
CROSSROADS REHABILITATION
CENTER, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2019 AND 2018

GREENWALT^{CPAs}

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CROSSROADS REHABILITATION CENTER, INC.

TABLE OF CONTENTS

JUNE 30, 2019 AND 2018

Independent Auditors' Report	2
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
Schedule of Expenditures of Federal Awards.....	27
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>	28
Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance.....	30
Schedule of Findings and Questioned Costs	32



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crossroads Rehabilitation Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Crossroads Rehabilitation Center, Inc. (an Indiana not-for-profit corporation) ("Crossroads"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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 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 auditors' 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 as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019, on our consideration of Crossroads' 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 solely 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 the effectiveness of Crossroads' 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' internal control over financial reporting and compliance.

Greenwald CPAs, Inc.

October 7, 2019

CROSSROADS REHABILITATION CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	<u>ASSETS</u>			<u>2019</u>	<u>2018</u>
ASSETS					
Cash and cash equivalents	\$	820,919	\$	1,298,494	
Accounts receivable, net		1,885,801		1,873,571	
Federal grant reimbursements receivable		339,775		210,102	
Contributions receivable		2,000		199,618	
Inventories		977,285		829,591	
Prepaid expenses		152,727		176,998	
Cash restricted for alternate loan financing fund		1,074,817		1,067,599	
Investments		27,716,858		28,032,599	
Property and equipment, net		4,789,735		5,075,222	
Contributions receivable - split-interest agreements		93,147		94,880	
Beneficial interest in perpetual trusts		1,575,378		1,565,070	
Goodwill, net		1,127,835		1,272,705	
<i>Total assets</i>	\$	40,556,277	\$	41,696,449	
<u>LIABILITIES AND NET ASSETS</u>					
LIABILITIES					
Accounts payable	\$	581,613	\$	704,099	
Alternate loan financing fund liability		1,074,536		1,067,412	
Accrued payroll and related liabilities		727,608		693,886	
Other liabilities		5,273		5,941	
Long-term debt, net of debt issuance costs of \$535 and \$6,953 at June 30, 2019 and 2018, respectively		99,465		288,047	
<i>Total liabilities</i>		2,488,495		2,759,385	
COMMITMENTS (NOTE 15)					
NET ASSETS					
Net assets without donor restrictions					
Undesignated		7,440,946		8,608,820	
Board designated		15,853,109		16,488,380	
<i>Total net assets without donor restrictions</i>		23,294,055		25,097,200	
Net assets with donor restrictions		14,773,727		13,839,864	
<i>Total net assets</i>		38,067,782		38,937,064	
<i>Total liabilities and net assets</i>	\$	40,556,277	\$	41,696,449	

See accompanying notes to financial statements.

CROSSROADS REHABILITATION CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Page 1 of 2

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions, gifts and bequests	\$ 304,137	\$ 1,889,869	\$ 2,194,006
United Way of Central Indiana, Inc.	756,839	-	756,839
United Way donor designated	27,728	-	27,728
Interest and dividend income, net	691,830	408,376	1,100,206
Other income	89,509	-	89,509
	<u>1,870,043</u>	<u>2,298,245</u>	<u>4,168,288</u>
Revenue			
Crossroads Industrial Services	6,079,499	-	6,079,499
Medical Rehabilitation Services	5,054,143	-	5,054,143
Employment and Veterans Services	2,352,510	-	2,352,510
Technology Services	1,173,408	-	1,173,408
Deaf Community Services	563,429	-	563,429
Autism and General Services	1,967,810	-	1,967,810
	<u>17,190,799</u>	<u>-</u>	<u>17,190,799</u>
Deductions from revenue	(3,613,695)	-	(3,613,695)
	<u>13,577,104</u>	<u>-</u>	<u>13,577,104</u>
Net assets released from restrictions	<u>1,547,760</u>	<u>(1,547,760)</u>	<u>-</u>
<i>Total revenue, gains and other support</i>	<u>16,994,907</u>	<u>750,485</u>	<u>17,745,392</u>
EXPENSES			
Program services			
Crossroads Industrial Services	5,862,032	-	5,862,032
Medical Rehabilitation Services	4,558,590	-	4,558,590
Employment and Veterans Services	2,533,331	-	2,533,331
Technology Services	1,168,844	-	1,168,844
Deaf Community Services	626,753	-	626,753
Autism and General Services	1,897,099	-	1,897,099
	<u>16,646,649</u>	<u>-</u>	<u>16,646,649</u>
Supporting services			
Administration	1,153,621	-	1,153,621
General operations and maintenance	1,077,274	-	1,077,274
Fundraising and development	228,423	-	228,423
	<u>2,459,318</u>	<u>-</u>	<u>2,459,318</u>
<i>Total expenses</i>	<u>19,105,967</u>	<u>-</u>	<u>19,105,967</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(2,111,060)	750,485	(1,360,575)
Realized gain (loss) on sale of securities	46,314	(83,521)	(37,207)
Change in value of split-interest agreements	-	(480)	(480)
Change in value of beneficial interest on perpetual trusts	-	10,308	10,308
Unrealized gain on investments	261,601	257,071	518,672
CHANGE IN NET ASSETS	(1,803,145)	933,863	(869,282)
NET ASSETS, BEGINNING OF YEAR	<u>25,097,200</u>	<u>13,839,864</u>	<u>38,937,064</u>
NET ASSETS, END OF YEAR	<u>\$ 23,294,055</u>	<u>\$ 14,773,727</u>	<u>\$ 38,067,782</u>

See accompanying notes to financial statements.

