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January 30, 2014

Board of Directors
Crossroad
2525 Lake Ave.
Fort Wayne, IN 46805-5457

We have reviewed the audit report prepared by BKD CPAs & Advisors, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Crossroad, as of December 31, 2010, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)
Accountants' Report and Financial Statements
December 31, 2010 and 2009



Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)
December 31, 2010 and 2009

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Independent Accountants' Report

Board of Directors
Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)
Fort Wayne, Indiana

We have audited the accompanying statements of financial position of Crossroad Child & Family Services, Inc. (formerly The Fort Wayne Children's Home of the United Church of Christ, Inc. d/b/a Crossroad) (Organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroad Child & Family Services, Inc. (formerly The Fort Wayne Children's Home of the United Church of Christ, Inc. d/b/a Crossroad) as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BKD, LLP

May 18, 2011

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)
Statements of Financial Position
December 31, 2010 and 2009

| | 2010 | 2009 |
|---|---------------|---------------|
| Assets | | |
| Cash and cash equivalents | \$ 337,088 | \$ 124,290 |
| Accounts receivable, net of allowance of \$100,000 and \$452,000 for 2010 and 2009 | 1,199,666 | 1,250,996 |
| Inventories | 8,787 | 10,447 |
| Prepaid expenses | 33,923 | 46,953 |
| Cash surrender value of life insurance | 32,075 | 32,074 |
| Contributions receivable from charitable remainder trusts | 45,487 | 45,487 |
| Investments | 6,958,515 | 7,381,494 |
| Interest in assets held at Fort Wayne Community Foundation | 72,737 | 67,858 |
| Property and equipment | 4,741,804 | 5,067,541 |
| Total assets | \$ 13,430,082 | \$ 14,027,140 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 78,069 | \$ 167,513 |
| Accrued expenses | 463,971 | 453,830 |
| Line of credit | - | 713,766 |
| Custodial funds | 12,991 | 10,350 |
| Debt | - | 78,198 |
| Total liabilities | 555,031 | 1,423,657 |
| Net Assets | | |
| Unrestricted | 12,469,155 | 12,074,690 |
| Temporarily restricted | 405,896 | 329,267 |
| Permanently restricted | - | 199,526 |
| Total net assets | 12,875,051 | 12,603,483 |
| Total liabilities and net assets | \$ 13,430,082 | \$ 14,027,140 |

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Statements of Activities
Years Ended December 31, 2010 and 2009

| | 2010 | | | Total |
|---|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Revenue, Gains (Losses) | | | | |
| and Other Support | | | | |
| Fees for service | \$ 5,215,912 | \$ - | \$ - | \$ 5,215,912 |
| Contributions | 610,752 | 109,620 | - | 720,372 |
| Grants | 64,710 | - | - | 64,710 |
| Investment return | 736,954 | - | - | 736,954 |
| Rent | 28,531 | - | - | 28,531 |
| Miscellaneous | 1,024 | - | - | 1,024 |
| Loss on sale of property and equipment | (11,054) | - | - | (11,054) |
| Net assets released from restrictions | 32,991 | (32,991) | - | - |
| | <u>6,679,820</u> | <u>76,629</u> | <u>-</u> | <u>6,756,449</u> |
| Total revenue, gains (losses) and other support | | | | |
| Expenses | | | | |
| Treatment services | 5,060,597 | - | - | 5,060,597 |
| Management and general | 1,203,833 | - | - | 1,203,833 |
| Fund raising | 220,451 | - | - | 220,451 |
| | <u>6,484,881</u> | <u>-</u> | <u>-</u> | <u>6,484,881</u> |
| Total expenses | | | | |
| Change in Net Assets Before | | | | |
| Reclassification of Net Assets | 194,939 | 76,629 | - | 271,568 |
| Reclassification of Net Assets | 199,526 | - | (199,526) | - |
| | <u>394,465</u> | <u>76,629</u> | <u>(199,526)</u> | <u>271,568</u> |
| Change in Net Assets | | | | |
| Net Assets, Beginning | | | | |
| of Year | 12,074,690 | 329,267 | 199,526 | 12,603,483 |
| | <u>12,074,690</u> | <u>329,267</u> | <u>199,526</u> | <u>12,603,483</u> |
| Net Assets, End of Year | <u>\$ 12,469,155</u> | <u>\$ 405,896</u> | <u>\$ -</u> | <u>\$ 12,875,051</u> |

