

AUDITED FINANCIAL STATEMENTS

**CROSSROADS HOUSE**

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DECEMBER 31, 2015

**CROSSROADS HOUSE**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Crossroads House  
Batavia, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Crossroads House (the Organization), which comprise the statement of financial position as of December 31, 2015, the related statement of activities and changes in net assets, cash flows, and functional expenses for the year then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended are in conformity with accounting principles generally accepted in the United States of America.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
March 14, 2017

**CROSSROADS HOUSE**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2015**

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**ASSETS**

**Current assets**

Cash and cash equivalents	\$	157,174
Prepaid expenses		7,068
Total current assets		<u>164,242</u>

**Property and equipment**

Equipment		215,332
Less: accumulated depreciation		<u>(91,781)</u>
Property and equipment, net		<u>123,551</u>

**Other assets**

Cash surrender value of life insurance		53,979
Investments		<u>273,198</u>
		<u>327,177</u>

Total assets \$ 614,970

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$	1,796
Accrued payroll		<u>3,000</u>
Total liabilities		<u>4,796</u>

**Net assets**

Unrestricted		332,085
Board designated endowment		<u>273,198</u>
Total unrestricted net assets		<u>605,283</u>

Temporarily restricted		<u>4,891</u>
Total net assets		<u>610,174</u>

Total liabilities and net assets \$ 614,970

See accompanying notes.

CROSSROADS HOUSE

**STATEMENT OF ACTIVITIES AND CHANGES IN NETS ASSETS**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and public support</b>			
Contributions and grants	\$ 280,886	\$ 2,586	\$ 283,472
Fundraising	111,466	-	111,466
Investment income (loss)	(17,299)	-	(17,299)
Loss on disposal of fixed assets	(432)	-	(432)
Other income	2,377	-	2,377
Net assets released from restriction	31,278	(31,278)	-
Total revenue and public support	<u>408,276</u>	<u>(28,692)</u>	<u>379,584</u>
<b>Expenses</b>			
Program services	153,552	-	153,552
Management and general	82,658	-	82,658
Fundraising	46,346	-	46,346
Total expenses	<u>282,556</u>	<u>-</u>	<u>282,556</u>
Change in net assets	125,720	(28,692)	97,028
<b>Net assets - beginning of year</b>	<u>479,563</u>	<u>33,583</u>	<u>513,146</u>
<b>Net assets - end of year</b>	<u>\$ 605,283</u>	<u>\$ 4,891</u>	<u>\$ 610,174</u>

See accompanying notes.

## CROSSROADS HOUSE

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ 97,028
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized and unrealized loss on investments	26,831
Depreciation	11,606
Loss on disposal of fixed assets	432
Cash surrender value of life insurance	(1,676)
(Increase) decrease in:	
Prepaid expenses	(757)
Increase (decrease) in:	
Accounts payable	317
Accrued expenses	316
Accrued payroll	(10,091)
Deferred revenue	(29,000)
	<hr/>
Net cash provided by operating activities	95,006
<b>Cash flows used by investing activities</b>	
Purchase of property and equipment	(37,842)
Purchases of investments	(119,537)
	<hr/>
Net cash used by investing activities	(157,379)
<b>Net decrease in cash and cash equivalents</b>	(62,373)
<b>Cash and cash equivalents - beginning of year</b>	<hr/> 219,547
<b>Cash and cash equivalents - end of year</b>	\$ <hr/> <hr/> 157,174

See accompanying notes.

