

Consolidated Financial Statements

**TURNSTONE CENTER FOR CHILDREN  
AND ADULTS WITH DISABILITIES, INC.**

*Years ended June 30, 2017 and 2016  
with Independent Auditor's Report*

Turnstone Center for Children and Adults with Disabilities, Inc.

Consolidated Financial Statements

Years ended June 30, 2017 and 2016

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## Independent Auditor's Report

The Board of Directors  
Turnstone Center for Children and Adults with Disabilities, Inc.

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Turnstone Center for Children and Adults with Disabilities, Inc. and affiliates, which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, program and supporting services expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Turnstone Center for Children and Adults with Disabilities, Inc. and affiliates as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Haines, Lemberger & Skiba, LLC*

Fort Wayne, Indiana  
September 25, 2017

Turnstone Center for Children and Adults with Disabilities, Inc.

Consolidated Statements of Financial Position

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 992,019	\$ 1,110,527
Accounts receivable	220,901	329,741
Current portion of pledges receivable	1,428,993	1,181,949
Accrued interest and dividends receivable	3,997	4,970
Prepaid expenses and other current assets	94,541	147,400
Total current assets	<u>2,740,451</u>	<u>2,774,587</u>
Investments	2,773,134	2,827,114
Land and land improvements, building, and equipment:		
Land and land improvements	988,076	806,018
Building	19,297,320	19,210,321
Equipment	1,904,996	1,947,423
	<u>22,190,392</u>	<u>21,963,762</u>
Less accumulated depreciation	5,015,990	4,198,990
Total land, building, and equipment	<u>17,174,402</u>	<u>17,764,772</u>
Other assets:		
Pledges receivable, less current portion	875,610	2,281,072
Note receivable	7,118,000	7,118,000
Beneficial interest in perpetual trust	488,510	466,877
Beneficial interest in funds held by the Community		
Foundation of Greater Fort Wayne Inc.	203,819	218,524
Deferred financing costs	275,401	330,959
Total other assets	<u>8,961,340</u>	<u>10,415,432</u>
Total assets	<u><u>\$31,649,327</u></u>	<u><u>\$33,781,905</u></u>

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Liabilities, net assets, and noncontrolling interest</b>		
Current liabilities:		
Accounts payable	\$ 151,686	\$ 196,933
Accrued expenses	272,050	212,675
Deferred income	87,745	121,860
Total current liabilities	<u>511,481</u>	<u>531,468</u>
Long-term debt	<u>12,048,018</u>	13,158,868
Total liabilities	<u>12,559,499</u>	<u>13,690,336</u>
Turnstone Center net assets:		
Unrestricted	15,023,146	15,781,357
Temporarily restricted	1,426,414	1,677,944
Permanently restricted	2,640,157	2,633,229
Total Turnstone Center net assets	<u>19,089,717</u>	<u>20,092,530</u>
Noncontrolling interest	111	(961)
Total net assets and noncontrolling interest	<u>19,089,828</u>	<u>20,091,569</u>
Total liabilities, net assets, and noncontrolling interest	<u><u>\$31,649,327</u></u>	<u><u>\$33,781,905</u></u>

*See accompanying notes.*

Turnstone Center for Children and Adults with Disabilities, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year ended June 30									
	2017					2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Noncontrolling Interest	Total
<b>Support, revenues, and gains</b>										
United Way	\$ 29,985	\$ 173,990	\$ -	\$ -	\$ 203,975	\$ 43,224	\$ 198,679	\$ -	\$ -	\$ 241,903
Contributions	1,042,623	1,169,187	-	-	2,211,810	502,840	2,645,640	-	-	3,148,480
Bequests	18,602	-	-	-	18,602	39,817	-	-	-	39,817
Contributed goods and services	165,780	-	-	-	165,780	208,546	-	-	-	208,546
Program service fees	1,308,900	-	-	-	1,308,900	1,173,953	-	-	-	1,173,953
Sponsorships	85,023	-	-	-	85,023	103,700	-	-	-	103,700
Concessions and merchandise income, net	4,826	-	-	-	4,826	11,497	-	-	-	11,497
Rental income	109,229	-	-	-	109,229	64,627	-	-	-	64,627
Special events, net	504,209	-	-	-	504,209	563,942	30,013	-	-	593,955
Interest and dividends, net	58,155	-	-	-	58,155	71,481	-	-	-	71,481
Interest on note receivable	71,793	-	-	-	71,793	71,180	-	-	-	71,180
Miscellaneous income	10,937	-	-	-	10,937	17,381	-	-	-	17,381
Realized and unrealized gain (loss) on investments	219,633	-	-	-	219,633	(94,850)	-	-	-	(94,850)
Gain (loss) on beneficial interest in perpetual trust	-	28,162	21,633	-	49,795	-	29,380	(36,687)	-	(7,307)
Gain (loss) on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	34,171	(14,705)	-	19,466	-	-	(11,243)	-	(11,243)
	<u>3,629,695</u>	<u>1,405,510</u>	<u>6,928</u>	<u>-</u>	<u>5,042,133</u>	<u>2,777,338</u>	<u>2,903,712</u>	<u>(47,930)</u>	<u>-</u>	<u>5,633,120</u>
Net assets released from restrictions for operations	1,657,040	(1,657,040)	-	-	-	1,230,019	(1,230,019)	-	-	-
Total support, revenues, and gains	<u>5,286,735</u>	<u>(251,530)</u>	<u>6,928</u>	<u>-</u>	<u>5,042,133</u>	<u>4,007,357</u>	<u>1,673,693</u>	<u>(47,930)</u>	<u>-</u>	<u>5,633,120</u>
<b>Expenses</b>										
Program services	4,929,297	-	-	-	4,929,297	4,443,586	-	-	-	4,443,586
Supporting services:										
Management and general	550,825	-	-	-	550,825	484,869	-	-	-	484,869
Promotion/publicity	173,868	-	-	-	173,868	203,179	-	-	-	203,179
Fundraising	389,884	-	-	-	389,884	312,597	-	-	-	312,597
Total supporting services	<u>1,114,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,114,577</u>	<u>1,000,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,645</u>
Total expenses	<u>6,043,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,043,874</u>	<u>5,444,231</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,444,231</u>
<b>Increase (decrease) in net assets before other changes</b>	<u>(757,139)</u>	<u>(251,530)</u>	<u>6,928</u>	<u>-</u>	<u>(1,001,741)</u>	<u>(1,436,874)</u>	<u>1,673,693</u>	<u>(47,930)</u>	<u>-</u>	<u>188,889</u>
Net assets released from restrictions used for land, building, and equipment	-	-	-	-	-	1,185,516	(1,185,516)	-	-	-
Conveyance of Livingston Avenue extension real estate to City of Fort Wayne	-	-	-	-	-	(774,602)	-	-	-	(774,602)
<b>Increase (decrease) in net assets</b>	<u>(757,139)</u>	<u>(251,530)</u>	<u>6,928</u>	<u>-</u>	<u>(1,001,741)</u>	<u>(1,025,960)</u>	<u>488,177</u>	<u>(47,930)</u>	<u>-</u>	<u>(585,713)</u>
Excess (deficiency) of revenue over expenses attributable to noncontrolling interest	(1,072)	-	-	1,072	-	(7)	-	-	7	-
Net assets and noncontrolling interest at beginning of year	<u>15,781,357</u>	<u>1,677,944</u>	<u>2,633,229</u>	<u>(961)</u>	<u>20,091,569</u>	<u>16,807,324</u>	<u>1,189,767</u>	<u>2,681,159</u>	<u>(968)</u>	<u>20,677,282</u>
Net assets and noncontrolling interest at end of year	<u>\$15,023,146</u>	<u>\$ 1,426,414</u>	<u>\$ 2,640,157</u>	<u>\$ 111</u>	<u>\$ 19,089,828</u>	<u>\$15,781,357</u>	<u>\$ 1,677,944</u>	<u>\$ 2,633,229</u>	<u>\$ (961)</u>	<u>\$ 20,091,569</u>