2009

| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|----------------------|------------------------|------------------------|----------------------|
| \$ 6,116,452 | \$ - | \$ - | \$ 6,116,452 |
| 809,424 | 92,139 | - | 901,563 |
| 86,079 | - | - | 86,079 |
| 1,250,768 | - | - | 1,250,768 |
| 35,083 | - | - | 35,083 |
| 2,589 | - | - | 2,589 |
| - | - | - | - |
| <u>82,767</u> | <u>(82,767)</u> | <u>-</u> | <u>-</u> |
| | | | |
| <u>8,383,162</u> | <u>9,372</u> | <u>-</u> | <u>8,392,534</u> |
| | | | |
| 6,445,163 | - | - | 6,445,163 |
| 1,550,254 | - | - | 1,550,254 |
| <u>283,889</u> | <u>-</u> | <u>-</u> | <u>283,889</u> |
| | | | |
| <u>8,279,306</u> | <u>-</u> | <u>-</u> | <u>8,279,306</u> |
| | | | |
| 103,856 | 9,372 | - | 113,228 |
| | | | |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | | |
| 103,856 | 9,372 | - | 113,228 |
| | | | |
| <u>11,970,834</u> | <u>319,895</u> | <u>199,526</u> | <u>12,490,255</u> |
| | | | |
| <u>\$ 12,074,690</u> | <u>\$ 329,267</u> | <u>\$ 199,526</u> | <u>\$ 12,603,483</u> |

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Statements of Functional Expenses
Years Ended December 31, 2010 and 2009

| | 2010 | | | | |
|---------------------------------------|-----------------------|---------------------------|--------------|--------------|-------|
| | Program Services | Supporting Services | | | Total |
| | Treatment Services | Management and General | Fund Raising | | |
| Salaries and related expenses | \$ 3,844,969 | \$ 561,248 | \$ 128,704 | \$ 4,534,921 | |
| Other operating expenses | 463,762 | 533,375 | 78,573 | 1,075,710 | |
| Occupancy | 381,948 | 4,849 | 1,526 | 388,323 | |
| Purchased services | 103,791 | 104,361 | 11,648 | 219,800 | |
| Total expenses before depreciation | 4,794,470 | 1,203,833 | 220,451 | 6,218,754 | |
| Depreciation expense | 266,127 | - | - | 266,127 | |
| Total expenses | \$ 5,060,597 | \$ 1,203,833 | \$ 220,451 | \$ 6,484,881 | |

2009

| Program Services | | Supporting Services | | |
|--------------------|------------------------|---------------------|----|-----------|
| Treatment Services | Management and General | Fund Raising | | Total |
| \$ 4,951,415 | \$ 722,755 | \$ 165,741 | \$ | 5,839,911 |
| 597,217 | 686,862 | 101,183 | | 1,385,262 |
| 491,859 | 6,245 | 1,965 | | 500,069 |
| 133,659 | 134,392 | 15,000 | | 283,051 |
| 6,174,150 | 1,550,254 | 283,889 | | 8,008,293 |
| 271,013 | - | - | | 271,013 |
| \$ 6,445,163 | \$ 1,550,254 | \$ 283,889 | \$ | 8,279,306 |

