

Draft

**CROSSROADS HOUSE**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**



**CROSSROADS HOUSE**

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**Draft**  
**Starowitz & Hofrichter CPA's, LLP**  
106 Munson Street  
PO Box 52  
LeRoy, NY 14482  
(585) 768-8530

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors of  
Crossroads House  
Batavia, NY 14021

We have reviewed the accompanying financial statements of Crossroads House (a nonprofit Entity), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

LeRoy, New York  
October 28, 2020

**CROSSROADS HOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 199,941
Prepaid expense	<u>9,671</u>
Total current assets	209,612

Property and equipment:

Leasehold improvements	145,223
Furniture and fixtures	6,011
Equipment	88,230
Less: accumulated depreciation	<u>(159,767)</u>
Total property and equipment, net	79,697

Other assets:

Beneficial interest in assets held by RACF	673,734
Cash value of life insurance	<u>55,775</u>
Total other assets	<u>729,509</u>

Total assets \$ 1,018,818

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable	\$ 1,860
Accrued payroll	6,675
Credit card payable	705
Deferred revenue	<u>16,200</u>
Total liabilities	25,440

Net assets:

Net assets without donor restrictions	319,644
Board designated endowment fund	<u>673,734</u>
Total net assets without donor restrictions	993,378
Net assets with donor restrictions	<u>0</u>
Total net assets	<u>993,378</u>

Total liabilities and net assets \$ 1,018,818

See Independent Accountant's Review Report and Notes to Financial Statements.

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**CROSSROADS HOUSE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Totals</u> <u>2019</u>
Support and revenue:			
Support:			
Contributions and grants	\$ 208,296	\$ 2,100	\$ 210,396
Fundraising	172,456	-	172,456
Less: direct benefit to donor	(3,774)	-	(3,774)
Revenue:			
Increase in cash surrender value	523	-	523
Interest and dividends	6,140	-	6,140
Program revenue	2,453	-	2,453
Realized gain on beneficial interest	18,309	-	18,309
Unrealized gain (loss) on beneficial interest	<u>87,328</u>	<u>-</u>	<u>87,328</u>
Total support and revenue	491,731	2,100	493,831
Expenses:			
Program services	175,067	3,612	178,679
Management and general	97,389	-	97,389
Fundraising	<u>58,193</u>	<u>-</u>	<u>58,193</u>
Total expenses	<u>330,649</u>	<u>3,612</u>	<u>334,261</u>
Change in net assets	161,082	(1,512)	159,570
Net assets – beginning of year	<u>832,296</u>	<u>1,512</u>	<u>833,808</u>
Net assets – end of year	\$ <u>993,378</u>	\$ <u>-</u>	\$ <u>993,378</u>

See Independent Accountant's Review Report and Notes to Financial Statements.

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**CROSSROADS HOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	Total
Accounting and professional	\$ -	\$ 3,740	\$ -	\$ 3,740
Bank charges	-	26	-	26
Credit card fees	-	804	-	804
Depreciation	18,651	-	-	18,651
Doula expenses	87	-	-	87
Employee benefits	-	3,748	3,513	7,261
Grant expense	6,346	-	3,270	9,616
Insurance	8,809	4,000	1,693	14,502
Internet and website	-	1,428	-	1,428
Investment fees	-	9,046	-	9,046
Maintenance and repairs	7,999	-	-	7,999
Membership and dues	-	890	-	890
Office supplies and expenses	-	3,845	-	3,845
Other expenses	-	837	-	837
Payroll processing fees	-	2,197	-	2,197
Payroll taxes	8,744	4,278	2,044	15,066
Printing and postage	-	5,623	-	5,623
Promotional material	-	-	1,295	1,295
Rent	-	2,617	-	2,617
Salaries and wages	116,321	52,823	22,348	191,492
Staff development	486	-	-	486
Supplies and food	1,991	-	23,880	25,871
Telephone	1,694	780	150	2,624
Travel and meetings	-	707	-	707
Utilities	6,205	-	-	6,205
Volunteer expense	<u>1,346</u>	<u>-</u>	<u>-</u>	<u>1,346</u>
Total	\$ <u>178,679</u>	\$ <u>97,389</u>	\$ <u>58,193</u>	\$ <u>334,261</u>

See Independent Accountant's Review Report and Notes to Financial Statements.

