

CROSSWINDS YOUTH SERVICES, INC.

AUDITED FINANCIAL STATEMENTS AND

SUPPLEMENTARY INFORMATION

For the years ending June 30, 2014 and 2013

CROSSWINDS YOUTH SERVICES, INC.

COCOA, FLORIDA

OFFICERS AND DIRECTORS

| | |
|----------------------------|----------------------------|
| Dr. Robert Lehton, Psy.D | Chairman and Director |
| Summit Shah | Vice Chairman and Director |
| Mitchell Goldman | Past Chairman and Director |
| Greg Crews | Secretary and Director |
| Stockton Whitten | Treasurer and Director |
| Dara Cunnion Pauley | Director |
| James Handley | Director |
| Wayne Ivey | Director |
| Rear Admiral Wayne Justice | Director |
| Alison Malone | Director |
| Charles Ian Nash | Director |
| Jack Parker | Director |
| Andrew Walters | Director |
| Thomas Weinberg | Director |
| Shannon L. Wilson | Director |

PRESIDENT AND CEO

Jan Lokay

CROSSWINDS YOUTH SERVICES, INC.

TABLE OF CONTENTS

| | <u>PAGE NUMBER</u> |
|---|------------------------|
| INDEPENDENT AUDITORS' REPORT | 1 - 2 |
| FINANCIAL STATEMENTS | |
| Statements of financial position | 3 – 4 |
| Statements of activities and changes in net assets | 5 – 6 |
| Statements of cash flows | 7 |
| Statements of functional expenses | 8 – 10 |
| NOTES TO FINANCIAL STATEMENTS | 11 – 17 |
| SUPPLEMENTARY INFORMATION | |
| Schedule I – Expenditures of Federal Awards and State Financial Assistance | 18 – 19 |
| Schedule II – Findings and Questioned Costs - Federal Awards Programs and State Financial Assistance | 20 – 21 |
| Report on Compliance and on Internal Control Over Financial Reporting | 22 – 23 |
| Report on Compliance and on Internal Control Over Compliance | 24 – 25 |



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Crosswinds Youth Services, Inc.
1407 Dixon Blvd.
Cocoa FL 32922

Report on the Financial Statements

We have audited the accompanying financial statements of Crosswinds Youth Services, Inc. (a non-profit 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, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 on 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 Crosswinds Youth Services, Inc. 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 Matters - Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance & Schedule of Findings & Questioned Costs, as required by Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the State of Florida Office of the Auditor General Rule 10.650, is presented for the 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 basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of Crosswinds Youth Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crosswinds Youth Services, Inc.'s internal control over financial reporting and compliance.

Taylor & Lockard, PA

Certified Public Accountants

Cocoa Beach, Florida
November 25, 2014

CROSSWINDS YOUTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

| | 2014 | | | 2013 |
|--------------------------------------|---------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Permanently Restricted | Total | Summarized Total |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 46,908 | \$ 15,640 | \$ 62,548 | \$ 136,026 |
| Investments | 121,783 | - | 121,783 | 145,494 |
| Grants/contracts receivable | 337,204 | - | 337,204 | 376,569 |
| Due from unrestricted | - | 52,500 | 52,500 | - |
| Gift Cards | 285 | - | 285 | 1,852 |
| Prepaid expenses | 15,424 | - | 15,424 | 17,499 |
| Total current assets | 521,604 | 68,140 | 589,744 | 677,440 |
| Property & Equipment, Net | 4,340,524 | - | 4,340,524 | 4,458,386 |
| Other Assets | 17,080 | - | 17,080 | 19,806 |
| Total Assets | <u>\$ 4,879,208</u> | <u>\$ 68,140</u> | <u>\$ 4,947,348</u> | <u>\$ 5,155,632</u> |

CROSSWINDS YOUTH SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION, CONTINUED
June 30, 2014 and 2013

