

At The Crossroads

Financial Statements &
Independent Auditor's Report

for the Year Ended

June 30, 2020

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Financial Position	5
Statement of Activities and Changes in Net Assets.....	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements.....	9



A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
At The Crossroads
San Francisco, California

We have audited the accompanying financial statements of At The Crossroads (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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.

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 an assessment of the risks of the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of At The Crossroads, as of June 30, 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.

Summarized Prior Year Information

We previously reviewed the Organization' financial statements for the year ended June 30, 2019, and in our report dated June 18, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the those financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.



A Professional Accountancy Corporation
San Francisco, California
September 27, 2021

At the Crossroads

Statement of Financial Position for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	<u>6/30/20</u> <u>Total</u>	<u>6/30/2019</u> <u>Total</u> <u>(Note 2)</u>
ASSETS		
Current Assets		
Cash & cash equivalents	\$ 1,641,803	\$ 1,090,616
Grants & pledges receivable, current	235,730	100,882
Prepaid expenses	17,584	13,279
Inventory (Note 3)	89,176	79,963
Total current assets	1,984,293	1,284,740
Grants & pledges receivable, long-term	140,000	-
Property & equipment (Note 4)	2,160,709	2,479,549
TOTAL ASSETS	\$ 4,285,002	\$ 3,764,289
LIABILITIES & NET ASSETS		
Current Liabilities		
Accounts payable	\$ 13,790	\$ 25,388
Accrued vacation pay	51,567	62,284
Total current liabilities	65,357	87,672
Forgivable government loan (Note 2)	175,706	-
TOTAL LIABILITIES	241,063	87,672
Net Assets		
Without donor restrictions		
Undesignated	1,458,499	1,098,185
Invested in property & equipment	2,160,709	2,479,549
Total without donor restrictions	3,619,208	3,577,734
With donor restrictions (Note 5)	424,731	98,883
TOTAL NET ASSETS	4,043,939	3,676,617
TOTAL LIABILITIES & NET ASSETS	\$ 4,285,002	\$ 3,764,289

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

At the Crossroads

Statement of Activities & Changes in Net Assets for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	6/30/20 Total	6/30/19 Total (Note 2)
Support & revenue:				
Grants	\$ 384,200	\$ 864,608	\$ 1,248,808	\$ 408,517
Contributions	441,057	12,500	453,557	439,778
Government contracts	-	-	-	29,848
Net assets released from restriction:				
Satisfaction of donor requirements	551,260	(551,260)	-	-
In-kind support (Note 6)	332,565	-	332,565	462,849
Fundraising events	-	-	-	112,592
Other	13,206	-	13,206	618
Total support & revenue	<u>1,722,288</u>	<u>325,848</u>	<u>2,048,136</u>	<u>1,454,202</u>
Expenses:				
Program services	1,041,909	-	1,041,909	1,322,713
Management & general	296,126	-	296,126	514,144
Fundraising	342,779	-	342,779	545,357
Total expenses	<u>1,680,814</u>	<u>-</u>	<u>1,680,814</u>	<u>2,382,214</u>
CHANGE IN NET ASSETS	41,474	325,848	367,322	(928,012)
NET ASSETS, July 1	<u>3,577,734</u>	<u>98,883</u>	<u>3,676,617</u>	<u>4,604,629</u>
NET ASSETS, June 30	<u>\$ 3,619,208</u>	<u>\$ 424,731</u>	<u>\$ 4,043,939</u>	<u>\$ 3,676,617</u>

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

At the Crossroads

Statement of Functional Expenses for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

