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November 21, 2017

Board of Directors  
Crossroad Child & Family Services, Inc.  
2525 Lake Avenue  
Fort Wayne, IN 46805

We have reviewed the report prepared by Crossroad Child & Family Services, Inc. and opined upon by BKD, LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Crossroad Child & Family Services, Inc. as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, BKD, LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**Crossroad Child & Family Services, Inc.**  
Independent Auditor's Report and Financial Statements  
December 31, 2016 and 2015



# Crossroad Child & Family Services, Inc.

December 31, 2016 and 2015

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## Independent Auditor's Report

Board of Directors  
Crossroad Child & Family Services, Inc.  
Fort Wayne, Indiana

We have audited the accompanying financial statements of Crossroad Child & Family Services, Inc. (Organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 Crossroad Child & Family Services, Inc. as of December 31, 2016 and 2015, 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.

*BKD, LLP*

Fort Wayne, Indiana  
June 5, 2017

# Crossroad Child & Family Services, Inc.

## Statements of Financial Position December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash	\$ 285,070	\$ 141,478
Accounts receivable, net of allowance of \$104,000 and \$50,000 for 2016 and 2015, respectively	1,191,943	1,838,838
Inventories	10,269	17,400
Prepaid expenses	63,233	31,306
Cash surrender value of life insurance	19,021	17,830
Contributions receivable from charitable remainder trusts	12,276	12,985
Investments	6,069,066	5,716,345
Interest in assets held at Fort Wayne Community Foundation	88,168	84,806
Property and equipment	3,821,512	4,055,102
	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 11,560,558</u>	<u>\$ 11,916,090</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 151,614	\$ 173,554
Accrued expenses	253,918	284,886
Line of credit	-	396,557
Custodial funds	14,319	14,771
Total liabilities	<u>419,851</u>	<u>869,768</u>
<b>Net Assets</b>		
Unrestricted	10,745,269	10,787,541
Temporarily restricted	395,438	258,781
Total net assets	<u>11,140,707</u>	<u>11,046,322</u>
	<u>                    </u>	<u>                    </u>
Total liabilities and net assets	<u>\$ 11,560,558</u>	<u>\$ 11,916,090</u>

# Crossroad Child & Family Services, Inc.

## Statements of Activities

Years Ended December 31, 2016 and 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Revenue, Gains (Losses) and Other Support</b>				
Fees for service	\$ 6,194,745	\$ -	\$ -	\$ 6,194,745
Contribution income	295,808	152,302	-	448,110
Grant income	81,735	-	-	81,735
Investment return designated for operations	192,208	-	-	192,208
Rental income	300	-	-	300
Miscellaneous	11,409	-	-	11,409
Net assets released from restrictions	15,645	(15,645)	-	-
Total revenue, gains and other support	6,791,850	136,657	-	6,928,507
<b>Expenses</b>				
Treatment services	5,429,658	-	-	5,429,658
Management and general	1,260,986	-	-	1,260,986
Fund raising	339,331	-	-	339,331
Total expenses	7,029,975	-	-	7,029,975
<b>Change in Net Assets Before Investment Return Not Designated for Operations</b>	(238,125)	136,657	-	(101,468)
<b>Investment Return Not Designated for Operations</b>	195,853	-	-	195,853
<b>Change in Net Assets</b>	(42,272)	136,657	-	94,385
<b>Net Assets, Beginning of Year</b>	10,787,541	258,781	-	11,046,322
<b>Net Assets, End of Year</b>	\$ 10,745,269	\$ 395,438	\$ -	\$ 11,140,707

See Notes to Financial Statements

**2015**

<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
\$ 5,869,936	\$ -	\$ -	\$ 5,869,936
533,708	38,712	-	572,420
78,553	-	-	78,553
268,894	-	-	268,894
6,177	-	-	6,177
1,731	-	-	1,731
34,801	(34,801)	-	-
<u>6,793,800</u>	<u>3,911</u>	<u>-</u>	<u>6,797,711</u>
5,229,640	-	-	5,229,640
1,134,066	-	-	1,134,066
285,842	-	-	285,842
<u>6,649,548</u>	<u>-</u>	<u>-</u>	<u>6,649,548</u>
144,252	3,911	-	148,163
<u>(390,911)</u>	<u>-</u>	<u>-</u>	<u>(390,911)</u>
(246,659)	3,911	-	(242,748)
<u>11,034,200</u>	<u>254,870</u>	<u>-</u>	<u>11,289,070</u>
<u>\$ 10,787,541</u>	<u>\$ 258,781</u>	<u>\$ -</u>	<u>\$ 11,046,322</u>

