

**CROSSROADS COMMUNITY SERVICES,
INC.**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2016 AND 2015

Crossroads Community Services, Inc.
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December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Crossroads Community Services, Inc.

We have audited the accompanying financial statements of the Crossroads Community Services, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 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 Crossroads Community Services, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Salmon Sims Thomas & Associates".

Salmon Sims Thomas & Associates
A Professional Limited Liability Company

May 30, 2017

Crossroads Community Services, Inc.
Statements of Financial Position
December 31, 2016 and 2015

ASSETS	2016	2015
Cash	\$ 462,125	\$ 354,547
Investments	1,354	-
Grants receivable	122,050	100,353
Contributions receivable	35,368	39,710
Accounts receivable	40,302	17,451
Inventory	126,843	118,712
Prepaid expenses	10,394	3,083
Property and equipment, net	4,128	10,942
TOTAL ASSETS	\$ 802,564	\$ 644,798

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 10,152	\$ 18,477
Accrued expenses	8,889	24,986
Total Liabilities	19,041	43,463
Net Assets		
Unrestricted	661,473	500,982
Temp restricted	122,050	100,353
Total Net Assets	783,523	601,335
TOTAL LIABILITIES AND NET ASSETS	\$ 802,564	\$ 644,798

The accompanying notes are an integral part of these financial statements.

Crossroads Community Services, Inc.
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Contributions	\$ 371,898	\$ -	\$ 371,898
Services fees	176,101	-	176,101
Grant income	185,469	213,550	399,019
In-kind donations	4,310,121	-	4,310,121
	5,043,589	213,550	5,257,139
Net assets released from restrictions	191,853	(191,853)	-
	5,235,442	21,697	5,257,139
Expenses			
<i>Program services</i>			
Food program	4,151,423	-	4,151,423
Clothing program	757,659	-	757,659
	4,909,082	-	4,909,082
<i>Supporting services</i>	28,089	-	28,089
<i>Fundraising</i>	137,780	-	137,780
Total Expenses	5,074,951	-	5,074,951
Increase in Net Assets	\$ 160,491	\$ 21,697	\$ 182,188

The accompanying notes are an integral part of this financial statement.

Crossroads Community Services, Inc.
Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 304,535	\$ -	\$ 304,535
Services fees	160,214	-	160,214
Grant income	239,755	146,000	385,755
In-kind donations	5,628,497	-	5,628,497
	<u>6,333,001</u>	<u>146,000</u>	<u>6,479,001</u>
Net assets released from restrictions	163,027	(163,027)	-
	<u>6,496,028</u>	<u>(17,027)</u>	<u>6,479,001</u>
Expenses			
<i>Program services</i>			
Food program	5,590,335	-	5,590,335
Clothing program	742,566	-	742,566
	<u>6,332,901</u>	<u>-</u>	<u>6,332,901</u>
<i>Supporting services</i>	100,496	-	100,496
<i>Fundraising</i>	112,204	-	112,204
Total Expenses	<u>6,545,601</u>	<u>-</u>	<u>6,545,601</u>
Decrease in Net Assets	<u>\$ (49,573)</u>	<u>\$ (17,027)</u>	<u>\$ (66,600)</u>

The accompanying notes are an integral part of this financial statement.

Crossroads Community Services, Inc.
Statements of Changes in Net Assets
For the Years Ended December 31, 2016 and 2015

	Unrestricted	Temporarily Restricted	Total
Net Assets, December 31, 2014	\$ 550,555	\$ 117,380	\$ 667,935
Decrease in Net Assets	(49,573)	(17,027)	(66,600)
Net Assets, December 31, 2015	500,982	100,353	601,335
Increase in Net Assets	160,491	21,697	182,188
Net Assets, December 31, 2016	\$ 661,473	\$ 122,050	\$ 783,523

The accompanying notes are an integral part of these financial statements.

Crossroads Community Services, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Food Program</u>	<u>Clothing Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Food assistance	\$ 3,736,388	\$ -	\$ -	\$ -	\$ 3,736,388
Clothing assistance	-	639,628	-	-	639,628
Salaries and related expense	285,292	40,756	22,642	104,154	452,844
Occupancy and utilities	66,615	59,954	2,665	3,997	133,231
Other equipment	1,706	-	-	-	1,706
Administration	16,372	2,339	1,299	5,978	25,988
Professional fees	18,687	2,669	1,483	6,821	29,660
Consulting fees	14,050	-	-	6,074	20,124
Volunteer development	1,065	1,065	-	-	2,130
Repairs and maintenance	9,023	9,023	-	-	18,046
Other program expenses	2,225	2,225	-	-	4,450
Development expenses	-	-	-	10,756	10,756
	<u>\$ 4,151,423</u>	<u>\$ 757,659</u>	<u>\$ 28,089</u>	<u>\$ 137,780</u>	<u>\$ 5,074,951</u>

The accompanying notes are an integral part of this financial statement.

