

CROSSROADS FUND, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

CROSSROADS FUND, INC

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Board of Directors
Crossroads Fund, Inc.

Independent Auditor's Report

We have audited the accompanying statements of financial position of Crossroads Fund, Inc. at June 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Fund, Inc. at June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

September 19, 2017

A handwritten signature in black ink, appearing to read "Kevin Park", is enclosed in a thin black rectangular border.

Kevin Park & Associates, Ltd.

CROSSROADS FUND, INC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR JUNE 30, 2016

	2017						2016 Comparative Totals
	Unrestricted			Temporarily Restricted	Permanently Restricted	Total	
	General	Fixed Assets	Total				
ASSETS							
Current assets:							
Cash	692,489		692,489	818,428	29,451 (Note 6)	1,540,368	\$ 1,113,607
Receivables	19,966		19,966	-	47,066 (Note 6)	67,032	48,316
Prepaid Expenses	18,516		18,516			18,516	9,685
Deposit	-		-			-	-
Total current assets	730,971		730,971	818,428	76,517	1,625,916	1,171,608
Noncurrent assets							
Receivables					16,281 (Note 6)	16,281	63,342
Office equipment, net of accumulated depreciation of \$76,718 and \$76,718 in 2016 and 2015 respectively		-	-			-	11
Long Term Investment	-		-	330,874	2,875,309 (Note 6)	3,206,182	2,726,519
Total assets	730,971	-	730,971	1,149,302	2,968,106	4,848,379	\$ 3,961,480
LIABILITIES AND NET ASSTS							
Current liabilities:							
Accounts payable and accrued liabilities	-		-			-	\$ 541
Grants payable	-		-			-	-
Total current liabilities	-		-			-	541
Net assets:	730,971	-	730,971	1,149,302 (Note 8)	2,968,106 (Note 6)	4,848,379 (Note 2)	3,960,939
Total liabilities and net assets	730,971	-	730,971	1,149,302	2,968,106	4,848,379	\$ 3,961,480

CROSSROADS FUND, INC

**STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017					2016 Comparative Totals
	Unrestricted		Temporarily Restricted	Permanently Restricted	Total	
	General	Fixed Assets				
Support and revenue -						
Contributions						
Funding Exchange endowment share	27,672		27,672		-	\$ 27,672
Foundation grants	196,400	-	196,400	412,802		609,202
Individuals	468,010		468,010	531,116	180,494	1,179,620
Net assets released						
from restriction	558,637		558,637	(558,637)		-
Endowment distributions	121,616		121,616	(121,616)		-
Realized gain or loss				33,668		33,668
Unrealized gain or loss				210,497	-	210,497
Adjustment in NPV					3,068	3,068
Investment income	3,744		3,744	71,326		75,070
Special events						
Proceeds	134,360		134,360			134,360
Expenses	(36,687)		(36,687)			(36,687)
Management fees	39,513		39,513			39,513
Other	1,202	-	1,202	136,999	(136,999)	1,202
Total support and revenue	1,514,467	-	1,514,467	716,155	46,563	2,277,185
Expenses -						
Program services	1,153,686	7	1,153,693			1,153,693
Support services	236,048	4	236,052			236,052
Total expenses	1,389,734	11	1,389,745			1,389,745
Change in net assets	124,733	(11)	124,722	716,155	46,563	887,440
Net assets, beginning of year	632,747	(26,498)	606,249	433,147	2,921,543	3,960,939
Net assets, end of year	757,480	(26,509)	730,971	1,149,302	2,968,106	\$ 4,848,379