# Crossroad Child & Family Services, Inc.

## Statements of Functional Expenses Years Ended December 31, 2016 and 2015

	2016			
	Program Services	Supporting Services		
	Treatment Services	Management and General	Fund Raising	Total
Salaries and related expenses	\$ 3,927,023	\$ 883,265	\$ 201,259	\$ 5,011,547
Other operating expenses	585,910	239,220	75,914	901,044
Occupancy	444,881	22,460	2,642	469,983
Purchased services	135,510	116,041	59,516	311,067
Total expenses before depreciation	5,093,324	1,260,986	339,331	6,693,641
Depreciation expense	336,334	-	-	336,334
Total expenses	<u>\$ 5,429,658</u>	<u>\$ 1,260,986</u>	<u>\$ 339,331</u>	<u>\$ 7,029,975</u>

**2015**

<b>Program Services</b>		<b>Supporting Services</b>		
<b>Treatment Services</b>	<b>Management and General</b>	<b>Fund Raising</b>		<b>Total</b>
\$ 3,776,577	\$ 897,750	\$ 189,241	\$	4,863,568
590,008	122,514	76,505		789,027
404,303	23,280	2,511		430,094
128,299	90,522	17,585		236,406
<u>4,899,187</u>	<u>1,134,066</u>	<u>285,842</u>		<u>6,319,095</u>
330,453	-	-		330,453
<u>\$ 5,229,640</u>	<u>\$ 1,134,066</u>	<u>\$ 285,842</u>	<u>\$</u>	<u>6,649,548</u>

# Crossroad Child & Family Services, Inc.

## Statements of Cash Flows Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Change in net assets	\$ 94,385	\$ (242,748)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	336,334	330,453
Change in allowance for uncollectible accounts receivable	54,000	-
Net realized and unrealized losses (gains) on investments	(256,851)	265,547
Changes in		
Accounts receivable	592,895	(103,528)
Contributions receivable from charitable remainder trusts	709	1,759
Inventories	7,131	(5,162)
Prepaid expenses	(31,927)	10,846
Cash surrender value of life insurance	(1,191)	(1,164)
Accounts payable and accrued expenses	(52,908)	41,965
Net cash provided in operating activities	<u>742,577</u>	<u>297,968</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(102,744)	(260,733)
Purchase of investments	(131,079)	(145,084)
Proceeds from disposition of investments	31,847	302,627
Net cash used by investing activities	<u>(201,976)</u>	<u>(103,190)</u>
<b>Financing Activities</b>		
Proceeds from line of credit	2,296,886	2,243,957
Repayment on line of credit	(2,693,443)	(2,397,400)
Increase (decrease) in custodial fund for children	(452)	2,380
Net cash used by financing activities	<u>(397,009)</u>	<u>(151,063)</u>
<b>Increase in Cash</b>	143,592	43,715
<b>Cash, Beginning of Year</b>	<u>141,478</u>	<u>97,763</u>
<b>Cash, End of Year</b>	<u>\$ 285,070</u>	<u>\$ 141,478</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	\$ 6,465	\$ 17,329

# **Crossroad Child & Family Services, Inc.**

## **Notes to Financial Statements December 31, 2016 and 2015**

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

#### ***Nature of Operations***

Crossroad Child & Family Services, Inc. (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 fees for services, with a significant amount of revenue coming from state or other government agencies, contributions and government grants, and its activities are conducted principally in the Fort Wayne, Indiana area.

#### ***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***

At December 31, 2016, the Organization's cash accounts did not exceed federally insured limits.

#### ***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 carried at fair value.

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 and temporarily 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.

# **Crossroad Child & Family Services, Inc.**

## **Notes to Financial Statements**

**December 31, 2016 and 2015**

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset, which ranges from three 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 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 \$135,000 with no maximum limit of liability.

# **Crossroad Child & Family Services, Inc.**

## **Notes to Financial Statements December 31, 2016 and 2015**

### ***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 2012.

### ***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.

### ***Reclassifications***

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net assets.

