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November 22, 2019

Board of Directors
Crossroad Child & Family Services, Inc.
2525 Lake Avenue
Fort Wayne, IN 46809

We have reviewed the audit report of Crossroad Child & Family Services, Inc., which was opined upon by BKD, LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. 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, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The audit 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, 2018 and 2017



Crossroad Child & Family Services, Inc.
December 31, 2018 and 2017

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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, 2018 and 2017, 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 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 Crossroad Child & Family Services, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As described in Note 2 of the financial statements, in 2018, the Organization adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Fort Wayne, Indiana
June 10, 2019

Crossroad Child & Family Services, Inc.

Statements of Financial Position

December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash | \$ 509,235 | \$ 312,300 |
| Accounts receivable, net of allowance of \$301,703 and \$301,703 for 2018 and 2017, respectively | 1,243,911 | 979,951 |
| Inventories | 8,517 | 10,243 |
| Prepaid expenses | 51,623 | 62,487 |
| Cash surrender value of life insurance | 21,346 | 20,197 |
| Contributions receivable | 522,684 | 12,276 |
| Investments | 6,997,198 | 6,755,806 |
| Interest in assets held at Fort Wayne Community Foundation | 94,314 | 101,309 |
| Property and equipment | 4,250,544 | 3,473,716 |
| | <u> </u> | <u> </u> |
| Total assets | <u>\$ 13,699,372</u> | <u>\$ 11,728,285</u> |
| | | |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 404,568 | \$ 123,037 |
| Accrued expenses | 397,534 | 248,669 |
| Line of credit | 561,000 | 96,000 |
| Custodial funds | 18,566 | 14,786 |
| Total liabilities | <u>1,381,668</u> | <u>482,492</u> |
| | | |
| Net Assets | | |
| Without donor restrictions | 11,020,915 | 10,843,908 |
| With donor restrictions | | |
| Purpose restriction | 1,296,789 | 401,885 |
| Total net assets | <u>12,317,704</u> | <u>11,245,793</u> |
| | | |
| Total liabilities and net assets | <u>\$ 13,699,372</u> | <u>\$ 11,728,285</u> |

Crossroad Child & Family Services, Inc.

Statement of Activities Year Ended December 31, 2018

| | 2018 | | |
|---|------------------------|---------------------------|---------------|
| | Without Restriction | With Donor Restriction | Total |
| Revenue, Gains and Other Support | | | |
| Fees for service | \$ 6,544,110 | \$ - | \$ 6,544,110 |
| Contribution income | 313,208 | 960,034 | 1,273,242 |
| Grant income | 89,620 | - | 89,620 |
| Investment return designated for operations | 866,102 | - | 866,102 |
| Miscellaneous | 2,706 | - | 2,706 |
| Net assets released from restrictions | 65,131 | (65,131) | - |
| Total revenue, gains and other support | 7,880,876 | 894,904 | 8,775,780 |
| Expenses | | | |
| Treatment services | 6,077,527 | - | 6,077,527 |
| Management and general | 1,242,134 | - | 1,242,134 |
| Fund raising | 391,381 | - | 391,381 |
| Total expenses | 7,711,042 | - | 7,711,042 |
| Change in Net Assets Before Other Items | 169,834 | 894,904 | 1,064,738 |
| Gain on sale of property and equipment | 1,472,504 | - | 1,472,504 |
| Investment return not designated for operations | (1,465,331) | - | (1,465,331) |
| Change in Net Assets | 177,007 | 894,904 | 1,071,911 |
| Net Assets, Beginning of Year | 10,843,908 | 401,885 | 11,245,793 |
| Net Assets, End of Year | \$ 11,020,915 | \$ 1,296,789 | \$ 12,317,704 |

