

At The Crossroads

Financial Statements &
Independent Auditor's Report

for the Year Ended

June 30, 2017

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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COOK & COMPANY

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, 2017, 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, 2017, 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 have previously audited the June 30, 2016, financial statements of At the Crossroads and our report dated April 11, 2017, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



A Professional Accountancy Corporation
December 19, 2017

At the Crossroads

Statement of Financial Position for the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	General Fund			Capital & Growth Fund			TOTAL			6/30/16
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	6/30/17 <u>Total</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	6/30/17 <u>Total</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	6/30/17 <u>Total</u>	Total <u>(Note 2)</u>
ASSETS										
Current Assets										
Cash & cash equivalents	\$ 1,029,186	\$ 1,606	\$ 1,030,792				\$ 1,029,186	\$ 1,606	\$ 1,030,792	\$ 1,279,426
Grants & pledges receivable, current		76,667	76,667		\$ 213,250	\$ 213,250	-	289,917	289,917	75,000
Prepaid expenses	36,469		36,469				36,469	-	36,469	19,302
Inventory (Note 3)	124,602		124,602				124,602	-	124,602	98,866
Total current assets	1,190,257	78,273	1,268,530	-	213,250	213,250	1,190,257	291,523	1,481,780	1,472,594
Cash restricted for long-term use					938,471	938,471	-	938,471	938,471	-
Grants & pledges receivable, long-term		50,000	50,000		89,200	89,200	-	139,200	139,200	-
Property & equipment (Note 4)	48,106		48,106	\$ 40,471	217,746	258,217	88,577	217,746	306,323	23,848
TOTAL ASSETS	\$ 1,238,363	\$ 128,273	\$ 1,366,636	\$ 40,471	\$ 1,458,667	\$ 1,499,138	\$ 1,278,834	\$ 1,586,940	\$ 2,865,774	\$ 1,496,442
LIABILITIES & NET ASSETS										
Liabilities										
Accounts payable	\$ 19,582		\$ 19,582				\$ 19,582		\$ 19,582	\$ 5,135
Accrued vacation pay	77,748		77,748				77,748		77,748	56,214
TOTAL LIABILITIES	97,330		97,330				97,330		97,330	61,349
Net Assets										
Unrestricted	1,141,033		1,141,033	\$ 40,471		\$ 40,471	1,181,504		1,181,504	1,359,850
Temporarily restricted (Note 5)		\$ 128,273	128,273		\$ 1,458,667	1,458,667		\$ 1,586,940	1,586,940	75,243
TOTAL NET ASSETS	1,141,033	128,273	1,269,306	40,471	1,458,667	1,499,138	1,181,504	1,586,940	2,768,444	1,435,093
TOTAL LIABILITIES & NET ASSETS	\$ 1,238,363	\$ 128,273	\$ 1,366,636	\$ 40,471	\$ 1,458,667	\$ 1,499,138	\$ 1,278,834	\$ 1,586,940	\$ 2,865,774	\$ 1,496,442

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, 2017 with Comparative Totals for the Year Ended June 30, 2016

	General Fund				Capital & Growth Fund			TOTAL			
	Undesignated	Board Designated	Temporarily Restricted	6/30/17 Total	Unrestricted	Temporarily Restricted	6/30/17 Total	Unrestricted	Temporarily Restricted	6/30/17 Total	6/30/16 Total (Note 2)
Support & revenue:											
Grants	\$ 359,359		\$ 205,000	\$ 564,359		\$ 991,050	\$ 991,050	\$ 359,359	\$ 1,196,050	\$ 1,555,409	\$ 539,695
Contributions	508,956		84,437	593,393		473,563	473,563	508,956	558,000	1,066,956	681,620
Net assets released from restriction:								-			
Satisfaction of donor requirements	242,353		(226,407)	15,946		(15,946)	(15,946)	242,353	(242,353)	-	-
In-kind support (Note 6)	338,937			338,937	\$ 40,471		40,471	379,408	-	379,408	368,968
Fundraising events	136,803			136,803			-	136,803	-	136,803	114,090
Other	2,066			2,066			-	2,066	-	2,066	7,796
Total support & revenue	1,588,474	-	63,030	1,651,504	40,471	1,448,667	1,489,138	1,628,945	1,511,697	3,140,642	1,712,169
Expenses:											
Program services	1,402,884			1,402,884			-	1,402,884	-	1,402,884	1,167,665
General & administrative	154,485			154,485			-	154,485	-	154,485	108,857
Fundraising	249,922			249,922			-	249,922	-	249,922	190,028
Total expenses	1,807,291			1,807,291	-		-	1,807,291		1,807,291	1,466,550
CHANGE IN NET ASSETS	(218,817)	-	63,030	(155,787)	40,471	1,448,667	1,489,138	(178,346)	1,511,697	1,333,351	245,619
Interfund transfers	150,000	(150,000)		-			-	-	-	-	-
	150,000	(150,000)		-	-	-	-	-	-	-	-
NET ASSETS, July 1	1,209,850	150,000	65,243	1,425,093	-	10,000	10,000	1,359,850	75,243	1,435,093	1,189,474
NET ASSETS, June 30	\$ 1,141,033	\$ -	\$ 128,273	\$ 1,269,306	\$ 40,471	\$ 1,458,667	\$ 1,499,138	\$ 1,181,504	\$ 1,586,940	\$ 2,768,444	\$ 1,435,093

See accompanying notes to financial statements
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At the Crossroads