LIABILITIES AND NET ASSETS

| | <u>2014</u> | | | <u>2013</u> |
|-----------------------------------|---------------------|-----------------------------------|---------------------|-----------------------------|
| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Summarized Total</u> |
| Current Liabilities | | | | |
| Accounts payable | \$ 43,540 | \$ - | \$ 43,540 | \$ 56,531 |
| Accrued expense | 43,269 | - | 43,269 | 72,254 |
| Due to Amy's Fund | 52,500 | - | 52,500 | - |
| Current portion of long-term debt | <u>147,384</u> | <u>-</u> | <u>147,384</u> | <u>152,255</u> |
| Total current liabilities | 286,693 | - | 286,693 | 281,040 |
| Long-Term Debt | <u>985,292</u> | <u>-</u> | <u>985,292</u> | <u>974,463</u> |
| Total liabilities | 1,271,985 | - | 1,271,985 | 1,255,503 |
| Net Assets | <u>3,607,223</u> | <u>68,140</u> | <u>3,675,363</u> | <u>3,900,129</u> |
| Total liabilities and net assets | <u>\$ 4,879,208</u> | <u>\$ 68,140</u> | <u>\$ 4,947,348</u> | <u>\$ 5,155,632</u> |

CROSSWINDS YOUTH SERVICES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the years ending June 30, 2014 and 2013

| | 2014 | | 2013 | |
|-----------------------------------|---------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Permanently Restricted | Total | Summarized Total |
| Revenue and Other Support | | | | |
| State grants | \$ 1,557,914 | \$ - | \$ 1,557,914 | \$ 1,673,811 |
| Federal grants | 805,373 | - | 805,373 | 924,225 |
| Brevard County grants | 196,453 | - | 196,453 | 233,257 |
| Contributions and fund raising | 167,942 | 6,200 | 174,142 | 143,123 |
| United Way | 89,039 | - | 89,039 | 84,905 |
| Private organization support | 61,564 | - | 61,564 | 60,025 |
| In-kind donations | 28,554 | - | 28,554 | 36,553 |
| Medicaid and fees revenue | 25,667 | - | 25,667 | 57,702 |
| Realized gain on investments | 18,053 | - | 18,053 | 580 |
| Miscellaneous income | 10,836 | - | 10,836 | 1,493 |
| Interest/dividends on investments | 2,655 | - | 2,655 | 2,489 |
| Unrealized gain on investments | 1,511 | - | 1,511 | 23,874 |
| Interest income | 18 | 22 | 40 | 34 |
| Condominium rent | - | - | - | 17,000 |
| | | | | |
| Total revenue and other support | <u>\$ 2,965,579</u> | <u>\$ 6,222</u> | <u>\$ 2,971,801</u> | <u>\$ 3,259,071</u> |

CROSSWINDS YOUTH SERVICES, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS, CONTINUED

For the years ending June 30, 2014 and 2013

| | 2014 | | | 2013 |
|--------------------------------------|--------------|---------------------------|--------------|---------------------|
| EXPENSES | Unrestricted | Permanently Restricted | Total | Summarized Total |
| Program Services | | | | |
| Shelter | \$ 1,690,699 | \$ 5,000 | 1,695,699 | \$ 1,631,794 |
| Transitional Living Program | 301,814 | - | 301,814 | 277,792 |
| Independent Living Services | 270,941 | - | 270,941 | 356,440 |
| JAC/Civil Citation | 248,459 | - | 248,459 | 304,227 |
| Brief Strategic Family Therapy | 170,703 | - | 170,703 | 404,027 |
| Street Outreach Program | 130,199 | - | 130,199 | 95,126 |
| Counseling Center | - | - | - | 109,717 |
| Total program services | 2,812,815 | 5,000 | 2,817,815 | 3,179,123 |
| Support Services | | | | |
| General & administrative | 249,328 | - | 249,328 | 176,799 |
| Fundraising | 126,918 | - | 126,918 | 74,549 |
| Investment activity | 2,506 | - | 2,506 | 2,292 |
| Rental condominiums | - | - | - | 25,846 |
| Donation of condominiums | - | - | - | 75,000 |
| Loss on condo donation | - | - | - | 18,577 |
| Total support services | 378,752 | - | 378,752 | 373,063 |
| Total expenses | 3,191,567 | 5,000 | 3,196,567 | 3,552,186 |
| Change in Net Assets | (225,988) | 1,222 | (224,766) | (293,115) |
| Net Assets, Beginning of Year | 3,833,211 | 66,918 | 3,900,129 | 4,193,244 |
| Net Assets, End of Year | \$ 3,607,223 | \$ 68,140 | \$ 3,675,363 | \$ 3,900,129 |

See accompanying notes and independent auditors' report.