Crossroad Child & Family Services, Inc.
Statements of Activities
Year Ended December 31, 2017

| | 2017 | | |
|--|------------------------|---------------------------|----------------------|
| | Without Restriction | With Donor Restriction | Total |
| Revenue, Gains (Losses) and Other Support | | | |
| Fees for service | \$ 6,073,407 | \$ - | \$ 6,073,407 |
| Contribution income | 397,176 | 147,285 | 544,461 |
| Grant income | 84,681 | - | 84,681 |
| Investment return designated for operations | 255,635 | - | 255,635 |
| Miscellaneous | 9,416 | - | 9,416 |
| Net assets released from restrictions | 140,838 | (140,838) | - |
| Total revenue, gains and other support | <u>6,961,153</u> | <u>6,447</u> | <u>6,967,600</u> |
| Expenses | | | |
| Treatment services | 5,864,691 | - | 5,864,691 |
| Management and general | 1,359,449 | - | 1,359,449 |
| Fund raising | 365,828 | - | 365,828 |
| Total expenses | <u>7,589,968</u> | <u>-</u> | <u>7,589,968</u> |
| Change in Net Assets Before Other Items | <u>(628,815)</u> | <u>6,447</u> | <u>(622,368)</u> |
| Investment return not designated for Operations | <u>727,454</u> | <u>-</u> | <u>727,454</u> |
| Change in Net Assets | 98,639 | 6,447 | 105,086 |
| Net Assets, Beginning of Year | <u>10,745,269</u> | <u>395,438</u> | <u>11,140,707</u> |
| Net Assets, End of Year | <u>\$ 10,843,908</u> | <u>\$ 401,885</u> | <u>\$ 11,245,793</u> |

Crossroad Child & Family Services, Inc.

Statements of Functional Expenses Years Ended December 31, 2018 and 2017

| | 2018 | | | |
|------------------------------------|-----------------------|---------------------------|--------------|--------------|
| | Program Services | Supporting Services | | |
| | Treatment Services | Management and General | Fund Raising | Total |
| Salaries and related expenses | \$ 4,605,759 | \$ 947,920 | \$ 257,163 | \$ 5,810,842 |
| Other operating expenses | 629,107 | 166,355 | 75,421 | 870,883 |
| Occupancy | 437,027 | 19,558 | 8,124 | 464,709 |
| Purchased services | 107,484 | 108,301 | 50,673 | 266,458 |
| Total expenses before depreciation | 5,779,377 | 1,242,134 | 391,381 | 7,412,892 |
| Depreciation expense | 298,150 | - | - | 298,150 |
| Total expenses | \$ 6,077,527 | \$ 1,242,134 | \$ 391,381 | \$ 7,711,042 |

| | 2017 | | | |
|------------------------------------|-----------------------|---------------------------|--------------|--------------|
| | Program Services | Supporting Services | | |
| | Treatment Services | Management and General | Fund Raising | Total |
| Salaries and related expenses | \$ 4,233,662 | \$ 952,234 | \$ 216,974 | \$ 5,402,870 |
| Other operating expenses | 631,661 | 257,899 | 81,841 | 971,401 |
| Occupancy | 479,619 | 24,214 | 2,848 | 506,681 |
| Purchased services | 146,091 | 125,102 | 64,165 | 335,358 |
| Total expenses before depreciation | 5,491,033 | 1,359,449 | 365,828 | 7,216,310 |
| Depreciation expense | 373,658 | - | - | 373,658 |
| Total expenses | \$ 5,864,691 | \$ 1,359,449 | \$ 365,828 | \$ 7,589,968 |

Crossroad Child & Family Services, Inc.

Statements of Cash Flows Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|---|--------------|-------------|
| Operating Activities | | |
| Change in net assets | \$ 1,071,911 | \$ 105,086 |
| Items not requiring (providing) operating activities cash flows | | |
| Depreciation and amortization | 298,150 | 373,658 |
| Gain on sale of property and equipment | (1,472,504) | - |
| Change in allowance for uncollectible accounts receivable | - | 197,703 |
| Net realized and unrealized losses (gains) on investments | 957,631 | (833,897) |
| Changes in | | |
| Accounts receivable | (263,960) | 14,289 |
| Contributions receivable | (510,408) | - |
| Inventories | 1,726 | 26 |
| Prepaid expenses | 10,864 | 746 |
| Cash surrender value of life insurance | (1,149) | (1,176) |
| Accounts payable and accrued expenses | 119,990 | (33,826) |
| Net cash provided by (used in) operating activities | 212,251 | (177,391) |
| Investing Activities | | |
| Purchase of property and equipment | (786,631) | (25,862) |
| Purchase of investments | (3,834,227) | (171,882) |
| Proceeds from sale of property and equipment | 1,494,563 | - |
| Proceeds from disposition of investments | 2,642,199 | 305,898 |
| Net cash (used in) provided by investing activities | (484,096) | 108,154 |
| Financing Activities | | |
| Proceeds from line of credit | 2,661,000 | 2,489,586 |
| Repayment on line of credit | (2,196,000) | (2,393,586) |
| Increase (decrease) in custodial fund for children | 3,780 | 467 |
| Net cash provided by financing activities | 468,780 | 96,467 |
| Increase in Cash | 196,935 | 27,230 |
| Cash, Beginning of Year | 312,300 | 285,070 |
| Cash, End of Year | \$ 509,235 | \$ 312,300 |
| Supplemental Cash Flows Information | | |
| Interest paid | \$ 12,321 | \$ 6,465 |