Statement of Functional Expenses for the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	Programs	General & Administrative	Fundraising	16/17 Total	15/16 Total (Note 2)
Salaries	\$ 672,722	\$ 80,000	\$ 155,902	\$ 908,624	\$ 680,930
Benefits	66,278	7,882	15,359	89,519	74,524
Payroll taxes	54,862	6,524	12,714	74,100	58,001
Outside services	55,556	18,961	12,162	86,679	192,107
Occupancy	73,979	8,798	17,144	99,921	39,731
Telephone & internet	9,741	1,158	2,258	13,157	10,717
Postage & delivery	10,046	437	7,221	17,704	17,968
Printing & copying	5,363	174	4,239	9,776	9,592
Insurance	16,010	1,904	3,710	21,624	12,757
Supplies (in-kind)	265,593	2,760	-	268,353	253,558
Supplies (purchased)	120,232	2,007	3,913	126,152	73,334
Staff development	21,216	2,523	4,917	28,656	15,658
Travel	6,271	746	1,453	8,470	5,938
Event production costs	-	-	3,132	3,132	3,020
Depreciation	2,366	281	548	3,195	3,118
Other expenses	22,649	20,330	5,250	48,229	15,597
TOTAL	\$ 1,402,884	\$ 154,485	\$ 249,922	\$ 1,807,291	\$ 1,466,550

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At The Crossroads

Statement of Cash Flows for the Year Ended June 30, 2017 with Comparative Totals for the Year Ended June 30, 2016

	<u>6/30/17</u>	<u>6/30/16</u> <u>(Note 2)</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 1,333,351	\$ 245,619
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	3,195	3,118
Changes in assets and liabilities:		
(Increase) decrease in pledges and grants receivable	(354,117)	(30,000)
(Increase) decrease in prepaid expenses	(17,167)	(1,413)
(Increase) decrease in inventory	(25,736)	13,789
Increase (decrease) in accounts payable	14,447	499
Increase (decrease) in accrued vacation pay	<u>21,534</u>	<u>5,162</u>
Cash provided (used) by operating activities:	975,507	236,774
<i>Cash flows from investing activities:</i>		
Cash transferred from/(to) long-term reserve	(938,471)	150,000
Purchases of property & equipment	<u>(285,670)</u>	<u>(8,994)</u>
Cash provided (used) by investing activities:	<u>(1,224,141)</u>	<u>141,006</u>
Cash provided (used) during year	(248,634)	377,780
Cash & cash equivalents:		
Beginning of year, July 1	<u>1,279,426</u>	<u>901,646</u>
End of year, June 30	<u><u>\$ 1,030,792</u></u>	<u><u>\$ 1,279,426</u></u>

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

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2017

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 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.

(continued)

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2017

(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.

Cash Restricted for Long-Term Use

Restricted cash includes gifts received for the Organization's *Capital & Growth Campaign*. Such amounts are donor-restricted for ATC's facility renovation at 167 Jessie Street (see Note 8) and/or the expansion of the Organization's programs.

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 in one to five 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.

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 construction in process 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 leasehold improvements and 5 years for office equipment.

ATC has also incurred costs in the development of its organizational website. The website infrastructure portions of these costs are capitalized and will be amortized over the estimated

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At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2017

(continued)

useful life of the sites, which is 3 years. Other costs pertaining to the websites are recorded as expense in the year incurred.

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.

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 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 2015 through 2017 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 2014 through 2017 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, 2016, 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.

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At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2017

(continued)

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).

Fair values of assets measured on a recurring basis at June 30, 2017 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	\$115,433		\$115,433	
Gift cards	<u>9,169</u>	<u>\$9,169</u>	<u> </u>	
Total	\$124,602	\$9,169	\$115,433	

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

Construction in progress – leasehold improvements	\$258,217
Website	34,911
Furnishings & equipment	20,476
Less: accumulated depreciation	<u>(7,281)</u>
Property & equipment, net book value	306,323

5. Temporarily Restricted Net Assets

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

To support the build-out of new facility and/or the growth of ATC's programs	\$607,589
Build-out (capital expenditures only)	<u>851,078</u>
<i>Subtotal – capital & growth fund</i>	1,458,667
General program support for 2017-2018	<u>128,273</u>
Total	\$1,586,940

At The Crossroads

Notes to Financial Statements for the Year Ended June 30, 2017

6. In-Kind Support

In-kind donations consist of the following:

<i>General Fund</i>	
Clothing & sundries	\$295,324
Website & information technology services	39,863
Other professional services	<u>3,750</u>
Subtotal	\$338,937
 <i>Capital & Growth Fund</i>	
Architectural services for new office space	<u>40,471</u>
 Total	 \$379,408

7. Leases

New Facility

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 shall be set at \$1 per year for a five-year term and the Organization anticipates commencing occupancy in 2018. In addition, ATC is responsible for its pro rata share of building operating costs and property taxes, which are currently estimated at approximately \$42,000 per year. The lease also contains an option to extend the term for an additional five years.

Temporary Facility

During the year ended June 30, 2017, ATC's Valencia Street office lease expired and the Organization relocated to a temporary location while renovations take place at the new Jessie Street complex. Under the terms of a signed operating lease, monthly rent on the temporary office was \$9,000 until September 2017 and \$17,000 from October 2017 through January 2018.

8. Cash Deposits in Excess of Federal Insurance Limits

ATC maintains the majority of its cash deposits with one financial institution. Such amounts may at times exceed Federal Deposit Insurance Corporation limits of \$250,000 per depositor per institution. However, management believes the risk of loss is minimal. To date, ATC has not experienced any losses in these accounts.

9. Preparation of Financial Statements

In preparing these financial statements, management has evaluated events for potential recognition or disclosure through December 19, 2017, the date the financial statements were available to be issued.