CROSSROADS REHABILITATION CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Page 2 of 2

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, GAINS AND OTHER SUPPORT			
Contributions, gifts and bequests	\$ 375,511	\$ 11,088,418	\$ 11,463,929
United Way of Central Indiana, Inc.	902,544	-	902,544
United Way donor designated	48,174	-	48,174
Interest and dividend income, net	459,660	78,799	538,459
Other income	65,075	-	65,075
	<u>1,850,964</u>	<u>11,167,217</u>	<u>13,018,181</u>
Revenue			
Crossroads Industrial Service	5,267,299	-	5,267,299
Medical Rehabilitation Services	5,054,787	-	5,054,787
Employment and Veterans Services	1,968,808	-	1,968,808
Technology Services	1,235,689	-	1,235,689
Deaf Community Services	491,916	-	491,916
Autism and General Services	1,696,924	-	1,696,924
	<u>15,715,423</u>	<u>-</u>	<u>15,715,423</u>
Deductions from revenue	(3,295,635)	-	(3,295,635)
	<u>12,419,788</u>	<u>-</u>	<u>12,419,788</u>
Net assets released from restrictions	2,001,462	(2,001,462)	-
	<u>16,272,214</u>	<u>9,165,755</u>	<u>25,437,969</u>
<i>Total revenue, gains and other support</i>			
EXPENSES			
Program services			
Crossroads Industrial Services	5,014,618	-	5,014,618
Medical Rehabilitation Services	4,425,525	-	4,425,525
Employment and Veterans Services	1,971,764	-	1,971,764
Technology Services	1,287,617	-	1,287,617
Deaf Community Services	543,458	-	543,458
Autism and General Services	1,796,847	-	1,796,847
	<u>15,039,829</u>	<u>-</u>	<u>15,039,829</u>
Supporting services			
Administration	1,091,558	-	1,091,558
General operations and maintenance	1,090,289	-	1,090,289
Fundraising and development	306,628	-	306,628
	<u>2,488,475</u>	<u>-</u>	<u>2,488,475</u>
<i>Total expenses</i>	<u>17,528,304</u>	<u>-</u>	<u>17,528,304</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(1,256,090)	9,165,755	7,909,665
Realized gain (loss) on sale of securities	2,334,969	(3,625)	2,331,344
Change in value of split-interest agreements	-	(4,775)	(4,775)
Change in value of beneficial interest on perpetual trusts	-	29,558	29,558
Unrealized loss on investments	(1,909,270)	(175,513)	(2,084,783)
CHANGE IN NET ASSETS	(830,391)	9,011,400	8,181,009
NET ASSETS, BEGINNING OF YEAR	25,927,591	4,828,464	30,756,055
NET ASSETS, END OF YEAR	<u>\$25,097,200</u>	<u>\$13,839,864</u>	<u>\$ 38,937,064</u>

CROSSROADS REHABILITATION CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Crossroads Industrial Services	Medical Rehabilitation Services	Employment and Veterans Services	Technology Services	Deaf Community Services	Autism and General Services	Total Program Services	Administration	General Operations and Maintenance	Fundraising and Development	Total Supporting Services	Total
Staff salaries and wages	\$ 540,292	\$ 2,404,697	\$ 1,216,729	\$ 610,707	\$ 223,404	\$ 1,247,213	\$ 6,243,042	\$ 702,616	\$ 451,680	\$ 158,622	\$ 1,312,918	\$ 7,555,960
Production worker wages	1,037,683	-	-	-	-	-	1,037,683	-	-	-	-	1,037,683
Employee benefits	366,190	427,604	296,637	130,998	49,986	233,548	1,504,963	134,367	105,256	16,298	255,921	1,760,884
Payroll taxes	113,645	176,712	88,263	44,786	15,793	90,718	529,917	47,425	32,503	12,066	91,994	621,911
Staff development	4,058	19,229	28,034	32,548	2,242	10,888	96,999	2,818	28,396	600	31,814	128,813
Equipment rental and maintenance	40,555	28,104	5,375	64,066	3,289	9,245	150,634	11,885	131,810	6,945	150,640	301,274
Professional fees	74,607	749,463	650,677	49,559	244,293	71,063	1,839,662	108,332	18,702	5,603	132,637	1,972,299
Supplies	80,085	135,724	8,747	25,426	2,459	23,244	275,685	9,183	60,314	9,593	79,090	354,775
Telephone	17,982	7,767	2,508	7,337	641	829	37,064	625	52,163	-	52,788	89,852
Postage and freight	345,101	2,568	145	3,501	48	3,451	354,814	10,353	4,290	47	14,690	369,504
Occupancy	62,341	180,885	29,031	14,144	7,083	37,223	330,707	7,942	65,463	4,874	78,279	408,986
Publicity and printing	2,621	3,163	2,708	3,199	699	29,075	41,465	5,655	1,184	641	7,480	48,945
Travel and motor vehicles	12,633	27,789	58,764	31,720	9,194	13,943	154,043	18	6,702	-	6,720	160,763
Licensing and fees	277,897	27,449	16,232	24,410	2,014	1,635	349,637	12,523	11,138	1,561	25,222	374,859
Merchandise for resale	-	53,774	-	-	-	-	53,774	-	-	-	-	53,774
Bad debt expense	-	48,866	12,195	14,668	48,237	26,602	150,568	-	-	-	-	150,568
Insurance	80,834	67,497	26,767	25,408	5,688	30,671	236,865	13,035	17,860	3,958	34,853	271,718
Financing costs	16,290	-	-	-	-	-	16,290	1,235	-	-	1,235	17,525
Depreciation and amortization	303,863	178,678	50,798	86,367	11,683	67,058	698,447	13,729	89,813	7,615	111,157	809,604
Agency affiliations	-	-	-	-	-	-	-	71,880	-	-	71,880	71,880
Direct job costs	2,485,355	-	-	-	-	-	2,485,355	-	-	-	-	2,485,355
Specific assistance	-	18,621	39,721	-	-	693	59,035	-	-	-	-	59,035
	<u>\$ 5,862,032</u>	<u>\$ 4,558,590</u>	<u>\$ 2,533,331</u>	<u>\$ 1,168,844</u>	<u>\$ 626,753</u>	<u>\$ 1,897,099</u>	<u>\$ 16,646,649</u>	<u>\$ 1,153,621</u>	<u>\$ 1,077,274</u>	<u>\$ 228,423</u>	<u>\$ 2,459,318</u>	<u>\$ 19,105,967</u>