CROSSWINDS YOUTH SERVICES, INC.

STATEMENTS OF CASH FLOWS
For the years ending June 30, 2014 and 2013

| | 2014 | | 2013 | |
|---|--------------|---------------------------|--------------|---------------------|
| | Unrestricted | Permanently Restricted | Total | Summarized Total |
| Cash Flows From Operating Activities | | | | |
| Increase (decrease) in net assets | \$ (225,988) | \$ 1,222 | \$ (224,766) | \$ (293,115) |
| Adjustments to reconcile increase (decrease) in net assets, to net cash provided by operating activities: | | | | |
| Depreciation | 162,862 | - | 162,862 | 161,344 |
| (Increase) decrease in assets | | | | |
| Grants/contracts receivable | 39,365 | - | 39,365 | 24,755 |
| Net unrealized investment gain | (15,446) | - | (15,446) | - |
| Prepaid expense | 3,642 | - | 3,642 | (1,609) |
| Other assets | 2,726 | - | 2,726 | 13,434 |
| Increase (decrease) in liabilities | | | | |
| Accounts payable | (12,991) | - | (12,991) | 21,781 |
| Accrued expenses | (28,985) | - | (28,985) | (16,368) |
| Deferred revenue | - | - | - | (46,154) |
| Net cash provided (used) by operating activities | (74,815) | 1,222 | (73,593) | (135,932) |
| Cash Flows From Investing Activities | | | | |
| Addition of Fixed Asset | (45,000) | - | (45,000) | (18,163) |
| Condo disposal | - | - | - | 93,577 |
| Purchase of investments | (7,840) | - | (7,840) | (30,403) |
| Sale of investments | 46,997 | - | 46,997 | 5,314 |
| Net cash provided (used) by investing activities | (5,843) | - | (5,843) | 50,325 |
| Cash Flows From Financing Activities | | | | |
| New borrowings | 45,000 | | 45,000 | 1,135,000 |
| Debt reduction | (39,042) | - | (39,042) | (1,019,423) |
| Net cash provided (used) from financing activities | 5,958 | - | 5,958 | 115,577 |
| Net Increase (Decrease) in Cash | (74,700) | 1,222 | (73,478) | 29,970 |
| Cash, Beginning of Year | 69,108 | 66,918 | 136,026 | 106,056 |
| Interfund Borrowing | 52,500 | (52,500) | - | - |
| Cash, End of year | \$ 46,908 | \$ 15,640 | \$ 62,548 | \$ 136,026 |
| Supplementary Disclosures | | | | |
| Interest paid | | | \$ 66,381 | \$ 59,840 |

CROSSWINDS YOUTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the year ending June 30, 2014

| | <u>PROGRAM SERVICES</u> | | | |
|--------------------------------------|-------------------------|-------------------|-------------------|-------------------|
| | <u>Shelter</u> | <u>TLP</u> | <u>ILS</u> | <u>BSFT</u> |
| Salaries and related costs | \$1,011,295 | \$ 129,352 | \$ 170,687 | \$ 102,434 |
| Allocated general and administrative | 148,828 | 3,704 | 27,208 | 19,912 |
| Occupancy | 139,964 | 65,801 | 23,015 | 16,896 |
| Depreciation and amortization | 91,313 | 3,638 | 15,950 | 11,010 |
| Food | 53,433 | 23,603 | 784 | - |
| Travel | 24,620 | 2,639 | 10,773 | 5,182 |
| Communications | 29,935 | 21,290 | 5,642 | 6,120 |
| Repairs and maintenance | 51,673 | 5,117 | 3,236 | 3,049 |
| Insurance | 41,745 | 3,252 | 6,698 | 4,166 |
| Youth incidentals | 33,092 | 27,429 | 4,192 | 930 |
| Office supplies | 19,132 | 710 | 1,645 | 889 |
| Fundraiser | - | - | - | - |
| Professional fees | 25,412 | 600 | 500 | - |
| Dues and licenses | 9,265 | 5 | 26 | 24 |
| Conference & training | 6,492 | 62 | 585 | - |
| Small furniture & equipment | 5,601 | 14,130 | - | - |
| Public relations | 1,746 | 75 | - | - |
| Literature and education | 120 | 199 | - | - |
| Personnel processing | 2,033 | 208 | - | - |
| Other expenses | - | - | - | 91 |
| Total | <u>\$1,695,699</u> | <u>\$ 301,814</u> | <u>\$ 270,941</u> | <u>\$ 170,703</u> |