See accompanying notes.

Turnstone Center for Children and Adults with Disabilities, Inc.

Consolidated Statements of Functional Expenses

	Year ended June 30					
	2017			2016		
	Program Services	Supporting Services	Total Expenses	Program Services	Supporting Services	Total Expenses
<b>Salaries and related expenses</b>						
Salaries	\$ 2,612,708	\$ 486,919	\$ 3,099,627	\$ 2,412,505	\$ 418,839	\$ 2,831,344
Payroll taxes	192,410	35,543	227,953	173,218	31,518	204,736
Employment benefits	263,445	45,687	309,132	247,593	40,016	287,609
Total salaries and related expenses	<b>3,068,563</b>	<b>568,149</b>	<b>3,636,712</b>	<b>2,833,316</b>	<b>490,373</b>	<b>3,323,689</b>
<b>Other expenses</b>						
Conference/travel	9,288	5,386	14,674	8,459	2,070	10,529
Equipment assistance	37,199	-	37,199	14,274	-	14,274
Fundraising	39	80,872	80,911	177	71,196	71,373
Interest	170,323	55,967	226,290	182,023	54,217	236,240
Liability insurance	56,599	9,706	66,305	52,261	11,351	63,612
Local travel	24,710	4,826	29,536	22,504	5,833	28,337
Maintenance	49,581	14,591	64,172	37,903	8,286	46,189
Miscellaneous expense	15,483	81,747	97,230	1,869	84,277	86,146
Office supplies	14,276	3,179	17,455	17,002	3,790	20,792
Postage	2,815	3,591	6,406	3,265	4,570	7,835
Professional fees	60,137	121,677	181,814	71,394	116,172	187,566
Program supplies	200,803	2,325	203,128	167,364	3,142	170,506
Promotion and publicity	4,125	64,354	68,479	3,842	52,078	55,920
Publications/dues	6,057	5,136	11,193	2,100	5,438	7,538
Repair/replacement	95,383	8,484	103,867	30,124	4,652	34,776
Telephone	10,781	1,941	12,722	11,504	1,889	13,393
Transportation	91,847	-	91,847	90,782	-	90,782
Utilities	180,415	26,328	206,743	152,069	28,332	180,401
Total other expenses	<b>1,029,861</b>	<b>490,110</b>	<b>1,519,971</b>	<b>868,916</b>	<b>457,293</b>	<b>1,326,209</b>
Total expenses before depreciation	<b>4,098,424</b>	<b>1,058,259</b>	<b>5,156,683</b>	<b>3,702,232</b>	<b>947,666</b>	<b>4,649,898</b>
Depreciation	830,873	56,318	887,191	741,354	52,979	794,333
Total expenses	<b>\$ 4,929,297</b>	<b>\$ 1,114,577</b>	<b>\$ 6,043,874</b>	<b>\$ 4,443,586</b>	<b>\$ 1,000,645</b>	<b>\$ 5,444,231</b>

See accompanying notes.



Turnstone Center for Children and Adults with Disabilities, Inc.  
Consolidated Statement of Program and Supporting Services Expenses