CROSSROADS REHABILITATION CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Crossroads Industrial Services	Medical Rehabilitation Services	Employment and Veterans Services	Technology Services	Deaf Community Services	Autism and General Services	Total Program Services	Administration	General Operations and Maintenance	Fundraising and Development	Total Supporting Services	Total
Staff salaries and wages	\$ 545,121	\$ 2,349,683	\$ 1,104,813	\$ 637,377	\$ 210,698	\$ 1,134,532	\$ 5,982,224	\$ 675,849	\$ 436,785	\$ 152,829	\$ 1,265,463	\$ 7,247,687
Production worker wages	905,527	-	-	-	-	-	905,527	-	-	-	-	905,527
Employee benefits	296,985	382,141	230,437	133,631	47,715	220,898	1,311,807	117,049	108,850	16,631	242,530	1,554,337
Payroll taxes	102,480	172,467	80,645	45,854	15,025	81,145	497,616	44,835	31,730	11,769	88,334	585,950
Staff development	13,927	18,037	26,713	33,331	1,336	13,683	107,027	1,405	22,874	40	24,319	131,346
Equipment rental and maintenance	113,818	17,614	16,776	149,505	5,550	10,781	314,044	8,879	149,643	21,938	180,460	494,504
Professional fees	116,068	753,645	265,298	50,353	203,465	108,377	1,497,206	105,859	5,000	45,926	156,785	1,653,991
Supplies	67,408	133,922	16,275	37,345	2,109	29,398	286,457	8,140	57,860	33,246	99,246	385,703
Telephone	18,289	8,103	2,050	7,612	621	1,419	38,094	390	52,031	-	52,421	90,515
Postage and freight	269,834	2,134	275	4,975	9	2,758	279,985	10,267	6,051	56	16,374	296,359
Occupancy	63,512	181,777	30,405	16,612	7,573	36,347	336,226	8,239	83,745	9,871	101,855	438,081
Publicity and printing	2,975	4,450	794	1,853	83	31,939	42,094	2,502	1,226	2,295	6,023	48,117
Travel and motor vehicles	8,887	25,444	61,104	27,175	9,557	18,528	150,695	-	10,994	378	11,372	162,067
Licensing and fees	251,955	18,927	3,017	14,987	560	1,776	291,222	17,818	12,174	585	30,577	321,799
Merchandise for resale	-	40,506	-	-	-	-	40,506	-	-	-	-	40,506
Bad debt expense	5,505	41,568	16,448	5,384	22,623	19,048	110,576	-	-	-	-	110,576
Insurance	81,904	60,871	22,546	25,220	4,863	24,504	219,908	10,928	15,016	3,457	29,401	249,309
Financing costs	18,935	-	-	-	-	-	18,935	4,847	-	-	4,847	23,782
Depreciation and amortization	297,593	179,314	49,333	96,328	11,671	61,714	695,953	13,805	96,310	7,607	117,722	813,675
Agency affiliations	-	-	-	-	-	-	-	60,746	-	-	60,746	60,746
Direct job costs	1,833,895	-	-	-	-	-	1,833,895	-	-	-	-	1,833,895
Specific assistance	-	34,922	44,835	75	-	-	79,832	-	-	-	-	79,832
	<u>\$ 5,014,618</u>	<u>\$ 4,425,525</u>	<u>\$ 1,971,764</u>	<u>\$ 1,287,617</u>	<u>\$ 543,458</u>	<u>\$ 1,796,847</u>	<u>\$ 15,039,829</u>	<u>\$ 1,091,558</u>	<u>\$ 1,090,289</u>	<u>\$ 306,628</u>	<u>\$ 2,488,475</u>	<u>\$ 17,528,304</u>

CROSSROADS REHABILITATION CENTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (869,282)	\$ 8,181,009
Items not requiring (providing) operating cash:		
Contribution to permanent endowment	-	(10,000,000)
Depreciation and amortization	809,604	813,675
Gain on sale of property and equipment	5,330	-
Increase in cash restricted for alternate loan financing fund	(7,218)	(2,670)
Realized (gain) loss on sale of investments	37,207	(2,331,344)
Unrealized (gain) loss on investments	(518,672)	2,084,783
Change in value of beneficial interest in perpetual trusts	(10,308)	(29,558)
Amortization of bond issuance costs	6,418	6,418
Changes in:		
Accounts receivable, net	(12,230)	(204,210)
Federal grant reimbursements receivable	(129,673)	2,860
Contributions receivable	197,618	(129,618)
Inventories	(147,694)	(430,773)
Prepaid expenses	24,271	(1,288)
Accounts payable	(122,486)	332,746
Alternate loan financing fund liability	7,124	4,952
Accrued payroll and related liabilities	33,722	74,344
Other liabilities	(668)	(9,112)
<i>Net cash used in operating activities</i>	<u>(696,937)</u>	<u>(1,637,786)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(389,057)	(334,390)
Proceeds from sale of property and equipment	4,480	-
Use of bond proceeds to invest in property and equipment	-	368,187
Sales and maturities of investments	6,023,945	19,340,826
Purchases of investments	(5,226,739)	(27,289,534)
<i>Net cash provided by (used in) investing activities</i>	<u>412,629</u>	<u>(7,914,911)</u>
FINANCING ACTIVITIES		
Proceeds received from split-interest agreement	1,733	6,027
Payments on long-term debt	(195,000)	(205,000)
Contribution to permanent endowment	-	10,000,000
<i>Net cash provided by (used in) operating activities</i>	<u>(193,267)</u>	<u>9,801,027</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(477,575)	248,330
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,298,494</u>	<u>1,050,164</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 820,919</u>	<u>\$ 1,298,494</u>
SUPPLEMENTAL CASH FLOWS INFORMATION		
Cash paid for interest	<u>\$ 1,984</u>	<u>\$ 2,546</u>