Crossroads Community Services, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Food Program</u>	<u>Clothing Program</u>	<u>Supporting</u>	<u>Fundraising</u>	<u>Total</u>
Food assistance	\$ 5,162,827	\$ -	\$ -	\$ -	\$ 5,162,827
Clothing assistance	-	595,364	-	-	595,364
Salaries and related expense	309,929	83,017	88,551	71,948	553,445
Occupancy and utilities	72,381	49,524	5,079	-	126,984
Other equipment	4,561	-	-	-	4,561
Administration	8,804	2,358	2,516	2,044	15,722
Professional fees	15,224	4,078	4,350	3,534	27,186
Contract labor	8,384	-	-	-	8,384
Other program expenses	8,225	8,225	-	-	16,450
Donor and marketing	-	-	-	34,678	34,678
	<u>\$ 5,590,335</u>	<u>\$ 742,566</u>	<u>\$ 100,496</u>	<u>\$ 112,204</u>	<u>\$ 6,545,601</u>

The accompanying notes are an integral part of this financial statement.

Crossroads Community Services, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 182,188	\$ (66,600)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,814	7,581
(Increase) Decrease in assets:		
Donated exchange traded fund	(1,354)	-
Grants receivable	(21,697)	17,027
Contributions receivable	4,342	(39,710)
Accounts receivable	(22,851)	(17,451)
Inventory	(8,131)	26,114
Prepaid expenses	(7,311)	(3,083)
Increase (Decrease) in liabilities:		
Accounts payable	(8,325)	15,607
Accrued expenses	(16,097)	-
Net Cash Provided (Used) by Operating Activities	107,578	(60,515)
 Cash Flows From Investing Activities		
Purchase of equipment	-	(3,165)
 Net Increase (Decrease) in Cash	107,578	(63,680)
 Cash, beginning of year	354,547	418,227
 Cash, end of year	\$ 462,125	\$ 354,547

The accompanying notes are an integral part of these financial statements.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1: ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

The summary of significant accounting policies of Crossroads Community Services, Inc. (Organization) is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (US GAAP) and have been consistently applied in the preparation of the financial statements.

Organization

The Organization was an urban outreach of First United Methodist Church of Dallas (Church) from 2001 to July 2015, with the mission to enrich the lives of neighbors-in-need by compassionately providing tangible support and by helping people develop the strategic skills and self-discipline necessary to enjoy sustained well-being. The Organization has two primary goals: to help ensure that people have ready access to nourishing foods, and to provide nutrition and life-skills education that can help reduce obesity in impoverished areas. The Organization operated under the Church tax exemption until July 1, 2015, at which date the Organization commenced operations under the newly formed tax exempt corporation, Crossroads Community Services, Inc. The functional operating structure of the Organization remained unchanged. The Organization, funded by public and private contributions and grants, serves men, women and children of all ages, ethnicities, and religions living in Dallas County who qualify as "low-income" under federal guidelines.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all investments with original maturity dates of ninety days or less to be cash equivalents. The Organization places cash with high-credit quality financial institutions. The Organization has not experienced any losses on such assets.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists primarily of consulting services provided in 2016. The accounts receivable balance as of December 31, 2016 was \$40,302. The Organization does not consider any receivables to be uncollectible; therefore, the balance in the allowance for doubtful accounts is \$0 as of December 31, 2016.

Investments

Investments consist of a donated exchange-traded fund that is expected to be converted to cash within thirty days. The Organization carries these investments at fair market value in the statements of financial position. Investment income or loss is included in the change in net assets in the accompanying statements of activity.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

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

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations. Net assets that are unrestricted but have been designated for a particular purpose by the Board, if any, are reflected as Board Designated Net Assets.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporarily restricted net assets (*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. Contributions are recognized as revenues in the period unconditional promises to give are received. Contributions of assets other than cash are recorded at their estimated fair value.

Inventory

Inventories consist of donated food items for distribution. Donated products are stated at fair market value and valued at an average of national retail prices. Inventories are recorded on a first-in, first-out method.

Property and Equipment

Property and equipment are stated at cost when purchased or fair value at the date the equipment is donated, less accumulated depreciation. Major expenditures and expenditures which substantially increase useful lives are capitalized. Maintenance, repairs, and replacements, which do not improve or extend the lives of the respective assets, are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation are removed, and any gain or loss is included in operations.