Year ended June 30, 2017

	Program Services							Supporting Services				Total Expenses
	Day Program— Children	Day Program— Adults	Sports and Recreation	Therapeutic Services— Children	Therapeutic Services— Adults	Other	Total	Management and General	Promotion/ Publicity	Fundraising	Total	
<b>Salaries and related expenses</b>												
Salaries	\$ 352,466	\$ 293,580	\$ 266,065	\$ 927,118	\$ 398,137	\$ 375,342	\$ 2,612,708	\$ 183,547	\$ 80,100	\$ 223,272	\$ 486,919	\$ 3,099,627
Payroll taxes	26,117	21,717	19,330	68,272	28,831	28,143	192,410	13,590	5,798	16,155	35,543	227,953
Employment benefits	46,219	23,701	21,429	97,287	30,304	44,505	263,445	19,213	14,109	12,365	45,687	309,132
Total salaries and related expenses	424,802	338,998	306,824	1,092,677	457,272	447,990	3,068,563	216,350	100,007	251,792	568,149	3,636,712
<b>Other expenses</b>												
Conference/travel	670	642	1,980	4,073	1,241	682	9,288	4,416	201	769	5,386	14,674
Equipment assistance	-	-	-	-	-	37,199	37,199	-	-	-	-	37,199
Fundraising	5	4	4	10	6	10	39	3	1	80,868	80,872	80,911
Interest	-	-	142,845	2,830	24,648	-	170,323	52,850	243	2,874	55,967	226,290
Liability insurance	7,404	5,873	5,083	19,026	8,384	10,829	56,599	5,995	1,148	2,563	9,706	66,305
Local travel	761	234	23,674	-	41	-	24,710	4,741	-	85	4,826	29,536
Maintenance	6,401	4,699	3,961	13,577	7,306	13,637	49,581	9,662	1,630	3,299	14,591	64,172
Miscellaneous expense	4,461	171	10	4,630	230	5,981	15,483	81,010	55	682	81,747	97,230
Office supplies	2,001	1,289	1,198	4,076	1,990	3,722	14,276	1,811	410	958	3,179	17,455
Postage	372	144	309	961	623	406	2,815	1,401	31	2,159	3,591	6,406
Professional fees	6,096	4,494	3,832	23,552	8,773	13,390	60,137	97,567	7,379	16,731	121,677	181,814
Program supplies	30,366	23,261	128,061	10,371	6,637	2,107	200,803	1,734	185	406	2,325	203,128
Promotion and publicity	118	571	1,986	482	765	203	4,125	697	55,146	8,511	64,354	68,479
Publications/dues	221	677	3,959	543	445	212	6,057	4,170	805	161	5,136	11,193
Repair/replacement	4,951	6,131	17,127	12,117	10,468	44,589	95,383	5,341	1,035	2,108	8,484	103,867
Telephone	1,351	1,029	877	2,974	1,601	2,949	10,781	890	328	723	1,941	12,722
Transportation	-	-	5,926	4	4	85,913	91,847	-	-	-	-	91,847
Utilities	6,081	8,819	95,997	18,233	18,268	33,017	180,415	23,691	773	1,864	26,328	206,743
Total other expenses	71,259	58,038	436,829	117,459	91,430	254,846	1,029,861	295,979	69,370	124,761	490,110	1,519,971
Total expenses before depreciation	496,061	397,036	743,653	1,210,136	548,702	702,836	4,098,424	512,329	169,377	376,553	1,058,259	5,156,683
Depreciation	42,286	35,074	400,108	103,305	126,546	123,554	830,873	38,496	4,491	13,331	56,318	887,191
Total expenses	\$ 538,347	\$ 432,110	\$ 1,143,761	\$ 1,313,441	\$ 675,248	\$ 826,390	\$ 4,929,297	\$ 550,825	\$ 173,868	\$ 389,884	\$ 1,114,577	\$ 6,043,874

See accompanying notes.

Turnstone Center for Children and Adults with Disabilities, Inc.

Consolidated Statement of Program and Supporting Services Expenses

Year ended June 30, 2016

	Program Services							Supporting Services				Total Expenses
	Day Program— Children	Day Program— Adults	Sports and Recreation	Therapeutic Services— Children	Therapeutic Services— Adults	Other	Total	Management and General	Promotion/ Publicity	Fundraising	Total	
<b>Salaries and related expenses</b>												
Salaries	\$ 346,964	\$ 238,958	\$ 231,216	\$ 881,904	\$ 353,521	\$ 359,942	\$ 2,412,505	\$ 153,610	\$ 82,696	\$ 182,533	\$ 418,839	\$ 2,831,344
Payroll taxes	23,978	17,184	16,728	63,027	26,043	26,258	173,218	12,417	5,945	13,156	31,518	204,736
Employment benefits	48,312	21,695	19,558	93,042	29,469	35,517	247,593	14,487	14,216	11,313	40,016	287,609
Total salaries and related expenses	419,254	277,837	267,502	1,037,973	409,033	421,717	2,833,316	180,514	102,857	207,002	490,373	3,323,689
<b>Other expenses</b>												
Conference/travel	145	350	2,819	3,824	790	531	8,459	2,045	-	25	2,070	10,529
Equipment assistance	-	-	-	-	-	14,274	14,274	-	-	-	-	14,274
Fundraising	22	17	14	49	27	48	177	50	5	71,141	71,196	71,373
Interest	-	-	152,658	3,024	26,341	-	182,023	50,886	260	3,071	54,217	236,240
Liability insurance	6,937	5,027	4,819	16,636	8,220	10,622	52,261	7,131	1,105	3,115	11,351	63,612
Local travel	156	380	21,326	342	300	-	22,504	5,833	-	-	5,833	28,337
Maintenance	4,925	4,507	2,929	10,051	5,400	10,091	37,903	4,736	1,109	2,441	8,286	46,189
Miscellaneous expense	465	209	198	344	250	403	1,869	83,722	80	475	84,277	86,146
Office supplies	2,073	1,578	1,478	4,876	2,454	4,543	17,002	1,796	570	1,424	3,790	20,792
Postage	272	138	191	1,491	477	696	3,265	1,597	855	2,118	4,570	7,835
Professional fees	7,570	6,499	5,686	27,606	8,911	15,122	71,394	76,713	29,267	10,192	116,172	187,566
Program supplies	23,609	22,570	103,181	11,149	6,544	311	167,364	705	2,311	126	3,142	170,506
Promotion and publicity	470	598	838	560	1,210	166	3,842	74	50,413	1,591	52,078	55,920
Publications/dues	153	204	1,531	83	45	84	2,100	4,303	9	1,126	5,438	7,538
Repair/replacement	3,398	1,977	6,080	8,004	5,266	5,399	30,124	2,706	604	1,342	4,652	34,776
Telephone	1,398	1,094	1,276	3,149	1,717	2,870	11,504	800	323	766	1,889	13,393
Transportation	-	-	-	-	-	90,782	90,782	-	-	-	-	90,782
Utilities	6,180	8,296	79,141	16,667	16,410	25,375	152,069	25,654	927	1,751	28,332	180,401
Total other expenses	57,773	53,444	384,165	107,855	84,362	181,317	868,916	268,751	87,838	100,704	457,293	1,326,209
Total expenses before depreciation	477,027	331,281	651,667	1,145,828	493,395	603,034	3,702,232	449,265	190,695	307,706	947,666	4,649,898
Depreciation	28,967	36,217	353,095	100,801	97,914	124,360	741,354	35,604	12,484	4,891	52,979	794,333
Total expenses	\$ 505,994	\$ 367,498	\$ 1,004,762	\$ 1,246,629	\$ 591,309	\$ 727,394	\$ 4,443,586	\$ 484,869	\$ 203,179	\$ 312,597	\$ 1,000,645	\$ 5,444,231

