

CROSS ROADS HOUSE, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018  
with Summarized Financial Information  
for the Year Ended June 30, 2017

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Sanders & Karcher  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cross Roads House, Inc.  
Portsmouth, New Hampshire

**Report on the Financial Statements**

We have audited the accompanying financial statements of Cross Roads House, Inc. (a nonprofit organization) as of June 30, 2018 which comprise the statement of financial position and the related statements of activities, 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 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 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.

Board of Directors  
Cross Roads House, Inc.  
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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cross Roads House, Inc. as of June 30, 2018, 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 Cross Roads House, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sanders & Karcher  
Portsmouth, New Hampshire  
October 16, 2018

CROSS ROADS HOUSE, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30,

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 296,061	\$ 360,278
Accounts receivable	3,886	2,429
Grants receivable	135,467	67,350
Unconditional promises to give	194,075	242,675
Prepaid expenses	44,853	54,288
Total current assets	674,342	727,020
PROPERTY & EQUIPMENT, net of accumulated depreciation of \$1,537,549 & \$1,382,026, respectively	4,935,034	4,639,205
OTHER ASSETS		
Closing costs, net of accumulated amortization of \$1,502 & \$1,297, respectively	3,097	57
Cash and marketable securities, long-term reserve	757,367	672,926
Beneficial interest in assets held by others	134,758	130,525
Cash and cash equivalents, operating reserve	126,746	125,458
Total other assets	1,021,968	928,966
TOTAL ASSETS	\$ 6,631,344	\$ 6,295,191
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 32,133	\$ 18,515
Deferred income	25,000	41,449
Long-term debt, current portion	23,672	14,295
Accrued payroll items	52,530	40,726
Total current liabilities	133,335	114,985
LONG-TERM DEBT, net of current portion	601,639	197,995
Total liabilities	734,974	312,980
NET ASSETS		
Unrestricted		
Designated	884,113	798,384
Undesignated	4,791,499	4,882,302
Temporarily restricted	86,000	171,000
Permanently restricted	134,758	130,525
Total net assets	5,896,370	5,982,211
TOTAL LIABILITIES AND NET ASSETS	\$ 6,631,344	\$ 6,295,191

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

CROSS ROADS HOUSE, INC.  
STATEMENTS OF ACTIVITIES  
Years ended June 30,

	2018	2017
PUBLIC SUPPORT AND REVENUES:		
PUBLIC SUPPORT		
Government grants	\$ 535,348	\$ 499,636
Donations	589,882	632,635
Fundraising, net of direct expenses of \$63,137 and \$46,365, respectively	<u>465,703</u>	<u>356,930</u>
Total public support	<u>1,590,933</u>	<u>1,489,201</u>
REVENUES		
Investment return	<u>59,788</u>	<u>50,182</u>
Total revenues	<u>59,788</u>	<u>50,182</u>
Total public support and revenues	<u>1,650,721</u>	<u>1,539,383</u>
EXPENSES		
Program services	1,198,072	1,021,113
General and administrative	288,636	213,553
Fundraising	<u>98,360</u>	<u>89,026</u>
Total expenses	<u>1,585,068</u>	<u>1,323,692</u>
CHANGE IN OPERATING NET ASSETS BEFORE DEPRECIATION	65,653	215,691
Less depreciation and amortization	<u>155,727</u>	<u>154,461</u>
INCREASE (DECREASE) IN OPERATING NET ASSETS	( 90,074)	61,230
BUILDING SUPPORT	<u>85,000</u>	<u>25,000</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	( 5,074)	86,230
TEMPORARILY RESTRICTED NET ASSETS		
Public support	463,090	479,155
Restrictions satisfied by use	( <u>548,090</u> )	( <u>504,155</u> )
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	( <u>85,000</u> )	( <u>25,000</u> )
PERMANENTLY RESTRICTED ASSETS		
Investment return	9,338	15,547
Distributions	( <u>5,105</u> )	( <u>5,366</u> )
INCREASE (DECREASE) IN PERMANENTLY RESTRICTED NET ASSETS	<u>4,233</u>	<u>10,181</u>
INCREASE (DECREASE) IN NET ASSETS	( 85,841)	71,411
NET ASSETS, Beginning of year	<u>5,982,211</u>	<u>5,910,800</u>
NET ASSETS, End of year	\$ <u>5,896,370</u>	\$ <u>5,982,211</u>

