



LOFTIS GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS ▪ BUSINESS ADVISORS



Crossroads
for Women

Financial Statements
and
Independent Auditor's Report

Six-Month Period Ended June 30, 2019

Crossroads for Women

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	15-16
Summary Schedule of Prior Year Audit Findings	17

Independent Auditor's Report

To the Board of Directors of
Crossroads for Women

Report on the Financial Statements

We have audited the accompanying financial statements of Crossroads for Women (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the six-month period 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads for Women as of June 30, 2019, and the changes in its net assets and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of Crossroads for Women's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crossroads for Women's internal control over financial reporting and compliance.

Loftis Group ^{uc}

Albuquerque, New Mexico
November 25, 2019

Financial Statements

Crossroads for Women
Statements of Financial Position
June 30, 2019

Assets

Current assets

Cash and cash equivalents	\$ 726,386
Restricted cash	15,975
Investments	49,604
Contributions receivable	313
Contracts and other receivables	187,589
Prepaid expenses	<u>2,147</u>
Total current assets	982,014

Property and equipment, net

12,418

Total assets	<u><u>\$ 994,432</u></u>
--------------	--------------------------

Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 10,992
Accrued expenses	87,202
Funds held for others	<u>15,795</u>
Total current liabilities	<u>113,989</u>

Net assets

Without donor restrictions	861,510
With donor restrictions	<u>18,933</u>
Total net assets	<u>880,443</u>
Total liabilities and net assets	<u><u>\$ 994,432</u></u>

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

Crossroads for Women
Statement of Activities
For the Six-Month Period Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contracts	\$ 863,505	\$ -	\$ 863,505
Contributions and grants	58,847	2,179	61,026
Medicaid reimbursements	30,999	-	30,999
In-kind contributions	25,364	-	25,364
Investment income	6,828	-	6,828
Client reimbursements	7,116	-	7,116
Other	763	-	763
Net assets released from restriction	8,973	(8,973)	-
Total revenue and support	<u>1,002,395</u>	<u>(6,794)</u>	<u>995,601</u>
Expenses			
Program services	<u>959,495</u>	<u>-</u>	<u>959,495</u>
Supporting services			
Management and general	111,898	-	111,898
Fundraising	<u>71,137</u>	<u>-</u>	<u>71,137</u>
Total supporting services	<u>183,035</u>	<u>-</u>	<u>183,035</u>
Total expenses	<u>1,142,530</u>	<u>-</u>	<u>1,142,530</u>
Change in net assets	(140,135)	(6,794)	(146,929)
Net assets, beginning of period	<u>1,001,645</u>	<u>25,727</u>	<u>1,027,372</u>
Net assets, end of period	<u><u>\$ 861,510</u></u>	<u><u>\$ 18,933</u></u>	<u><u>\$ 880,443</u></u>

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

Crossroads for Women
Statement of Functional Expenses
For the Six-Month Period Ended June 30, 2019

	Program	Management and General	Fundraising	Total
Salaries	\$ 487,500	\$ 64,908	\$ 51,895	\$ 604,303
Client housing and support	134,973	-	-	134,973
Employee benefits	58,860	2,919	4,455	66,234
Payroll taxes	49,002	6,626	5,298	60,926
Contract labor	47,746	1,558	300	49,604
Professional fees	28,855	17,226	3,458	49,539
Program	45,705	1,273	357	47,335
Telephone and utilities	43,780	1,260	107	45,147
Insurance	21,797	6,096	-	27,893
Occupancy	19,400	2,300	200	21,900
Miscellaneous	4,103	2,071	1,296	7,470
Travel	6,973	243	109	7,325
Training	2,328	1,286	2,668	6,282
Repairs and maintenance	4,476	1,444	146	6,066
Supplies	1,565	361	482	2,408
Depreciation	2,102	-	-	2,102
Storage	-	1,945	-	1,945
Postage and shipping	330	382	366	1,078
	<u>\$ 959,495</u>	<u>\$ 111,898</u>	<u>\$ 71,137</u>	<u>\$ 1,142,530</u>

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

Crossroads for Women
Statements of Cash Flows
For the Six-Month Period Ended June 30, 2019

Cash flows from operating activities

Cash received from contracts	\$ 929,211
Cash received from contributions and grants	60,713
Cash received from program services	38,115
Other cash receipts	639
Cash paid to employees and suppliers	<u>(1,129,599)</u>
Net cash used by operating activities	<u>(100,921)</u>

Cash flows from investing activities

Proceeds from the sale of investments	<u>1,042</u>
Net cash provided by investing activities	<u>1,042</u>
Net change in cash and cash equivalents	(99,879)
Cash and cash equivalents, beginning of period	<u>826,265</u>
Cash and cash equivalents, end of period	<u><u>\$ 726,386</u></u>

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

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

1) Organization

Crossroads for Women (Crossroads) is a New Mexico nonprofit corporation established in 1997. The mission of Crossroads is to provide comprehensive, integrated services to empower women emerging from incarceration to achieve safe, healthy, and fulfilling lives in the community, for themselves and their children. The main sources of revenue and support for Crossroads are from contracts, grants, and contributions from government entities as well as from the general public.

