

At The Crossroads

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2016

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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COOK & COMPANY

A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Governors
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, 2016, 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.

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, 2016, 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.

Report on Summarized Comparative Information

We previously reviewed the June 30, 2015, financial statements of At The Crossroads and in our report dated April 14, 2016, stated that based on our review, we were not aware of any material modifications that should be made to 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, 2015, for it to be consistent with the reviewed financial statements from which it has been derived.



A Professional Accountancy Corporation
April 11, 2017

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At the Crossroads

Statement of Financial Position June 30, 2016 with Comparative Totals for June 30, 2015

	<u>6/30/16</u>	<u>6/30/15</u> <u>(Note 2)</u>
ASSETS		
Current Assets:		
Cash & cash equivalents	\$ 1,279,426	\$ 901,646
Grants & pledges receivable, due within one year	75,000	45,000
Prepaid expenses	19,302	17,889
Inventory (Note 3)	98,866	112,655
Total current assets	1,472,594	1,077,190
Cash designated for long-term use (Note 4)	-	150,000
Property & equipment, net of accumulated depreciation of \$4,086 in 2016 and \$968 in 2015	23,848	17,972
TOTAL ASSETS	\$ 1,496,442	\$ 1,245,162
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 5,135	\$ 4,636
Accrued vacation pay	56,214	51,052
TOTAL LIABILITIES	61,349	55,688
Net Assets		
Unrestricted		
Undesignated	1,209,850	824,125
Board designated (Note 4)	150,000	300,000
Total unrestricted	1,359,850	1,124,125
Temporarily restricted (Note 5)	75,243	65,349
TOTAL NET ASSETS	1,435,093	1,189,474
TOTAL LIABILITIES & NET ASSETS	\$ 1,496,442	\$ 1,245,162

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

At the Crossroads

Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	<u>Undesignated</u>	<u>Board Designated</u>	<u>Total Unrestricted</u>	<u>Temporarily Restricted</u>	<u>15/16 Total</u>	<u>14/15 Total (Note 2)</u>
Support & Revenue:						
Grants	\$ 374,695		\$ 374,695	\$ 165,000	\$ 539,695	\$ 887,302
Contributions	622,711		622,711	58,909	681,620	478,885
Net assets released from restriction:						
Satisfaction of donor restrictions	214,015		214,015	(214,015)	-	-
In-kind support (Note 6)	368,968		368,968		368,968	376,574
Fundraising events, net of direct donor benefits of \$18,422 in 15/16 and \$14,574 in 14/15	114,090		114,090		114,090	133,615
Other income	7,796		7,796		7,796	5,498
Total support & revenue	1,702,275	-	1,702,275	9,894	1,712,169	1,881,874
Expenses:						
Program services	1,167,665		1,167,665		1,167,665	1,097,110
General & administrative	108,857		108,857		108,857	109,984
Fundraising	190,028		190,028		190,028	172,247
Total expenses	1,466,550		1,466,550	-	1,466,550	1,379,341
CHANGE IN NET ASSETS	235,725	-	235,725	9,894	245,619	502,533
Interfund transfers	150,000	(150,000)	-	-	-	-
NET ASSETS, July 1	824,125	300,000	1,124,125	65,349	1,189,474	686,941
NET ASSETS, June 30	\$ 1,209,850	\$ 150,000	\$ 1,359,850	\$ 75,243	\$ 1,435,093	\$ 1,189,474

See accompanying notes to financial statements
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At the Crossroads

Statement of Functional Expenses for the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	Programs	General & Administrative	Fundraising	15/16 Total	14/15 Total (Note 2)
Salaries	\$ 517,729	\$ 61,167	\$ 102,034	\$ 680,930	\$ 639,661
Benefits	56,702	6,647	11,175	74,524	71,164
Payroll taxes	44,131	5,173	8,697	58,001	54,763
Outside services	132,205	23,534	36,368	192,107	44,761
Occupancy	30,230	3,544	5,957	39,731	39,675
Telephone & internet	8,154	956	1,607	10,717	13,818
Postage & delivery	11,678	921	5,369	17,968	15,879
Printing & copying	4,803	2	4,787	9,592	10,875
Insurance	9,706	1,138	1,913	12,757	5,425
Supplies (in-kind)	253,258	300		253,558	363,116
Supplies (purchased)	70,886	913	1,535	73,334	87,255
Staff development	11,432	1,969	2,257	15,658	15,671
Travel	4,518	530	890	5,938	3,739
Event production costs	-	-	3,020	3,020	4,236
Depreciation	2,372	278	468	3,118	968
Miscellaneous expenses	9,861	1,785	3,951	15,597	8,335
TOTAL	\$ 1,167,665	\$ 108,857	\$ 190,028	\$ 1,466,550	\$ 1,379,341

