

---

# **CROSSROADS FOR YOUTH**

**(A Michigan Non-Profit Corporation)**

---

**Financial Report**  
**For The Years Ended**  
**June 30, 2014 and 2013**



**GORDON**  
Advisors, P.C.

certified public accountants

1301 WEST LONG LAKE ROAD, SUITE 200, TROY MI 48098

PH: 248-952-0200 • FAX: 248-952-0290

**CROSSROADS FOR YOUTH**  
**Oxford, Michigan**

---

**I N D E X**

	<b><u>Page</u></b>
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 - 5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 10

**SUPPLEMENTARY INFORMATION**

Schedule of Functional Expenses – FIA Institutional Programs	11
--	----



1301 W. Long Lake Rd., Ste. 200  
Troy, MI 48098-6319  
t 248.952.0200 f 248.952.0290

## INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Crossroads for Youth  
Oxford, Michigan

We have audited the accompanying financial statements of Crossroads for Youth (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets 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 Crossroads for Youth as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses – FIA Institutional Programs on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Emphasis-of-matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 7 to the financial statements, the Organization sustained another year of operating losses and current liabilities exceed current assets. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

*Gordon Advisors, P.C.*

November 12, 2014

**CROSSROADS FOR YOUTH**  
**Statements of Financial Position**

---

**ASSETS**

	June 30,	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 17,039	\$ 156,365
Accounts receivable - Net of allowance for doubtful accounts	220,725	335,294
Inventory	9,785	13,348
Prepaid expenses	16,924	48,787
Interest in trusts	33,563	31,198
Property and equipment	2,174,976	2,305,720
<b>Total Assets</b>	<b>\$ 2,473,012</b>	<b>\$ 2,890,712</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 742,751	\$ 575,486
Accrued payroll and related taxes	97,269	114,695
Deferred revenue	0	17,500
Long-term debt	1,127,610	1,159,030
<b>Total Liabilities</b>	1,967,630	1,866,711
<b>Net Assets</b>		
Unrestricted:		
Undesignated	385,101	832,349
Temporarily restricted	120,281	191,652
<b>Total Net Assets</b>	505,382	1,024,001
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,473,012</b>	<b>\$ 2,890,712</b>

**CROSSROADS FOR YOUTH**  
**Statements of Activities and Changes In Net Assets**  
**Years Ended June 30,**

	2014		
	Unrestricted	Temporarily Restricted	Total
<b>Revenue, Support, and Net Assets Released From Restrictions</b>			
Direct program revenue	\$ 2,665,951	\$ -	\$ 2,665,951
Contributions	113,159	91,773	204,932
Special event revenue	60,216	-	60,216
Federal breakfast and lunch grants	90,227	-	90,227
Adventure center	31,888	-	31,888
Insurance proceeds	22,119	-	22,119
Investment income	42	-	42
Gain on the sale of property and equipment	(976)	-	(976)
Change in value of split interest agreements	-	2,365	2,365
Net assets released from restrictions	165,509	(165,509)	-
<b>Total Revenue, Support, and Net Assets Released From Restrictions</b>	<b>3,148,135</b>	<b>(71,371)</b>	<b>3,076,764</b>
<b>Expenses</b>			
Program services:			
Residential programs	1,886,470	-	1,886,470
Day student programs	662,266	-	662,266
Other programs	483,294	-	483,294
Total program services	3,032,030	-	3,032,030
Supporting services:			
Management and general	541,362	-	541,362
Fund-raising - Direct expenses of special events	21,991	-	21,991
Total supporting services	563,353	-	563,353
<b>Total Expenses</b>	<b>3,595,383</b>	<b>-</b>	<b>3,595,383</b>
<b>Change In Net Assets</b>	<b>(447,248)</b>	<b>(71,371)</b>	<b>(518,619)</b>
<b>Net Assets - Beginning of Year</b>	<b>832,349</b>	<b>191,652</b>	<b>1,024,001</b>
<b>Net Assets - End of Year</b>	<b>\$ 385,101</b>	<b>\$ 120,281</b>	<b>\$ 505,382</b>