See accompanying notes to financial statements.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Crossroads Rehabilitation Center, Inc. ("Crossroads") d/b/a Easterseals Crossroads was incorporated as a not-for-profit organization in March 1959, under the laws of the State of Indiana.

Crossroads exists to change the way the world defines and views disability by making profound, positive differences in people's lives every day. Crossroads' primary sources of revenue and support are private contributions, United Way allocations, governmental awards and revenue for services provided.

Crossroads also operates a manufacturing facility called Crossroads Industrial Services (CIS). CIS employs people with disabilities or special needs. CIS provides a variety of products and services to national businesses by operating as an extension of their business in providing value added services like increased capacity, productivity improvement, program management and just in time delivery.

Crossroads' services provided include therapies, adult day services, community habilitation, employment services, assistive technology, deaf interpreting and behavioral diagnostics and therapy services.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements were prepared on the accrual basis of accounting. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits in federally insured accounts. Crossroads considers all liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Total cash equivalents were \$380,503 and \$174,697 at June 30, 2019 and 2018, respectively.

Crossroads maintained cash balances in excess of FDIC coverage limits of approximately \$140,000 and \$890,000 at June 30, 2019 and 2018, respectively.

ACCOUNTS RECEIVABLE AND PROGRAM REVENUE

Services are provided primarily to individuals who reside in Central Indiana. Medical Rehabilitation, Employment and Veterans, Technology, Deaf Community, and Autism and General Services revenue is recorded by Crossroads at its standard rates when services are performed. Any difference between its standard rates for services and reimbursement is charged to deductions from revenue. CIS revenue is recorded based upon individual job pricing at the time goods and services are delivered.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ACCOUNTS RECEIVABLE AND PROGRAM REVENUE, CONTINUED

Accounts receivable are stated at the amount billed to clients and customers. Crossroads provides an allowance for uncollectable accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Accounts receivable for CIS are ordinarily due 30 days after the issuance of the invoice. Accounts more than 120 days past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

INVENTORIES

Inventories consist of raw materials, work-in-process, and finished goods and are stated at the lower of cost or market. Cost is determined using the first-in, first out (FIFO) method.

CASH RESTRICTED FOR ALTERNATE LOAN FINANCING FUND AND LIABILITY

Cash restricted for alternate loan financing fund and the related liability represents federal and state grant money provided to Crossroads to be able to provide lower cost loans for adaptive equipment for clients.

FAIR VALUE MEASUREMENTS

Accounting Standards for Fair Value Measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The methods for determining fair value have not changed in 2019.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

Fair values measured on a recurring basis at June 30, 2019 and 2018 are as follows:

	<u>2019 Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>INVESTMENTS</u>				
Money market funds	\$ 191,577	\$ 191,577	\$ -	\$ -
Mutual funds				
Bond funds	10,374,038	10,374,038	-	-
Equity funds	<u>17,091,708</u>	<u>17,091,708</u>	<u>-</u>	<u>-</u>
Total mutual funds	27,465,746	27,465,746	-	-
Investment in limited partnership	<u>59,535</u>	<u>-</u>	<u>-</u>	<u>59,535</u>
Total investments	27,716,858	27,657,323	-	59,535
Contributions receivable - split-interest agreements (Note 9)	93,147	-	93,147	-
Beneficial interest in perpetual trusts (Note 10)	<u>1,575,378</u>	<u>-</u>	<u>1,575,378</u>	<u>-</u>
Total	<u>\$ 29,385,383</u>	<u>\$ 27,657,323</u>	<u>\$ 1,668,525</u>	<u>\$ 59,535</u>

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS, CONTINUED

	<u>2018 Totals</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>INVESTMENTS</u>				
Money market funds	\$ 209,852	\$ 209,852	\$ -	\$ -
Mutual funds				
Bond funds	10,715,097	10,715,097	-	-
Equity funds	<u>17,060,418</u>	<u>17,060,418</u>	<u>-</u>	<u>-</u>
Total mutual funds	27,775,515	27,775,515	-	-
Investment in limited partnership	<u>47,232</u>	<u>-</u>	<u>-</u>	<u>47,232</u>
Total investments	28,032,599	27,985,367	-	47,232
Contributions receivable - split-interest agreements (Note 9)	94,880	-	94,880	-
Beneficial interest in perpetual trusts (Note 10)	<u>1,565,070</u>	<u>-</u>	<u>1,565,070</u>	<u>-</u>
Total	<u>\$ 29,692,549</u>	<u>\$ 27,985,367</u>	<u>\$ 1,659,950</u>	<u>\$ 47,232</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	<u>Investment in Limited Partnership</u>	
	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 47,232	\$ 43,038
Gain included in earnings	<u>12,303</u>	<u>4,194</u>
Balance at end of year	<u>\$ 59,535</u>	<u>\$ 47,232</u>

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost if purchased or fair market value on the date of donation if contributed. All acquisitions of property and equipment in excess of \$2,500 are capitalized. Crossroads provides for depreciation on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

	<u>Years</u>
Furnishings, equipment and vehicles	3-10
Buildings and improvements	30

In accordance with the United Way of Central Indiana's Facilities Maintenance Fund Depreciation Policy, the Board of Directors of Crossroads has established a designated depreciation reserve in the amount of \$19,394 and \$21,871 as of June 30, 2019 and 2018, respectively.