CROSSWINDS YOUTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

For the year ending June 30, 2014

PROGRAM SERVICES, CONTINUED

| | <u>JAC/CIVIL CITATION</u> | <u>SOP</u> | <u>Total Programs</u> |
|--------------------------------------|-------------------------------|-------------------|---------------------------|
| Salaries and related costs | \$ 126,837 | \$ 111,633 | \$ 1,652,238 |
| Allocated general and administrative | 21,084 | - | 220,736 |
| Occupancy | 34,893 | 3,828 | 284,397 |
| Depreciation and amortization | 23,143 | 2,548 | 147,602 |
| Food | - | - | 77,820 |
| Travel | 6,735 | 2,890 | 52,839 |
| Communications | 7,106 | 498 | 70,591 |
| Repairs and maintenance | 5,862 | 944 | 69,881 |
| Insurance | 11,770 | 1,447 | 69,078 |
| Youth incidentals | 1,510 | 4,985 | 72,138 |
| Office supplies | 7,081 | 565 | 30,022 |
| Fundraiser | - | - | - |
| Professional fees | - | - | 26,512 |
| Dues and licenses | 32 | 77 | 9,429 |
| Conference & training | 150 | 392 | 7,681 |
| Small furniture & equipment | 42 | 223 | 19,996 |
| Public relations | 2,087 | 169 | 4,077 |
| Literature and education | - | - | 319 |
| Personnel processing | 127 | - | 2,368 |
| Other expenses | - | - | 91 |
| Total | <u>\$ 248,459</u> | <u>\$ 130,199</u> | <u>\$ 2,817,815</u> |

CROSSWINDS YOUTH SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ending June 30, 2014

PROGRAM SERVICES, CONTINUED

| | <u>Fund</u> | <u>Investment</u> | <u>General &</u> | <u>Total</u> | <u>Total</u> |
|--------------------------------------|-------------------|-------------------|-----------------------|---------------------|---------------------|
| | <u>Raising</u> | <u>Activity</u> | <u>Administrative</u> | <u>Supporting</u> | <u>Expenses</u> |
| | | | | <u>Services and</u> | |
| | | | | <u>Fundraising</u> | |
| Salaries and related costs | \$ 68,978 | \$ - | \$ 180,052 | \$ 249,030 | \$ 1,901,268 |
| Allocated general and administrative | 20,598 | - | - | 20,598 | 241,334 |
| Occupancy | 3,120 | - | - | 3,120 | 287,517 |
| Depreciation & amortization | 2,169 | - | 6,705 | 8,874 | 156,476 |
| Food | - | - | - | - | 77,820 |
| Travel | 1,112 | - | 4,645 | 5,757 | 58,596 |
| Communications | 646 | - | 3,912 | 4,558 | 75,149 |
| Repairs and maintenance | 372 | - | 7,767 | 8,139 | 78,020 |
| Insurance | 814 | - | 5,649 | 6,463 | 75,541 |
| Youth incidentals | - | - | - | - | 72,138 |
| Office supplies | 140 | - | 8,425 | 8,565 | 38,587 |
| Fundraiser | 28,966 | - | - | 28,966 | 28,966 |
| Professional fees | - | - | 19,996 | 19,996 | 46,508 |
| Dues and licenses | 3 | - | 3,542 | 3,545 | 12,974 |
| Conference & training | - | - | 311 | 311 | 7,992 |
| Small furniture & equipment | - | - | 990 | 990 | 20,986 |
| Public relations | - | - | 7,206 | 7,206 | 11,283 |
| Literature and education | - | - | 128 | 128 | 447 |
| Personnel processing | - | - | - | - | 2,368 |
| Other expenses | - | 2,506 | - | 2,506 | 2,597 |
| Total | <u>\$ 126,918</u> | <u>\$ 2,506</u> | <u>\$ 249,328</u> | <u>\$ 378,752</u> | <u>\$ 3,196,567</u> |