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

CROSS ROADS HOUSE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30,

	2018				2017
	Program Services	General and Admin	Fund- Raising	Total	Total
Management salaries	\$ 65,781	\$ 148,427	\$ 25,575	\$ 239,783	\$ 237,036
Salaries and wages	537,287	11,523	38,123	586,933	507,130
Employee benefits	72,671	44,024	1,002	117,697	99,054
Payroll taxes	49,108	12,796	5,096	67,000	59,555
Professional fees	1,666	14,996	-	16,662	12,868
Bad debt	-	-	2,975	2,975	7,359
Advertising and promotion	-	-	2,903	2,903	5,630
Office and administration	9,869	28,894	10,387	49,150	52,748
Heat	17,989	1,000	999	19,988	14,221
Electricity	31,806	1,748	1,747	35,301	30,274
Water and sewer	25,590	1,179	1,179	27,948	23,566
Repairs and maintenance	87,662	4,871	4,871	97,404	71,758
Interest	12,675	704	704	14,083	8,435
Insurance	28,572	1,588	1,587	31,747	28,033
Food	37,063	-	-	37,063	30,759
Direct services	211,889	5,250	-	217,139	120,208
Telephone	1,010	7,884	1,212	10,106	6,056
Volunteer development	-	2,926	-	2,926	2,798
Staff and program development	<u>7,434</u>	<u>826</u>	<u>-</u>	<u>8,260</u>	<u>6,204</u>
TOTALS BEFORE DEPREC & AMORT	1,198,072	288,636	98,360	1,585,068	1,323,692
Depreciation & amortization	<u>138,811</u>	<u>9,204</u>	<u>7,712</u>	<u>155,727</u>	<u>154,461</u>
TOTALS	<u>\$ 1,336,883</u>	<u>\$ 297,840</u>	<u>\$ 106,072</u>	<u>\$ 1,740,795</u>	<u>\$ 1,478,153</u>

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

CROSS ROADS HOUSE, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30,

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from public support	\$ 1,410,801	\$ 1,324,889
Cash received from investment return	64,021	60,364
Cash paid to employees and suppliers	( 1,524,091)	( 1,340,871)
Cash paid for interest	( <u>13,361</u> )	( <u>8,434</u> )
Net cash provided (used) by operating activities	( 62,630)	35,948
CASH FLOWS FROM INVESTING ACTIVITIES		
Net unrealized investment gain (loss)	39,988	35,897
Cash paid for property and equipment	( <u>454,596</u> )	( <u>98,145</u> )
Net cash used by investing activities	( 414,608)	( 62,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from borrowings	625,000	-
Cash paid for debt reduction	( <u>211,979</u> )	( <u>13,710</u> )
Net cash (used) provided by financing activities	413,021	( 13,710)
Net decrease in cash	( 64,217)	( 40,010)
Cash at beginning of year	<u>360,278</u>	<u>400,288</u>
CASH AT END OF YEAR	\$ <u>296,061</u>	\$ <u>360,278</u>

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

CROSS ROADS HOUSE, INC.  
STATEMENTS OF CASH FLOWS (continued)  
Years Ended June 30,

	2018	2017
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$( 85,841)	\$ 71,411
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net unrealized investment gain	( 39,988)	( 35,897)
Depreciation expense	155,522	154,236
Amortization expense	205	225
(Increase) decrease in:		
Accounts receivable	( 1,457)	( 2,429)
Grants receivable	( 68,117)	( 56,297)
Unconditional promises to give	48,600	33,075
Prepaid expenses	9,435	( 8,039)
Beneficial interest in assets held by others	( 4,233)	( 10,181)
Cash and cash equivalents, operating reserve	( 1,288)	( 389)
Cash and marketable securities, long-term reserve	( 84,441)	( 70,813)
Increase (decrease) in:		
Accounts payable	13,618	( 22,266)
Deferred income	( 16,449)	( 13,736)
Accrued payroll items	11,804	( 2,952)
Total adjustments	23,211	( 35,463)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$( <u>62,630</u> )	\$ <u>35,948</u>

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

CROSS ROADS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Cross Roads House, Inc. (Cross Roads House), was organized March 24, 1982, but was essentially activated January 1, 1984. The purpose of the organization is to provide safe and supportive emergency and transitional shelter to individuals and families experiencing homelessness in southeastern New Hampshire.

Basis of Accounting

Income and expenses are reported on the accrual basis, which means that income is recognized as it is earned and expenses are recognized as they are incurred whether or not cash is received or paid out at that time.

