

CROSSROADS COMMUNITY SERVICES, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019

Crossroads Community Services, Inc.
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December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Crossroads Community Services, Inc.

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Crossroads Community Services, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Crossroads Community Services, Inc. as of December 31, 2020 and 2019, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crossroads Community Services, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossroads Community Services, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Crossroads Community Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Crossroads Community Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Salmon Sims Thomas & Associates
A Professional Limited Liability Company

March 3, 2021

Crossroads Community Services, Inc.
Statements of Financial Position
December 31, 2020 and 2019

ASSETS	2020	2019
Cash	\$ 2,090,145	\$ 1,275,561
Investments	8,943	-
Grants receivable	261,000	467,500
Contributions receivable	166,365	36,120
Accounts receivable	-	39,780
Unconditional promise to give	798,307	1,075,123
Inventory	949,809	737,684
Prepaid expenses	26,039	15,591
Property and equipment, net	222,093	112,176
TOTAL ASSETS	\$ 4,522,701	\$ 3,759,535

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 49,449	\$ 46,021
Accrued expenses	55,251	54,238
Grants payable	126,139	70,524
Deferred revenue	-	230,000
Total Liabilities	230,839	400,783
Net Assets		
Without donor restrictions	2,948,038	1,830,979
With donor restrictions	1,343,824	1,527,773
Total Net Assets	4,291,862	3,358,752
TOTAL LIABILITIES AND NET ASSETS	\$ 4,522,701	\$ 3,759,535

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

Crossroads Community Services, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and Support			
Contributions	\$ 2,157,341	\$ 1,036,195	\$ 3,193,536
Fees for services	506,075	-	506,075
In-kind donations	17,231,783	-	17,231,783
	<u>19,895,199</u>	<u>1,036,195</u>	<u>20,931,394</u>
Net assets released from restrictions	1,220,144	(1,220,144)	-
	<u>21,115,343</u>	<u>(183,949)</u>	<u>20,931,394</u>
Expenses			
<i>Program services</i>			
Hub program	17,567,782	-	17,567,782
Pantry program	1,418,651	-	1,418,651
Partner relations	319,148	-	319,148
	<u>19,305,581</u>	<u>-</u>	<u>19,305,581</u>
<i>Supporting services</i>	316,280	-	316,280
<i>Fundraising</i>	376,423	-	376,423
Total Expenses	<u>19,998,284</u>	<u>-</u>	<u>19,998,284</u>
Increase in Net Assets	<u>\$ 1,117,059</u>	<u>\$ (183,949)</u>	<u>\$ 933,110</u>

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

Crossroads Community Services, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Contributions	\$ 818,410	\$ 737,498	\$ 1,555,908
Fees for services	431,309	-	431,309
In-kind donations	7,969,757	1,357,476	9,327,233
	<u>9,219,476</u>	<u>2,094,974</u>	<u>11,314,450</u>
Net assets released from restrictions	864,085	(864,085)	-
	<u>10,083,561</u>	<u>1,230,889</u>	<u>11,314,450</u>
Expenses			
<i>Program services</i>			
Hub program	7,680,430	-	7,680,430
Pantry program	494,176	-	494,176
Partner relations	170,180	-	170,180
	<u>8,344,786</u>	<u>-</u>	<u>8,344,786</u>
<i>Supporting services</i>	268,584	-	268,584
<i>Fundraising</i>	404,351	-	404,351
Total Expenses	<u>9,017,721</u>	<u>-</u>	<u>9,017,721</u>
Increase in Net Assets	<u>\$ 1,065,840</u>	<u>\$ 1,230,889</u>	<u>\$ 2,296,729</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, 2020 and 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets, December 31, 2018	\$ 765,139	\$ 296,884	\$ 1,062,023
Change in Net Assets	1,065,840	1,230,889	2,296,729
Net Assets, December 31, 2019	1,830,979	1,527,773	3,358,752
Change in Net Assets	1,117,059	(183,949)	933,110
Net Assets, December 31, 2020	\$ 2,948,038	\$ 1,343,824	\$ 4,291,862