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Statements of Cash Flows
Years Ended December 31, 2010 and 2009

| | 2010 | 2009 |
|---|------------|-------------|
| Operating Activities | | |
| Change in net assets | \$ 271,568 | \$ 113,228 |
| Items not requiring (providing) operating activities cash flows | | |
| Depreciation and amortization | 266,127 | 271,013 |
| Loss on sale of property and equipment | 11,054 | - |
| Allowance for uncollectible accounts receivable | (173,944) | 583,854 |
| Net realized and unrealized gains on investments | (563,215) | (1,058,311) |
| Increase in cash surrender value of life insurance | (1) | (2,877) |
| Changes in | | |
| Accounts receivable | 225,274 | (309,298) |
| Pledges receivable | - | (5,357) |
| Inventories | 1,660 | 1,456 |
| Prepaid expenses | 13,030 | (7,752) |
| Accounts payable and accrued expenses | (79,303) | (186,357) |
| Net cash used in operating activities | (27,750) | (600,401) |
| Investing Activities | | |
| Purchase of property and equipment | (37,482) | (204,422) |
| Purchase of investments | (176,142) | (2,277,634) |
| Proceeds from sale of property and equipment | 86,038 | - |
| Proceeds from disposition of investments | 1,157,457 | 2,304,625 |
| Net cash provided by (used in) investing activities | 1,029,871 | (177,431) |
| Financing Activities | | |
| Net proceeds (payments) from line of credit | (713,766) | 626,737 |
| Increase in custodial fund for children | 2,641 | 957 |
| Principal payments on notes payable to bank | (78,198) | (12,176) |
| Net cash provided by (used in) financing activities | (789,323) | 615,518 |
| Increase (Decrease) in Cash and Cash Equivalents | 212,798 | (162,314) |
| Cash and Cash Equivalents, Beginning of Year | 124,290 | 286,604 |
| Cash and Cash Equivalents, End of Year | \$ 337,088 | \$ 124,290 |
| Supplemental Cash Flows Information | | |
| Interest paid | \$ 9,567 | \$ 13,778 |

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Crossroad Child & Family Services, Inc. (formerly The Fort Wayne Children's Home of the United Church of Christ, Inc. d/b/a Crossroad) (Organization) is a not-for-profit organization whose mission and principal activities are to provide treatment services to emotionally troubled children and their families placed by referring agencies primarily located in Indiana, Ohio and Michigan. The Organization's revenue and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the Fort Wayne, Indiana area.

In 2010, the name of The Fort Wayne Children's Home of the United Church of Christ, Inc. d/b/a Crossroad was changed to Crossroad Child & Family Services, Inc.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenue, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2010 and 2009, cash equivalents consisted primarily of money market accounts and money market mutual funds. Uninvested cash and cash equivalents held for long-term purposes are classified as investments in the statements of financial position.

One or more of the financial institutions holding the Organization's cash accounts participated in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2010, all noninterest-bearing transaction accounts were fully guaranteed by the FDIC for the entire amount in the account. Pursuant to legislation enacted in 2010, the FDIC will fully insure all noninterest-bearing transaction accounts beginning December 31, 2010 through December 31, 2012, at all FDIC-insured institutions.

For financial institutions opting out of the FDIC's Transaction Account Guarantee Program or interest-bearing cash accounts, the FDIC's insurance limits were permanently increased to \$250,000, effective July 21, 2010. At December 31, 2010, the Organization's cash accounts did not exceed federally insured limits.

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Investments and Investment Return

Investments in equity securities, having a readily determinable fair value and in all debt securities, are carried at fair value. Other investments are valued at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Accounts Receivable

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

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful life of each asset, which ranges from 3 to 50 years.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets 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.

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Self Insurance

The Organization has elected to self-insure certain costs related to employee health benefit programs. Cost resulting from noninsured losses is charged to income when incurred. The Organization has purchased insurance that limits its exposure for individual claims in excess of \$50,000 with a maximum limit of liability of approximately \$1,000,000.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization files tax returns in the U.S. federal and Indiana jurisdictions. With a few exceptions, the Organization is no longer subject to U.S. federal or state examinations by tax authorities for years before 2007.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among the program, management and general and fund raising categories based on units of service and other methods.