Crossroads provides housing and trauma-responsive therapeutic services with a gender-specific approach for women across seven domains: housing, mental health, recovery, physical health/dental, independent living, vocational, and family/parenting. Collectively, these domains provide a continuum of care from incarceration and homelessness to success in community life.

In partnership with the UNM Pathways Navigator program, Crossroads provides outreach and service coordination for women who are living on the streets or in emergency shelters. Navigators connect women with health care, housing, education, employment and legal resources and then follow their progress towards stabilization.

Crossroads maintains three therapeutic communities serving women transitioning out of homelessness or incarceration:

- ◆ Maya's Place (located in Southeast Albuquerque) and the Pavilions (located in Los Lunas) are transitional housing programs with 26 beds offering safe, structured living for women emerging from incarceration.
- ◆ The Bernalillo County Community Connections Housing Program offers permanent supportive housing to homeless women with co-occurring disorders. Women are placed in safe apartments and homes in Albuquerque while receiving wrap-around services, including case management, family support, vocational services, and groups focused on recovery and mental health.

All of the therapeutic communities offer programming to address addiction, trauma, and mental illness, as well as life skills education, group therapy, parenting, vocational training, holistic health services and community activities. Program rules and a graduate, goal driven level system create close supervision and structure early in the program with increased independence as successful participation continues.

After-care services and Peer-on-Peer Support Services (POPSS) support graduates of all of the programs in maintaining their stability through individual services. This includes assistance in maintaining employment, accessing resources in the community, working with government agencies and the criminal justice system, and responding to emergent needs where possible.

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

1) **Organization — continued**

Crossroads changed its fiscal year from December 31 to June 30 during 2019, which resulted in the accompanying financial statements presenting results of operations for the six-month period ended June 30, 2019.

2) **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Crossroads reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which represents the expendable resources that are available for operations at management's discretion; and net assets with donor restrictions, which represents resources restricted by donors as to purpose or by the passage of time and resources whose use by Crossroads is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Crossroads.

Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, Crossroads considers all highly-liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Funds Held for Others

Crossroads acts as a custodian for client funds which are held in a separate bank account. These amounts are reported as restricted cash in the statement of net position. Crossroads also reports this deposit amount as a liability in the statement of net position, representing the amounts held on behalf of its clients.

Investments

Investments are recorded at fair value, with realized and unrealized gains and losses included as revenue without donor restrictions in the statement of activities. Donated investments are recorded at fair value on the date of donation.

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

2) Summary of Significant Accounting Policies — continued

Contracts, Contributions and Other Receivables

Contracts, contributions and other receivables are stated at unpaid balances, less an allowance for uncollectible receivables, if applicable. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and situations that may affect the ability of the funding agencies and contributors to pay. There was no allowance for uncollectible receivables as of June 30, 2019. Receivables are charged off in the period in which management determines the receivable is uncollectible.

Property and Equipment

Purchased property and equipment are stated at cost. Property and equipment that are received by donation are recorded at the estimated fair value on the date of donation. Such donations are reported as revenue and net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as revenue and net assets with donor restrictions. Absent donor stipulations specifying how long such donated assets or assets constructed or acquired with cash restricted for such acquisition or construction must be used, restrictions on property and equipment, if any, expire when the assets are placed in service.

Purchased or donated property in excess of \$2,500 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from three to ten years.

Contributions

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor stipulations that are met in the same year in which the contributions are received are classified as revenue and net assets without donor restrictions.

Donated Materials and Services

Donated services and materials are recorded as both revenue and expense in the accompanying statement of activities at their estimated values. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations.

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

2) **Summary of Significant Accounting Policies — continued**

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of Crossroads. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, employee benefits, payroll taxes, occupancy costs, insurance, and depreciation. Employee benefits and payroll taxes are allocated on the basis of estimates of time and effort spent by personnel in the various program and supporting services. Occupancy costs, insurance, and depreciation are allocated on the basis of square footage used by the different programs within Crossroads.

Financial Instruments

Crossroads financial instruments include cash and cash equivalents, contributions receivable, contracts and other receivables, prepaid expenses, accounts payable and accrued expenses. Crossroads estimates that the fair value of all financial instruments at June 30, 2019 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

Income Taxes

Crossroads is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Crossroads has adopted FASB Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. Crossroads has not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption. Crossroads income tax filings for the years ended December 31, 2016 and thereafter are subject to audit by various taxing authorities.

Subsequent Events

Subsequent events were evaluated through November 25, 2019, which is the date the financial statements were available to be issued.