See accompanying notes.

Turnstone Center for Children and Adults with Disabilities, Inc.

Consolidated Statements of Cash Flows

	<b>Year ended June 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Decrease in net assets	\$(1,001,741)	\$ (585,713)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	887,191	794,333
Realized and unrealized (gain) loss on investments	(219,633)	94,850
Amortization of deferred financing costs	55,558	52,682
(Gain) loss on disposal of land, building, and equipment	1,650	(9,500)
Conveyance of Livingston Avenue extension real estate to City of Fort Wayne	-	774,602
Change in value of beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	14,705	11,243
Change in value of beneficial interest in perpetual trust	(21,633)	36,687
Changes in operating assets and liabilities:		
Accounts receivable	108,840	(220,502)
Pledges receivable	1,158,418	1,554,742
Accrued interest and dividends receivable	973	715
Prepaid expenses and other current assets	52,859	102,567
Accounts payable	(45,247)	(283,046)
Accrued expenses	59,375	65,793
Deferred income	(34,115)	102,803
Net cash provided by operating activities	<b>1,017,200</b>	2,492,256
<b>Investing activities</b>		
Additions to land and land improvements, building, and equipment	(298,471)	(4,374,955)
Proceeds from sale of land, building, and equipment	-	9,500
Purchase of investments	(1,318,329)	(1,129,381)
Proceeds from sale of investments	1,591,942	1,448,641
Net cash used in investing activities	<b>(24,858)</b>	(4,046,195)
<b>Financing activities</b>		
Borrowings pursuant to line of credit arrangement	350,000	2,199,600
Payments on line of credit arrangement	(1,460,850)	-
Payment of deferred financing costs	-	(383,641)
Net cash provided by (used in) financing activities	<b>(1,110,850)</b>	1,815,959
Increase (decrease) in cash and cash equivalents	<b>(118,508)</b>	262,020
Cash and cash equivalents at beginning of year	1,110,527	848,507
Cash and cash equivalents at end of year	<b>\$ 992,019</b>	<b>\$ 1,110,527</b>

See accompanying notes.

# Turnstone Center for Children and Adults with Disabilities, Inc.

## Notes to Consolidated Financial Statements

June 30, 2017

### 1. Organization

Since 1943, Turnstone Center for Children and Adults with Disabilities, Inc. (Turnstone) has continually evolved and expanded to respond to the needs and desires of people with disabilities and their families throughout northeast Indiana. Turnstone's mission is:

*Turnstone empowers people with disabilities to achieve their highest potential by providing comprehensive services and programs.*

Turnstone is the only not-for-profit organization in the region that provides a full range of rehabilitative, wellness, athletic and recreational programs, and facilities to persons with disabilities and their families; a population whose needs are underserved.

The past year, Turnstone serves approximately 3,600 children and adults. During the year ended June 30, 2017, Turnstone provided approximately 41,000 hours of childcare, and adult day services and 55,000 hours of speech, fitness, physical, occupational, and aquatics therapy. Turnstone loaned 268 pieces of equipment, such as walkers and wheelchairs, to persons at no charge.

Of the individuals who benefit from Turnstone's programs and services, the majority received services at a reduced rate. Turnstone is the only organization in northeast Indiana that provides therapeutic services on a sliding fee scale to persons with physical disabilities. Turnstone creates possibilities.

Turnstone's "Big Dream Project" (Project) expanded the sports, recreation, and wellness programming for people with disabilities by adding more than 125,000 square feet to its facility. The Turnstone of Tomorrow—The Plassman Athletic Center—houses 4 collegiate-sized basketball courts and a 230 meter six lane track with long jump and pole vault pit, area for shot put and high jump equipment. The Plassman Athletic Center also has fieldhouse spectator capacity for 1,700 people; a concession stand and bistro seating area; nine administrative offices, three conference rooms, a fitness center with three group exercise rooms and an elite athlete fitness area; a large warm water therapy pool with zero-depth entry, chair lift, transfer wall, and stairs; and fully accessible bathrooms, locker rooms, and showers.

Turnstone is also a Gold Level designated Paralympic Sport Club by U.S. Paralympics, a division of the United States Olympic Committee. The USA Men's Paralympic Goalball Team has trained at Turnstone since October 2015. Turnstone hopes to be designated a national Paralympic Training Site by the U.S. Olympic Committee.

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **1. Organization (continued)**

In July 2017, Turnstone entered into a memorandum of understanding with the United States Association of Blind Athletes (USABA) to be the training facility for the U.S. National Men's goalball team. Pursuant to the arrangement, USABA relocated members of the Men's team to Fort Wayne, Indiana, and in turn, Turnstone provided the training facility to USABA and assisted in providing housing and other support services for the team.

Turnstone Properties, LLC (Turnstone Properties), a not-for-profit corporation organized pursuant to the laws of Indiana, was established to purchase and make improvements to certain property located next to Turnstone's facilities. Turnstone is the sole corporate member of and holds a 100 percent interest in Turnstone Properties.