CROSSROADS FUND, INC

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	2017				Total Expenses	2016 Comparative Totals
	Program Services	Support Services		Total		
		Admini- strative	Fund Raising			
Grants	\$ 683,105				683,105	\$ 508,038
Program expenses	139,231				139,231	113,833
Wages	194,626	67,113	73,824	140,936	335,563	337,318
Payroll taxes	15,153	5,225	5,748	10,973	26,125	26,275
Employee benefits	23,388	8,065	8,871	16,935	40,324	45,472
Occupancy	19,903	6,863	7,549	14,413	34,315	31,546
Postage and printing	6,085	2,098	2,308	4,406	10,491	8,384
Publicity	1,534				1,534	1,645
Office supplies	1,611	556	611	1,167	2,778	2,687
Equipment and maintenance	7,420	2,559	2,814	5,373	12,793	11,784
Travel and meetings	8,008	2,761	3,037	5,799	13,806	8,576
Professional fees	15,922	5,490	6,039	11,530	27,452	10,708
Dues and subscriptions	3,847				3,847	5,141
Telephone	2,333	804	885	1,689	4,022	4,380
Insurance	2,091	721	793	1,514	3,606	3,566
Depreciation	7	2	2	4	11	22
Staff recruiting and development	2,379	820	902	1,723	4,102	9,771
Computer software and maintenance	20,506	7,071	7,778	14,849	35,355	9,157
Other	6,547	2,258	2,483	4,741	11,288	11,193
Total	\$ 1,153,693	112,407	123,645	236,052	1,389,745	\$ 1,149,496

CROSSROADS FUND, INC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 887,440	\$ 300,546
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11	22
(Increase) decrease in program and other receivables	28,344	72,639
(Increase) decrease in prepaid expenses	(8,831)	(878)
(Decrease) increase in accounts payable and accrued expenses	(541)	(4,396)
(Increase) Decrease in deposit	-	-
Net cash provided (used) by operating activities	<u>906,423</u>	<u>367,934</u>
Cash flows from investing activities:		
(Increase) Decrease in investments	(459,204)	(353,654)
Purchase of fixed assets		
Net cash provided by investing activities	<u>(459,204)</u>	<u>(353,654)</u>
Net increase (decrease) in cash	447,218	14,280
Cash at beginning of year	<u>1,093,150</u>	<u>1,078,870</u>
Cash at end of year	<u>\$ 1,540,368</u>	<u>\$ 1,093,150</u>

CROSSROADS FUND, INC
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

1 Summary of significant accounting policies:

The accompanying financial statements are presented in accordance with the statement of Accounting Standards No. 117 "Financial Statements of Not-For-Profit Organization".

Office equipment

These assets are carried at cost or at estimated value on date of donation. Depreciation is provided on a straight-line basis over the estimated useful live of the assets (five to eight years).

Revenue and expense recognition

Revenue and expenses are recorded on the accrual basis of accounting. All contributions are considered to be available for unrestricted use unless otherwise specifically restricted by donors. Contributions are recorded and recognized as revenue when notice of award is received. Restricted contributions are recorded as revenue in temporarily restricted net assets if limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of Crossroads Fund or in permanently restricted net assets if such contributions are non-expendable. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Crossroads Fund received donations of services from various volunteers. No amounts are reflected in the accounts for donated services, as no clearly measurable basis is available to measure such services.

Investments in marketable securities are carried at market value.

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.

2 Net assets:

Crossroads Fund classifies its net assets into three categories:

Unrestricted net assets include all of the unrestricted support and revenue of Crossroads Fund, all of the expenses of Crossroads Fund, and transfers from temporarily restricted net assets for reimbursement of expenditures that meet the restrictions of the donors.

Temporarily restricted net assets include all the restricted support and revenue of Crossroads Fund. Transfers are made from this fund to unrestricted net assets as expenditures are incurred which meet the restrictions of the donors.

Permanently restricted net assets include funds received from donors with the stipulation that Crossroads Fund permanently retain them in perpetuity and that only the income and /or use of the assets are available to Crossroads Fund.

3 Income taxes:

Crossroads Fund is exempt from federal taxes under section 501©(3) of the Internal Revenue Code.