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.

Income Taxes

Cross Roads House received a letter of determination dated July 28, 1986 from the Internal Revenue Service advising it that it qualified as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, it is not subject to income tax. Cross Roads House is classified as other than a private foundation.

Financial Statement Presentation

Cross Roads House presents its financial statements in accordance with Accounting Standards Codification No. 958-210, "Financial Statements of Not-for-Profit Organizations". Under ASC No. 958-210, Cross Roads House is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Cross Roads House is required to present a statement of cash flows.

Cash and Cash Equivalents

For purposes of these financial statements all non-custodial highly liquid investments with an initial maturity of less than three months or investments with a per share value constant at one dollar are considered to be cash equivalents. Cash equivalents were \$126,804 and \$137,357 as of June 30, 2018 and 2017.

Accounts Receivable

Accounts receivable consist primarily of amounts due from the State in support of homeless operations. An allowance for doubtful accounts is established based on historical experience and management's evaluation of outstanding accounts receivable at the end of each year. As of June 30, 2018 and 2017 management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

CROSS ROADS HOUSE, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Subsequent events have been evaluated through October 16, 2018 the date the financial statements were available to be issued. A housing discrimination suit was filed on July 13, 2017 with the New Hampshire Commission on Human Rights by a former resident. All charges have been denied and management maintains that the allegations are without merit. The insurance company has engaged an attorney who does not view the charge to fall within the definition of materiality, as the organization is insured for the claim and as the claim appears to lack in significant merit. The organization purchased twelve single room occupancy rental units in Portsmouth, New Hampshire in May 2018 that became available for rent after the end of the fiscal year.

Promises to Give/Contributions

Contributions are recognized when the donor makes a promise to give to Cross Roads House that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

An allowance for uncollectible unconditional promises is established based on historical experience and management's evaluation of outstanding unconditional pledges at the end of each year. As of June 30, 2018, management considers all pledges to be fully collectible.

All unconditional promises to give are current and consist of the following, as of June 30,

	2018	2017
Capital campaign	\$ 86,000	\$ 171,000
Wentworth Gala event	108,075	71,675
TOTALS	\$ 194,075	\$ 242,675

Functional Allocation of Expenses

The costs of the various programs and other activities have been summarized on a functional basis. Accordingly, costs have been allocated among the programs and supporting services benefited.

Contributions

Cross Roads House records its contributions as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

CROSS ROADS HOUSE, INC.  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 Year Ended June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment are recorded at cost for those items which have been purchased, and at estimated fair market value for those items which have been donated. The cost of buildings and improvements is recovered using the straight-line method over estimated useful lives of 10 to 33 years. The cost of furniture, fixtures and equipment is recovered using the straight-line method over estimated useful lives of 2 to 7 years. Property and equipment as of June 30, 2018 consisted of the following:

Land and improvements	\$	217,266
Buildings and improvements		6,065,715
Furniture and equipment		<u>189,602</u>
Total property and equipment		6,472,583
Less accumulated depreciation		<u>1,537,549</u>
Property and equipment, net	\$	<u>4,935,034</u>

Donated Services

Contributions of services are recognized in the financial statements if the services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2018 and 2017, there were no amounts for donated services.

Donated Materials

Donated marketable securities and property and equipment are valued at fair market value. Marketable securities are immediately sold and are included in the statement of activities as donations. Donated securities were received and valued as follows during the years ended June 30,

	2018	2017
Marketable securities	\$ 31,970	\$ 27,311

Investment Valuation and Income Recognition

The Organization's investments as of June 30, 2018 are stated at fair value. Shares of the separate investment accounts are valued at quoted market prices, which represent the net value of shares held by the Organization at year-end. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. As of June 30, 2018, investments have a market value of \$884,113, cost basis of \$844,142 and unrealized gains of \$39,971.

CROSS ROADS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Year Ended June 30, 2018

NOTE B - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Cross Roads House is a beneficiary of an agency endowment fund at The New Hampshire Charitable Foundation. Pursuant to the terms of the resolution establishing this fund, property contributed to The New Hampshire Charitable Foundation is held as a separate fund designated for the benefit of Cross Roads House. In accordance with its spending policy, the Foundation makes distributions from the fund to Cross Roads House. The distributions are 4.03% of the market value of the fund per year.