Turnstone is the sole corporate member of and holds 100 percent interest in Turnstone Fieldhouse, LLC (Turnstone Fieldhouse). Turnstone is a member of and holds a 85 percent interest in Turnstone Leverage Lender, LLC (Turnstone Leverage Lender). Turnstone Fieldhouse and Turnstone Leverage Lender, limited liability companies organized under the laws of Indiana, were established in conjunction with obtaining new market tax credits (see *Note 11*). Turnstone Fieldhouse conveyed, for public purpose to the City of Fort Wayne, the real estate and improvements representing the Livingston Avenue extension portion of the Project.

Turnstone is a nonprofit voluntary health and welfare organization, exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies for the 50 percent charitable contributions deduction limitation. Turnstone has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. Management believes Turnstone is no longer subject to examination by tax authorities for years before June 30, 2014.

The aforementioned LLCs are limited liability companies and, as such, are treated as pass-through entities for income tax purposes. No provisions have been made for income taxes as the income tax liability, if any, resides with the member or members. Their net income or loss is allocated among the member or members in accordance with the operating agreements.

#### **Principles of Consolidation and Noncontrolling Interest**

The consolidated financial statements include Turnstone Center for Children and Adults with Disabilities, Inc. and its affiliates, Turnstone Properties, LLC; Turnstone Fieldhouse, LLC; and Turnstone Leverage Lender, LLC (collectively Turnstone and affiliates). Significant interorganization accounts and transactions have been eliminated in consolidation.

# Turnstone Center for Children and Adults with Disabilities, Inc.

## Notes to Consolidated Financial Statements (continued)

### **2. Summary of Significant Accounting Policies**

#### **Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents, excluding money market funds held for investment. All cash and cash equivalents are held at local financial institutions. Turnstone and affiliates periodically have cash and cash equivalents in excess of federally insured limits. Turnstone and affiliates performs periodic evaluations of the relative credit standing of those financial institutions that are considered in Turnstone and affiliates' investment strategy.

#### **Investments**

Investments are reported at fair value. 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. See *Note 7* for discussion of fair value measurements.

Purchases and sales are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Capital gain distributions are included in dividend income.

Net realized and unrealized investment gains or losses are determined by comparison of asset cost, using the specific identification method, to net proceeds received at the time of sale and changes in the difference between market values and cost, respectively.

Turnstone's investment portfolio consists of a diverse mix of investments, without concentration of risk by type, industry, or geographic area, which are managed by professional investment managers in compliance with the investment policy established by the Board of Directors. Investments are exposed to various risks, such as interest rate, market volatility, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments may occur in the near term and that such changes could materially affect account balances.

#### **Land and Land Improvements, Building, and Equipment**

Land and land improvements, building, and equipment are stated at cost or if donated, at fair market value at date of donation, except for land and land improvements, building, and equipment that have been impaired. For impaired assets, the carrying amount is reduced to the

# Turnstone Center for Children and Adults with Disabilities, Inc.

## Notes to Consolidated Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### Land and Land Improvements, Building, and Equipment (continued)

estimated fair market value. There were no impaired land and land improvements, building, or equipment assets as of June 30, 2017 or 2016. It is not Turnstone and affiliates' policy to imply time restrictions expiring over the useful life of donated assets. Turnstone and affiliates capitalize fixed assets which cost \$2,000 or more and have a useful life of one year or more. Depreciation is computed by the straight-line method over the following estimated useful lives:

Land improvements	20 years
Building	5-39.5 years
Equipment	5-7 years

Expenses for normal repairs and maintenance are expensed as incurred.

#### Deferred Financing Costs

Financing costs are capitalized and amortized over the term of the related debt agreement.

#### Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor imposed restrictions placed upon them. In addition, Turnstone has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of Turnstone pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor imposed restrictions which stipulate that resources be maintained permanently, but permits Turnstone to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of activities or assets set aside by the Board of Directors are not considered to be donor restricted.

# Turnstone Center for Children and Adults with Disabilities, Inc.

## Notes to Consolidated Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **Revenue and Accounts Receivable**

Turnstone recognizes revenue upon delivery of diagnostic and therapeutic services or completion of a special event. Accordingly, funds received for such services or special events, including ticket sales and sponsorships, related to future periods are recorded as deferred income.

Turnstone grants credit for its services to persons with disabilities and their families in northeast Indiana and to third-party payers such as Medicaid, Indiana Family & Social Services Administration, commercial insurance companies, health maintenance organizations, and other payers.

Special events include an annual benefit gala, golf outing, casino night, Corvette raffle, and other events. Special event revenue includes the sale of donated items at the annual benefit gala. Special events revenue is presented in the statements of activities and changes in net assets net of direct benefits provided to donors and attendees.

Accounts receivable for services provided and special events are recorded net of allowances for uncollectible accounts which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables.

#### **Contributions and Pledges Receivable**

Turnstone recognizes gifts of cash or other assets as unrestricted support (revenue) if they are pledged or received without restrictions or stipulations. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use.

Contributions of assets other than cash are recorded at their fair market value. Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation.

Pledges receivable represent unconditional and legally enforceable promises to give to Turnstone by donors. Conditional pledges received are recognized when the substantial conditions on which they depend are substantially met. Turnstone uses the allowance method to determine uncollectible pledges receivable. The allowance for uncollectible pledges receivable is based on historical collection experience and management's analysis of specific pledges receivable.



Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Government Program Revenue**

Government program revenue is recognized as Turnstone performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

**Promotion and Publicity and Fundraising Expenses**

Promotion and publicity costs are expensed when incurred. Fundraising costs are expensed when incurred or upon completion of the related fundraising event.