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, 2020

	Program Services			Supporting Services		Total
	Hub Program	Pantry Program	Partner Relations	Management & General	Fundraising	
Food assistance	\$16,944,286	\$ 401,914	\$ -	\$ -	\$ -	\$ 17,346,200
Compensation and benefits	271,422	292,869	143,718	198,269	198,083	1,104,361
Occupancy and utilities	220,085	99,474	41,893	41,893	41,893	445,238
Administration	31,279	36,293	21,345	11,585	30,267	130,769
Professional fees	-	935	217	64,533	103,442	169,127
Volunteer development	-	2,388	-	-	-	2,388
Repairs and maintenance	47,592	386	-	-	-	47,978
Partnerships	-	554,995	111,775	-	-	666,770
Other program expenses	53,118	29,397	200	-	2,738	85,453
	<u>\$ 17,567,782</u>	<u>\$ 1,418,651</u>	<u>\$ 319,148</u>	<u>\$ 316,280</u>	<u>\$ 376,423</u>	<u>\$ 19,998,284</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, 2019

	Program Services			Supporting Services		Total
	Hub Program	Pantry Program	Partner Relations	Management & General	Fundraising	
Food assistance	\$ 7,125,704	\$ 79,939	\$ -	\$ -	\$ -	\$ 7,205,643
Compensation and benefits	236,186	166,928	112,708	197,848	190,891	904,561
Occupancy and utilities	211,229	89,660	41,596	42,011	41,598	426,094
Administration	34,809	28,485	14,680	12,646	22,943	113,563
Professional fees	7,500	3,088	417	15,380	81,023	107,408
Volunteer development	-	2,410	-	-	-	2,410
Repairs and maintenance	51,451	7,372	363	363	363	59,912
Partnerships	-	90,285	-	-	-	90,285
Other program expenses	13,551	26,009	416	336	67,533	107,845
	<u>\$ 7,680,430</u>	<u>\$ 494,176</u>	<u>\$ 170,180</u>	<u>\$ 268,584</u>	<u>\$ 404,351</u>	<u>\$ 9,017,721</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, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in Net Assets	\$ 933,110	\$2,296,729
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,343	13,987
Contribution of stock	(8,943)	-
(Increase) Decrease in assets:		
Grants receivable	206,500	(321,898)
Contributions receivable	(130,245)	22,092
Accounts receivable	39,780	(27,659)
Unconditional promise to give	276,816	(1,075,123)
Inventory	(212,125)	(706,813)
Prepaid expenses	(10,448)	(1,314)
Increase (Decrease) in liabilities:		
Accounts payable	3,428	42,760
Accrued expenses	1,013	(32,430)
Grants payable	55,615	70,524
Deferred revenue	(230,000)	230,000
Net Cash Provided by Operating Activities	955,844	510,855
Cash Flows From Investing Activities		
Purchase of property and equipment	(141,260)	(101,094)
Net Cash Used in Investing Activities	(141,260)	(101,094)
Net Increase in Cash and Cash Equivalents	814,584	409,761
Cash and cash equivalents, beginning of year	1,275,561	865,800
Cash and cash equivalents, end of year	\$2,090,145	\$1,275,561

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

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT 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 (U.S. 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 a 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's 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. Beginning in January 2019, the Organization expanded their hub operations to include serving North Texas Food Bank (NTFB) agencies in their service area, which significantly increased the Organization's annual revenues. See Note 12 for additional information.

The Organization, funded by public and private contributions and grants, serves men, women and children of all ages, ethnicities, and religions 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, which, at times, may exceed federally insured limits, 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 amounts due for handling fees and consulting services provided. The accounts receivable balance as of December 31, 2020 and 2019 was \$0 and \$39,780, respectively. 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, 2020 and 2019.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Unconditional Promises to Give

The Organization's facility usage pledge is reported at its estimated fair value based on the donated value to the Organization of space in the NTFB building in Dallas, Texas in accordance with the facility lease agreement further described in Note 2 to these financial statements.