4 Lease Commitment:

Effective January 1, 2016, Crossroads entered optional a five (5) year lease with 1.5% increase in base rent with expanded space total of 2441 sq. ft. The future rental expense is following:

1/1/2017 to 12/31/2017	\$ 28,092
1/1/2018 to 12/31/2018	\$ 28,512
1/1/2019 to 12/31/2019	\$ 28,932
1/1/2020 to 12/31/2020	\$ 29,364

5 Investments:

Investments are valued at market and consist of stocks, money market and savings accounts and other investments.

6 Permanently restricted net assets:

Cash in permanently restricted current assets of \$29,451 is comprised of \$22,632 cash held in the General Endowment investment account and \$6,819 cash held in the Synapses Endowment investment.

Receivables in permanently restricted net assets include \$63,347 in pledges towards a general endowment. \$47,066 of endowment pledge receivable are included in current receivables to be paid over the next year and \$16,281 net present value (5% discount rate) of \$17,255 payable over the pledge years are included in noncurrent receivables.

In June 2007, Crossroads received a restricted endowment gift from Synapses Foundation in the amount of \$1,145,417 (\$1,137,973 net of expenses). As of 6/30/2017, the Synapses Endowment totaled \$1,182,163 of which \$1,000,000 is classified as permanently restricted and \$182,163 is classified as temporarily restricted. See supplemental schedule following the notes to financial statements for current fiscal year's activities of the Synapses Endowment.

As of 6/30/2017, Crossroads Fund has received contributions to the General Endowment Fund totaling \$1,968,106 which is classified as permanently restricted and \$148,711 is classified as temporary restricted. See supplemental schedule following the notes to financial statements for current fiscal year's activities of the General Endowment Fund.

Crossroads Fund expects to continue to receive contributions to the General Endowment as part of the Big Change Endowment Campaign and from various other sources.

7 Retirement plan:

Crossroads Fund provides a SIMPLE IRA account for all vested employees. Employees become vested after one year of employment. Crossroads will contribute each year based on the board of directors' allocation decision on what percentage of salary to the SEP accounts. The same percentage is applied for each participating employee. In 2017, the percentage contribution was 3 percent.

8 Temporarily restricted net assets

Temporarily restricted net assets are available for the following:

Donor Advised and Partner Funds	\$ 818,428
Earnings from Investment	330,874
Total	<u>\$ 1,149,302</u>

Temporarily restricted net assets were released from restrictions as follow:

Foundation Contributions: Released from Restriction	\$ 354,477
Individual Contributions: Released from Restriction	204,160
	<u>\$ 558,637</u>

9 Comparative financial information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Crossroads Fund's financial statements for the year ended June 30, 2016 from which the summarized information was derived.

10 Bequest

Crossroads Fund has been notified that they are named as a beneficiary of the estate of Henry T. Chandler Jr. who passed away on September 13, 2012. Through June 30, 2017 Crossroads Fund received gifts from the estate totaling \$362,500. Crossroads Fund expects to receive additional gifts but the timing and amount are not known at the present time.

11 Endowment

Background

Crossroads Fund maintains two Endowment Funds, the Synapses Foundation Endowment Fund and the Crossroads Fund General Endowment Fund.

The Synapses Fund was transferred to Crossroads in 2007 with an initial value of \$1,145,417.

In 2013, the Crossroads Funds initiated the Big Change Endowment Fund Campaign establishing the General Endowment Fund to provide ongoing and increased funding to support Crossroads Fund mission and programs now and into the future. Beyond the close of the Big Change Endowment Campaign, the General Endowment Fund is intended to remain open for donors who wish to make Endowment gifts to the Crossroads Fund. Within the General Endowment Fund, Crossroads Fund has created and may create more Focused Funds. Focused Funds are targeted funds that have been raised with at least \$100,000 and are dedicated to funding particular projects (e.g. Lisa Fittko Fund for an annual internship and Lynda Tipton Fund for an annual grant award).

