THE CROSSROADS CAMPUS

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2021

THE CROSSROADS CAMPUS

Table of Contents

December 31, 2021

PURYEAR & NOONAN, CPAs

Independent Auditor's Report

To the Board of Directors
The Crossroads Campus
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of The Crossroads Campus (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Puryear & Noonan, CPAs PLLC

Puryear & Noonan, CPAs
Nashville, Tennessee
April 8, 2022

The Crossroads Campus
Statement of Financial Position
December 31, 2021

Assets	
Current Assets	
Cash, including donor restricted amounts of $1,608,061	$ 3,011,034
Accounts receivable	2,991
Pledge receivable, current	761,112
Inventory	32,330
Prepaid insurance	15,403
Total Current Assets	3,822,870
Property and Equipment, net	2,742,701
Other Assets	
Long-term pledge receivable, net of discount	538,532
Artwork	3,198
Total Other Assets	541,730
Total Assets	$ 7,107,301
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued expenses	$ 55,023
Current portion of long-term debt	1,018,995
Payroll liabilities	32,403
Total Current Liabilities	1,106,421
Long-Term Debt	
Mortgage payable	176,441
Economic Injury Disaster Loan	518,598
Total Long-Term Debt	695,039
Total Liabilities	1,801,460
Net Assets	
Without donor restrictions	3,697,780
With donor restrictions	1,608,061
Total Net Assets	5,305,841
Total Liabilities and Net Assets	$ 7,107,301

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

The Crossroads Campus
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Service revenue	$ 508,482	$ -	$ 508,482
Contributions	660,673	1,876,705	2,537,378
Event income	259,520	-	259,520
In-Kind income	2,260	-	2,260
Rental income	20,348	-	20,348
Grant income	6,650	-	6,650
PPP loan forgiveness	291,775	-	291,775
Net assets released from restriction	268,644	(268,644)	-
Total Revenues and Support	2,018,352	1,608,061	3,626,413
Expenses			
Program services	1,124,783	-	1,124,783
Fundraising	109,305	-	109,305
General and administrative	170,706	-	170,706
Total Expenses	1,404,794	-	1,404,794
Change in Net Assets	613,558	1,608,061	2,221,619
Net Assets - Beginning of Year	3,084,222	-	3,084,222
Net Assets - End of Year	$ 3,697,780	$ 1,608,061	$ 5,305,841

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

The Crossroads Campus
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Fundraising	General and Administrative	Total
Salaries	$ 767,204	$ 98,681	$ 23,114	$ 888,999
Advertising	246	3,404	4,457	8,107
Bank fees	-	-	17,963	17,963
Contract labor	7,572	-	28,989	36,561
Cost of goods sold	141,569	-	-	141,569
Depreciation	66,790	-	-	66,790
Events	38	775	-	813
Insurance	-	-	11,253	11,253
Interest expense	45,678	-	21,925	67,603
Office expenses	2,924	970	6,682	10,576
Other expenses	9,432	5,460	3,391	18,283
Professional fees	2,286	-	21,420	23,706
Program expenses	53,446	-	2,260	55,706
Rent expense	2,400	-	-	2,400
Repairs and maintenance	4,311	-	10,658	14,969
Taxes	20,041	-	4,107	24,148
Travel	443	15	40	498
Utilities	403	-	14,447	14,850
Total Functional Expenses	$ 1,124,783	$ 109,305	$ 170,706	$ 1,404,794

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

The Crossroads Campus
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Change in net assets	$ 2,221,619
Adjustments to Reconcile Change in Net Assets	
to Net Cash Provided by (Used for) Operating Activities	
Depreciation	66,790
PPP loan forgiveness	(291,775)
(Increase) decrease in pledge receivable	(453,259)
(Increase) decrease in accounts receivable	(1,626)
(Increase) decrease in inventory	3,943
(Increase) decrease in prepaid insurance	(6,857)
Increase (decrease) in accounts payable and accrued expenses	41,885
Net Cash Provided by (Used for) Operating Activities	1,580,720
Cash Flows from Investing Activities	
Purchase of property and equipment	(272,456)
Net Cash Provided by (Used for) Investing Activities	(272,456)
Cash Flows from Financing Activities	
Principal payments on mortgage payable	(10,956)
PPP loan proceeds	149,468
EIDL loan interest	15,891
Net Cash Provided by (Used for) Financing Activities	154,403
Net Change in Cash	1,462,667
Cash - Beginning of Year	1,548,367
Cash - End of Year	$ 3,011,034
Supplemental Cash Flow Information	
Interest paid	$ 51,712