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs and Level 3 (significant unobservable inputs) are recognized on the period beginning date.

Reclassifications

During 2010, the Organization determined based on donor intent that the assets classified as permanently restricted net assets should be classified as unrestricted net assets.

Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

| | 2010 | 2009 |
|--|---------------------|---------------------|
| Cash, cash equivalents and money market mutual funds | \$ 585,145 | \$ 625,493 |
| Equity securities | | |
| Consumer discretionary | 239,114 | 174,810 |
| Consumer staples | 192,494 | 305,941 |
| Industrial | 175,837 | 202,860 |
| Energy | 180,030 | 200,963 |
| Financials | 221,420 | 219,742 |
| Materials | 110,898 | 166,419 |
| Information technology | 267,755 | 252,813 |
| Utilities | 84,302 | 126,932 |
| Health care | 209,524 | 330,757 |
| Telecommunications | 23,609 | 123,263 |
| International | 52,880 | - |
| U.S. Government obligations | - | 156,983 |
| Corporate debt securities | 171,788 | 168,739 |
| Mutual funds | | |
| Fixed income fund | 1,057,702 | 1,132,256 |
| Equity fund | 1,130,925 | 1,189,684 |
| Real estate investment trusts (REITs) | 176,275 | 151,040 |
| Fund of funds, United Church Funds (A) | 2,078,817 | 1,852,799 |
| | \$ 6,958,515 | \$ 7,381,494 |

(A) The fund of funds investments do not have any unfunded commitments and can be redeemed at any time.

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Total investment return is comprised of the following:

| | 2010 | 2009 |
|---|-------------|--------------|
| Interest and dividend income | \$ 173,660 | \$ 192,178 |
| Net realized and unrealized gains on investments | 563,215 | 1,058,311 |
| Total investment income | 736,875 | 1,250,489 |
| Other interest income | 79 | 279 |
| Total investment return | \$ 736,954 | \$ 1,250,768 |

Note 3: Contributions Receivable From Charitable Remainder Trusts

Split-interest agreements consist primarily of beneficial interests in irrevocable charitable remainder trusts held by others. A charitable remainder trust provides for payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets will be available for the Organization's use. The amount of such assets held at the United Church Foundation (Trustee) amounted to \$45,487 at December 31, 2010 and 2009.

Note 4: Property and Equipment

Property and equipment at December 31 consists of:

| | 2010 | 2009 |
|--|--------------|--------------|
| Land | \$ 4,865 | \$ 4,865 |
| Buildings and improvements | 8,637,908 | 8,740,489 |
| Machinery and equipment | 1,484,428 | 1,478,220 |
| Construction in progress | 332,597 | 331,966 |
| | 10,459,798 | 10,555,540 |
| Less accumulated depreciation and amortization | (5,717,994) | (5,487,999) |
| | \$ 4,741,804 | \$ 5,067,541 |

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Note 5: Line of Credit

The Organization has a \$750,000 revolving bank line of credit expiring in June 2011. At December 31 2009, there was \$713,766 borrowed against this line. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate less .50%, which was 2.75% on December 31, 2010, and is payable monthly.

Note 6: Debt

| | 2010 | 2009 |
|------------------|------|-----------|
| Note payable (A) | \$ - | \$ 78,198 |

(A) Due September 18, 2014; payable \$1,309 monthly with a balloon payment at the maturity date, including interest at prime minus .50% (2.75% at December 31, 2009); secured by certain property and equipment. This note was paid off during 2010.

Note 7: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

Following is a description of the inputs and valuation methodologies used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There are no liabilities measured at fair value on a recurring basis. Additionally, there are no assets or liabilities measured at fair value on a nonrecurring basis.