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**CROSSROADS HOUSE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 159,570
Adjustment to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	18,651
Net unrealized gain on beneficial interest	(87,328)
Cash value life insurance	(522)
(Increase) decrease in:	
Prepaid expenses	2,142
Increase (decrease) in:	
Accounts payable	1,032
Accrued payroll	1,812
Credit card payable	380
Deferred revenue	<u>13,747</u>
Total adjustments	<u>(50,086)</u>
NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	<u>109,484</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Reinvestment in assets held by RACF	<u>(44,997)</u>
CASH FLOW USED BY INVESTING ACTIVITIES	<u>(44,997)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	64,487
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>135,454</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	\$ <u><u>199,941</u></u>

See Independent Accountant's Review Report and Notes to Financial Statements.

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**CROSSROADS HOUSE**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

NONCASH INVESTING AND FINANCING ACTIVITIES:

Gifts of materials and supplies	\$ 3,270
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**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Entity

The governing body of Crossroads House (the Entity) located in Batavia, New York, is the Board of Directors. The scope of activities included within the accompanying financial statements are those transactions which comprise the Entity's operations, and are governed, or significantly influenced by the Board of Directors. The primary function of the Entity is to provide comfort care services to individuals that are terminally ill and their families.

Basis of Accounting

The Entity's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Entity follows ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* of the FASB. Under this standard, the Entity is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without donor restriction net assets include revenues and expenses associated with the principal mission of the Entity. The board designated endowment fund is included in without donor restriction net assets as no restrictions have been placed upon this fund. The Entity does not have a policy placing a time restriction on gifts of long-lived assets. As a result, these long-lived assets would be included in without donor restriction net assets. With donor restriction net assets include contributions for which donor-imposed restrictions have not been met. The donor restrictions can either be expected to be maintained in perpetuity or expected to be spent over time or for a specific purpose.

Revenue Recognition

The Entity maintains its books and prepares its financial statements on the accrual basis of accounting whereby revenue is recognized as it is earned, and expenses are recorded as they are incurred. Revenue not received is recorded as an accounts receivable whereas revenues received in advance is recorded as deferred revenue. Gifts, grants, bequests and enforceable pledges are recognized as revenue when contributed.

  
**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, all highly liquid financial instruments with an original maturity of three months or less are considered to be cash equivalents.

Cash and cash equivalents consisted of the following at December 31, 2019:

Checking	\$ 122,708
Certificates of Deposit	<u>77,233</u>
Total	<u>199,941</u>

**Beneficial Interest in Assets Held at the Rochester Area Community Foundation**

The endowment investments are held with Rochester Area Community Foundation which is a nonprofit organization that provides a vehicle for individuals, families, and organizations to invest in the Rochester Area Communities through gifts and bequests. Each participating institution is allocated investment units based on the amounts invested. The market value of the investment units is based on the value of the individual securities held by each fund. The Entity's beneficial interest in assets held at the foundation at December 31, 2019 amounted to \$673,734. Unrealized gains and losses are included in the change in net assets. Investment income, gains, and losses from the sale or other disposition of beneficial interest in assets held at the Rochester Area Community Foundation are accounted for in accordance with specific donor restrictions. In the absence of such restrictions, investment income, gains and losses are accounted for as without donor restrictions. As of December 31, 2019, there were no restricted funds in the beneficial interest in assets held at the Rochester Area Community Foundation. The Entity's policy is to recognize all investment income and expenses in operations as a result. For the year ended December 31, 2019, \$44,997 was reinvested in this account.

**Contributions**

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

  
**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Contributions (continued)

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods, restricted by the donor for a specific request or are to be held in perpetuity are reported as with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the with donor restrictions net assets are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Internal Revenue Service has determined that the Entity is qualified as a charity exempt under Section 501(c) (3) of the Internal Revenue Code and has also determined that the Entity is publicly supported. As a result, no provision for federal or state income taxes has been made. The Entity files its Return of Organization Exempt from Income Tax in the U.S. federal jurisdiction and its annual filing of charitable organization in New York State.

Accounting standards require entities to disclose in their financial statements the nature of any uncertain tax positions. Tax years including the year ended December 31, 2016 and later are subject to examination by tax authorities. Areas that the IRS and state tax authorities consider when examining tax returns of a charity include, but may not be limited to, tax-exempt status and the existence and amount of unrelated business income. The Entity does not believe that it has any uncertain tax positions with respect to these or other matters and has not recorded any unrecognized tax benefits or liability for penalties or interest.

The Entity is not aware of any circumstances or events that make it reasonably possible that tax benefits may increase or decrease within 12 months of the date of these financial statements.

Management Review

These financial statements have not been updated for subsequent events occurring after October 28, 2020, which is the date these financial statements were available to be issued.