### ***Subsequent Event***

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements December 31, 2016 and 2015

### Note 2: Investments and Investment Return

Investments at December 31 consisted of the following:

	<b>2016</b>	<b>2015</b>
Cash, cash equivalents and money market mutual funds	\$ 181,590	\$ 186,294
Equity securities		
Consumer discretionary	149,307	166,548
Consumer staples	68,675	83,390
Industrial	146,928	148,255
Energy	48,364	32,137
Financials	214,159	204,117
Materials	31,967	51,036
Information technology	235,910	208,866
Utilities	21,449	18,794
Health care	153,546	140,457
Telecommunications	14,946	12,942
International	78,659	63,988
Mutual funds		
Fixed income fund	980,465	870,028
Equity fund	1,504,986	1,414,140
Real estate investment trusts (REITs)	153,083	162,276
Fund of funds, United Church Funds (A)	2,085,032	1,953,077
	\$ 6,069,066	\$ 5,716,345

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

Total investment return is comprised of the following:

	<b>2016</b>	<b>2015</b>
Interest and dividend income	\$ 131,080	\$ 143,528
Net realized and unrealized gains (losses) on investments	256,851	(265,547)
Total investment income	387,931	(122,019)
Other interest income	130	2
	\$ 388,061	\$ (122,017)

The Organization has established an informal spending policy on the reserve funds for budgetary purposes. This amount is classified as investment return designated for operations:

	<b>2016</b>	<b>2015</b>
Investment return designated for operations	\$ 192,208	\$ 268,894
Investment gain (loss) not designated for operations	195,853	(390,911)
	\$ 388,061	\$ (122,017)

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements December 31, 2016 and 2015

Investment fee expense was \$31,847 and \$33,733 for the years ended December 31, 2016 and 2015, respectively.

### 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 \$12,276 and \$12,985 at December 31, 2016 and 2015, respectively.

### Note 4: Interest in Assets at the Fort Wayne Community Foundation

The Organization has transferred assets to the Fort Wayne Community Foundation (Community Foundation) and retained a beneficial interest in those assets. The Organization is to receive the annual earnings of the previous calendar year. The cumulative amount of the retained beneficial interest included in the statements of financial position was \$88,168 and \$84,806 at December 31, 2016 and 2015, respectively.

### Note 5: Property and Equipment

Property and equipment at December 31 consists of:

	<b>2016</b>	<b>2015</b>
Land	\$ 4,865	\$ 4,865
Buildings and improvements	8,990,275	8,976,875
Machinery and equipment	2,305,476	2,028,562
Construction in progress	-	187,570
	<u>11,300,616</u>	<u>11,197,872</u>
Less accumulated depreciation and amortization	<u>(7,479,104)</u>	<u>(7,142,770)</u>
	<u>\$ 3,821,512</u>	<u>\$ 4,055,102</u>

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### Note 6: Line of Credit

The Organization has a \$750,000 revolving bank line of credit expiring in March 2017. At December 31, 2016 and 2015, there was \$0 and \$396,557 borrowed against this line, respectively. The line is collateralized by substantially all of the Organization's assets. Interest varies with the bank's prime rate with a floor of 5.00 percent, with an effective rate of 5.00 percent on December 31, 2016, and is payable monthly.

### Note 7: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### Recurring Measurements

The following tables present 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, 2016 and 2015:

	<b>2016</b>			
	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Investments</b>				
Money market mutual funds	\$ 184,954	\$ 184,954	\$ -	\$ -
Equity securities				
Consumer discretionary	149,307	149,307	-	-
Consumer staples	68,675	68,675	-	-
Industrial	146,928	146,928	-	-
Energy	48,364	48,364	-	-
Financials	214,159	214,159	-	-
Materials	31,967	31,967	-	-
Information technology	235,910	235,910	-	-
Utilities	21,449	21,449	-	-
Health care	153,546	153,546	-	-
Telecommunications	14,946	14,946	-	-
International	78,659	78,659	-	-
Mutual funds				
Fixed income fund	980,465	980,465	-	-
Equity fund	1,504,986	1,504,986	-	-
Real estate investment trusts	153,083	153,083	-	-
Fund of funds, United Church Funds	2,085,032	-	2,085,032	-
Contributions receivable from charitable remainder trusts	12,276	-	-	12,276
Interest in assets held at the Community Foundation	88,168	-	-	88,168