Cash Equivalents and Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities, fixed income mutual funds, equity mutual funds, money market mutual funds and real estate investment trusts. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For investments other than the fund of funds, the inputs used by the pricing service to determine fair value may include one, or a combination of, observable inputs such as benchmarks yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. These Level 2 securities include U.S. Government obligations and corporate debt securities. The nonpublicly traded equity/bond fund (fund of funds) has sufficient activity and liquidity and is classified within Level 2 of the valuation hierarchy. Fair value is determined using the net asset value (or its equivalent) provided by the fund. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There were no cash equivalents or investments classified within Level 3 of the hierarchy.

Contributions Receivable From Charitable Remainder Trusts

The fair value is estimated at the present value of the future distribution expected to be received at the end of each of the trust's term. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Interest in Assets Held at Fort Wayne Community Foundation (Community Foundation)

The fair value is estimated at the present value of the future distributions expected to be received over the term of the agreements. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2010 and 2009:

| | 2010 | | | |
|--|------------|--|---|--|
| | Fair Value | Fair Value Measurements Using | | |
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash equivalents and investments | | | | |
| Money market mutual funds | \$ 585,002 | \$ 585,002 | \$ - | \$ - |
| Equity securities | | | | |
| Consumer discretionary | 239,114 | 239,114 | - | - |
| Consumer staples | 192,494 | 192,494 | - | - |
| Industrial | 175,837 | 175,837 | - | - |
| Energy | 180,030 | 180,030 | - | - |
| Financials | 221,420 | 221,420 | - | - |
| Materials | 110,898 | 110,898 | - | - |
| Information technology | 267,755 | 267,755 | - | - |
| Utilities | 84,302 | 84,302 | - | - |
| Health care | 209,524 | 209,524 | - | - |
| Telecommunications | 23,609 | 23,609 | - | - |
| International | 52,880 | 52,880 | - | - |
| Corporate debt securities | 171,788 | - | 171,788 | - |
| Mutual funds | | | | |
| Fixed income fund | 1,057,702 | 1,057,702 | - | - |
| Equity fund | 1,130,925 | 1,130,925 | - | - |
| Real estate investment trusts | 176,275 | 176,275 | - | - |
| Fund of funds, United Church Funds | 2,078,817 | - | 2,078,817 | - |
| Contributions receivable from charitable remainder trusts | 45,487 | - | - | 45,487 |
| Interest in assets held at the Community Foundation | 72,737 | - | - | 72,737 |

Crossroad Child & Family Services, Inc.
(Formerly The Fort Wayne Children's Home of the
United Church of Christ, Inc. d/b/a Crossroad)

Notes to Financial Statements
December 31, 2010 and 2009

| | 2009 | | | |
|--|-------------------------------|--|---|--|
| | Fair Value Measurements Using | | | |
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | | | | |
| Cash equivalents and investments | | | | |
| Money market mutual funds | \$ 619,822 | \$ 619,822 | \$ - | \$ - |
| Equity securities | | | | |
| Consumer discretionary | 174,810 | 174,810 | - | - |
| Consumer staples | 305,941 | 305,941 | - | - |
| Industrial | 202,860 | 202,860 | - | - |
| Energy | 200,963 | 200,963 | - | - |
| Financials | 219,742 | 219,742 | - | - |
| Materials | 166,419 | 166,419 | - | - |
| Information technology | 252,813 | 252,813 | - | - |
| Utilities | 126,932 | 126,932 | - | - |
| Health care | 330,757 | 330,757 | - | - |
| Telecommunications | 123,263 | 123,263 | - | - |
| International | - | - | - | - |
| U.S. Government obligations | 156,983 | - | 156,983 | - |
| Corporate debt securities | 168,739 | - | 168,739 | - |
| Mutual funds | | | | |
| Fixed income fund | 1,132,256 | 1,132,256 | - | - |
| Equity fund | 1,189,684 | 1,189,684 | - | - |
| Real estate investment trusts | 151,040 | 151,040 | - | - |
| Fund of funds, United Church Funds | 1,852,799 | - | 1,852,799 | - |
| Contributions receivable from charitable remainder trusts | 45,487 | - | - | 45,487 |
| Interest in assets held at the Community Foundation | 67,858 | - | - | 67,858 |