  
**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Property and Equipment

Property and equipment is stated at cost and is being depreciated over the estimated useful lives of the respective assets using the straight-line method. Contributed fixed assets are recorded at fair market value at the date of donation and are depreciated using the same method. Depreciation expense for the year ended December 31, 2019 was \$18,651. The cost of normal maintenance and repairs is charged to expense as incurred, whereas expenditures which materially extend property lives are capitalized. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in income.

Accounting standards require that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Entity has no impairment for the year ended December 31, 2019.

Net Assets

The Entity classifies its net assets as follows:

- Without donor restrictions –the part of net assets of the Entity that are not subject to donor-imposed restrictions (the term “donors,, includes other types of contributors, including makers of certain grants).
- With donor restrictions – the part of net assets of the Entity that are subject to donor-imposed restrictions. These restrictions are either in perpetuity, for a specific purpose or for a specific time period. These restrictions can either be satisfied by the passage of time or by actions of the Entity or may require that resources be maintained permanently. The Entity may be permitted to expend part or all of the income and/or appreciation derived from the donated assets that are held in perpetuity. The Entity records donor restrictions that are satisfied in the same reporting period in which they are received as without donor restrictions. As of December 31, 2019, the Entity did not have donor restriction net assets for a specific purpose.

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**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of supporting services and activities have been summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred.

**NOTE 2- LIQUIDITY**

Financial assets, at year end	\$ 873,675
Less: Financial assets unavailable for general expenditures within one year, due to:	
Restricted by donor with purpose restrictions	
Beneficial interest in assets held at the RACF	<u>(673,734)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>199,941</u></u>

The Entity is substantially supported by contributions, grants and fundraising throughout the year. These revenues support the expenditures of the Entity throughout the year.

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**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2-LIQUIDITY (Continued)**

Occasionally, the Board designates a portion of its operating surplus to be deposited into certificates of deposits at local banks. These funds may be drawn upon in the event of financial distress or an immediate liquidity need. As of December 31, 2019, the Entity had \$77,233 in certificates of deposits at local banks.

**NOTE 3 – BENEFICIAL INTEREST IN ASSETS HELD AT THE ROCHESTER AREA COMMUNITY FOUNDATION**

In 2003, the Board of Directors of the Entity established an endowment fund. The fund will receive all gifts, bequests, insurance policies, and any other contributions designated to be used for the endowment fund. In addition, the Entity will contribute 10% of any single undesignated contribution in excess of \$1,500 as well as any specific fundraising event with net proceeds over \$1,500.

In accordance with the Board adopted endowment policies, the funds are to be accumulated until the balance of \$ 500,000 is achieved. At such time, the Entity will annually withdraw a maximum of 5% to be used for charitable purposes designated by the Board, provided that such withdrawal does not result in an existing balance of less than the pre-defined corpus of \$ 500,000.

The Entity's beneficial interest in assets at the Rochester Area Community Foundation as of December 31, 2019:

	<u>Cost</u>	<u>Fair value</u>
Beneficial interest in assets held at the RACF	\$ 624,732	\$673,734

**NOTE 4- FAIR VALUE MEASUREMENT**

In accordance with Fair Value Measurements Topic of the FASB Accounting Standards Codification, investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction at the measurement date. U.S. GAAP establishes a framework for measuring fair value of assets and liabilities. 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

  
**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 4-FAIR VALUE MEASUREMENT (Continued)**

(Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities in active markets that the Entity has ability to access.

Level 2: Valuation is based upon quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Valuation is based upon unobservable inputs that are significant to the fair value measurement.

Where quoted prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If the quoted market prices are not available, fair values are estimated using quoted prices of securities with similar characteristics or inputs other than quoted prices that are observable for the security and would be classified within Level 2 of the valuation hierarchy. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities would be classified within Level 3 of the valuation hierarchy.

The beneficial interest in assets held at the Rochester Area Community Foundation are classified as level 3 in the fair value hierarchy. The following sets forth a summary of changes in the fair value of the Entity' level 3 assets for the year ended December 31, 2019:

Balance at January 1, 2019	\$ 541,409
Investment income	24,115
Net appreciation/(depreciation)	87,328
Grants	(8,063)
Contributions	37,991
Fees	(9,046)
Balance at December 31, 2019	<u>\$ 673,734</u>

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**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 -DONATED MATERIALS AND SERVICES**

The Entity receives donated services that, although substantial, do not meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended December 31, 2019, approximately 100 active volunteers provided 13,000 hours of service.

