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October 20, 2021

Board of Directors
Crossroad Child & Family Services, Inc.
2525 Lake Ave.
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, 2020 to December 31, 2020. 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, 2020 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 the audit report 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

Crossroad Child & Family Services, Inc.
Independent Auditor's Report and Financial Statements
December 31, 2020 and 2019

Crossroad Child & Family Services, Inc.

December 31, 2020 and 2019

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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, 2020 and 2019, 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.

2020 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, 2020 and 2019, 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
April 22, 2021

Crossroad Child & Family Services, Inc.

Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 681,343	\$ 257,747
Accounts receivable, net of allowance of \$301,703 for 2020 and 2019, respectively	1,068,548	1,480,567
Inventories	11,724	9,099
Prepaid expenses	48,345	57,411
Cash surrender value of life insurance	23,666	22,514
Contributions receivable	623,699	790,617
Investments	6,714,133	8,025,976
Interest in assets held at Fort Wayne Community Foundation	123,773	112,100
Property and equipment	9,419,887	8,751,637
Total assets	\$ 18,715,118	\$ 19,507,668
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 279,290	\$ 1,225,330
Accrued expenses	228,136	355,166
Refundable Advances, Cares Act Funding	961,533	-
Line of credit	974,720	1,060,000
Construction loan	3,500,000	3,299,461
Custodial funds	20,923	17,622
Total liabilities	5,964,602	5,957,579
Net Assets		
Without donor restrictions	11,323,553	11,512,262
With donor restrictions		
Purpose restriction	1,426,963	2,037,827
Total net assets	12,750,516	13,550,089
Total liabilities and net assets	\$ 18,715,118	\$ 19,507,668

Crossroad Child & Family Services, Inc.

Statement of Activities Year Ended December 31, 2020

	2020		
	Without Restriction	With Donor Restriction	Total
Revenue, Gains and Other Support			
Fees for service	\$ 6,890,854	\$ -	\$ 6,890,854
Contribution income	244,794	687,625	932,419
Grant income	95,822	-	95,822
Investment return designated for operations	501,758	-	501,758
Miscellaneous	1,346	-	1,346
Net assets released from restrictions	1,298,489	(1,298,489)	-
Total revenue, gains and other support	9,033,063	(610,864)	8,422,199
Expenses			
Treatment services	7,262,599	-	7,262,599
Management and general	1,691,408	-	1,691,408
Fund raising	364,854	-	364,854
Total expenses	9,318,861	-	9,318,861
Change in Net Assets Before Other Items	(285,798)	(610,864)	(896,662)
Investment return not designated for operations	97,089	-	97,089
Change in Net Assets	(188,709)	(610,864)	(799,573)
Net Assets, Beginning of Year	11,512,262	2,037,827	13,550,089
Net Assets, End of Year	\$ 11,323,553	\$ 1,426,963	\$ 12,750,516

Crossroad Child & Family Services, Inc.

Statement of Activities Year Ended December 31, 2019

	2019		
	Without Restriction	With Donor Restriction	Total
Revenue, Gains (Losses) and Other Support			
Fees for service	\$ 6,366,633	\$ -	\$ 6,366,633
Contribution income	595,682	759,092	1,354,774
Grant income	89,669	-	89,669
Investment return designated for operations	443,861	-	443,861
Miscellaneous	2,018	-	2,018
Net assets released from restrictions	18,054	(18,054)	-
Total revenue, gains and other support	7,515,917	741,038	8,256,955
Expenses			
Treatment services	6,323,579	-	6,323,579
Management and general	1,333,889	-	1,333,889
Fund raising	359,870	-	359,870
Total expenses	8,017,338	-	8,017,338
Change in Net Assets Before Other Items	(501,421)	741,038	239,617
Investment return not designated for operations	992,768	-	992,768
Change in Net Assets	491,347	741,038	1,232,385
Net Assets, Beginning of Year	11,020,915	1,296,789	12,317,704
Net Assets, End of Year	\$ 11,512,262	\$ 2,037,827	\$ 13,550,089

Crossroad Child & Family Services, Inc.