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2014 and 2013

NOTE A - NATURE OF OPERATIONS

1. Organization

Crosswinds Youth Services, Inc. ("the Organization") is a youth serving organization committed to creating opportunities to succeed by offering a wide range of services and programs for young people up to age twenty-three (23). Services and programs include residential group home, emergency shelter, transitional housing, independent living services, intake, screening, assessment, counseling and case management.

2. Tax Status

The Organization is an exempt organization for federal income tax purposes under section 501(c)(3) of the Internal Revenue Code. The Organization is considered a public charity under the Internal Revenue Code.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending June 30, 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

2. Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

3. Investments

Investments are composed of Certificates of Deposit, Common Stock/Options, and Bonds and are carried at fair value. Investments made are subject to the Organization's investment policy, at the direction of the Organization's board of directors.

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Contributions

The Organization reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires,

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as *net assets released from restriction*.

The Organization reports gifts of land, buildings, and equipment as unrestricted revenue unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with specific restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted revenue. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

6. Property and Equipment

Fixed assets acquired by the Organization are considered to be owned by Crosswinds Youth Services, Inc. However, State funding sources may maintain equitable interest in the property purchased with grant monies, as well as the right to determine the use of any proceeds from the sale of these assets.

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

7. Donated services

Donated services are recorded at fair market value when all of the following conditions are met.

- a. Services are a normal part of the programs and would otherwise be performed by salaried personnel.
- b. The Organization controls the duties of the donor of services.
- c. There is a clearly measurable basis for the amount recorded.

A number of unpaid volunteers gave significant contributions of their time to develop the programs of the Organization. The value of this contributed time is not reflected in these financial statements, since it is not susceptible to a clear measure of valuation.

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. In-kind Contributions

The Organization records the value of donated goods when there is an objective basis available to measure their value. Donated materials and equipment are reflected as in-kind contributions in the accompanying statements at their estimated values at date of receipt.

9. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

10. Subsequent Events

In preparing the financial statements, the Organization has evaluated subsequent events through November 25, 2014, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

NOTE C - PERMANENTLY RESTRICTED NET ASSETS

During the year ended June 30, 2014, donors gave an additional \$6,200 to the endowment fund known as "Amy's Fund." The purpose of the fund is to generate earnings for the direct support of the Organization and its mission and programs. Restrictions placed on the endowment provide that the corpus of the fund will not fall below \$20,000 and only the current earnings of the endowment may be used by the Organization. Earnings not drawn within twelve months after the reporting period become part of the permanently restricted endowment. With the permission of the donor who restricted the funds, the Organization borrowed \$52,500 from this fund. The interfund payable is reflected on the Statement of Financial Position. At June 30, 2014, Amy's Fund had a balance of \$68,140.

NOTE D - INVESTMENTS

Investments as of June 30, 2014 and 2013 were reported in the financial statements at fair value and are summarized as follows:

| | <u>2014 Cost</u> | <u>2014 Market</u> | <u>2013 Cost</u> | <u>2013 Market</u> |
|-------------------------|------------------|--------------------|-------------------|--------------------|
| Common Stock/Options | \$ 73,635 | \$ 116,490 | \$ 94,707 | \$ 136,110 |
| Certificates of Deposit | - | - | 4,091 | 4,091 |
| Bonds | <u>4,000</u> | <u>5,293</u> | <u>4,000</u> | <u>5,293</u> |
| Total | <u>\$ 77,635</u> | <u>\$ 121,783</u> | <u>\$ 102,798</u> | <u>\$ 145,494</u> |