Interpretation of Relevant Law

The State of Illinois adopted the Uniform Prudent Management of Institution Fund Act (UPMIFA) on June 30, 2009. The Crossroads Fund Board of Directors has adopted flexible spending policies for both the Synapses and General Endowments that have the primary goals of maintaining the value of the endowments as permanent endowment funds and maintaining a relatively consistent level of support from the endowments.

As result of this policy, beginning in fiscal year 2017, Crossroads Fund classifies the total value of the gifts donated to each of the endowments as permanently restricted net assets. The investment earnings are classified as temporarily restricted net asset until those amounts are expended by Crossroads Fund.

Return Objectives and Risk Parameters

Crossroads Fund has adopted investment and spending policies for endowment assets that seek preservation of principal and to provide a dependable and reasonable rate of long-term investment return consistent with moderate investment risk. Under this policy, endowment assets are invested in a manner that is intended to produce results that approximate the market return on a portfolio comprised of 60% equities and 40 fixed income. Crossroads Fund expects, over time, to achieve an average rate of return of approximately 7 percent annually.

Strategies of Employed for Achieving Objectives

To satisfy its long-term objectives, Crossroads Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividend). Crossroads Fund targets diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and the Investment Objectives Relate to Spending Policy

Crossroads Fund has a flexible policy of appropriating 0-6% of prior year-end fair market value of the endowment including any capital appreciation and/or current yield. In establishing this policy Crossroads Fund considered the objective to maintain the fair value of the endowment asset while providing a dependable source of funding to support its mission. Within both endowments, real growth will be attained through investment income in excess of distributions. The General Endowment will also endeavor to achieve real growth through new gifts.

Fund with Deficiencies

From time to time, the fair market value of the assets associated with the endowment funds may fall below the historic value of the gift. This can result from market decline and/or appreciation of Crossroads Fund flexible spending policies.

The were no deficiencies in fiscal year 2017.

SUPPLEMENTAL SCHEDULE

CROSSROADS FUND, INC

ENDOWMENT FUNDS ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2017

	SYNAPSES ENDOWMENT			GENERAL ENDOWMENT			TOTAL ENDOWMENTS		
	Temporary Restricted	Permanently Restricted	TOTAL	Temporary Restricted	Permanently Restricted	TOTAL	Temporary Restricted	Permanently Restricted	TOTAL
ENDOWMENT BEGINNING VALUE AS OF JUNE 30, 2016	\$ 127,950	\$ 1,000,000	1,127,950	\$ 9,049	\$ 1,784,544	\$ 1,793,593	\$ 136,999	\$ 2,784,544	\$ 2,921,543
ADDITIONS			-	-	180,494	180,494	-	180,494	180,494
DISTRIBUTION	(68,380)		(68,380)	(53,236)		(53,236)	(121,616)	-	(121,616)
REALIZED GAIN OR (LOSS)	33,144		33,144	524		524	33,668	-	33,668
DIVIDENDS AND INTEREST INCOME	31,784		31,784	50,119		50,119	81,903	-	81,903
INVESTMENT EXPENSES	(4,191)		(4,191)	(6,386)		(6,386)	(10,576)	-	(10,576)
	(7,644)	-	(7,644)	(8,979)	180,494	171,515	(16,623)	180,494	163,871
VALUE BEFORE NPV ADJUSTMENT AND UNREALIZED GAIN OR (LOSS)	120,306	1,000,000	1,120,306	70	1,965,038	1,965,108	120,376	2,965,038	3,085,414
ADJUSTMENT DUE TO NPV UNREALIZED GAIN OR (LOSS)	61,856	-	61,856	148,641	-	148,641	210,497	-	210,497
ADJUSTMENT DUE TO NPV UNREALIZED GAIN OR (LOSS)			-	-	3,068	3,068	-	3,068	3,068
ENDOWMENT MARKET VALUE AS OF JUNE 30, 2017	\$ 182,162	\$ 1,000,000	\$ 1,182,162	\$ 148,711	\$ 1,968,106	\$ 2,116,817	\$ 330,874	\$ 2,968,106	\$ 3,298,980