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:

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

Net Assets Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions (*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

Inventory consists of donated food items for distribution. Donated products are stated at fair market value and valued at an average of national wholesale prices, based on a study performed by Feeding America. See Note 9.

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 included in the statement of activities 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 the statement of activities.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Property and Equipment (Cont.)

Depreciation of property and equipment is calculated using the straight-line convention over the estimated useful lives of the respective assets. Estimated useful lives are as follows:

Furniture and equipment	5-10 years
Software	3-5 years
Leasehold improvements	5-25 years

Donated Stock

Securities that have been donated are recorded at the fair market value as of the date of the gift. The Organization's policy is to convert equities to cash equivalents upon receipt. The Organization was unable to convert the equities received in December 2020 to cash equivalents prior to year-end, resulting in an investment balance as of December 31, 2020. Increases or decreases in fair market value are recorded as unrealized gains and losses and reflected on the statements of activities.

Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

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

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair Value Measurements (Cont.)

The asset's 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 maximize the use of relevant 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, 2020 and 2019.

Common stocks: Common stocks are valued at the closing price reported in an active market in which the individual securities are 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 methods are 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 FASB ASC Topic 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.

Grants Payable

Grant expense is recognized in the period the grant is approved by management, provided the grant is not subject to significant future conditions. Conditional grants are recognized as grant expense and as grants payable in the period in which the grantee meets the terms of the conditions.

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 receivables. It is at least reasonably possible that the significant estimates used will change within the next year. Actual results could vary from estimates.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Allocations are based on time and effort spent in each area. The expenses that are allocated include compensation and benefits, occupancy, administration, and repairs and maintenance, along with other program expenses. All other natural expense categories using the key concept of direct conduct or direct supervision are 100% charged to the benefiting program or support service.

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 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 FASB 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 statements of activities or accrued in the statements 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.

Concentration

The Organization, located in Dallas, Texas, receives contributions and provides services to ministries and people in Dallas, Ellis, and Navarro Counties.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported statement of activities.

Date of Management's Review

The Organization has evaluated subsequent events through March 3, 2021, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded the previous revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The statement is effective for annual periods beginning after December 15, 2018. The Organization adopted this update in fiscal year 2019, which affected its recognition of a conditional grant agreement signed during that year. Because of the conditions of the grant agreement, the amount that was to be received in future years of \$230,000 was recorded as deferred revenue, rather than recognized as revenue in the year of the signed agreement.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, as an update to ASC 230, Statement of Cash Flows. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The updated guidance is effective for annual periods beginning after December 15, 2018, and interim periods within the fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. The new guidance should be applied on a retrospective basis. The updated guidance results in a change in the statements of cash flows to include restricted cash and restricted cash equivalents. The Organization adopted this update in fiscal year 2019. No other material impact is expected.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)
Recent Accounting Pronouncements (Cont.)

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The new standard requires lessees to recognize a right-of-use (ROU) asset and a related lease liability for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Currently, leases are classified as either capital or operating, with only capital leases recognized on the statements of financial position.

The new standard is effective for private entities for annual periods beginning after December 15, 2021. The Organization is currently assessing the impact that adoption of ASU 2016-02 will have on its statements of activities. The Organization will be adopting this update in fiscal year 2022.

NOTE 2: UNCONDITIONAL PROMISE TO GIVE

The unconditional promise to give reported in the accompanying statements of financial position is comprised of the estimated fair value of the donated use to the Organization of space in the NTFB building in Dallas, Texas, which is further described in Note 7 of these financial statements.

The lease is being accounted for as an unconditional grant, which was valued by determining what the Organization would have paid for a building serving similar purposes. Using a discount rate of 2%, the imputed rental rate amounts to approximately \$282,000 annually, which is reflected as rent expense, and the amortized discount amount of \$11,183 and \$5,647 is recorded as in-kind donations in the statements of activities for the years ended December 31, 2020 and 2019, respectively.