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE D – INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the Statement of Activities for the Year Ended June 30, 2014 and 2013:

| | 2014 | 2013 |
|------------------------------|----------------------|----------------------|
| Interest and Dividends | \$ 2,655 | \$ 2,489 |
| Unrealized gain | 1,511 | 23,874 |
| Realized gain | 18,053 | 580 |
| Fees paid | <u>(2,506)</u> | <u>(2,292)</u> |
| Total gain on investment | <u>\$ 19,713</u> | <u>\$ 24,651</u> |

NOTE E – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lower priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

Level 1 inputs: Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 inputs: Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted market prices of similar assets or liabilities in active markets, or quoted market prices for identical or similar assets or liabilities in markets that are not active).

Level 3 inputs: Level 3 inputs are unobservable (e.g., a company's own data) and should be used to measure fair value to the extent that observable inputs are not available.

The following is the major category of assets measured at fair value on a recurring basis during the year ended June 30, 2014:

| Description | Fair Value | Level 1 | Level 2 | Level 3 |
|----------------------|-------------------|-------------------|-------------|-------------|
| Common Stock/Options | \$ 116,490 | \$ 116,490 | \$ - | \$ - |
| Bonds | <u>5,293</u> | <u>5,293</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 121,783</u> | <u>\$ 121,783</u> | <u>\$ -</u> | <u>\$ -</u> |

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013 is summarized as follows:

| | <u>2014</u> | <u>2013</u> |
|---------------------------|---------------------|---------------------|
| Building and improvements | \$ 5,305,005 | \$ 5,305,005 |
| Land | 334,508 | 334,508 |
| Furniture and equipment | <u>448,961</u> | <u>454,614</u> |
| | 6,088,474 | 6,094,127 |
| Accumulated depreciation | <u>(1,747,950)</u> | <u>(1,635,741)</u> |
| Net book value | <u>\$ 4,340,524</u> | <u>\$ 4,458,386</u> |

NOTE G - LEASE COMMITMENTS

The Organization leases office space from the City of Titusville under a twelve-month operating lease. Lease expense for the years ended June 30, 2014 and 2013 was \$580 and \$1,701, respectively. This lease was terminated October 31, 2013.

The Organization leases office equipment and a vehicle under operating leases ranging from thirty-five to sixty months. Lease expense under these leases for the years ended June 30, 2014 and 2013 was \$16,687 and \$10,573, respectively. Future minimum payments under these lease agreements are as follows:

Years ending June 30:

| | |
|-------|------------------|
| 2015 | \$ 10,788 |
| 2016 | 10,788 |
| 2017 | <u>7,192</u> |
| Total | <u>\$ 28,768</u> |

NOTE H - CONCENTRATION OF CREDIT RISK

The Organization maintains several bank accounts at local banks. As of June 30, 2014, accounts at each institution were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE I - CONTINGENCIES AND COMMITMENTS

The Organization receives a significant amount of its funding from the State of Florida, Department of Children and Families (passed through various state agencies), which is subject to budgetary constraints. If the Department's funding ceased, the ability of the Organization to maintain its current level of operations in the future could be threatened.

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE J - LONG TERM DEBT

Long-term debt at June 30, 2014 and 2013 consisted of the following:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|
| Mortgage payable to Community Credit Union of Florida collateralized by land and buildings, due in monthly installments of \$6,443 including interest of 6.0% until February 11, 2023 when the rate will be adjusted to 3.5% over the "Index." There will be another change date and rate adjustment on February 11, 2033. The maturity date of the loan is February 11, 2038. | \$ 973,313 | \$ 991,718 |
| A \$150,000 line of credit with a Community Credit Union of Florida secured by the same property in the first mortgage and is payable upon demand. Interest is charged at 6.0% and is payable monthly. | 120,096 | 135,000 |
| A capital lease collateralized by security camera equipment, due in monthly installments of \$903 including imputed interest of 8.4%. The maturity date of the loan is September, 2018. | <u>39,267</u> | <u>-</u> |
| | 1,132,676 | 1,126,718 |
| Less current portion | <u>(147,384)</u> | <u>(152,255)</u> |
| Long-term portion | <u>\$ 985,292</u> | <u>\$ 974,463</u> |