See accompanying notes to financial statements
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At The Crossroads

Statement of Cash Flows for the Year Ended June 30, 2016 with Comparative Totals for the Year Ended June 30, 2015

	<u>15/16</u>	<u>14/15</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 245,619	\$ 502,533
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	3,118	968
Changes in assets and liabilities:		
(Increase) decrease in pledges and grants receivable	(30,000)	45,110
(Increase) decrease in prepaid expenses	(1,413)	(101)
(Increase) decrease in inventory	13,789	30,557
Increase (decrease) in accounts payable	499	(5,670)
Increase (decrease) in accrued vacation pay	5,162	15,311
	236,774	588,708
Cash provided (used) by operating activities:	236,774	588,708
<i>Cash flows from investing activities:</i>		
Cash transferred from/(to) long-term reserve	150,000	(150,000)
Purchases of fixed assets	(8,994)	(14,440)
	141,006	(164,440)
Cash provided (used) by investing activities:	141,006	(164,440)
	377,780	424,268
Cash provided (used) during year	377,780	424,268
Cash & cash equivalents:		
Beginning of year, July 1	901,646	477,378
End of year, June 30	\$ 1,279,426	\$ 901,646

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

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2016

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 the Mission and 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 and businesses, 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.

Basis of Presentation

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:

Unrestricted net assets, which includes resources not subject to donor-imposed restrictions.

Temporarily restricted net assets, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets, which includes resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization does not currently have any permanently restricted net assets.

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At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2016

(continued)

Accounting for Restricted Support

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Cash and Cash Equivalents

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

Pledges and Grants 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 beyond one year 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.

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

Fixed assets, consisting primarily of office equipment, with an initial cost of at least \$1,500 are capitalized and stated at cost. Donated fixed assets are stated at their fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which is 5 years for fixed assets currently on the books.

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.

Functional Expenses

Expenses are allocated on a functional basis among the Organization's program and support services. Expenses that can be identified with a specific activity or support service are allocated

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At The Crossroads
Notes to Financial Statements
for the Year Ended June 30, 2016

(continued)

directly. Expenses that are common to multiple functions are allocated based on the estimated proportionate amount of staff time spent on each function.

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 2014 through 2016 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 2013 through 2016 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.

Prior Year Totals

Prior year totals are presented for comparative purposes only. For a full presentation of June 30, 2015, 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).

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At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2016

(continued)

Fair values of assets measured on a recurring basis at June 30, 2016 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Inventory				
Clothing & sundries	\$88,928		\$88,928	
Gift cards	<u>9,938</u>	<u>\$9,938</u>		
Total	\$98,866	\$9,938	\$88,928	

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. Board Designated Net Assets

During the year ended June 30, 2015, the Organization received a one-time legacy grant in the amount of \$400,000 from a foundation that was dissolving its assets and spending down its endowment. Although the funding was awarded without donor restrictions, the board designated \$100,000 to support fiscal year 2015, \$150,000 to support fiscal year 2016, and \$150,000 to support fiscal year 2017. These board designated amounts are segregated in the accompanying statement of activities and changes in net assets.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets represent unexpended donations and grants to the Organization that are restricted as follows:

General program support for 2016-2017	\$60,000
Capital improvements	10,000
Technology upgrade	<u>5,243</u>
Total	\$75,243

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2016

6. In-Kind Support

In-kind donations consist of the following:

Clothing & sundries	\$236,739
Website & information technology services	88,215
Architectural services for new office space	29,864
Other professional services	<u>14,150</u>
Total	\$368,968

7. Operating Leases

During the fiscal year ended June 30, 2016, the Organization rented its San Francisco office under an operating lease with a September 30, 2016 expiration date. The lease agreement established monthly rent at \$3,231.

8. Cash Deposits in Excess of Federal Insurance Limits

As of June 30, 2016, the Organization held cash deposits that exceeded FDIC insurance limits by approximately \$932,030.

9. Subsequent Events

Facility Relocation

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 in downtown San Francisco. Rent shall be set at \$1 per year and the Organization anticipates commencing occupancy in 2018.

In connection with the renovation of this facility, ATC has entered into contracts with a project manager, architect and capital campaign consultant. These contractual commitments total approximately \$200,000, of which approximately \$40,000 had been paid as of June 30, 2016. The architectural fees are based on a construction budget of \$1 million.

Lease on Temporary Facility

In August 2016, management executed a 13-month lease for a temporary office facility. Under the terms of the lease agreement, ATC will pay \$9,000 per month from September 2016 through September 2017.

Preparation of Financial Statements

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through April 11, 2017, the date the financial statements were available to be issued.