		Management & General	Fundraising	19/20 Total	18/19 Total (Note 2)
Programs					
Salaries	\$ 382,235	\$ 123,544	\$ 158,657	\$ 664,436	\$ 1,020,340
Benefits	39,612	9,996	13,299	62,907	106,402
Payroll taxes	30,778	9,948	12,775	53,501	82,058
Outside services	-	39,048	6,570	45,618	122,321
Occupancy	177,966	44,908	59,746	282,620	285,054
Telephone & internet	5,034	1,270	1,690	7,994	12,688
Postage & delivery	2,484	627	834	3,945	10,735
Printing & copying	-	-	7,358	7,358	6,527
Insurance	13,806	3,484	4,635	21,925	6,151
Supplies (in-kind)	102,852	-	-	102,852	201,281
Supplies (purchased)	63,361	1,766	2,283	67,410	96,338
Staff development	899	1,164	297	2,360	60,342
Travel	5,160	1,344	1,697	8,201	10,794
Event production costs	-	-	3,664	3,664	14,212
Depreciation	202,272	51,043	67,925	321,240	313,174
Other expenses	15,450	7,984	1,349	24,783	33,797
TOTAL	\$ 1,041,909	\$ 296,126	\$ 342,779	\$ 1,680,814	\$ 2,382,214

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

At The Crossroads

Statement of Cash Flows for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	6/30/2020	6/30/2019 (Note 2)
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 367,322	\$ (928,012)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	321,240	313,174
Changes in assets and liabilities:		
(Increase) decrease in grants and pledges receivable	(274,848)	261,747
(Increase) decrease in prepaid expenses	(4,305)	10,777
(Increase) decrease in inventory	(9,213)	(30,389)
Increase (decrease) in accounts payable	(11,598)	(43,861)
Increase (decrease) in accrued vacation pay	(10,717)	(23,067)
Cash provided (used) by operating activities:	377,881	(439,631)
<i>Cash flows from investing activities:</i>		
Cash transferred from/(to) long-term reserve	-	45,997
Purchases of property & equipment	(2,400)	(75,687)
Cash provided (used) by investing activities:	(2,400)	(29,690)
<i>Cash flows from financing activities:</i>		
Cash proceeds from forgivable government loan	175,706	-
Cash provided (used) by investing activities:	175,706	-
Cash provided (used) during year	551,187	(469,321)
Cash & cash equivalents:		
Beginning of year, July 1	1,032,119	1,501,440
End of year, June 30	\$ 1,583,306	\$ 1,032,119

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

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

1. The Organization

Nature of activities

At The Crossroads (ATC or the Organization) is a nonprofit organization whose mission is to reach out to homeless youth and young adults at their point of need, and work with them to build healthy and fulfilling lives. ATC's innovative model focuses on young people who do not access traditional services and are disconnected from any type of consistent support. The Organization works with young people who others have given up on, who would not otherwise get help. ATC removes common barriers to service by bringing its counselors onto the streets, and shaping support services around the needs of each individual client. The Organization's goal is to help its clients build outstanding lives, not just lives of subsistence.

The Organization accomplishes its mission through a combination of nighttime street outreach and one-on-one counseling, and collaboration with other service providers. ATC walks the streets of Downtown San Francisco at nighttime, bringing help to its clients, rather than making them come to the Organization. ATC helps its clients with anything and everything they need, providing unconditional support for as long as they need to build the lives they want. The Organization partners and advocates to make sure that there is an accessible, culturally competent continuum of care that will provide its clients with the opportunities to realize their dreams.

Funding

Support is received in the form of grants from foundations, businesses, and local government, as well as contributions from families and individuals.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and expenses are recognized when they are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds held in bank checking and savings accounts, as well as undeposited checks.

Grants and Pledges Receivable

Grants and pledges receivable are recorded based on formal promises received from donors. Amounts due within one year of the balance sheet date are stated at face value, while amounts due in one to two years are discounted to present value only in situations where such discounts would be material to the financial statements. Currently, there are no discounts reflected within the financial statements. Since all amounts are deemed fully collectible, an allowance for doubtful accounts has not been recorded.

Inventory

Inventory, consisting of donated clothing and sundries, is recorded at its estimated fair value at the time of receipt.