The Entity also receives donated goods and services that meet the criteria for recording as revenue and expense under accounting principles generally accepted in the United States of America. During the year ended December 31, 2019, the Entity recognized \$ 3,270, consisting mainly of supplies and materials of in- kind donations.

The Entity leases its building from a local church. Under the terms of the lease, the annual rent expense is \$12 for a period of 5 years. The current lease expired in January of 2018, at which point the Entity had the option to renew. As of October 28, 2020, the lease has not been renewed.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

The Entity leases its building from a local church. The terms of the lease provide for monthly rental payments of \$1, for a period of five years expiring January 2018. The Entity has an option to renew for five years, under the present terms and conditions. As of October 28, 2020, the lease has not been renewed.

The Entity is obligated under a non-cancellable operating lease for a copier machine. The terms of the lease are monthly payments of \$218 for a period of 5 years expiring January 2023.

Total rent for the year ended December 31, 2019 amounted to \$2,617.

Future minimum lease payment commitments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 2,617
2021	2,617
2022	2,617
2023	218
2024	-
Total	\$ <u>8,069</u>

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**CROSSROADS HOUSE**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 7- SUBSEQUENT EVENT**

Subsequent events have been evaluated through October 28, 2020, which is the date the statements were available for issuance.

October 28, 2020

Dear Starowitz & Hofrichter CPA's, LLP

This representation letter is provided in connection with your review of the financial statements of Crossroads House (the entity), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, for the purpose of obtaining limited assurance as a basis for reporting whether you are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We represent that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 28, 2020.

### **Financial Statements**

- We acknowledge our responsibility and have fulfilled our responsibilities for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.
- We acknowledge our responsibility and have fulfilled our responsibilities 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- Guarantees, whether written or oral, under which the company is contingently liable have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.
- Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB *Accounting Standards Codification* (ASC) 275, *Risks and Uncertainties*, have been properly accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

- All events occurring subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been properly accounted for.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

### Information Provided

- We have responded fully and truthfully to all inquiries made to us by you during your review.
- We have provided you with
  - access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - minutes of meetings of stockholders, directors, and committees of directors or summaries of actions of recent meetings for which minutes have not yet been prepared;
  - additional information that you have requested from us for the purpose of the review; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain review evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves
  - management,
  - employees who have significant roles in internal control, or
  - others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entities financial statements as a whole communicated by employees, former employees, analysts, regulators, or others.
- We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws or regulations whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you any other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
- We have disclosed to you the identity of the entities related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you all information relevant to use of the going concern assumption in the financial statements.

- The entity has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.
- We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are in agreement with the adjusting journal entries that you have recommended, and they have been posted to the company's accounts (if applicable).

Signature: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

***Starowitz & Hofrichter CPA's, LLP***  
106 Munson Street  
PO Box 52  
LeRoy, NY 14482  
(585) 768-8530

August 20, 2020

To Board of Directors  
Crossroads House  
PO Box 403  
Batavia, NY 14021

We are pleased to confirm our acceptance and our understanding of the services we will provide for Crossroads House for the year ended December 31, 2019.

You have requested that we perform the following services:

1) We will provide you with the following bookkeeping services:

- Record depreciation.
- Prepare journal entries for your approval to adjust the December 31, 2019 year end books to final year end numbers.

2) We will prepare the financial statements of Crossroads House, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and perform a review engagement with respect to those financial statements.

The objective of the preparation and review portion of our engagement is to-

- prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you, and
- obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Service promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's *Code of Professional Conduct*, and its ethical principles of integrity, objectivity, professional competence, and due care, when preparing the financial statements and performing the review engagement.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of Crossroads House management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the Organization's

internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Organization or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities since performing those procedures or taking such action would impair our independence.

The financial statement preparation and review portion of the engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

- a. The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
- b. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America.
- c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.
- d. The prevention and detection of fraud.
- e. To ensure that the Organization complies with the laws and regulations applicable to its activities.
- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- g. To provide us with-
  - access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.

- additional information that we may request from you for the purpose of the review engagement.
  - unrestricted access to persons within the Organization of whom we determine it necessary to make inquiries.
- h. To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.
- i. You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of services performed and accepting responsibility for such services.

We will issue a written review report upon completion of our review of Crossroads House's financial statements. Our report will be addressed to the board of directors of Crossroads House. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for us to report known departures from accounting principles generally accepted in the United States of America, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's review report in any document containing financial statements that indicates that such financial statements have been reviewed by us and, prior to inclusion of the report, to obtain our permission to do so.