Future maturities of long-term debt are as follows:

Years ending June 30:

| | |
|------------|-------------------|
| 2016 | \$ 29,172 |
| 2017 | 31,189 |
| 2018 | 33,350 |
| 2019 | 28,258 |
| Thereafter | <u>863,323</u> |
| Total | <u>\$ 985,292</u> |

CROSSWINDS YOUTH SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE K - EMPLOYEE PROFIT SHARING PLAN

The Organization has a qualified Employee Profit Sharing Plan, which covers substantially all of its employees. The Organization's contribution to the Profit Sharing Plan is determined each year at the discretion of the Board of Directors. The Organization's policy is to fund profit sharing cost accrued. Total profit sharing plan expense for the years ended June 30, 2014 and 2013 was \$0 and \$25,644, respectively.

NOTE L- SUMMARIZED PRIOR YEAR INFORMATION

For the year ended June 30, 2014, information related to each net asset class is detailed in columnar format. For the year ended June 30, 2013, asset class information has been summarized.

SUPPLEMENTARY INFORMATION

CROSSWINDS YOUTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2014

SCHEDULE I

Federal/State Agency, Pass Through Entity

| | CFDA, CSFA Number | State Contract/ Grant Number | Grant Award | <u>Expenditures</u> |
|---|-------------------------|---------------------------------------|----------------|---------------------|
| Federal Awards | | | | |
| Administration for Children and Families, Department of Health and Human Services: | | | | |
| Transitional Living for Homeless Youth | 93.550 | | \$ 190,768 | \$ 190,768 |
| Basic Center Grant | 93.623 | | 167,962 | 167,962 |
| Street Outreach | 93.557 | | 118,049 | 118,049 |
| Community Planning and Development, Department of Housing and Urban Development | | | | |
| Supportive Housing Program | 14.235 | | 74,078 | 74,078 |
| Pass Through Awards | | | | |
| Department of Housing and Urban Development Passed through Various Cities | | | | |
| Community Development Block Grants | | | | |
| City of Melbourne | 14.218 | | 2,668 | 2,668 |
| City of Titusville | 14.218 | | 622 | 622 |
| Department of Health & Human Services Passed through Brevard Family Partnership: | | | | |
| Foster Care - Title IV-E | 93.658 | Various | 94,806 | 94,806 |
| Social Services Block Grant | 93.667 | Various | 46,668 | 46,668 |
| Chaffee Foster Care Independence Program | 93.674 | ILS1301 | 109,752 | <u>109,752</u> |
| Total expenditures of federal awards | | | | <u>\$ 805,373</u> |

CROSSWINDS YOUTH SERVICES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2014

SCHEDULE I (Continued)

| State Agency and Program Title | <u>CDA, CSFA Number</u> | <u>State Contract/ Grant Number</u> | <u>Grant Award</u> | <u>Expenditures</u> |
|--|---------------------------------|---|------------------------|---------------------|
| Evidence Based Associates | | | | |
| Brief Strategic Family Therapy | NA | | 91,109 | 91,109 |
| Department of Juvenile Justice - BSFT | NA | | 22,620 | 22,620 |
| Brevard Family Partnership | | | | |
| Independent Living Services | 60.112 | | 162,326 | 162,326 |
| Emergency Shelter | 60.094 | | 26,715 | 26,715 |
| RGH | 60.094 | | 41,034 | 41,034 |
| Brief Strategic Family Therapy | 60.094 | | 23,775 | 23,775 |
| Florida Network of Youth and Family | | | | |
| CINS/FINS - Florida Network | 80.005 | | 1,025,264 | 1,025,264 |
| Title IV-E | NA | | 29,259 | 29,259 |
| Florida Department of Agriculture: | | | | |
| School Lunch Program | NA | | 15,027 | 15,027 |
| Other Florida Group Homes | | | 120,785 | <u>120,785</u> |
| Total expenditures of state financial assistance | | | | <u>\$ 1,557,914</u> |

Basis of Presentation - Schedule I

The accompanying schedule of federal expenditures and state financial assistance includes federal and state grant activity of Crosswinds Youth Services, Inc. and is presented on the accrual basis of accounting.