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

Property and equipment consist of leasehold improvements, furnishings, and office equipment with an initial cost of at least \$1,500. Donated fixed assets are stated at their fair market value at the time of donation. It is the policy of the Organization to compute depreciation using the straight-line method over the estimated useful lives of the respective assets, which is 10 years for building improvements and 2 to 7 years for other capital assets.

ATC has also incurred costs in the development of its organizational website. The website infrastructure portions of these costs were capitalized and amortized over the estimated useful life of the sites, which is 3 years. Other costs pertaining to the website were recorded as expense in the year incurred.

Forgivable Government Loan

In connection with economic uncertainties resulting from the Coronavirus pandemic, the Organization applied for and received a forgivable loan through the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. Because the Organization has elected the latter method, the total amount received is presented as a liability on the *statement of financial position*.

The terms of the loan specified that repayment of principal and interest (accrued at an annual rate of 1%) shall begin in September 2021 and must be repaid by May 2022. (In June 2021, however, the full amount was forgiven by the SBA based on qualifying expenses incurred.)

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Contributions

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization receives government funding conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating \$62,365, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

In-kind Support

In-kind contributions are reflected in the financial statements at the estimated fair market value at the date of receipt. When skilled and professional-level volunteer time is donated, it is valued at the rates the Organization would otherwise need to pay for such services.

Contributed services are recorded only if a) they create or enhance the Organization's nonfinancial assets or b) they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed facility use, consisting of office space rented for \$1 per year, is recognized as in-kind support at an amount equal to the difference between the rent paid and the fair value of the lease, which is currently estimated at \$4.50 per square foot per month.

Functional Expenses

The Organization presents its expenses by function and natural category. *Program services* include the direct conduct and direct supervision of specific program activities. *Fundraising* includes efforts to solicit monetary and nonmonetary contributions. *Management & general* includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

Each month, the Organization allocates each employee's compensation to the major functions according to management's estimate of that individual's time and effort (based on job titles and major responsibilities). Other shared costs, consisting primarily of occupancy and office expenses, are then allocated according to the total staff hours charged to each major function. Other expenses are charged directly to the appropriate function based on the nature of the underlying expense.

Income Taxes

As a public charity organized under Internal Revenue Code Section 501(c)(3), the Organization is exempt from income taxes, except on activities unrelated to its mission. As management believes that all of the Organization's revenue is exempt from federal and state income tax, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2018 through 2020 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 990) filings for the tax years ending in 2017 through 2020 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

Upcoming Accounting Pronouncement

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The enactment of this pronouncement will be reflected in the Organization's financial statements for the year ending June 30, 2021.

New Accounting Pronouncement in Effect

These financial statements reflect the provisions Accounting Standards Update No. 2018-08— *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement is effective for calendar years ending in 2019 and beyond. There is no effect on the Organization's beginning net assets in connection with the enactment of ASU 2018-08.

Prior Year Totals

Prior year totals are presented for comparative purposes only. For a full presentation of June 30, 2019, please refer to the prior year financial statements.

3. Inventory – Fair Value Measurements

The Organization values its inventory on a recurring basis in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
- Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities
- Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

Fair values of assets measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Inventory				
Clothing & sundries	\$77,965		\$77,965	
Gift cards	<u>11,211</u>	<u>\$11,211</u>	<u> </u>	
Total	\$89,176	\$11,211	\$77,965	

Gift cards are recorded at face value, while donated clothing and sundries are valued and recorded using a market approach. These items, typically received in bulk, are valued using composite rates based on volume.