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 1: Nature of Operations

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, 2018, 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 net assets without donor restrictions. Other investment return is reflected in the statements of activities as with or without donor restrictions 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, 2018 and 2017

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 3 to 50 years.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve and Board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

| Nature of the Gift | Value Recognized |
|--|---|
| <i>Conditional gifts, with or without restriction</i> | |
| Gifts that depend on the Organization overcoming a donor imposed barrier to be entitled to the funds | Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met |
| <i>Unconditional gifts, with or without restriction</i> | |
| Received at date of gift – cash and other assets | Fair value |
| Received at date of gift – property, equipment and long-lived assets | Estimated fair value |
| Expected to be collected within one year | Net realizable value |
| Collected in future years | Initially reported at fair value determined using the discounted present value of estimated future cash flows technique |

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

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.

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 2015.

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. The statements of functional expenses present the natural classification detail of expenses by function. 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.

Notes to Financial Statements

December 31, 2018 and 2017

Subsequent Event

Subsequent events have been evaluated through June 10, 2019, which is the date the financial statements were available to be issued.

Note 2: Significant Accounting Policies

During 2018, the Organization adopted the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of ASU 2016-14 has no impact on total change in net assets. A summary of the changes by financial statement are as follows:

Statement of financial position:

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted

Statement of activities:

- The standard requires the Organization to report expenses by both nature and function, either in the statement of activities, as a separate statement or within the notes to the financial statements
- Investment income is shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses

Notes to the financial statements:

- FASB requires enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows, including a description of the time horizon used to manage its liquidity and near-term availability and demands for cash as of the reporting date.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash, cash equivalents and money market mutual funds | \$ 288,962 | \$ 173,842 |
| Equity securities | | |
| Consumer discretionary | 99,864 | 193,981 |
| Consumer staples | 44,198 | 71,065 |
| Industrial | 82,539 | 171,756 |
| Energy | 44,305 | 49,238 |
| Financials | 119,381 | 265,028 |
| Materials | 19,176 | 51,039 |
| Information technology | 157,897 | 317,133 |
| Utilities | 35,408 | 25,343 |
| Health care | 131,267 | 201,212 |
| Telecommunications | 70,568 | 9,527 |
| International | - | 93,642 |
| Mutual funds | | |
| Fixed income fund | 1,434,584 | 1,042,863 |
| Equity fund | 2,686,793 | 1,715,463 |
| Real estate investment trusts (REITs) | 13,213 | 213,187 |
| Fund of funds, United Church Funds (A) | 1,769,043 | 2,161,487 |
| | \$ 6,997,198 | \$ 6,755,806 |

(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:

| | 2018 | 2017 |
|---|--------------|------------|
| Interest and dividend income | \$ 358,133 | \$ 149,166 |
| Net realized and unrealized gains (loss) on investments | (957,634) | 833,897 |
| Total investment income (loss) | (599,501) | 983,063 |
| Other interest income | 272 | 26 |
| Total investment return (loss) | \$ (599,229) | \$ 983,089 |

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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:

| | 2018 | 2017 |
|--|--------------|------------|
| Investment return designated for operations | \$ 866,120 | \$ 255,635 |
| Investment gain (loss) not designated for operations | (1,465,328) | 727,454 |
| | \$ (599,226) | \$ 983,089 |

Investment fee expense was \$30,547 and \$32,921 for the years ended December 31, 2018 and 2017, respectively.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

| | 2018 | |
|------------------------------|-------------------------------|------------|
| | With Donor Restrictions | Total |
| Due within one year | \$ 172,830 | \$ 172,830 |
| Due within one to five years | 373,140 | 373,140 |
| Due in more than five years | - | - |
| | 545,970 | 545,970 |
| Less | | |
| Unamortized discount | (33,697) | (33,697) |
| | \$ 512,273 | \$ 512,273 |

Discount rate of 5.5 percent was used for 2018.