3) **Investments and Fair Value Measurements**

Crossroads maintains investments of approximately \$50,000 at June 30, 2019. At June 30, 2019, these investments were comprised of equity securities of approximately \$13,000 and mutual funds of approximately \$37,000.

Fair value measurements define fair value as 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. Fair value measurements also establish a fair value hierarchy which requires an entity to maximize the use of observable input and minimize the use of unobservable inputs when measuring fair value.

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

3) Investments and Fair Value Measurements – continued

The standard describes three levels of inputs that may be used to measure fair value:

- ◆ *Level 1 Inputs* – unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- ◆ *Level 2 Inputs* – include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar 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.
- ◆ *Level 3 Inputs* – unobservable inputs which reflect the organization's own assumptions about the assumptions market participants would use in pricing the asset or liability.

Crossroads' investments in mutual funds and equities are measured at fair value on a recurring basis. The fair value of these investments is valued using Level 1 inputs.

4) **Liquidity and Availability**

The following table reflects Crossroads' financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. At June 30, 2019, all financial assets are considered available to meet general expenditures within one year as net assets with donor restrictions are expected to be available over the next year.

Financial assets, at end of period	
Cash and cash equivalents	\$ 726,386
Investments	49,604
Contributions receivable	313
Contracts and other receivables	187,589
Total financial assets, at end of period	<u>\$ 963,892</u>

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

5) Property and Equipment

Property and equipment consist of the following at June 30, 2019:

Equipment	\$ 49,957
Leasehold improvements	2,000
Less accumulated depreciation	<u>(39,539)</u>
Property and equipment, net	<u><u>\$ 12,418</u></u>

6) Accrued Expenses

Accrued expenses consist of the following at June 30, 2019:

Accrued wages	\$ 39,638
Accrued annual leave	37,391
Accrued payroll taxes and benefits	<u>10,173</u>
Total	<u><u>\$ 87,202</u></u>

7) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2019:

Aftercare	\$ 16,753
Scholarships	1,105
Truck maintenance	1,000
Holiday food boxes	<u>75</u>
Total	<u><u>\$ 18,933</u></u>

8) Net Assets Released from Restriction

Net assets released from restriction consist of the following for the six-month period ended June 30, 2019:

Aftercare	<u>\$ 8,973</u>
Total	<u><u>\$ 8,973</u></u>

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

9) Contingencies

Contracts with governmental agencies are subject to compliance audits which may result in disallowed expenses. As of June 30, 2019, there were no claims pending for disallowed expenses. In addition, ongoing governmental contract renewals are subject to governmental budgets and approval, which may change from year to year and could result in a loss of funding.

10) Concentrations of Risk

Crossroads maintains its cash in bank deposit accounts, which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At June 30, 2019, Crossroads bank deposits totaling \$748,424 were insured by the FDIC.

Contract revenue from the New Mexico Department of Corrections (NMDC) and Bernalillo County comprised 34% and 23% of total revenue and support for the six-month period ended June 30, 2019. Contracts receivable related to NMDC and Bernalillo County represented 22% and 55% of contracts and other receivables at June 30, 2019.

11) Operating Lease

During 2017, Crossroads entered into a noncancelable operating lease for a building for Maya's Place. As of June 30, 2019, future minimum lease payments on this lease are as follows:

Year ending June 30:	
2020	\$ 84,980
2021	86,695
2022	88,435
2023	37,150
	<u>\$ 297,260</u>

Crossroads for Women
Notes to the Financial Statements
June 30, 2019

12) Recently Issued Accounting Pronouncements

The following accounting pronouncements have been issued, but have not yet been implemented by Crossroads.

Revenue Recognition

In May 2014, the FASB issued ASC 606 – *Revenue from Contracts with Customers*. ASC 606 is a single principle-based revenue standard for U.S. GAAP and IFRS (International Financial Reporting Standards) that replaces almost all U.S. GAAP and IFRS guidance for revenue recognition. The pronouncement is effective for fiscal years beginning after December 15, 2018 (Crossroads' fiscal year ending June 30, 2020).

Leases

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2020 (Crossroads' fiscal year ending June 30, 2022).

As of the date of these financial statements, management has not determined the impact these new accounting pronouncements will have on future reporting periods.

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards*

To the Board of Directors of
Crossroads for Women

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Crossroads for Women (Crossroads) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the six-month period then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Crossroads' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crossroads' internal control. Accordingly, we do not express an opinion on the effectiveness of Crossroads' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crossroads' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Crossroads' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crossroads' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loftis Group ^{uc}

Albuquerque, New Mexico
November 25, 2019

Crossroads for Women
Summary Schedule of Prior Year Audit Findings
June 30, 2019

Section II — Summary Schedule of Prior Year Audit Findings

2018-001– Accrual Accounting

Finding: Significant adjusting journal entries were required after the accounting records were closed at year-end. Adjustments to receivables, prepaid expenses, capital assets, accounts payable, accrued liabilities, deferred revenue, revenues and expenses were required.

Current status: Resolved.