**Use of Estimates**

Preparation of the consolidated 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 in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Reclassifications**

Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**3. Pledges Receivable**

Unconditional promises to give to Turnstone are recorded as pledges receivable at the present value of future cash flows. Turnstone's pledges receivable are as follows:

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Pledges receivable	<b>\$ 2,320,171</b>	\$ 3,503,786
Less unamortized discount	<b>10,568</b>	37,765
Less allowance for uncollectible pledges	<b>5,000</b>	3,000
	<b><u>\$ 2,304,603</u></b>	<u>\$ 3,463,021</u>
Amounts due in:		
Less than one year	<b>\$ 1,428,993</b>	\$ 1,181,949
One to five years	<b>875,610</b>	2,281,072
	<b><u>\$ 2,304,603</u></b>	<u>\$ 3,463,021</u>

Turnstone has received an indication of an intention to give in the amount of \$173,990 from the United Way of Allen County. The expected funding is to be used for operations during the fiscal year ended June 30, 2018 and has not been recorded as an asset as of June 30, 2017.

**4. Investments**

The fair value of investments is as follows:

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Money market funds	<b>\$ 88,611</b>	\$ 165,571
Common stock	<b>924,555</b>	946,670
Mutual funds	<b>884,244</b>	961,502
Exchange traded funds	<b>589,972</b>	485,144
Corporate and other bonds	<b>285,752</b>	268,227
Total investments, at fair value	<b><u>\$ 2,773,134</u></b>	<u>\$ 2,827,114</u>
Total investments, at historical cost	<b><u>\$ 2,311,096</u></b>	<u>\$ 2,531,308</u>

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**4. Investments (continued)**

The composition of investment return recognized in the statements of activities and changes in net assets are as follows:

	<b>Year ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Investment income (loss):		
Interest and dividends	\$ 70,433	\$ 84,771
Net realized gain on investments	53,401	45,535
Net unrealized gain (loss) on investments	166,232	(140,385)
	<b>290,066</b>	<b>(10,079)</b>
Investment expenses	(12,278)	(13,290)
Net investment income (loss)	<b>\$ 277,788</b>	<b>\$ (23,369)</b>

**5. Beneficial Interest in Perpetual Trust**

Turnstone has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, Turnstone has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. Distributions from the perpetual trust are recorded as temporarily restricted income based on the donor's restriction. The estimated value of Turnstone's beneficial interest in the perpetual trust was \$488,510 and \$466,877 at June 30, 2017 and 2016, respectively, which represents the fair market value of Turnstone's proportional interest in the trust assets. The change in the estimated value is recorded in permanently restricted net assets as a gain or loss in the beneficial interest in perpetual trust.

**6. Beneficial Interest in Funds Held by the  
Community Foundation of Greater Fort Wayne Inc.**

The beneficial interest in the funds held and invested by the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) of \$203,819 and \$218,524 at June 30, 2017 and 2016, respectively, is the result of an agreement whereby Turnstone has transferred assets to the Community Foundation and has specified itself as the beneficiary of the assets. Turnstone may draw up to a certain percent of the value of the assets each year, subject to certain conditions and limitations, but may only obtain a return of the full value of the assets upon consent of the Community Foundation.

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **6. Beneficial Interest in Funds Held by the Community Foundation of Greater Fort Wayne Inc. (continued)**

Additionally, the Community Foundation holds funds, with a value of \$103,641 and \$95,762 at June 30, 2017 and 2016, respectively, for the benefit of Turnstone for which the Community Foundation has obtained variance power. Turnstone is precluded from recognizing these assets held by the Community Foundation because the donors explicitly granted variance power to the Community Foundation. Accordingly, Turnstone only recognizes its annual grants by the Community Foundation from these funds as contributions.

#### **7. Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, 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 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Turnstone has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **7. Fair Value Measurements (continued)**

*Money market funds:* Valued at quoted market prices in an exchange and active market, which represent the net asset values of shares held by Turnstone at year-end.

*Common stock:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by Turnstone are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Turnstone are deemed to be actively traded.

*Exchange traded funds:* Valued at the net asset value (NAV) of shares held by Turnstone at year-end. The NAV is based on the value of the underlying assets owned by the fund, less liabilities, divided by the number of shares outstanding. Exchange traded funds that are publicly traded on major exchanges are valued at the closing price reported on the major market on which the individual securities are traded.

*Corporate and other bonds:* Certain corporate and other bonds are valued at the closing price reported in the active market in which the obligation or bond is traded. Corporate and other bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar obligations or bonds, the obligation or bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*Beneficial interest in perpetual trust:* Turnstone's proportional interest in the trust assets is valued at the fair market value of the underlying investments as reported by the investment manager at year-end.

*Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.:* Valued at the fair market value of the underlying investments as reported by the Community Foundation of Greater Fort Wayne Inc. at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Turnstone believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements (continued)**

The following table sets forth by level, within the fair value hierarchy, Turnstone's assets at fair value as of June 30, 2017 and 2016:

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 88,611	\$ -	\$ -	\$ 88,611
Common stock:				
Consumer discretionary	129,159	-	-	129,159
Consumer staples	80,806	-	-	80,806
Energy	49,558	-	-	49,558
Financial	155,522	-	-	155,522
Health care	113,797	-	-	113,797
Industrials	114,024	-	-	114,024
Information technology	191,722	-	-	191,722
Materials	38,234	-	-	38,234
Real estate	16,712	-	-	16,712
Telecommunication services	10,305	-	-	10,305
Utilities	24,716	-	-	24,716
	<b>924,555</b>	-	-	<b>924,555</b>
Mutual funds:				
Equity funds:				
Mid-cap growth	48,391	-	-	48,391
Mid-cap value	42,000	-	-	42,000
Small blend	18,634	-	-	18,634
Small growth	27,714	-	-	27,714
Diversified emerging markets	25,096	-	-	25,096
Foreign—large blend	285,669	-	-	285,669
Long-short	24,107	-	-	24,107
Multialternative—large blend	23,537	-	-	23,537
Fixed income funds:				
Bank loan fund	50,930	-	-	50,930
Intermediate term bond	236,332	-	-	236,332
Nontraditional bond	64,600	-	-	64,600
World bond	37,234	-	-	37,234
	<b>884,244</b>	-	-	<b>884,244</b>