Statements of Functional Expenses Years Ended December 31, 2020 and 2019

	2020			
	Program Services	Supporting Services		
	Treatment Services	Management and General	Fund Raising	Total
Salaries and related expenses	\$ 5,472,354	\$ 1,215,472	\$ 274,210	\$ 6,962,036
Other operating expenses	669,742	337,641	85,776	1,093,159
Occupancy	601,680	17,957	4,868	624,505
Purchased services	145,021	120,338	-	265,359
Total expenses before depreciation	6,888,797	1,691,408	364,854	8,945,059
Depreciation expense	373,802	-	-	373,802
 Total expenses	 \$ 7,262,599	 \$ 1,691,408	 \$ 364,854	 \$ 9,318,861

	2019			
	Program Services	Supporting Services		
	Treatment Services	Management and General	Fund Raising	Total
Salaries and related expenses	\$ 4,836,492	\$ 1,010,054	\$ 251,936	\$ 6,098,482
Other operating expenses	615,090	200,218	83,182	898,490
Occupancy	478,292	19,939	4,616	502,847
Purchased services	114,325	103,678	20,136	238,139
Total expenses before depreciation	6,044,199	1,333,889	359,870	7,737,958
Depreciation expense	279,380	-	-	279,380
 Total expenses	 \$ 6,323,579	 \$ 1,333,889	 \$ 359,870	 \$ 8,017,338

Crossroad Child & Family Services, Inc.

Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ (799,573)	\$ 1,232,385
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	373,802	279,380
Net realized and unrealized gains on investments	(430,589)	(1,176,247)
Contributions received related to capital project	-	(92,000)
Changes in		
Accounts receivable	412,019	(236,656)
Contributions receivable	166,918	(267,933)
Inventories	(2,625)	(582)
Prepaid expenses	9,066	(5,788)
Cash surrender value of life insurance	(1,152)	(1,168)
Accounts payable, accrued expenses and deferred revenue	(992,333)	467,988
Refundable Advances, Cares Act Funding	961,533	-
Net cash provided by (used in) operating activities	(302,934)	199,379
Investing Activities		
Purchase of property and equipment	(1,158,277)	(4,470,067)
Purchase of investments	(157,995)	(284,767)
Proceeds from sale of property and equipment	35,768	-
Proceeds from disposition of investments	1,888,474	414,450
Net cash provided by (used in) investing activities	607,970	(4,340,384)
Financing Activities		
Proceeds from line of credit	1,117,677	2,831,000
Proceeds on construction loan	200,539	3,299,461
Repayment on line of credit	(1,202,957)	(2,332,000)
Increase (decrease) in custodial fund for children	3,301	(944)
Payments received related to capital projects	-	92,000
Net cash provided by financing activities	118,560	3,889,517
Increase (Decrease) in Cash	423,596	(251,488)
Cash, Beginning of Year	257,747	509,235
Cash, End of Year	\$ 681,343	\$ 257,747
Supplemental Cash Flows Information		
Interest paid	\$ 107,480	\$ 74,679
Construction in progress in accounts payable	80,737	-

Crossroad Child & Family Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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, 2020, 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 of consideration from customers of which the Organization has an unconditional right to receive. 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, 2020 and 2019

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 40 years.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	35 - 40 years
Leasehold improvements	5 - 10 years
Machinery and equipment	3 - 5 years
Furniture and fixtures	3 - 5 years

The Organization capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	<u>2020</u>	<u>2019</u>
Total interest expense incurred on borrowings for projects	\$ 41,324	\$ 74,679
Interest costs capitalized	<u>\$ 41,324</u>	<u>\$ 74,679</u>
	<u>2020</u>	<u>2019</u>
Interest costs capitalized	\$ 41,324	\$ 41,324
Interest costs charged to expense	<u>66,156</u>	<u>-</u>
Total interest incurred	<u>\$ 107,480</u>	<u>\$ 41,324</u>

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.

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.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2020 and 2019

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

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.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

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 2017.

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.

Note 2: Revenue From Contracts With Customers

The primary revenue streams within the scope of Topic 606 include fees for services. The recognition of this revenue is described below based on the payer type.

Private Pay Fees

Revenue from private pay fees is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing social services to those in need. The Organization determines the transaction price based on standard charges for services provided. These amounts are generally due from those receiving the services.

Revenue is recognized for performance over a period of time as the service has been provided based on the contract. The Organization bills for these services subsequent to the service being performed.

Medicaid

Revenue from Medicaid contracts is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing social services to those in need. The Organization determines the transaction price based on standard charges for services provided. These amounts are generally due from Medicaid or third-party payers and are calculated based on contractual rates. These amounts also include variable consideration related to contractual adjustments from insurance providers.