See independent auditor's report and accompanying notes to 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 that can be fulfilled by the actions of the Organization pursuant to those restrictions or that expire by the passage of time. Other donor restrictions are perpetual in nature, whereby 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 Statement 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 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 and 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, 2021.

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 (2018 - 2020), or expected to be taken in the Organization's 2021 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, 2021.

Advertising
The Organization expenses advertising costs as incurred. During the year ended December 31, 2021, the Organization expensed $8,107 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 Organization 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 pledge receivables and are recorded net of any discounts or allowances (see Note 7). 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 two loans in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, 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's two PPP loans totaling $291,775 were officially forgiven in 2021.

Note 2 - Liquidity and Availability

The Organization has $3,011,034 of financial assets consisting of cash, of which $1,608,061 is subject to donor restrictions, therefore leaving $1,402,973 available within one year 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 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 - Net Assets With Donor Restrictions

Net assets with donor restrictions for the year ended December 31, 2021 are as follows:

Subject to Expenditure for Specified Purposes

Buchanan Building Fund	$1,608,061

Net assets released from donor restrictions for the year ended December 31, 2021 are as follows:

Satisfaction of Program Restrictions

Buchanan Building Fund	$268,644

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31, 2021:

Building	$1,614,369
Building improvements	350,080
Construction in progress	560,741
Furniture and equipment	100,286
Land	432,179
Vehicles	24,500
	3,082,155
Less - Accumulated depreciation	(339,454)
	$2,742,701

Depreciation expense was $66,790 for the year ended December 31, 2021.

Construction in progress at December 31, 2021 consists of costs related to expansion of the facility.

Note 6 - 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 7 - Pledge Receivable

Pledges receivable as of December 31, 2021 represent amounts pledged in relation to the new building capital campaign. All pledges receivable are considered collectible as of December 31, 2021.

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 1.39%.

Pledges receivable as of December 31, 2021 are calculated as follows:

Pledges receivable	$1,321,853
Discount on pledges receivable	(22,209)
Pledges receivable, net	$1,299,644

Pledges receivable are due as follows:

2022	$ 761,112
2023	332,012
2024	130,612
2025	67,617
2026	8,000
Thereafter	22,500
Pledges receivable, gross	$ 1,321,853

Note 8 - Long-Term Debt

Long-term debt consists of the following at December 31, 2021:

Commercial Bank Note (1)	$ 187,933
Promissory Note (2)	1,000,000
	1,187,933
Current portion of long-term debt	(1,011,492)
Total long-term debt	$ 176,441

(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, 2021). 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 (See Note 13).

Future minimum principal payments are as follows:

2022	2023	2024	2025	2026	Thereafter
$1,011,492	$12,051	$12,636	$13,250	$13,894	$124,610

Note 9 - EIDL Loan

In May 2020, the Organization applied for and received an Economic Injury Disaster Loan (EIDL) from the Small Business Administration (SBA) totaling $499,900. In 2021, the SBA extended the first payment of the EIDL loan from one year to two years. Monthly interest and principal payments totaling $2,136 will begin two years 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 for two years, accrued interest totaling $26,101 was added to the principal balance. 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, 2021 are summarized as follows:

2022	$ 7,503
2023	11,515
2024	11,836
2025	12,165
2026	12,504
Thereafter	470,578
Total principal payments	$ 526,101

Note 10 - 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 11 - Special Events

The Organization held several special fundraising events during the year ended December 31, 2021. The related revenues and expenses were as follows for the year ended December 31, 2021:

	Revenues	Expenses
Special events	$259,520	$813

Note 12 - Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (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 13 - Subsequent Events

The Organization has evaluated subsequent events through April 8, 2022, the date that the financial statements were available to be issued.

The Organization paid off the principal and the accrued interest of the $1,000,000 promissory note in early January 2022.