**CROSSROADS HOUSE**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting and professional	\$ -	\$ 5,347	\$ -	\$ 5,347
Contract services	-	900	-	900
Credit card fees	-	1,031	-	1,031
Depreciation	11,606	-	-	11,606
Insurance	3,814	1,976	916	6,706
Internet and website	-	1,481	-	1,481
Maintenance and repairs	6,318	-	-	6,318
Membership and dues	6,209	-	-	6,209
Office supplies and expenses	-	867	-	867
Other expenses	-	29,755	-	29,755
Payroll taxes	9,193	2,723	1,909	13,824
Printing and postage	-	2,049	9,416	11,465
Promotional material	-	-	4,052	4,052
Rent expense	1,791	616	1,594	4,000
Salaries and wages	101,534	32,905	23,238	157,677
Supplies and food	6,404	1,226	5,222	12,852
Telephone	-	1,042	-	1,042
Training and development	-	197	-	197
Travel and meetings	-	543	-	543
Utilities	3,837	-	-	3,837
Volunteer expense	2,847	-	-	2,847
<b>Total expenses</b>	<b>\$ <u>153,552</u></b>	<b>\$ <u>82,658</u></b>	<b>\$ <u>46,346</u></b>	<b>\$ <u>282,556</u></b>

See accompanying notes.

## CROSSROADS HOUSE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities:** The governing body of Crossroads House (the Organization), located in Batavia, New York, is the Board of Directors. The scope of activities included within the accompanying financial statements are those transactions which comprise the Organization's operations, and are governed, or significantly influenced by the Board of Directors. The primary function of the Organization is to provide comfort care services to individuals that are terminally ill and to their families.

**Basis of Accounting:** The Organization's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

**Financial Statement Presentation:** The Organization follows the Financial Statements Topic for not-for-profit organizations of the FASB Accounting Standards Codification. Under this topic, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets include revenues and expenses associated with the principal mission of the Organization. Temporarily restricted net assets include contributions for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds is not permanently restricted. No restrictions have been placed upon the Organization's board designated endowment fund. The Organization does not have any permanently restricted net assets as of December 31, 2015.

**Revenue Recognition:** The Organization maintains its books and prepares its financial statements on the accrual basis of accounting whereby revenue is recognized as it is earned and expenses are recorded as they are incurred. Revenue not received when earned is recorded as an accounts receivable whereas revenue received in advance is recorded as deferred revenue. Gifts, grants, bequests and enforceable pledges are recognized as revenue when contributed.

**Contributions:** Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor's specific request are reported as temporarily restricted or permanently restricted support. When a restriction is satisfied, the restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents:** For the purposes of the statement of cash flows, all highly liquid financial instruments with an original maturity of three months or less are considered to be cash equivalents.

**Investments:** Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the balance sheet. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Unrealized gains and losses are included in the change in net assets. Investment income, gains, and losses from the sale or other disposition of investments are accounted for in accordance with specific donor restrictions. In the absence of such restrictions, investment income, gains and losses are accounted for as unrestricted.

**Property and Equipment:** Property and equipment is stated at cost or, in the case of gifts, at fair market value at the date of donation. Depreciation has been provided for using the straight-line method over the estimated useful lives of the assets.

The cost of normal maintenance and repairs is charged to expense when paid, whereas expenditures which materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.



## CROSSROADS HOUSE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards require that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization has no impairment for the year ended December 31, 2015.

**Net Assets:** The Organization classifies its net assets as follows:

- **Unrestricted** - Unrestricted net assets are available for use without donor-imposed restrictions.
- **Temporarily Restricted** - Temporarily restricted net assets have donor or purpose imposed restrictions that require the Organization to use up or expend the donated asset as specified. These restrictions are satisfied either by the passage of time or by actions of the Organization. The Organization records donor restrictions that are satisfied in the same reporting period in which they are received as unrestricted support.
- **Permanently Restricted** - Permanently restricted net assets have donor-imposed restrictions that stipulate that resources be maintained permanently, but which permit the Organization to expend part or all of the income and/or appreciation derived from the donated assets without restriction.

**Advertising and Promotion:** Advertising and promotion costs are charged to operations when incurred.

**Functional Allocation of Expenses:** The cost of supporting services and activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

**Income Taxes:** The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been provided for in the financial statements. The Organization files its Return or Organization Exempt from Income Tax in the U.S. federal jurisdiction and its annual filing of charitable organization in New York State.

**Use of Estimates in Preparation of Financial Statements:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

**Subsequent Events:** These financial statements have not been updated for subsequent events occurring after March 14, 2017 which is the date these financial statements were available to be issued.