---

<b>2013</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 3,121,670	\$ -	\$ 3,121,670
108,840	137,503	246,343
60,585	-	60,585
100,430	-	100,430
24,789	-	24,789
-	-	-
(726)	-	(726)
-	-	-
-	1,701	1,701
103,891	(103,891)	-
<u>3,519,479</u>	<u>35,313</u>	<u>3,554,792</u>
2,085,085	-	2,085,085
916,781	-	916,781
368,426	-	368,426
<u>3,370,292</u>	<u>-</u>	<u>3,370,292</u>
644,415	-	644,415
29,705	-	29,705
<u>674,120</u>	<u>-</u>	<u>674,120</u>
4,044,412	-	4,044,412
(524,933)	35,313	(489,620)
<u>1,357,282</u>	<u>156,339</u>	<u>1,513,621</u>
<u>\$ 832,349</u>	<u>\$ 191,652</u>	<u>\$ 1,024,001</u>

See Independent Auditors' Report and Accompanying Footnotes.

**CROSSROADS FOR YOUTH**  
**Statements of Cash Flows**  
**Years Ended June 30,**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (518,619)	\$ (489,620)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	197,290	219,014
Loss on the sale of property and equipment	976	-
Change in value of split-interest agreements	(2,364)	(1,701)
(Increase) decrease in operating assets:		
Accounts receivable	114,569	(51,333)
Inventory	3,563	4,692
Prepaid expenses	31,862	(14,808)
Increase (decrease) in operating liabilities:		
Accounts payable	167,265	251,691
Accrued payroll and related taxes	(17,426)	(13,721)
Deferred revenue	(17,500)	9,500
<b>Net Cash Used In Operating Activities</b>	<u>(40,384)</u>	<u>(86,286)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from redemption of marketable securities	-	49,422
Proceeds from sale of property and equipment	500	-
Purchase of property and equipment	(68,022)	(9,559)
<b>Net Cash Provided By Investing Activities</b>	<u>(67,522)</u>	<u>39,863</u>
<b>Cash Flows From Financing Activities</b>		
Payments of capital lease obligation	-	(2,604)
Principal payments under long-term debt	(31,420)	(40,934)
<b>Net Cash Used In Financing Activities</b>	<u>(31,420)</u>	<u>(43,538)</u>
<b>Net Decrease In Cash and Cash Equivalents</b>	(139,326)	(89,961)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>156,365</u>	<u>246,326</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 17,039</u>	<u>\$ 156,365</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u>\$ 73,090</u>	<u>\$ 76,264</u>

See Independent Auditors' Report and Accompanying Footnotes.



**CROSSROADS FOR YOUTH**  
**Notes to the Financial Statements**  
**June 30, 2014 and 2013**

---

**NOTE:**

**1. Nature of Business and Summary of Significant Accounting Policies**

Nature of Organization – Crossroads for Youth (the “Organization”), a not-for-profit organization located in Oakland County, Michigan, is incorporated for the purpose of providing residential and day treatment programs for boys and girls ages 10-17. The Organization services primarily court-placed youths and their families. Camping and outdoor education experiences are also provided on a limited basis for a selected number of court-placed and underprivileged children and families. The Organization receives its funding primarily from Michigan governmental entities. Accordingly, trade accounts receivable at year end are primarily from these governmental entities.

The following are accounting principles generally accepted in the United States of America and policies followed by the Organization:

Basis of Accounting – The accrual basis of accounting has been adopted for the purposes of financial reporting.

Cash Equivalents – The Organization considers all highly liquid investments purchased with maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable – Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. As of June 30, 2014 and 2013 the allowance for doubtful accounts is \$2,963.

Inventory – Inventory, which consists of food and other supplies, is stated at the lower of cost or market, by use of the first-in, first-out (FIFO) method of valuation.

Interest in Trusts – Interest in trusts includes various split-interest agreements whereby the Organization is a beneficiary. The trusts are remainder interest instruments whereby the Organization will receive its share of the assets upon the death of the current trust beneficiary. The split-interest agreements are recorded based on values determined using unitrust valuation computations and present value life estate formulas.