The unconditional promises to give consisted of the following at December 31, 2020 and 2019:

	2020	2019
5-year building lease	\$ 864,000	\$ 1,152,000
Less unamortized discount	(65,693)	(76,877)
Net unconditional promises to give	\$ 798,307	\$ 1,075,123
Amounts due in:		
Less than one year	\$ 271,389	
One year to five years	526,918	
	\$ 798,307	

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 2: UNCONDITIONAL PROMISE TO GIVE (CONT.)

Unconditional promises to give due in more than one year are reflected at the present value of estimated cash flows using a discount rate of 2%. No allowance for uncollectible promises to give was considered by management to be necessary as of December 31, 2020 and 2019.

NOTE 3: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2020:

	<i>Assets at Fair Value as of December 31, 2020</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stock	\$ 8,943	\$ -	\$ -	\$ 8,943
Investments at fair value	\$ 8,943	\$ -	\$ -	\$ 8,943

NOTE 4: PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 102,412	\$ 67,535
Software	78,698	78,698
Leasehold improvements	106,383	-
Less accumulated depreciation	(65,400)	(34,057)
	<u>\$ 222,093</u>	<u>\$ 112,176</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$31,343 and \$13,987, respectively.

NOTE 5: RELATED PARTY TRANSACTIONS

During the year ended December 31, 2020, the Organization purchased equipment totaling approximately \$12,000 from N.J. Malin & Associates (Malin). The CEO of Malin, who sits on the Organization's board of directors, deeply discounted the equipment for the Organization. As a result, the Organization recognized a contribution of \$8,768, the amount of the discount received.

Crossroads Community Services, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

NOTE 6: GRANTS PAYABLE

Grant commitments consist of payments due to the partnering organizations of the Caruth Fund grant agreement. In accordance with ASU 2018-08, if payment of a grant is conditional upon the recipient meeting certain criteria or barriers, the grant expense is not recognized until that barrier has been met. For the year ended December 31, 2019, a portion of the grant commitments were not recorded as an expense or a liability in the statements of financial position or statements of activities because the conditions were not substantially met by the grantee. For the year ended December 31, 2020, grant commitments were recorded as both an expense and a liability in the statements of financial position and statements of activities, as the conditions have now been met by the grantee.

Grants approved and committed for future payments are as follows as of December 31, 2020:

2021	\$ <u>126,139</u>
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NOTE 7: OPERATING LEASE

The Organization rents its facilities from the NTFB. The base rent for the lease is \$1 per year for a five-year term from January 1, 2019 through December 31, 2023. The term will automatically renew for successive one-year extensions thereafter, unless one or both parties provide six-months-advance written notice of their intent not to renew. The Organization is also required to pay the pro-rata share of operating expenses such as security, utilities, and maintenance. Estimated operating expenses per month total approximately \$9,400.

The aforementioned lease is recorded as an unconditional promise to give in the statements of financial position. See Note 2.

NOTE 8: CONTRIBUTIONS AND GRANTS RECEIVABLE

As of December 31, 2020 and 2019, 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.

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NOTE 9: CONTRIBUTED GOODS AND SERVICES

In-kind donations of food products are valued at an average cost based on national wholesale prices. Responding to 2020 demands for COVID-related food emergency services, the Organization received approximately 10.6 million pounds of food during the year ended December 31, 2020 and 4.6 million pounds during the year ended December 31, 2019.

For the years ended December 31, 2020 and 2019, the Organization received and recognized contributed goods and services as follows:

	2020	2019
Food	\$ 17,146,627	\$ 7,809,980
Services	20,828	53,223
Rent	11,184	1,363,123
Miscellaneous	53,144	100,907
	\$ 17,231,783	\$ 9,327,233

These amounts are included as contributions and expenses without donor restrictions in the accompanying financial statements, with the exception of donated rent for the year ended December 31, 2019, which is restricted due to time. See Note 2 for further explanation regarding donated rent and the associated unconditional promise to give.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020 and 2019, net assets with donor restrictions consisted of the following:

	2020	2019
Time Restricted	\$ 980,418	\$ 1,071,976
Build Health	196,066	248,735
Food	67,678	27,463
Summer Intern Program	-	310
Caruth Fund	91,662	159,277
Hoblitzelle	-	12
Summer Feeding Program	-	20,000
Covid-19 Relief	6,000	-
Grocery Gift Cards	2,000	-
	\$ 1,343,824	\$ 1,527,773

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NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS (CONT.)