Activity in this endowment fund consisted of the following for the years ended June 30,

	2018	2017
Beginning, fair value, 7/1	\$ 130,525	\$ 120,344
Total return	10,227	16,415
Foundation fee	( 889)	( 868)
Distributions	( 5,105)	( 5,366)
Ending, fair value, 6/30	\$ <u>134,758</u>	\$ <u>130,525</u>

Distributions represent amounts distributed to Cross Roads House and are shown as unrestricted dividends.

NOTE C - INVESTMENTS AT FAIR VALUE

Cross Roads House records its marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets, in the statement of activities.

Following is a description of the valuation methodologies used for assets measured at fair value.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

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

CROSS ROADS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
Year Ended June 30, 2018

NOTE C - INVESTMENTS AT FAIR VALUE (continued)

The Organization reports under the Fair Value Measurements, which established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Investments, all at level 1, at fair value as of consisted of the following:

	2018	2017
Cash & equivalents	\$ 126,804	\$ 137,357
Domestic equities	369,057	338,591
Domestic fixed income	271,664	220,534
International fixed income	<u>116,588</u>	<u>101,902</u>
TOTALS	\$ <u>884,113</u>	\$ <u>798,384</u>

NOTE D - ACCRUED PAYROLL ITEMS

Accrued payroll items consisted of the following as of the years ended June 30,

	2018	2017
Payroll and payroll taxes	\$ 4,382	\$ 929
Earned time	<u>48,148</u>	<u>39,797</u>
Totals	\$ <u>52,530</u>	\$ <u>40,726</u>

NOTE E - LINE OF CREDIT

The organization has established a \$300,000 line of credit with Provident Bank with a current interest rate of 5.25%. The interest rate is directly tied to the Wall Street Journal Prime Rate with no margin. Accordingly, any changes to this rate will change the organization's line of credit rate. There was no outstanding balance as of June 30, 2018.

CROSS ROADS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2018

NOTE F - LONG-TERM DEBT

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note payable, Provident Bank, monthly payment is \$1,293, 4.69% interest; secured by property and equipment; note matures August 2037.	\$ 6,519	\$ 188,383	\$ 194,902
Note payable, Provident Bank, monthly payment is \$2,070, 5.62% interest; secured by property and equipment; note matures March 2038.	8,493	286,183	294,676
Note payable, Provident Bank, monthly payment is \$942, 6.29% interest; secured by property and equipment; note matures May 2038.	3,450	124,872	128,322
Note payable, NH Community Development Authority, monthly payment is \$443, 2.00% interest; secured by property; note matures November 2019.	<u>5,210</u>	<u>2,201</u>	<u>7,411</u>
Total long-term debt	\$ <u>23,672</u>	\$ <u>601,639</u>	\$ <u>625,311</u>

Future principal loan payments are as follows for the years ended,

June 30,	2019 . . . . .	\$ 23,672
	2020 . . . . .	21,689
	2021 . . . . .	20,571
	2022 . . . . .	21,715
	2023 . . . . .	22,924
	Thereafter . . .	514,740

NOTE G - UNRESTRICTED BOARD DESIGNATED NET ASSETS

The Board of Directors of Cross Roads House has approved the following designations of net assets as of June 30,

	<u>2018</u>	<u>2017</u>
Long-term reserve	\$ 757,367	\$ 672,926
Operating reserve	<u>126,746</u>	<u>125,458</u>
Totals	\$ <u>884,113</u>	\$ <u>798,384</u>

Board designated long-term reserve represents amounts held to enhance the capitalization of Cross Roads House. Unrestricted board designated net assets may not be liquidated or expended without the approval of the Board of Directors.

CROSS ROADS HOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2018

NOTE H - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets total \$86,000, all of which is available for the capital campaign.

NOTE I - CONCENTRATION OF CREDIT RISK

As of June 30, 2018, Cross Roads House has a cash balance held by a bank that is insured by the Federal Deposit Insurance Corporation for \$250,000, any amount in excess is fully covered by the Massachusetts Depositors Insurance Fund.

Cross Roads House has a cash balance held by an investment brokerage firm that is insured by the Securities Investor Protection Corporation.

Cross Roads House derived 32% of its operating revenue from government agencies.

NOTE J - COMMITMENTS AND CONTINGENCIES

Cross Roads House receives money under various state and federal grants. Under the terms of these grants, Cross Roads House is required to use the money within the grant period for purposes specified in the grant proposal. If expenditures of the grant were found not to have been made in compliance with the proposal, Cross Roads House may be required to repay the grantor's funds.