Property and Equipment – Property and equipment in excess of \$1,000 are recorded at cost when purchased or at fair value at the date of donation and are being depreciated under the straight-line method over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Federal Income Taxes – The Organization is exempt from income tax under the provisions of Internal Revenue Code Section 501 (c)(3).

Contributions – Contributions of cash and other assets, including unconditional promises to give in the future (pledges), are reported as revenue when received and measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets when received and reclassified to unrestricted net assets when the restrictions are met. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor. All contributions receivable are expected to be collected in the next fiscal year.

**CROSSROADS FOR YOUTH**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2014 and 2013**

---

**NOTE:****1. Nature of Business and Summary of Significant Accounting Policies (Continued)**

Restricted Contributions – The Organization reports gifts of cash and other assets as temporarily restricted support if there are stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets reported in the statement of activities and changes in net assets as net assets released from restrictions.

Temporarily restricted net assets are restricted as follows:

	<u>2014</u>	<u>2013</u>
Program, maintenance, improvements, and grounds upkeep	\$ 86,718	\$ 160,454
Time restriction – Interests in trusts	<u>33,563</u>	<u>31,198</u>
	<u>\$ 120,281</u>	<u>\$ 191,652</u>

Functional Allocation of Expenses – The costs of providing the program and supporting services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and supporting services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

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 and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Reclassification – The amounts for the year ended June 30, 2013, have been reclassified, where appropriate, to conform to the financial statement presentation used for the year ended June 30, 2014.

Subsequent Events – Management has evaluated subsequent events through November 12, 2014, the date which the financial statements were available for issue.

Uncertain Tax Positions – Management evaluates, at least annually, whether any tax positions reported on a tax return are more likely than not to be sustained if challenged. Management believes no such positions exist that would have significant impact on the Organization's financial position and results of operations. As of June 30, 2014 and 2013, no liability for unrecognized tax benefit was required to be recorded.

The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes the tax returns essentially remain open for possible examination for a period up to three years after the date on which those returns are filed. Penalties and interest assessed by income taxing authorities are included in management and general expenses, if incurred.

**CROSSROADS FOR YOUTH**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2014 and 2013**

---

**NOTE:****2. Property and Equipment**

The carrying amount of property and equipment is summarized as follows:

	<u>2014</u>	<u>2013</u>
Land and buildings	\$ 3,714,049	\$ 3,714,049
Improvements to land and buildings	1,533,421	1,483,923
Machinery and equipment	<u>2,049,576</u>	<u>2,033,532</u>
Total cost	7,297,046	7,231,504
Less: Accumulated depreciation	<u>5,122,070</u>	<u>4,925,784</u>
Net carrying amount	<u>\$ 2,174,976</u>	<u>\$ 2,305,720</u>

Depreciation expense, which includes amortization, amounted to \$197,290 and \$219,014 for the years ended June 30, 2014 and 2013, respectively.

**3. Long-Term Debt**

On June 27, 2011, the Organization entered into a business loan agreement to refinance and consolidate selected bank notes and lines of credit. The loan was payable in 35 monthly payments of \$8,588 including interest at the rate of 6.0% per annum, commencing July 7, 2011. On June 9, 2014 the loan was modified to reduce the rate from 6% to 4% effective June 9, 2014. The monthly principal and interest payments were modified to be interest only effective March 15, 2014 and continuing until maturity on July 2014. The loan matured on July 7, 2014 and monthly interest only payments continued through September when the loan was extended. On September 29, 2014 the loan with a principal balance of \$1,106,792 was extended for a term of 1 year. The loan is payable in 11 monthly payments of \$5,878 beginning October 29, 2014 with a single payment of all remaining principal estimated at \$1,082,810 and interest due on September 29, 2015. At the time of refinance, the unpaid late charges of \$3,965 were added to the loan balance. The debt is collateralized by real estate, inventory, and equipment. The loan agreement contains certain restrictive covenants. At June 30, 2014, the Organization was not in compliance with those covenants. The bank waived the debt service coverage covenant for the year ended June 30, 2014 and granted an additional 30 days to submit the June 30, 2014 financial statements.