Revenue is recognized for performance obligations over a period of time as the service has been provided based on the contract. Generally, the Organization bills for these services subsequent to the service being performed.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2020 and 2019

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the different services provided and the payers that have different reimbursement and payment methodologies.

Note 3: Investments and Investment Return

Investments at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash, cash equivalents and money market mutual funds	\$ 165,762	\$ 264,679
Equity securities		
Consumer discretionary	87,499	118,087
Consumer staples	44,094	68,561
Industrial	65,043	94,051
Energy	7,083	39,882
Financials	90,561	139,839
Materials	16,758	34,011
Information technology	231,783	251,094
Utilities	16,754	37,306
Health care	106,627	131,844
Telecommunications	85,144	109,901
Mutual funds		
Fixed income fund	1,341,680	1,515,648
Equity fund	3,134,614	3,451,007
Real estate investment trusts (REITs)	5,163	20,414
Fund of funds, United Church Funds (A)	1,315,568	1,749,652
	<u>\$ 6,714,133</u>	<u>\$ 8,025,976</u>

(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:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 157,995	\$ 259,785
Net realized and unrealized gains on investments	430,589	1,176,247
Total investment income	<u>588,584</u>	<u>1,436,032</u>
Other interest income	10,264	597
	<u>\$ 598,848</u>	<u>\$ 1,436,629</u>

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2020 and 2019

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:

	<u>2020</u>	<u>2019</u>
Investment return designated for operations	\$ 501,758	\$ 443,861
Investment gain not designated for operations	<u>97,089</u>	<u>992,768</u>
	<u>\$ 598,848</u>	<u>\$ 1,436,629</u>

Investment fee expense was \$26,308 and \$28,977 for the years ended December 31, 2020 and 2019, respectively.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 253,208	\$ 314,207
Due within one to five years	<u>387,100</u>	<u>525,848</u>
	640,308	840,055
Less		
Unamortized discount	<u>(26,556)</u>	<u>(26,556)</u>
Total contribution receivable	<u>\$ 613,752</u>	<u>\$ 813,499</u>

Discount rate of 3.25 percent and 4.75 percent was used for 2020 and 2019, respectively.

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 \$9,947 and \$10,414 at December 31, 2020 and 2019, respectively. These balances are included within contributions receivable on the statements of financial position.

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 \$123,773 and \$112,100 at December 31, 2020 and 2019, respectively.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2020 and 2019

Note 6: Property and Equipment

Property and equipment at December 31 consists of:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,206	\$ 3,206
Buildings and improvements	15,304,734	8,765,632
Machinery and equipment	2,686,793	2,323,177
Construction in progress	-	5,860,667
	<u>17,994,733</u>	<u>16,952,682</u>
Less accumulated depreciation and amortization	<u>(8,574,846)</u>	<u>(8,201,045)</u>
	<u>\$ 9,419,887</u>	<u>\$ 8,751,637</u>

The following construction commitments exist as of December 31:

	<u>2020</u>	<u>2019</u>
Shawnee Construction (admin, residential, natatorium building)	<u>\$ -</u>	<u>\$ (5,545,664)</u>

Note 7: Lines of Credit

The Organization has a \$1,000,000 revolving bank line of credit expiring in June 2021. At December 31, 2020 and 2019, there was \$974,720 and \$1,060,00 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.

The Organization has an additional \$3,500,000 revolving construction line of credit expiring in June 2021, which is being utilized to help fund construction projects. At December 31, 2020, there was \$3,500,000 borrowed against the line. 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. At the expiration of the terms, it's the Organization's intent to roll the line of credit into a loan.

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, 2020 and 2019

- 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, 2020 and 2019:

	2020			
	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)	
	Fair Value			
Investments				
Money market mutual funds	\$ 165,762	\$ 165,762	\$ -	\$ -
Equity securities				
Consumer discretionary	87,499	87,499	-	-
Consumer staples	44,094	44,094	-	-
Industrial	65,043	65,043	-	-
Energy	7,083	7,083	-	-
Financials	90,561	90,561	-	-
Materials	16,758	16,758	-	-
Information technology	231,783	231,783	-	-
Utilities	16,754	16,754	-	-
Health care	106,627	106,627	-	-
Telecommunications	85,144	85,144	-	-
Mutual funds				
Fixed income fund	1,341,680	1,341,680	-	-
Equity fund	3,134,614	3,134,614	-	-
Real estate investment trusts	5,163	5,163	-	-
Fund of funds, United Church Funds	1,315,568	-	1,315,568	-
Contributions receivable from charitable remainder trusts	9,947	-	-	9,947
Interest in assets held at the Community Foundation	123,773	-	-	123,773