Net assets released from restrictions during 2020 and 2019 were as follows:

	2020	2019
Time Restriction	\$ 339,558	\$ 360,090
Transition with NTFB	-	291,144
Food	9,785	17,537
Summer Intern Program	310	3,338
Build Health	52,669	1,265
Caruth Fund	297,615	110,723
Hillcrest	-	30,000
Hoblitzelle	12	49,988
Albertson's	100,000	-
Dart Foundation	20,000	-
Pallet Jack	5,000	-
Covid-19 Relief	194,838	-
Payroll Protection Program	180,357	-
Summer Feeding Program	20,000	-
	\$ 1,220,144	\$ 864,085

NOTE 11: 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 could make contributions, subject to certain limitations, on a pretax basis. Further, the Organization made 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 years ended December 31, 2020 and 2019 of approximately \$19,000 and \$17,000, respectively.

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NOTE 12: COMMITMENTS

Since 2011, the Organization has been serving Community Distribution Partners as a Redistribution Organization (RDO) for the NTFB, another 501(c)(3) organization and a member of Feeding America. Upon signing a new RDO contract on July 17, 2018, the NTFB entrusted the Organization with their 72,000 sq. ft. distribution facility (the Pollock Campus) on a rent-free basis and expanded their service area to include Ellis and Navarro counties; in addition, the Organization now serves NTFB Agencies. As an RDO, the Organization is purposed with the logistical transfer of food and grocery product which includes Product Distribution Management, Partner Relations Management, Food Solicitation, Fundraising, Media and Community Relations for hunger-related activities. See Note 2.

NOTE 13: PAYCHECK PROTECTION PROGRAM LOAN

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States, including mandates from federal, state, and local authorities, leading to an overall decline in economic activity. The ultimate impact of COVID-19 on the future financial performance of the Organization cannot be reasonably estimated at this time.

The Organization received funding of \$180,357 in May 2020 under the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) as part of the Paycheck Protection Program (PPP) to provide payroll assistance. All funding was spent as of December 31, 2020. In accordance with the provisions of the PPP loan program, the Organization may apply for forgiveness of all or a portion of the loan which was used by the Organization, during the 24-week period from the funding disbursement date, to pay eligible payroll cost, interest on mortgage obligations incurred before February 15, 2020, rent obligations under leases dated before February 15, 2020, and utility obligations under service agreements dated before February 15, 2020. At least 60% of the loan proceeds must be used for payroll costs. In addition, the Organization is required to maintain full-time equivalent employee levels through the end of the 24-week period to avoid a reduction in forgiveness.

The Organization used the Government Grant Model to recognize the forgiveness of revenue of \$180,357. The amount of forgiveness is based on criteria being “substantially met”. The Organization submitted the loan forgiveness application in January 2021 and expects to have the full loan forgiven subsequent to year end, pending forgiveness from the Small Business Administration. As such, the entire amount was included in contributions in the statement of activities for the year ended December 31, 2020 and no liability has been included in the statement of financial position as of December 31, 2020.

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NOTE 14: LIQUIDITY AND AVAILABILITY

The Organization’s working capital and cash flows have seasonal variations throughout the year resulting from receipts from donors and a concentration of contributions received near the end of the year. As part of the Organization’s management of liquidity, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Organization’s goal is to maintain financial assets consisting of cash on hand to meet 90 days of normal operating expenses, which are, on average, approximately \$576,000. As of December 31, 2020 and 2019, cash balances were \$2,090,145 and \$1,275,561, respectively.

The following reflects the Organization’s financial assets, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position:

	2020	2019
Financial assets at year end	\$ 2,461,490	\$ 1,818,961
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(539,406)	(458,297)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,922,084	\$ 1,360,664