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements (continued)**

	<b>Assets at Fair Value as of June 30, 2017 (continued)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Exchange traded funds:				
Equity funds:				
Large cap growth	\$ 56,656	\$ -	\$ -	\$ 56,656
Large cap value	113,617	-	-	113,617
Large cap blend	86,024	-	-	86,024
Mid-cap growth	39,305	-	-	39,305
Mid-cap value	42,177	-	-	42,177
Diversified emerging markets	34,501	-	-	34,501
International hedged	151,449	-	-	151,449
Fixed income funds:				
Inflation protected bond	66,243	-	-	66,243
	<b>589,972</b>	<b>-</b>	<b>-</b>	<b>589,972</b>
Corporate and other bonds	-	285,752	-	285,752
Total investments at fair value	<b>2,487,382</b>	<b>285,752</b>	<b>-</b>	<b>2,773,134</b>
Beneficial interest in perpetual trust	-	488,510	-	488,510
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	203,819	-	203,819
Total other assets at fair value	-	692,329	-	692,329
Assets at fair value	<b>\$ 2,487,382</b>	<b>\$ 978,081</b>	<b>\$ -</b>	<b>\$ 3,465,463</b>

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements (continued)**

	Assets at Fair Value as of June 30, 2016			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 165,571	\$ -	\$ -	\$ 165,571
Common stock:				
Consumer discretionary	149,166	-	-	149,166
Consumer staples	91,966	-	-	91,966
Energy	56,821	-	-	56,821
Financial	131,686	-	-	131,686
Health care	134,302	-	-	134,302
Industrials	127,827	-	-	127,827
Information technology	153,699	-	-	153,699
Materials	37,858	-	-	37,858
Telecommunication services	20,661	-	-	20,661
Utilities	42,684	-	-	42,684
	<u>946,670</u>	-	-	<u>946,670</u>
Mutual funds:				
Equity funds:				
Mid-cap growth	40,581	-	-	40,581
Mid-cap value	36,539	-	-	36,539
Small blend	17,142	-	-	17,142
Small growth	23,255	-	-	23,255
Diversified emerging markets	20,497	-	-	20,497
Foreign—large blend	245,247	-	-	245,247
Long-short	19,766	-	-	19,766
Multialternative—large blend	23,107	-	-	23,107
Real estate	77,473	-	-	77,473
Fixed income funds:				
Bank loan fund	71,019	-	-	71,019
Short-term bond	131,049	-	-	131,049
Intermediate term bond	132,153	-	-	132,153
Nontraditional bond	61,376	-	-	61,376
World bond	62,298	-	-	62,298
	<u>961,502</u>	-	-	<u>961,502</u>



Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**7. Fair Value Measurements (continued)**

	<b>Assets at Fair Value as of June 30, 2016 (continued)</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Exchange traded funds:				
Equity funds:				
Large cap growth	\$ 48,264	\$ -	\$ -	\$ 48,264
Large cap value	187,137	-	-	187,137
Mid-cap growth	34,031	-	-	34,031
Mid-cap value	36,523	-	-	36,523
Diversified emerging markets	29,769	-	-	29,769
International hedged	65,692	-	-	65,692
Commodities broad basket	10,387	-	-	10,387
Fixed income funds:				
Inflation protected bond	37,801	-	-	37,801
Short-term bond	35,540	-	-	35,540
	485,144	-	-	485,144
Corporate and other bonds	-	268,227	-	268,227
Total investments at fair value	2,558,887	268,227	-	2,827,114
Beneficial interest in perpetual trust	-	466,877	-	466,877
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	218,524	-	218,524
Total other assets at fair value	-	685,401	-	685,401
Assets at fair value	\$ 2,558,887	\$ 953,628	\$ -	\$ 3,512,515

**8. Endowment Funds**

ASC 958, *Not-for-Profit Entities*, requires certain net asset classification changes for institutional endowment funds under Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Indiana General Assembly has adopted UPMIFA.

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **8. Endowment Funds (continued)**

Turnstone may hold donor restricted endowment funds where the gift instrument clearly stipulates that Turnstone is not to spend the principal or some other portion of the gift, in which case such gift instrument will supersede Turnstone's ability to spend the whole fund. ASC 958 requires the classification of a portion of a donor restricted endowment fund of perpetual duration to be classified as permanently restricted.

Turnstone's endowment consists of several individual donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### **Interpretation of Relevant Law**

The Board of Directors of Turnstone has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, Turnstone classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, Turnstone considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of Turnstone and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation (depreciation) of investments.
- Other resources of Turnstone.
- The investment policies of Turnstone.

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**8. Endowment Funds (continued)**

Endowment net asset composition by type of fund as of June 30, 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds:				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 488,510	\$ 488,510
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	203,819	203,819
Other	-	-	1,947,828	1,947,828
	-	-	2,640,157	2,640,157
Board-designated endowment funds	811,246	-	-	811,246
<b>Total funds</b>	<b>\$ 811,246</b>	<b>\$ -</b>	<b>\$ 2,640,157</b>	<b>\$ 3,451,403</b>

Changes in endowment net assets for the year ended June 30, 2017 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 665,269	\$ -	\$ 2,633,229	\$ 3,298,498
Investment return:				
Interest and dividends, net	52,081	-	-	52,081
Realized and unrealized gain on investments	226,530	-	-	226,530
Gain on beneficial interest in perpetual trust	-	-	49,795	49,795
Gain on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	19,466	19,466
<b>Total investment return</b>	<b>278,611</b>	<b>-</b>	<b>69,261</b>	<b>347,872</b>
Other changes:				
Distribution from perpetual trust	-	28,162	(28,162)	-
Distribution from Community Foundation of Greater Fort Wayne Inc.	-	34,171	(34,171)	-
Distribution of endowment funds for operating purposes	(132,634)	(62,333)	-	(194,967)
<b>Endowment net assets at end of year</b>	<b>\$ 811,246</b>	<b>\$ -</b>	<b>\$ 2,640,157</b>	<b>\$ 3,451,403</b>