CROSSWINDS YOUTH SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
 FEDERAL AWARD PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 For the year ended June 30, 2014

SCHEDULE II

Section A - Summary of Auditors' Results

Financial Statements

| | |
|--|-------------|
| Type of auditors' report issued | Unqualified |
| Internal control over financial reporting: | |
| Material weaknesses identified | None |
| Reportable conditions identified that are not considered to be material weaknesses | None |
| Noncompliance - material to financial statements | No |

Federal Awards and State Financial Assistance Projects

| | |
|---|-------------|
| Type of auditors' report issued on compliance for major programs | Unqualified |
| Internal control over major programs: | |
| Material weaknesses identified | None |
| Reportable conditions identified not considered to be material weaknesses | None |
| Audit findings disclosed that are required to be reported in accordance with the Federal and Florida Single Audit Act | None |

Identification of Major Programs/Projects

| | |
|---|-------------------------|
| Federal Programs | <u>Federal CFDA No.</u> |
| DHHS – Transitional Living for Homeless Youth | 93.674 |
| DHHS – Basic Center Grant | 93.623 |

| | |
|-----------------------------|-----------------------|
| State Projects | <u>State CSFA No.</u> |
| CINS/FINS – Florida Network | 80.005 |

| | | |
|---|-------------------|-------------------|
| | <u>Federal</u> | <u>State</u> |
| Dollar threshold used to distinguish between Type A and Type B Programs | <u>\$ 300,000</u> | <u>\$ 300,000</u> |

| | |
|---|-----|
| Auditee qualified as a low risk auditee | Yes |
|---|-----|

CROSSWINDS YOUTH SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS –
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
For the year ended June 30, 2014

SCHEDULE II (Continued)

Section B – Financial Statement Findings

There are no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Section C – Major Federal Award Findings and Questioned Costs

There are no reportable conditions, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Section D – Major State Financial Assistance Projects Findings and Questioned Costs

There are no reportable conditions, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Florida Single Audit Act.

Other Issues

The management letter required by A.G. Rule Section 10.656(3)(e) is not included in this report because there were no findings required to be reported.

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to state financial assistance projects.

A Corrective Action Plan is not required because there were no findings required to be reported under the Florida Single Audit Act.

CROSSWINDS YOUTH SERVICES, INC.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Crosswinds Youth Services, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Crosswinds Youth Services, Inc. (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2014, and the related Statements of Activities, and Cash Flows and Functional Expenses for the Year Then Ended, and the related Notes to the Financial Statements, and have issued our report thereon dated November 25, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Crosswinds Youth Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crosswinds Youth Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crosswinds Youth Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Lockard, PA

Certified Public Accountants

Cocoa Beach, Florida

November 25, 2014

CROSSWINDS YOUTH SERVICES, INC.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.650 RULES OF THE AUDITOR GENERAL

To the Board of Directors
Crosswinds Youth Services, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Crosswinds Youth Services Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Crosswinds Youth Services Inc.'s major Federal programs and State financial projects for the year ended June 30, 2014. Crosswinds Youth Services, Inc.'s major Federal programs and State projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Crosswinds Youth Service, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards; generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; and Chapter 10.650 Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10-650 Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or State project occurred. An audit includes examining, on a test basis, evidence about Crosswinds Youth Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Crosswinds Youth Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Crosswinds Youth Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Crosswinds Youth Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Crosswinds Youth Services Inc.'s internal controls over compliance with requirements that could have a direct and material effect on each major Federal program or State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB A-133 and Chapter 10-650 Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crosswinds Youth Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance*, is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10-650 Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Taylor & Lockard, PA
Certified Public Accountants

Cocoa Beach, Florida
November 25, 2014