### 3) We will also :

- Prepare the federal 990-return of Organization Exempt from Income Tax, federal 1099's and the NYS Char 500-NYS Annual Filings for Charitable Organizations for the year ended December 31, 2019.
- Prepare any bookkeeping entries that we find necessary in connection with the preparation of the income tax returns.

This engagement does not cover the preparation of any tax returns not listed above.

The objective of the tax services portion of the engagement is to prepare the tax returns in accordance with Statements on Standards for Tax Services issued by the AICPA and comply with the AICPA's *Code of Professional Conduct*, including the ethical principles of integrity, objectivity, professional competence, and due care.

You are responsible for the safeguarding of assets, the proper recording of transactions in the books of accounts, the substantial accuracy of the financial records, and the full and accurate disclosure to us of all relevant facts affecting the return(s). You also have final responsibility for the tax returns and, therefore, the appropriate Organization's officials should review the returns carefully before an authorized officer signs and files them.

If, during our work, we discover information that affects prior-year tax returns, we will make you aware of the facts. However, we cannot be responsible for identifying all items that may affect prior-year returns. If you become aware of such information during the year, please contact us to discuss the best resolution of the issue. We will be happy to prepare appropriate amended returns as a separate engagement.

Our work in connection with the preparation of the tax return(s) does not include any procedures designed to discover defalcations or other irregularities, should any exist. The returns will be prepared solely from information provided to us without any verification by us.

In accordance with federal law, in no case will we disclose your tax return information to any location outside the United States, to another tax return preparer outside of our firm for purposes of a second opinion, or to any other third party for any purpose other than to prepare your return without first receiving your consent.

The Internal Revenue Code and regulations impose preparation and disclosure standards with noncompliance penalties on both the preparer of a tax return and on the taxpayer. To avoid exposure to these penalties, it may be necessary in some cases to make certain disclosures to you and/or in the tax return concerning positions taken on the return that do not meet these standards. Accordingly, we will advise you if we identify such a situation, and we will discuss those tax positions that may increase the risk of exposure to penalties and any recommended disclosures before completing the preparation of the return. If we conclude that we are obligated to disclose a position and you refuse to permit disclosure, we reserve the right to withdraw from the tax services portion of the engagement. Likewise, where we disagree about the obligation to disclose a position, you also have a right to choose another professional to prepare your return. In either event, you agree to compensate us for our services to the date of the withdrawal. Our engagement with you will terminate upon our withdrawal.

The IRS permits you to authorize us to discuss, on a limited basis, aspects of your return for one year after the return's due date. Your consent to such a discussion is evidenced by checking a box on the return. Unless you tell us otherwise, we will check that box authorizing the IRS to discuss your return with us.

Certain communications involving tax advice may be privileged and not subject to disclosure to the IRS. By disclosing the contents of those communications to anyone, or by turning over information about those communications to the government, you, your employees, or agents may be waiving this privilege. To protect this right to privileged communication, please consult with us or your attorney prior to disclosing any information about our tax advice. Should you decide it is appropriate for us to disclose any potentially privileged communication, you agree to provide us with written, advance authority to make that disclosure.

Should we receive any request for the disclosure of privileged information from any third party, including a subpoena or IRS summons, we will notify you. In the event you direct us not to make the disclosure, you agree to hold us harmless from any expenses incurred in defending the privilege, including, by way of illustration only, our attorney's fees, court costs, outside adviser's costs, or penalties or fines imposed as a result of your asserting the privilege or your direction to us to assert the privilege.

The return(s) may be selected for review by the taxing authorities. In the event of an audit, you may be requested to produce documents, records, or other evidence to substantiate the items of income and deduction shown on a tax return. Any proposed adjustments by the examining agent are subject to certain rights of appeal. In the event of a tax examination, we will be available, upon request, to represent you. However, such additional services are not included in our fees for preparation of the tax return(s).

### **Other Relevant Information**

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our bookkeeping, financial statement preparation, and tax services. You are responsible for evaluating the adequacy and results of services performed and accepting responsibility for such services.

Terri B Starowitz, CPA is the engagement partner and is responsible for supervising the engagement and signing the review report or authorizing another individual to sign it.

Our fees for the financial statement preparation and review services is not to exceed \$2,600. The fees for the tax services is not to exceed \$700.00. The fee to prepare and file the federal 1099's will be \$50. The fee for bookkeeping services will not exceed \$400.00. Our fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the work performed. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered upon completion of the accounting work detailed above.

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign a copy and return it to us.

Sincerely,

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Signature of Accountant

Acknowledged:  
Crossroads House

Executive Director

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Date