Crossroad Child & Family Services, Inc.
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Notes to Financial Statements
December 31, 2010 and 2009

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

| | Contributions Receivable From Charitable Remainder Trust | Interest in Assets Held at the Community Foundation |
|--|---|--|
| Balance, January 1, 2009 | \$ 40,130 | \$ 54,579 |
| Total realized and unrealized gains included in change in net assets | <u>5,357</u> | <u>13,279</u> |
| Balance, December 31, 2009 | 45,487 | 67,858 |
| Total realized and unrealized gains included in change in net assets | <u>-</u> | <u>4,879</u> |
| Balance, December 31, 2010 | <u>\$ 45,487</u> | <u>\$ 72,737</u> |

The realized and unrealized gains all relate to assets still held at the reporting date and are included in investment return on the statements of activities.

Note 8: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 are available for the following purposes or periods:

| | 2010 | 2009 |
|-------------------------------|-------------------|-------------------|
| For periods after December 31 | \$ 45,487 | \$ 45,487 |
| Religion | 7,417 | 7,417 |
| Children's holidays | 59,361 | 51,136 |
| Education and scholarship | 53,754 | 65,646 |
| Maintenance and equipment | 89,655 | 6,978 |
| Staff training | 1,923 | 1,911 |
| Recreation | 8,231 | 8,231 |
| Fire starters program | 27,705 | 33,205 |
| Various other purposes | <u>112,363</u> | <u>109,256</u> |
| | <u>\$ 405,896</u> | <u>\$ 329,267</u> |

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Notes to Financial Statements
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Permanently Restricted Net Assets

Permanently restricted net assets at December 31 are restricted to:

| | 2010 | 2009 |
|--|------|------------|
| Investment in perpetuity, the income of which is expendable to support program activities | \$ - | \$ 199,526 |

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

| | 2010 | 2009 |
|-------------------------|-----------|-----------|
| Holiday | \$ 5,533 | \$ 5,700 |
| Education | 20,420 | 19,102 |
| Recreation | - | 875 |
| Religious | - | 480 |
| Fire Starter Program | 5,500 | 40 |
| Various, other programs | 1,538 | 56,570 |
| Total | \$ 32,991 | \$ 82,767 |

Note 9: Retirement Plans

The Organization sponsors a defined contribution plan under Section 401(k) of the Internal Revenue Code. All full-time employees at least 21 years of age and with one year and 1,000 hours of service are eligible to participate. The Plan, which provides for voluntary contributions from the participants, requires the Organization to match a discretionary percentage of the participants' salary deferrals up to a maximum of 5% of compensation. The Organization recognized \$84,841 and \$75,390 of pension expense for 2010 and 2009, respectively.

Note 10: Current Economic Conditions

The current protracted economic decline continues to present not-for-profit organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, declines in contributions, governmental support, grant revenue, constraints on liquidity and difficulty obtaining financing.

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Notes to Financial Statements
December 31, 2010 and 2009

The financial statements have been prepared using values and information currently available to the Organization.

Current economic conditions have made it difficult for many donors to continue to contribute to not-for-profit organizations. A significant decline in contribution revenue and placements could have an adverse impact on the Organization's future operating results.

In addition, given the volatility of current economic conditions, the values of assets recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values, allowances for receivables that could negatively impact the Organization's ability to maintain sufficient liquidity.

Note 11: Subsequent Event

The Organization was classified as an exempt organization based upon its status as a subordinate in a group exemption issued to the United Church of Christ. The Organization obtained an IRS ruling to be reclassified as a separate charitable organization and is no longer affiliated with the United Church of Christ group exemption. That ruling is effective as of January 1, 2011.

Subsequent events have been evaluated through May 18, 2011, which is the date the financial statements were available to be issued.