The Organization has various loan agreements outstanding with interest rates varying between 5.0% and 7.0% per annum. Monthly interest and principal payments vary between \$284 and \$553. The loans have various maturity dates through February 3, 2017 and are collateralized by various vehicles.

Total interest expense on the loans was \$73,090 for 2014 and \$76,264 for 2013.

Maturities of long-term debt over the next five years are as follows:

Years Ending <u>June 30</u>	
2015	\$ 28,598
2016	1,096,767
2017	<u>2,245</u>
	<u>\$ 1,127,610</u>

**CROSSROADS FOR YOUTH**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2014 and 2013**

---

**NOTE:**

**4. Cash Balances**

The Organization maintains its cash accounts at financial institutions whose balances are insured up to limits established by the Federal Deposit Insurance Corporation. The Organization at times maintains cash balances in excess of federally insured limits. Management does not believe the Organization is exposed to any unusual credit risk on uninsured balances.

**5. Operating Lease**

The Organization was obligated under a one year lease for classroom space that expired June 30, 2013. Total rent expense for the year ended June 30, 2013 was \$30,708.

The Organization was obligated under a three year contract for bus transportation services that expired June 30, 2014. The total transportation expense for the years ended June 30, 2014 and 2013 was \$237,947 and \$267,931.

**6. Retirement Benefits**

The Organization has a 401(K) retirement plan (the "Plan"). Under the Plan, employees can elect to defer a portion of their compensation. The Organization made discretionary contributions of \$0 to the Plan for the years ended June 30, 2014 and 2013.

**7. Going Concern**

Crossroads for Youth sustained a decrease in net assets of \$518,619 during the year ended June 30, 2014 and as of that date, the Organization's current liabilities exceed current assets by \$575,547. Those factors, as well as the uncertain conditions that the Organization faces regarding its future operations, create an uncertainty about the Organization's ability to continue as a going concern.

Management is addressing this uncertainty with a reorganization which was implemented in April 2014 which resulted in a reduction of staff, reduction of overhead expenses, and the closing of three programs. As a result of the changes, management believes the Organization will generate sufficient cash flow from operations to support working capital needs. The ability of Crossroads for Youth to continue as a going concern is dependent on the successful implementation of the Organization's plan. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

**CROSSROADS FOR YOUTH**  
**(A Michigan Non-Profit Corporation)**

**Supplementary Information**  
**For The Years Ended**  
**June 30, 2014 and 2013**

**CROSSROADS FOR YOUTH**  
**Schedule of Functional Expenses - FIA Institutional Programs**  
**Years Ended June 30,**

	<u>2014</u>			<u>2013</u>		
	<u>Social Services</u>	<u>Maintenance</u>	<u>Total</u>	<u>Social Services</u>	<u>Maintenance</u>	<u>Total</u>
Salaries	\$ 3,780	\$ 37,922	\$ 41,702	\$ 5,276	\$ 56,137	\$ 61,413
Benefits	502	5,038	5,540	639	6,801	7,440
Payroll taxes	283	2,848	3,131	421	4,483	4,904
Supplies	540	5,420	5,960	1,090	11,600	12,690
Telephone	10	97	107	11	118	129
Occupancy	375	3,762	4,137	496	5,275	5,771
Miscellaneous	2	18	20	-	-	-
Local transportation	92	924	1,016	147	1,566	1,713
	<u>5,584</u>	<u>56,029</u>	<u>61,613</u>	<u>8,080</u>	<u>85,980</u>	<u>94,060</u>
Total expenses						
Depreciation	<u>359</u>	<u>3,599</u>	<u>3,958</u>	<u>692</u>	<u>7,365</u>	<u>8,057</u>
Total functional expenses - FIA institutional programs	<u>\$ 5,943</u>	<u>\$ 59,628</u>	<u>\$ 65,571</u>	<u>\$ 8,772</u>	<u>\$ 93,345</u>	<u>\$ 102,117</u>