#### NOTE 2. INVESTMENTS

The Organization's investments consisted of the following at December 31, 2015:

	<u>Cost</u>	<u>Fair value</u>
Cash and Cash Equivalents	\$ 1,378	\$ 1,378
Mutual Funds	<u>274,631</u>	<u>271,820</u>
Total	<u>\$ 276,009</u>	<u>\$ 273,198</u>

## CROSSROADS HOUSE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 2. INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended December 31, 2015:

Interest and dividend income	\$ 11,187
Net realized gain (loss) on investments	(21,557)
Net unrealized gain (loss) on investments	(5,274)
Fees	<u>(1,655)</u>
Investment income	<u>\$ (17,299)</u>

In accordance with Fair Value Measurements Topic of the FASB Accounting Standards Codification, investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. U.S. GAAP establishes a framework for measuring fair value of assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that the Organization has ability to access
- Level 2: Valuation is based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Valuation is based upon unobservable inputs that are significant to the fair value measurement.

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security, and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

Following is a description of valuation methodologies used at December 31, 2015.

*Money market funds:* Valued at cost plus accrued interest, which approximates fair value. Money market funds are classified as Level 1 investments.

*Mutual funds:* Valued at net asset value (NAV) of shares held at year-end. The NAV is the closing price reported on the active market on which the securities are traded.

## CROSSROADS HOUSE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 2. INVESTMENTS (Continued)

All of the Organization's investments were valued based on Level 1 inputs:

Cash and cash equivalents	\$ 1,378
Mutual Funds	
Equities	162,487
Fixed Income	<u>109,333</u>
Total Mutual Funds	<u>271,820</u>
Total	<u>\$ 273,198</u>

#### NOTE 3. BOARD DESIGNATED ENDOWMENT

In 2003, the Organization established an endowment fund at the direction of its Board of Directors. The fund will receive all gifts, bequests, insurance policies, and any other contributions designated to be used for the endowment fund. In addition, the Organization will contribute 10% of any single undesignated contribution in excess of \$1,500 as well as any specific fundraising event with net proceeds over \$1,500.

The endowment fund is invested in a manner consistent with Board policies. The Organization's investment strategy is to achieve reasonable growth without being subjected to significant risk.

In accordance with the Board adopted endowment policies, the funds are to be accumulated until the balance of \$1,000,000 is achieved. At such time, the Organization will annually withdraw a maximum of 5% to be used for charitable purposes designated by the Board, provided that such withdrawal does not result in a balance less than corpus.

The following is a summary of the Organization's endowment as of December 31, 2015:

Board Designated Endowment Fund January 1, 2015	\$ 180,493
Contributions	110,004
Investment income	<u>(17,299)</u>
Board Designated Endowment Fund December 31, 2015	<u>\$ 273,198</u>

#### NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2015:

Building improvements	\$ 2,008
Promotions	533
Transportation services	1,000
Volunteer expenses	<u>1,350</u>
	<u>\$ 4,891</u>

## CROSSROADS HOUSE

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 5. COMMITMENTS AND CONTINGENCIES

The organization is obligated under a non-cancelable operating lease for a copier machine. The lease is scheduled to expire on March 30, 2019. Rental expense for the year ended December 31, 2015 totaled \$1,620.

Future minimum lease payments commitments are as follows:

<u>Year</u>	<u>Amount</u>
2016	1,620
2017	1,620
2018	1,620
2019	417

#### NOTE 6. DONATED SERVICES

The Organization receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended December 31, 2015, approximately 100 active volunteers provided approximately 14,600 hours of service.

The Organization also receives donated goods that meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended December 31, 2015, the Organization recognized \$6,836, consisting mainly of supplies and materials of in-kind donations.

The Organization leases its building from a local church. Under the terms of the lease, the annual rent expense is \$12 for a period of 5 years. The current lease will expire in January 2017, at which point the Organization will have the option to renew. Since the rental amount is below fair market value, the Organization has estimated the fair market value of the annual rental amount to be \$4,000. The Organization has recorded that amount as both rent expense and a corresponding donation.