The organization is named a beneficiary in certain 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 \$10,411 and \$12,276 at December 31, 2018 and 2017, respectively. These balances are included within contributions receivable on the statement of financial position.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

Note 5: 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 \$94,314 and \$101,309 at December 31, 2018 and 2017, respectively.

Note 6: Property and Equipment

Property and equipment at December 31 consists of:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Land | \$ 3,206 | \$ 4,865 |
| Buildings and improvements | 8,765,632 | 8,990,275 |
| Machinery and equipment | 2,300,637 | 2,331,337 |
| Construction in progress | 1,102,734 | - |
| | <u>12,172,209</u> | <u>11,326,477</u> |
| Less accumulated depreciation and amortization | <u>(7,921,665)</u> | <u>(7,852,761)</u> |
| | <u>\$ 4,250,544</u> | <u>\$ 3,473,716</u> |

The following construction commitments exist as of December 31:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|-------------|
| Shawnee Construction (admin, residential, natatorium building) | <u>\$ 3,268,000</u> | <u>\$ -</u> |

Note 7: Line of Credit

The Organization has a \$1,000,000 revolving bank line of credit expiring in June 2019. At December 31, 2018 and 2017, there was \$561,000 and \$96,000 borrowed against this line, respectively. The line is collateralized by substantially all of the Organization's assets. Interest varies with the daily LIBOR rate plus 1.50 percent, and is payable monthly on the 6th day.

Note 8: 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

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

- 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

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, 2018 and 2017:

| | 2018 | | | |
|---|-------------------------------|--|---|---|
| | 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) |
| Investments | | | | |
| Money market mutual funds | \$ 288,962 | \$ 288,962 | \$ - | \$ - |
| Equity securities | | | | |
| Consumer discretionary | 99,864 | 99,864 | - | - |
| Consumer staples | 44,198 | 44,198 | - | - |
| Industrial | 82,539 | 82,539 | - | - |
| Energy | 44,305 | 44,305 | - | - |
| Financials | 119,381 | 119,381 | - | - |
| Materials | 19,176 | 19,176 | - | - |
| Information technology | 157,897 | 157,897 | - | - |
| Utilities | 35,408 | 35,408 | - | - |
| Health care | 131,267 | 131,267 | - | - |
| Telecommunications | 70,568 | 70,568 | - | - |
| International | - | - | - | - |
| Mutual funds | | | | |
| Fixed income fund | 1,434,584 | 1,434,584 | - | - |
| Equity fund | 2,686,793 | 2,686,793 | - | - |
| Real estate investment trusts | 13,213 | 13,213 | - | - |
| Fund of funds, United Church Funds | 1,769,043 | - | 1,769,043 | - |
| Contributions receivable from charitable remainder trusts | 10,412 | - | - | 10,412 |
| Interest in assets held at the Community Foundation | 94,314 | - | - | 94,314 |

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

| | 2017 | | | |
|-------------------------------|-------------------------------|--|---|--|
| | 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) |
| Investments | | | | |
| Money market mutual funds | \$ 173,842 | \$ 173,842 | \$ - | \$ - |
| Equity securities | | | | |
| Consumer discretionary | 193,981 | 193,981 | - | - |
| Consumer staples | 71,065 | 71,065 | - | - |
| Industrial | 171,756 | 171,756 | - | - |
| Energy | 49,238 | 49,238 | - | - |
| Financials | 265,028 | 265,028 | - | - |
| Materials | 51,039 | 51,039 | - | - |
| Information technology | 317,133 | 317,133 | - | - |
| Utilities | 25,343 | 25,343 | - | - |
| Health care | 201,212 | 201,212 | - | - |
| Telecommunications | 9,527 | 9,527 | - | - |
| International | 93,642 | 93,642 | - | - |
| Mutual funds | | | | |
| Fixed income fund | 1,042,863 | 1,042,863 | - | - |
| Equity fund | 1,715,463 | 1,715,463 | - | - |
| Real estate investment trusts | 213,187 | 213,187 | - | - |
| Fund of funds, United | | | | |
| Church Funds | 2,161,487 | - | 2,161,487 | - |
| Contributions receivable | | | | |
| from charitable | | | | |
| remainder trusts | 12,276 | - | - | 12,276 |
| Interest in assets held at | | | | |
| the Community Foundation | 101,309 | - | - | 101,309 |