CONTRIBUTIONS RECEIVABLE – SPLIT-INTEREST AGREEMENTS

Crossroads is the co-beneficiary of several charitable remainder unitrust agreements. These agreements provide for either the distribution of remaining trust balances or an interest in the perpetual trust with income distributed upon the death of the last remaining beneficiary. The expected fair value of the assets to be received by Crossroads upon termination of the agreement has been recorded at present value. The contributions receivable are reported as net assets with donor restrictions until termination of the agreement.

GOODWILL

Accounting Standards for Business Combinations require an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at the acquisition date, measured at their fair values as of that date.

During the year ended June 30, 2014, Crossroads acquired a business which resulted in the recognition of goodwill of \$83,000. In May 2017, Crossroads acquired an orphaned product line which resulted in recognition of goodwill of \$1,365,700. Goodwill is being amortized over a 10-year life. Accumulated amortization was \$320,865 and \$175,995 at June 30, 2019 and 2018, respectively.

NET ASSETS

Crossroads maintains the following classes of net assets:

WITHOUT DONOR RESTRICTIONS

These include revenue and expenses from the regular operations of Crossroads, the use of which are at the discretion of management and the Board of Directors. In 2004, the Board of Directors voted to designate \$7,500,000 of unrestricted net assets as a Board Designated Endowment. The fund increases or decreases each year by the fund's allocable share of investment income or loss and additional deposits or withdrawals as directed annually by the Board. Board designated net assets were \$15,853,109 and \$16,488,380 at June 30, 2019 and 2018, respectively. See Note 3.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

WITH DONOR RESTRICTIONS

Net assets with donor restrictions are those whose use by Crossroads has been limited by donors to a specific time period or purpose or whose use by Crossroads has been restricted by donors to be maintained in perpetuity.

	<u>2019</u>	<u>2018</u>
Time and purpose restricted (Note 12)	\$ 2,568,296	\$ 2,222,143
Perpetually restricted (Note 13)	<u>12,205,431</u>	<u>11,617,721</u>
	<u>\$ 14,773,727</u>	<u>\$ 13,839,864</u>

GOVERNMENT GRANTS

Support funded by grants is recognized as Crossroads performs the contracted services under grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Government grants are included in medical rehabilitation, employment and veterans and technology services revenue on the statement of activities.

CONTRIBUTIONS

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as time, purpose, or perpetually restricted revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case, the gifts are reported as time, purpose, or perpetually restricted revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions and are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when conditions are substantially met and the gift becomes unconditional.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

TAX STATUS

Crossroads is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. Accordingly, no provision is made for federal or state income taxes or income tax effects. Crossroads is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

EXPENSE ALLOCATION

Expenses have been classified as program services and supporting services based on actual direct expenditures. Certain expenses such as occupancy, insurance, and building depreciation have been allocated based upon the estimated benefit received by the various programs and supporting activities.

FUNDRAISING ACTIVITIES

Crossroads' major sources of fundraising are special events and direct appeals. During 2019 and 2018, approximately \$171,000 and \$198,000, respectively, were received as a direct result of fundraising activities.

ADVERTISING

Advertising expenses totaled \$22,694 and \$30,342 for 2019 and 2018, respectively. Crossroads' policy is to record advertising expenditures in the period in which they are incurred.

POSTAGE AND FREIGHT

Postage and freight expenses totaled \$369,504 and \$296,359 for 2019 and 2018, respectively. Crossroads' policy is to record postage and freight expenditures in the period in which they are incurred.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through October 7, 2019, which is the date the financial statements were available to be issued.

NEW ACCOUNTING PRONOUNCEMENT

Crossroads has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted and permanently restricted to two, net assets with and without donor restrictions. Also, the update required investment expenses to be netted with revenue. In addition, the update requires a new disclosure regarding liquidity and the availability of resources. With the exception of Note 2, Crossroads has applied the update retrospectively to all periods presented. The update had no impact on total net assets as of June 30, 2018.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

2. AVAILABLE RESOURCES AND LIQUIDITY

Crossroads regularly monitors liquidity required to meet its operating needs and other commitments while also striving to maximize the investment of its available funds to provide for long-term sustainability. Crossroads' annual operating budget process takes into account the cash needs for general expenditures within one year and strives to maintain adequate liquid assets to fund the operating needs, but also takes into account the need to operate within a prudent range of financial soundness. Crossroads' investments are not donor restricted. The Board's intent is not to use these assets for general use, but does include the use of these assets as part of the overall budget process when necessary to meet program needs.

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. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through the approval of the Board of Directors.