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2020 and 2019

	2019			
	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	\$ 264,679	\$ 264,679	\$ -	\$ -
Equity securities				
Consumer discretionary	118,087	118,087	-	-
Consumer staples	68,561	68,561	-	-
Industrial	94,051	94,051	-	-
Energy	39,882	39,882	-	-
Financials	139,839	139,839	-	-
Materials	34,011	34,011	-	-
Information technology	251,094	251,094	-	-
Utilities	37,306	37,306	-	-
Health care	131,844	131,844	-	-
Telecommunications	109,901	109,901	-	-
Mutual funds				
Fixed income fund	1,515,648	1,515,648	-	-
Equity fund	3,451,007	3,451,007	-	-
Real estate investment trusts	20,414	20,414	-	-
Fund of funds, United				
Church Funds	1,749,652	-	1,749,652	-
Contributions receivable from charitable remainder trusts	10,415	-	-	10,415
Interest in assets held at the Community Foundation	112,100	-	-	112,100

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, 2020. 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, 2020 and 2019

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, 2020 and 2019

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, 2019	\$ 10,411	\$ 94,314
Total realized and unrealized gains and losses included in change in net assets	<u>3</u>	<u>17,786</u>
Balance, December 31, 2019	10,414	112,100
Total realized and unrealized gains and losses included in change in net assets	<u>(467)</u>	<u>11,673</u>
Balance, December 31, 2020	<u>\$ 9,947</u>	<u>\$ 123,773</u>

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, 2020 and 2019:

	Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs	Range
Contributions receivable from charitable remainder trust	\$ 9,947	Discounted cash flow	Discount rates Mortality assumptions (* Portfolio returns	4.0% - 8.0%
Interest in assets held at the Community Foundation	123,773	Discounted cash flow	Liquidity and marketability discounts Discount rates	3.0% - 8.0%

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	Fair Value at December 31, 2019	Valuation Technique	Unobservable Inputs	Range
Contributions receivable from charitable remainder trust	\$ 10,414	Discounted cash flow	Discount rates Mortality assumptions (*) Portfolio returns	4.0% - 8.0%
Interest in assets held at the Community Foundation	112,100	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:

	<u>2020</u>	<u>2019</u>
For periods after December 31	\$ 9,948	\$ 10,414
Purpose restrictions		
Religion	8,995	8,841
Children's holidays	72,830	79,166
Education and scholarship	177,460	138,570
Maintenance and equipment	42,907	32,557
Staff training	7,245	5,483
Recreation	4,584	4,584
Capital campaign	850,541	1,756,354
Various other purposes	252,453	1,858
	<u>\$ 1,426,963</u>	<u>\$ 2,037,827</u>

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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>2020</u>	<u>2019</u>
Religion	\$ 246	\$ 3,315
Holiday	7,462	7,399
Education	480	560
Staff training	1,238	6,035
Recreation	-	240
Capital campaign	1,283,783	250
Various, other programs	<u>5,280</u>	<u>255</u>
Total	<u>\$ 1,298,489</u>	<u>\$ 18,054</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 \$87,495 and \$90,757 of pension expense for 2020 and 2019, 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 45 percent and 23 percent of contribution revenue was received from three and one donors in 2020 and 2019, respectively.

Crossroad Child & Family Services, Inc.

Notes to Financial Statements December 31, 2020 and 2019

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 45,568	\$ 48,146
Receivables	1,060,662	1,472,586
Investments	<u>5,398,565</u>	<u>6,915,315</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,504,795</u>	<u>\$ 8,436,047</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: Risks and Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. There has been significant volatility in the investment market both nationally and globally since December 31, 2019, resulting in an overall market decline in certain market segments which has resulted in a decline in the value of our investment portfolio. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 14: Paycheck Protection Program (PPP) Loan

The entity received a PPP loan established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

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Notes to Financial Statements

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Note 15: Subsequent Events

Subsequent events have been evaluated through April 22, 2021, which is the date the financial statements were available to be issued.