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, 2018. 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

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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 of America.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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:

| | Contributions Receivable From Charitable Remainder Trust | Interest in Assets Held at the Community Foundation |
|---|---|--|
| Balance, January 1, 2017 | \$ 12,276 | \$ 88,168 |
| Total realized and unrealized gains and losses included in change in net assets | 11 | 13,141 |
| Balance, December 31, 2017 | 12,287 | 101,309 |
| Total realized and unrealized gains and losses included in change in net assets | (1,875) | (6,995) |
| Balance, December 31, 2018 | \$ 10,412 | \$ 94,314 |

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, 2018 and 2017:

| | Fair Value at December 31, 2018 | Valuation Technique | Unobservable Inputs | Range |
|--|--|--------------------------------|---|--------------|
| Contributions receivable from charitable remainder trust | \$ 10,412 | Discounted cash flow | Discount rates Mortality assumptions (* Portfolio returns | 4.0% - 8.0% |
| Interest in assets held at the community foundation | 94,314 | Discounted cash flow | Liquidity and marketability discounts Discount rates | 3.0% - 8.0% |

Crossroad Child & Family Services, Inc.

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December 31, 2018 and 2017

| | Fair Value at December 31, 2017 | Valuation Technique | Unobservable Inputs | Range |
|--|---------------------------------------|------------------------|---|-------------|
| Contributions receivable from charitable remainder trust | \$ 12,287 | Discounted cash flow | Discount rates Mortality assumptions (* Portfolio returns | 4.0% - 8.0% |
| Interest in assets held at the community foundation | 101,309 | 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 9: Net Assets

Net Assets with Donor Restrictions

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

| | 2018 | 2017 |
|-------------------------------|--------------|------------|
| For periods after December 31 | \$ 10,412 | \$ 12,287 |
| Purpose restrictions | | |
| Religion | 6,413 | 6,413 |
| Children's holidays | 84,040 | 89,268 |
| Education and scholarship | 136,309 | 134,977 |
| Maintenance and equipment | 25,762 | 20,862 |
| Staff training | 8,061 | 10,449 |
| Recreation | 4,724 | 7,297 |
| Capital campaign | 1,019,151 | 115,519 |
| Various other purposes | 1,918 | 4,813 |
| | \$ 1,296,789 | \$ 401,885 |

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2018 and 2017

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:

| | <u>2018</u> | <u>2017</u> |
|-------------------------|------------------|-------------------|
| Split Interest Trusts | \$ 1,875 | \$ - |
| Holiday | 8,314 | 15,818 |
| Education | 3,467 | 11,687 |
| Maintenance | - | 96 |
| Staff training | 3,381 | 917 |
| Recreation | 2,916 | 5,108 |
| Capital campaign | 27,250 | - |
| Various, other programs | 17,927 | 107,212 |
| | <u>\$ 65,131</u> | <u>\$ 140,838</u> |

Note 10: 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 \$89,771 and \$79,493 of pension expense for 2018 and 2017, respectively.

Note 11: 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 20 percent of contribution revenue was received from three and two donors in 2018 and 2017, respectively.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements

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Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

| | <u>2018</u> |
|---|---------------------|
| Cash and cash equivalents | \$ 41,335 |
| Receivables | 1,236,774 |
| Investments | <u>6,308,292</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 7,586,401</u> |

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities, as well as the conduct of service undertaken to support those activities, to be general expenditures.

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivables and investments.

Note 13: Future Chances in Accounting Principals

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. The Organization is in the process of evaluating the impact the amendment will have on the financial statements.