	<u>2019</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 820,919
Investments	27,716,858
Cash restricted for alternate loan financing	1,074,817
Accounts receivable, net	1,885,801
Federal grant reimbursement receivable	339,775
Contributions receivable	2,000
Contributions receivable- split-interest agreements	93,147
Beneficial interest in perpetual trust	<u>1,575,378</u>
Total financial assets	33,508,695
Less amounts not available to be used within one year:	
Alternate loan financing fund liability	1,074,536
Board designated net assets	15,853,109
Net assets with donor restrictions	<u>12,205,431</u>
Financial assets not available to be used with one year	<u>29,133,076</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 4,375,619</u></u>

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. ENDOWMENT FUNDS

Crossroads' endowment consists of funds designated by the Board of Directors to function as an endowment as well as perpetually restricted contributions and perpetual trusts administered by outside third parties (Note 10). As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

APPLICATION OF UPMIFA

Management has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulation to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Changes in Endowment Net Assets for the Year Ended June 30:

<u>2019</u>	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 16,488,380	\$ 11,617,721	\$ 28,106,101
Investment return: Income	677,299	403,852	1,081,151
Net appreciation	258,413	183,858	442,271
Total investment return	935,712	587,710	1,523,422
Transfers from endowment	(1,570,983)	-	(1,570,983)
Endowment net assets, end of year	\$ 15,853,109	\$ 12,205,431	\$ 28,058,540

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

3. ENDOWMENT FUNDS, CONTINUED

APPLICATION OF UPMIFA, CONTINUED

<u>2018</u>	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,194,986	\$ 1,691,664	\$ 19,886,650
Contributions	-	10,000,000	10,000,000
Investment return: Income	460,491	75,637	536,128
Net appreciation (depreciation)	453,674	(149,580)	304,094
Total investment return	914,165	(73,943)	840,222
Transfers from endowment	(2,620,771)	-	(2,620,771)
Endowment net assets, end of year	\$ 16,488,380	\$ 11,617,721	\$ 28,106,101

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with perpetually restricted endowment funds may fall below the level that the donor or SPMIFA requires Crossroads to retain as a fund of perpetual duration. There were no funds with deficiencies at June 30, 2019. Funds with deficiencies had a historic dollar value of \$10 million and a fair market value of \$9,896,499 for a total underwater amount of \$103,501 at June 30, 2018.

RETURN OBJECTIVES AND RISK PARAMETERS

Crossroads has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, Crossroads relies on a total return strategy administered in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Crossroads targets a diversified asset allocation that places a greater emphasis on long-term growth and a reasonable return. Under this policy, the endowment assets are invested to preserve capital and focus on the long-term growth of assets with the objective of producing a minimum return of 5% plus the rate of inflation annualized over a market cycle.

SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

Crossroads has a policy whereby the interest earned on the board designated endowment account is reinvested for future growth of the fund and only under certain circumstances would the Board appropriate money for spending. If appropriated for a particular reason, the funds then become undesignated in nature.

The perpetual endowment fund's spending policy is to spend up to 3.5% of a five-year moving average of quarterly market values. However, Crossroads' finance committee maintains the discretion to determine the spending amount annually, subject to certain limitations. When the perpetual endowment fund value falls below historic dollar value, the maximum spending from the perpetual endowment will be 2% of the fund value.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

4. ACCOUNTS RECEIVABLE

Detail of accounts receivable as of June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Medical Rehabilitation, Employment and Veterans, Technology, Deaf Community, and Autism and General Services	\$ 2,358,231	\$ 2,096,869
Crossroads Industrial Services	488,423	591,088
Other	<u>9,443</u>	<u>12,240</u>
	2,856,097	2,700,197
Less – allowance for uncollectible accounts	<u>(970,296)</u>	<u>(826,626)</u>
Accounts receivable, net	<u>\$ 1,885,801</u>	<u>\$ 1,873,571</u>

5. CONTRIBUTIONS RECEIVABLE

Time restricted contributions receivable consisted of the following at June 30:

	<u>2019</u>	<u>2018</u>
Future periods	<u>\$ 2,000</u>	<u>\$ 199,618</u>

6. INVENTORIES

Inventories consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Raw materials	\$ 543,236	\$ 413,710
Finished goods	<u>434,049</u>	<u>415,881</u>
	<u>\$ 977,285</u>	<u>\$ 829,591</u>

7. INVESTMENTS

Crossroads' investments as of June 30 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Mutual funds	\$ 27,465,746	\$ 26,824,966	\$ 27,775,515	\$ 27,641,105
Money market funds	191,577	191,577	209,852	209,852
Limited partnership	<u>59,535</u>	<u>30,660</u>	<u>47,232</u>	<u>30,660</u>
	<u>\$ 27,716,858</u>	<u>\$ 27,047,203</u>	<u>\$ 28,032,599</u>	<u>\$ 27,881,617</u>

At June 30, 2019 and 2018, Crossroads had invested in a private placement real estate investment, listed as the limited partnership above. This investment has limited liquidity in that Crossroads may only be able to sell it at certain times during the year.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

8. PROPERTY AND EQUIPMENT

Crossroads' property and equipment as of June 30 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 11,659,111	\$ 11,310,184
Furnishings and equipment	5,272,535	5,242,215
Vehicles	<u>679,911</u>	<u>812,463</u>
	17,611,557	17,364,862
Accumulated depreciation	<u>(13,411,322)</u>	<u>(12,879,140)</u>
	4,200,235	4,485,722
Land	<u>589,500</u>	<u>589,500</u>
	<u>\$ 4,789,735</u>	<u>\$ 5,075,222</u>

Crossroads purchases equipment and makes building improvements in accordance with grants using funds from the federal government. Any proceeds on the sale of such equipment or improvements would require remittance back to the federal government. As of June 30, 2019 and 2018, Crossroads had purchased property and equipment with a cost of \$1,969,138 and \$1,962,333 respectively, with federal government grant funds.

9. CONTRIBUTIONS RECEIVABLE – SPLIT-INTEREST AGREEMENTS

Contributions receivable from split-interest agreements are \$93,147 and \$94,880 at June 30, 2019 and 2018, respectively. These contributions receivable are time restricted and are due in more than five years.

10. BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Crossroads is the beneficiary under two perpetual trusts administered by outside parties. Under the terms of the trusts, Crossroads has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated values of the expected future cash flows at June 30, 2019 and 2018 are \$1,575,378 and \$1,565,070, respectively, which represent the fair market values of the trust assets at year end.

11. LONG-TERM DEBT

Long-term debt relates to a loan agreement executed with the Indiana Health Facility Financing Authority (IHFFA), whereby IHFFA issued adjustable rate revenue bonds during 2004 amounting to \$2,600,000, the proceeds of which were loaned to Crossroads in order to retire existing indebtedness incurred in purchasing and renovating new facilities, and to finance additional renovation costs.

In July of 2004, IHFFA issued Adjustable Rate Revenue Refunding Bonds, Series 2004, amounting to \$2,600,000 on behalf of Crossroads. Interest on the loan is payable monthly with the rate being adjusted periodically according to terms specified in the indenture, which secures the bonds issued by IHFFA. The effective interest rate (excluding non-interest financing costs) to Crossroads under this debt arrangement is a variable rate and was 1.8% and 1.1%, with interest expense amounting to \$1,984 and \$2,546 for the years ended June 30, 2019 and 2018, respectively. In no event can the interest rate exceed 10% per annum. Principal is payable on July 1 of each year through the year 2019.

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

11. LONG-TERM DEBT, CONTINUED

Payment of the loan is made through a direct pay letter of credit and reimbursement agreement executed with a financial institution which fully guarantees the loan in return for a security interest in the real estate and fixtures of the renovated facilities. The loan agreement with IHFFA is secured by the same mortgaged property. In addition to being required to reimburse the financial institution for any amounts drawn on the letter of credit, Crossroads must pay an annual commitment fee to the institution which amounts to 1.3% per annum of the outstanding amount as specified in the letter of credit agreement. During May 2016, Crossroads executed the fifth amendment to the agreement extending the term through July 2019 and increasing the commitment fee to 1.75% per annum. The loan was paid off in full in July 2019.

Costs associated with executing the loan and other agreement with the aforementioned parties have been netted with long-term debt in the accompanying financial statements and are being amortized over the life of the loan. Amortization expense was \$6,418 in each of the years ended June 30, 2019 and 2018.

In May 2017, Crossroads entered into a promissory note in the amount of \$150,000 for the purchase of equipment. The note expired in May 2019 and bore no interest due to payments being made in accordance with the agreement.

Maturities of long-term debt are as follows for the year ending:

2020	\$	100,000
Unamortized bond costs netted with long-term debt		<u>(535)</u>
Long-term debt, net	\$	<u>99,465</u>

12. TIME AND PURPOSE RESTRICTED NET ASSETS

Net assets with donor restrictions at June 30 are available for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Equipment and debt service	\$ 58,921	\$ 3,242
Crossroads Industrial Services	-	289
Medical Rehabilitation Services	1,730,826	1,671,607
Employment and Veterans Services	171,227	132,512
Technology Services	14,073	7,318
Deaf Community Services	10,950	10,950
Autism and General Services	487,153	101,727
For future periods, after June 30	93,146	94,880
Contributions receivable (Note 5)	<u>2,000</u>	<u>199,618</u>
	<u>\$ 2,568,296</u>	<u>\$ 2,222,143</u>

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

13. PERPETUALLY RESTRICTED NET ASSETS

As of June 30, perpetually restricted net assets consisted of:

	<u>2019</u>	<u>2018</u>
Beneficial interest in perpetual trusts, the income from which is expendable for any activity of Crossroads	\$ 1,575,378	\$ 1,565,070
Perpetual Endowment (Note 3)	10,473,901	9,896,499
Other net assets with perpetual donor restrictions	<u>156,152</u>	<u>156,152</u>
	<u>\$ 12,205,431</u>	<u>\$ 11,617,721</u>

14. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

During the years ended June 30, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished		
Crossroads Industrial Services	\$ 289	\$ 538
Medical Rehabilitation Services	846,954	874,727
Employment and Veterans Services	13,284	27,823
Technology Services	8,745	30,428
Autism and General Services	379,088	959,186
Equipment acquired and placed in service and debt service	101,782	83,760
Time restrictions expired	<u>197,618</u>	<u>25,000</u>
	<u>\$ 1,547,760</u>	<u>\$ 2,001,462</u>

15. OPERATING LEASES

Crossroads currently leases office equipment under operating leases that expire at various times through November 2022. Lease expense was \$66,259 and \$90,556 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ending June 30:

2020	\$ 39,816
2021	22,302
2022	4,788
2023	<u>1,596</u>
	<u>\$ 68,502</u>

CROSSROADS REHABILITATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

16. EMPLOYEE BENEFIT PLANS

Crossroads maintains a 403(b) tax deferred annuity plan. This plan allows substantially all employees to contribute up to maximum IRS limits. Crossroads makes matching contributions on the first 4% of salary deferred into this plan. In addition, Crossroads has a defined-contribution plan in which employees must be 21 years of age with one year of service and work 1,000 hours per year to be eligible to participate. Crossroads' contribution is 3% of the first \$50,000 of basic annual earnings plus 6% of any annual earnings in excess of \$50,000 for eligible employees plus a 50% matching of employee contributions to the employer sponsored 403(b) tax deferred annuity plan. Total pension expense for the plans for fiscal years 2019 and 2018 was \$330,800 and \$296,524, respectively.

