciated on the straight-line basis over each asset's estimated useful life. Upon retirement or disposition, costs and accumulated depreciation and amortization are removed from the accounts, and the resulting profit or loss is recognized in income. Maintenance and repairs items under $1,000 are charged to expense as incurred.

The estimated useful lives for property and equipment are as follows:

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

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, 2020.

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.

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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. Therefore management believes that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for the open tax years (2017 - 2019), or expected to be taken in the Organization's 2020 tax returns. The Organization identifies its major tax jurisdiction's as the U.S. Federal and the State of Tennessee. However, the Organization is not currently under audit nor has the Organization been contacted by of these jurisdictions. The Organization is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change in the next twelve months. The Organization incurred no interest or penalties during the year ended December 31, 2020.

Advertising
The Organization expenses advertising costs as incurred. During the year ended December 31, 2020, the Organization expensed $12,229 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 as follows:

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 and pledge receivables, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair values.

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.

Paycheck Protection Program
The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Air, Relief, and Economic Security Act (the Cares Act). U.S. GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized

as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income as the conditions for forgiveness are substantially met or explicitly waived. The Organization has elected to treat the PPP loan as debt.

Insurance Proceeds
In May 2020, the Organization suffered tornado damage to its location at Monroe 707, Nashville, Tennessee 37208. The Organization received insurance proceeds of $222,941 as a result of the tornado damage.

Note 2 - Liquidity and Availability

The Organization has $1,850,232 of financial assets consisting of cash and accounts and pledge receivables available within one year of the Statement of Financial Position date to meet cash needs for general expenditures. The Organization has no donor restricted assets. 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 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 - Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Building	$1,614,369
Building improvements	350,080
Construction in progress	288,285
Furniture and equipment	100,286
Land	432,179
Vehicles	24,500
	2,809,699
Less – Accumulated depreciation	(272,664)
	$2,537,035

Depreciation expense was $66,382 for the year ended December 31, 2020.

Construction in progress at December 31, 2020 consists of costs related to expansion of the facility.

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 - Pledge Receivable

Pledges receivable as of December 31, 2020 represent amounts pledged in relation to the new building capital campaign. All pledges receivable are considered collectible as of December 31, 2020.

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 1.10%.

Pledges receivable as of December 31,2020 are calculated as follows:

Pledges receivable	$860,500
Discount on pledges receivable	(14,115)
Pledges receivable, net	$846,385

Pledges receivable are due as follows:

2021	$300,500
2022	292,000
2023	232,000
2024	32,000
2025	4,000
Pledges receivable, gross	$860,500

Note 7 - Long-Term Debt

Long-term debt consists of the following at December 31, 2020:

Commercial Bank Note	(1)	$ 198,888
Promissory Note	(2)	1,000,000
		1,198,888
Current portion of long-term debt		(10,959)
Total long-term debt		$1,187,929

(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 4.25% at December 31, 2020). The note and any unpaid interest is due on January 17, 2022. 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:

2021	2022	2023	2024	2025	Thereafter
$10,959	$1,011,492	$12,051	$12,636	$13,250	$138,500

Note 8 - EIDL and PPP Loans

In May 2020, the Organization applied for and received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) totaling $499,900. Monthly interest and principal payments totaling $2,136 will begin one year from the date of the loan. The interest rate is 2.75% and began accruing on the date the Organization received the EIDL funds; since no payments are due the first year, accrued interest will be added to the principal balance. At December 31, 2020, $10,310 of accrued interest has been added to the principal. The final loan payment will be 30 years from the date of the loan. The SBA has a continuing security interest in the assets of the Organization.

Maturities of EIDL as of December 31, 2020 are summarized as follows:

2021	$ 6,289
2022	11,921
2023	12,253
2024	12,594
2025	12,945
Thereafter	454,208
Total principal payments	$510,210

In April 2020, the Organization received a loan in the amount of $142,308 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended 100% on potential qualifying costs as defined by the legislation. The unsecured note bears interest at 1.00% and matures on April 10, 2022. The Organization has submitted its loan forgiveness application within the required 10 months, and therefore, the Organization will not be required to make any payments on the loan until the forgiveness amount is remitted to the lender by the SBA. If the loan is fully forgiven, the Organization will not be responsible for any payments.

The Organization has elected to treat the PPP loan as debt and presented it as its own line item in the financial statements. The Organization has not recorded accrued interest due on the note through year-end as the amount is immaterial. Total principal amounts of $110,303 are due in the next 12 months and $32,005 in the 12 months thereafter, if not forgiven.

Note 9 - Commitments and Contingencies

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, multiple jurisdictions in the U.S. declared a state of emergency. Future potential impacts may include disruptions or restrictions on the Organization's employees' ability to work, or the Organization's ability to have fundraising events. Changes in the operating environment may increase operating costs. The further effects of these issues are unknown.

Note 10 - Special Events

The Organization held several special fundraising events during the year ended December 31, 2020. The related revenues and expenses were as follows for the year ended December 31, 2020:

	Revenues	Expenses
Special events	$214,875	$1,318

Note 11 - 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, 2021. Accordingly, this ASU will be effective for the Organization for the year ending December 31, 2022. The

Organization is currently evaluating the impact that adoption of the ASU will have on the Organization's financial position and results of operations.

Note 12 - Subsequent Events

Management has evaluated subsequent events through June 7, 2021, the date that the financial statements were available to be issued.