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

	2015			
	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)
<b>Investments</b>				
Money market mutual funds	\$ 184,954	\$ 184,954	\$ -	\$ -
Equity securities				
Consumer discretionary	166,548	166,548	-	-
Consumer staples	83,390	83,390	-	-
Industrial	148,255	148,255	-	-
Energy	32,137	32,137	-	-
Financials	204,117	204,117	-	-
Materials	51,036	51,036	-	-
Information technology	208,866	208,866	-	-
Utilities	18,794	18,794	-	-
Health care	140,457	140,457	-	-
Telecommunications	12,942	12,942	-	-
International	63,988	63,988	-	-
Mutual funds				
Fixed income fund	870,028	870,028	-	-
Equity fund	1,414,140	1,414,140	-	-
Real estate investment trusts	162,276	162,276	-	-
Fund of funds, United Church Funds	1,953,077	-	1,953,077	-
Contributions receivable from charitable remainder trusts	12,985	-	-	12,985
Interest in assets held at the Community Foundation	84,806	-	-	84,806

Following is a description of the valuation methodologies and inputs 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 pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2015. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

# **Crossroad Child & Family Services, Inc.**

## **Notes to Financial Statements**

**December 31, 2016 and 2015**

### ***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. 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. See the table below for inputs and valuation techniques used for Level 3 securities.

### ***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 the 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.

### ***Level 3 Valuation Process***

Fair value determinations for Level 3 measurements of securities are the responsibility of the Business Office. The Business Office contracts with a pricing specialist to generate fair value estimates on a monthly or quarterly basis. The Business Office challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States.

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

### **Level 3 Reconciliation**

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:

	<b>Contributions Receivable From Charitable Remainder Trust</b>	<b>Interest in Assets Held at the Community Foundation</b>
Balance, January 1, 2015	\$ 14,744	\$ 88,075
Total realized and unrealized gains and losses included in change in net assets	(1,759)	(3,269)
Balance, December 31, 2015	12,985	84,806
Total realized and unrealized gains and losses included in change in net assets	(709)	3,362
Balance, December 31, 2016	\$ 12,276	\$ 88,168

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

### **Unobservable (Level 3) Inputs**

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2016 and 2015:

	<b>Fair Value at December 31, 2016</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range</b>
Contributions receivable from charitable remainder trust	\$ 12,276	Discounted cash flow	Discount rates Mortality assumptions (*) Portfolio returns	4.0% - 8.0%
Interest in assets held at the community foundation	88,168	Discounted cash flow	Liquidity and marketability discounts Discount rates	3.0% - 8.0%

# Crossroad Child & Family Services, Inc.

## Notes to Financial Statements

December 31, 2016 and 2015

	Fair Value at December 31, 2015	Valuation Technique	Unobservable Inputs	Range
Contributions receivable from charitable remainder trust	\$ 12,985	Discounted cash flow	Discount rates Mortality assumptions (* ) Portfolio returns	4.0% - 8.0%
Interest in assets held at the community foundation	84,806	Discounted cash flow	Liquidity and marketability discounts Discount rates	3.0% - 8.0%

\* Based on the ages of designated beneficiaries in the trust instruments.

### Note 8: Net Assets

#### *Temporarily Restricted Net Assets*

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

	<b>2016</b>	<b>2015</b>
For periods after December 31	\$ 12,276	\$ 12,985
Religion	6,413	6,413
Children's holidays	75,838	64,243
Education and scholarship	144,765	36,299
Maintenance and equipment	101,689	93,739
Staff training	652	652
Recreation	14,968	14,968
Various other purposes	38,837	29,482
	<u>\$ 395,438</u>	<u>\$ 258,781</u>

#### *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:

	<b>2016</b>	<b>2015</b>
Holiday	\$ 7,209	\$ 6,395
Education	7,028	9,011
Maintenance	-	16,205
Various, other programs	1,408	3,190
	<u>\$ 15,645</u>	<u>\$ 34,801</u>
Total	<u>\$ 15,645</u>	<u>\$ 34,801</u>

# **Crossroad Child & Family Services, Inc.**

## **Notes to Financial Statements December 31, 2016 and 2015**

### **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 percent of compensation. The Organization recognized \$68,367 and \$72,409 of pension expense for 2016 and 2015, respectively.

### **Note 10: Significant Estimates and Concentrations**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### ***Contributions***

Approximately 35 percent and 30 percent of contribution revenue were received from two donors in 2016 and 2015, respectively.