4. Property & Equipment

Leasehold improvements	\$2,625,320
Furnishings & equipment	245,901
Website	70,698
Less: accumulated depreciation & amortization	<u>(781,210)</u>
Property & equipment, net book value	\$2,160,709

5. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* represents unexpended donations and grants to the Organization that are restricted as follows:

General program support for 2020-2022	\$280,000
Case management	81,167
For mental health & wellness	33,000
Program evaluation project	20,000
To support capital improvements and/or the growth of ATC's programs	<u>10,564</u>
Total	\$424,731

6. In-Kind Support

In-kind donations consist of the following:

In-kind rent	\$222,695
Clothing & sundries	<u>109,870</u>
Total	\$332,565

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

7. Leases

On July 26, 2016, the San Francisco Board of Supervisors approved a five-year lease between The City & County of San Francisco and ATC of a 4,000 square foot facility on Jessie Street in downtown San Francisco. Under the terms of a signed agreement, “rent” was established at \$1 per year for a five-year term and the Organization commenced occupancy in 2018. In addition, ATC is responsible for its pro rata share of building operating costs and property taxes, which totaled \$49,621 for the fiscal year. The lease also contains an option to extend the term for an additional five years, and the Organization exercised this right in December 2020, thereby extending the lease to 2026.

8. Contractual Commitments

As of June 30, 2020, ATC had entered into two contractual obligations totaling approximately \$89,000 for a homelessness social marketing campaign and to design and conduct a study on homelessness in San Francisco. Approximately \$89,000 of this amount had not been fulfilled as of June 30, 2020, and will be recognized as expense when the underlying services are rendered.

9. Credit Line

The Organization has available a bank credit card account with a credit limit of \$100,000. Approximately \$7,000 of this amount was drawn down as of June 30, 2020, and is reflected in accounts payable on the statement of financial position. In the event that a statement balance is not paid in full during its 25 day grace period, interest shall accrue at a variable rate determined by the bank (which was 7.24% for purchases and 23.99% for cash advances as of June 30, 2020).

10. Contingencies, Risks & Uncertainties

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Organization’s ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this situation cannot be reasonably estimated at this time.

Satisfaction of Donor Requirements

The Organization receives contributions that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor restrictions have been satisfied for grants and contributions that have either been released from restriction or recorded directly to *net assets without donor restrictions*.

Cash Deposits in Excess of Federal Insurance Limits

ATC maintains substantially all of its cash deposits with one financial institution. Such amounts may at times exceed Federal Deposit Insurance Corporation limit of \$250,000 per depositor per

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2020

institution. However, management believes the risk of loss is minimal. To date, ATC has not experienced any losses in these accounts.

11. Management's Liquidity Disclosure

At The Crossroads regularly monitors liquidity required to meet its operating needs and other contractual commitments. It has two sources of liquidity at its disposal: cash and cash equivalents and a bank line of credit in the amount of \$100,000. Idle funds are maintained in a bank account where we maintain at least 6 months of reserves. For an organization that raises most of its revenue through private fundraising (including corporate contributions, short-term foundation grants, individual donations), these funds serve as a protection against the unpredictability of this type of fundraising. ATC's goal is to maintain 12 months of reserves. If ATC anticipates its reserves to remain above 12 months for more than three months, its Executive Director and Board of Directors are expected to meet to discuss investment strategies and/or creating a plan to use a portion of the excess funds to re-invest into the organization.

Cash flows have seasonal variations during the year attributable to the annual cash receipts from the spring & fall newsletter mailings, end of year giving, and the annual event fundraiser. Monthly cash flows are reviewed by the Board of Directors on a quarterly basis by reviewing projected incoming cash and overlaying that with projected outgoing cash.

To manage liquidity, the Organization also maintains a bank line of credit of \$100,000 that can be accessed during the year to manage cash flow. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 6 months, the Organization most often operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. If a decision is made to create a budget for the following fiscal year that anticipates a deficit or a substantial surplus, the Executive Director will propose a rationale for this decision in their budget presentation to the full board of directors prior to the beginning of that fiscal year. The Board will vote on and approve the budget each year by July 1.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & equivalents	\$1,641,803
Grants & pledges receivable	235,730
Less: net assets with purpose restrictions	<u>(144,731)</u>
Total	\$1,732,802

12. Preparation of Financial Statements

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through September 27, 2021 the date the financial statements were available to be issued.