17. RELATED PARTY

During fiscal year 2019, Crossroads received consulting services from a corporation whose founder is the first vice chair of Crossroad's board of directors. Crossroads also received legal services from a firm whose partner is the second vice chair of Crossroads board of directors. All expenses were reviewed and approved by the remaining members of the board of directors. The total related party legal and consulting fees for the year ended June 30, 2019 was \$33,234.

18. SUBSEQUENT EVENT

Subsequent to year- end, Crossroads formed a new entity, Crossroads Manufacturing Services, LLC (CMS). Crossroads is the sole member of CMS. CMS was formed to operate a new manufacturing business that Crossroads purchased in August 2019. Crossroads funded the purchase through investments.

The formation of CMS and business acquisition had the following impact on Crossroads:

Change in assets:

Property and equipment	\$ 218,453
Inventory	885,432
Goodwill	2,881,547
Investments	(3,985,432)

19. FEDERAL, STATE, AND LOCAL GRANT AWARDS

In accordance with guidelines established by the Indiana State Board of Accounts, this federal, state, and local grant information was included to aid in the verification of Indiana financial assistance on the Entity Annual Report (E-1).

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
Homeless Veterans Reintegration Program	United States Department of Labor	17.805	\$337,840	\$337,840	Direct federal grant
Day Service Provider Grant	Indiana Family and Social Services Administration	N/A	\$27,664	\$27,664	State and Local
Social Security – Work Incentives and Assistance Program	Indiana Institute on Disability and Community	96.008	\$71,563	\$71,563	Federal grant passed through state or local government

CROSSROADS REHABILITATION CENTER, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2019 AND 2018**

19. FEDERAL, STATE, AND LOCAL GRANT AWARDS, CONTINUED

Program Name	Grantor Name	CFDA	Revenue	Expense	Funding Type
National Institute on Disability and Rehabilitative Research	Indiana Institute on Disability and Community	84.133	\$14,232	\$14,232	Federal grant passed through state or local government
ACL Assistive Technology	Indiana Family & Social Services Administration	93.464	\$494,646	\$494,646	Federal grant passed through state or local government
High Impact Innovative Assistive Technology Quality of Life	Christopher and Dana Reeve Foundation	93.325	\$0	\$19,723	Federal grant passed through state or local government
Rehabilitation Services – Vocational Rehabilitation Grants to States	Indiana Family & Social Services Administration	84.126A	\$786,049	\$786,049	Federal grant passed through state or local government
Rehabilitation Services – Vocational Rehabilitation Grants to States	Indiana Family & Social Services Administration	84.126A	\$61,744	\$61,744	Federal grant passed through state or local government
Total funding			\$1,793,738	\$1,813,461	

SUPPLEMENTARY INFORMATION

CROSSROADS REHABILITATION CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF EDUCATION			
<i>Indiana Family and Social Services Administration</i>			
Rehabilitation Services - Vocational Rehabilitation	84.126A	17522	\$ 786,049
Grants to States	84.126A	19449	61,744
			<u>847,793</u>
<i>Indiana Institute on Disability and Community</i>			
National Institute on Disability and Rehabilitation Research	84.133	1449164	14,232
<i>Total U.S. Department of Education</i>			<u>862,025</u>
SOCIAL SECURITY ADMINISTRATION			
<i>Indiana Institute on Disability and Community</i>			
Social Security - Work Incentives Planning and Assistance Program	96.008	2061997	71,563
<i>Total Social Security Administration</i>			<u>71,563</u>
U.S. DEPARTMENT OF LABOR			
Homeless Veterans Reintegration Program	17.805	HV-30865-17-60-5-18	337,840
<i>Total U.S. Department of Labor</i>			<u>337,840</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Christopher & Dana Reeve Foundation</i>			
Paralysis Resource Center Discretionary Projects	93.325	N/A	19,723
<i>Indiana Family and Social Services Administration</i>			
ACL Assistive Technology	93.464	22341	494,646
<i>Total U.S. Department of Health and Human Services</i>			<u>514,369</u>
<i>Total expenditures of federal awards</i>			<u>\$ 1,785,797</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Crossroads Rehabilitation Center, Inc. (Crossroads) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Crossroads, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Crossroads.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

Crossroads has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crossroads Rehabilitation Center, Inc.:

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 of America, the financial statements of Crossroads Rehabilitation Center, Inc. ("Crossroads"), 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 year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Crossroad's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or 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.

Greenwald CPAs, Inc.

October 7, 2019



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Crossroads Rehabilitation Center, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Crossroads Rehabilitation Center, Inc.'s ("Crossroads") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Crossroads' major federal programs for the year ended June 30, 2019. Crossroads' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on the compliance for each of Crossroads' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crossroads' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Crossroads' compliance.

Opinion on Each Major Federal Program

In our opinion, Crossroads complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Crossroads is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Crossroads' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crossroads' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greenwald CPAs, Inc.

October 7, 2019

CROSSROADS REHABILITATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of report the auditors' issued on whether the financials statements audited were prepared in accordance with GAAP: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____yes ___X___no
- Significant deficienc(ies) identified? _____yes ___X___none reported
3. Noncompliance material to financial statements noted? _____yes ___X___no

Federal Awards

4. Internal control over major federal programs:
- Material weakness(es) identified? _____yes ___X___no
- Significant deficienc(ies) identified? _____yes ___X___none reported
5. Type of auditors' report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____yes ___X___no

- | 7. Identification of major federal programs: | <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--|--------------------|---|
| | 93.464 | ACL Assistive Technology |
| | 17.805 | Homeless Veterans Reintegration Program |

8. Dollar threshold used to distinguish between type A and type B programs: \$ 750,000
9. Auditee qualified as low-risk auditee? ___X___yes _____no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None