Depreciation of furniture, equipment, and computers is calculated using the straight line convention over the estimated useful lives of the respective assets. Estimated useful lives were as follows:

Furniture, equipment, and computers	2-7 years
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Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those assumed in recording the functional allocation of expenses, depreciable lives of fixed assets, and the collectability of grant receivables. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Functional Allocation of Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in Section 501(c)(3) of the IRC. Prior to July 2015, the Organization operated as an outreach of the First United Methodist Church of Dallas and was part of the United Methodist Church's group exemption. In January 2015, the Organization separately incorporated, filed for, and received separate exemption, and commenced operations under the new tax exempt corporation on July 1, 2015. The Organization has been provisionally classified as an organization that is not a private foundation under IRC Section 509(a)(2), and as such, contributions to the Organization qualify for deductions as charitable contributions.

Accounting for Uncertainty in Income Taxes

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statement of activities or accrued in the statement of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Service Fees

The Organization charges certain recipient food assistance partners a fee on a per pound basis on selected categories of products to partially offset the handling and redistribution costs incurred by the Organization. Food assistance partners take the donated food and redistribute it, at no cost, to low-income families and individuals in need of nutritious food.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

FASB ASC 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides the 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There has been no change in the methodology used at December 31, 2016 and 2015.

Exchange-traded funds(ETFs): Valued at the closing price reported in an active market in which the individual security is traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The provisions of ASC 820 did not have an impact on the Organization's nonfinancial assets and nonfinancial liabilities that are not permitted or required to be measured at fair value on a recurring basis.

Concentration

The Organization receives contributions and provides services to ministries and people in the Dallas area in which the Organization is located.

Date of Management's Review

The Organization has evaluated subsequent events through May 30, 2017, the date the financial statements were available to be issued.

NOTE 2: INVESTMENTS

Investments at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Exchange-traded fund	\$ 1,354	\$ -

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 3: PROPERTY AND EQUIPMENT

At December 31, 2016 and 2015, property and equipment consisted of the following:

	2016	2015
Furniture and equipment	\$ 50,889	\$ 50,889
Less accumulated depreciation	(46,761)	(39,947)
	\$ 4,128	\$ 10,942

Depreciation expense for the years ended December 31, 2016 and 2015 totaled \$6,814 and \$7,581, respectively.

NOTE 4: OPERATING LEASE

The Organization rents its facilities on a month-to-month basis. The base rent for the lease is \$10 per month, but is also required to pay the pro-rata share of operating expenses such as security, utilities, and maintenance. Estimated expenses per month total approximately \$4,900. Total donated rent expense for the years ended December 31, 2016 and 2015 was \$64,204 and \$64,204, respectively.

NOTE 5: CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2016 and 2015, contributions and grants receivable consisted of receivables (primarily from corporations and foundations) due in one year or less. Because all amounts are due in one year or less, a discount to present value was not material or required. Further, no allowance for doubtful accounts was considered necessary.

NOTE 6: CONTRIBUTED GOODS AND SERVICES

In-kind donations of food products are valued at an average of national retail prices. The Organization received approximately 2.13 million pounds of food during the year ended December 31, 2016 and 2.71 million pounds during the year ended December 31, 2015. In-kind donations of clothing are valued at an average of thrift store valuation for like items. The Organization received approximately 105,200 and 99,000 items of clothing for the years ended December 31, 2016 and 2015, respectively.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 6: CONTRIBUTED GOODS AND SERVICES (CONTINUED)

For the years ended December 31, 2016 and 2015, the Organization received and recognized contributed goods and services as follows:

	2016	2015
Food	\$ 3,611,969	\$ 4,967,239
Clothing	631,260	593,754
Accounting services	2,688	3,300
Rent	64,204	64,204
	\$ 4,310,121	\$ 5,628,497

These amounts are included as unrestricted contributions and expenses in the accompanying financial statements.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2016 and 2015, temporarily restricted net assets consisted of the following:

	2016	2015
Time restriction	\$ 122,050	\$ 100,353

Net assets released from restrictions during 2016 and 2015 were as follows:

	2016	2015
Time restriction	\$ 191,853	\$ 163,027

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 8: FAIR VALUE

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2016:

<u>Fair Value Measurements at Reporting Date Using:</u>				
	<u>Fair Value</u>	Quoted Prices in Active markets for Identical Assets/Liabilities <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>
Exchange-traded fund	\$ 1,354	\$ 1,354	-	-

NOTE 9: RETIREMENT PLAN

Effective January 1, 2016, the Organization made available, for all employees, a Simple IRA retirement plan, which is managed by a third-party entity. Eligible employees can make contributions, subject to certain limitations, on a pretax basis. Further, the Organization makes a matching contribution to the plan of up to 3% of the employee's salary on an annual basis. The Organization made a matching contribution for the year ended December 31, 2016 totaling \$17,315.