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**8. Endowment Funds (continued)**

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds:				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 466,877	\$ 466,877
Beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	218,524	218,524
Other	-	-	1,947,828	1,947,828
	-	-	2,633,229	2,633,229
Board-designated endowment funds	665,269	-	-	665,269
<b>Total funds</b>	<b>\$ 665,269</b>	<b>\$ -</b>	<b>\$ 2,633,229</b>	<b>\$ 3,298,498</b>

Changes in endowment net assets for the year ended June 30, 2016 is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets at beginning of year	\$ 814,060	\$ -	\$ 2,681,159	\$ 3,495,219
Investment return:				
Interest and dividends, net	67,268	-	-	67,268
Realized and unrealized loss on investments	(86,786)	-	-	(86,786)
Loss on beneficial interest in perpetual trust	-	-	(7,307)	(7,307)
Loss on beneficial interest in funds held by the Community Foundation of Greater Fort Wayne Inc.	-	-	(11,243)	(11,243)
<b>Total investment return</b>	<b>(19,518)</b>	<b>-</b>	<b>(18,550)</b>	<b>(38,068)</b>
Other changes:				
Distribution from perpetual trust	-	29,380	(29,380)	-
Distribution of endowment funds for operating purposes	(129,273)	(29,380)	-	(158,653)
<b>Endowment net assets at end of year</b>	<b>\$ 665,269</b>	<b>\$ -</b>	<b>\$ 2,633,229</b>	<b>\$ 3,298,498</b>

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **8. Endowment Funds (continued)**

##### **Return Objectives and Risk Parameters**

Turnstone has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of certain investment benchmark indices while assuming a moderate level of investment risk.

##### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Turnstone relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Turnstone targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

##### **Spending Policy and How the Investment Objectives Relate to Spending Policy**

Turnstone's Board of Directors has approved a spending policy whereby distributions from the permanently restricted portion of the endowment fund are determined by the Finance/Investment Committee to the extent they do not reduce the fund balance below the amount of cumulative original contributions. Approval from the Board of Directors is required for distributions of greater than 5 percent of the permanently restricted portion of the endowment funds.

In establishing this policy, Turnstone considered the long-term expected return on its endowment. Accordingly, over the long-term, Turnstone expects the current spending policy to allow its endowment to grow. This is consistent with Turnstone's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**9. Net Assets**

Temporarily restricted net assets are to be used for the following purposes:

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Future operations	<b>\$ 1,065,000</b>	\$ 1,215,000
Program services	<b>361,414</b>	462,944
	<b><u>\$ 1,426,414</u></b>	<u>\$ 1,677,944</u>

Temporarily restricted net assets released from donor restrictions as a result of incurring expenses or costs to satisfy the restricted purposes, time restrictions expiring, or occurrence of other events specified by donors were as follows:

	<b>Year ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Satisfaction of program requirements	<b>\$ 997,040</b>	\$ 787,519
Expiration of time restrictions	<b>660,000</b>	442,500
Satisfaction of land, building, and equipment purchase requirements	-	1,185,516
	<b><u>\$ 1,657,040</u></b>	<u>\$ 2,415,535</u>

Permanently restricted net assets consist of funds provided for:

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Therapeutic services, including transportation	<b>\$ 629,268</b>	\$ 622,340
Children's programs	<b>5,000</b>	5,000
Scholarships	<b>25,000</b>	25,000
Operations	<b>1,980,889</b>	1,980,889
	<b><u>\$ 2,640,157</u></b>	<u>\$ 2,633,229</u>

The earnings from certain of the permanently restricted net assets are restricted for therapeutic services, children's programs, and scholarships.

Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**10. Debt Arrangements**

Long-term debt consists of the following:

	<b>June 30</b>	
	<b>2017</b>	<b>2016</b>
Borrowings pursuant to line of credit arrangement	\$ 2,208,018	\$ 3,318,868
Borrowings by Turnstone Fieldhouse pursuant to new market tax credit financing (see <i>Note 11</i> )	<b>9,840,000</b>	9,840,000
	<b><u>\$ 12,048,018</u></b>	<b><u>\$ 13,158,868</u></b>

Pursuant to a revolving line of credit arrangement (arrangement) dated April 21, 2015 with three banks, Turnstone was able to borrow up to \$6,000,000 for the aforementioned construction project through June 30, 2016 (draw period) subject to certain collateral value limitations, terms, conditions, and covenants. This arrangement is secured by all business assets and is based on Turnstone's eligible pledges receivable and endowment account. The line of credit bears interest at Turnstone's option based on LIBOR plus 3 percent or base rate plus 2 percent. The base rate is the highest of (i) the prime rate, (ii) the Federal Funds open rate plus .5 percent, and (iii) the Daily LIBOR Rate plus 1 percent. The arrangement is guaranteed by Turnstone Leverage Lender. Turnstone is required to make monthly principal payments in the amount equal to pledge receivables received in the immediately preceding month less the amount that was applied to the payment of interest. Borrowings pursuant to this arrangement were \$2,208,018 and \$3,318,868 at June 30, 2017 and 2016, respectively.

Following the draw period, the arrangement will convert to a non-revolving reducing credit facility. The arrangement expires five years from the end of the draw period. Following the draw period, the commitments under the arrangement will be reduced based on the following amended schedule:

September 30, 2017	\$ 2,500,000
March 30, 2018	2,200,000
September 30, 2018	2,000,000
March 30, 2019	1,650,000
September 30, 2019	1,500,000
March 30, 2020	1,500,000
September 30, 2020	1,500,000
Maturity date	-

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### **10. Debt Arrangements (continued)**

On October 19, 2015, the arrangement was amended to include, after the draw period, a revolving credit facility to Turnstone not to exceed \$350,000. There were no borrowings pursuant this revolving credit facility at June 30, 2017 and 2016.

The debt arrangements contain customary representations, warranties, covenants, and other terms and conditions.

#### **11. New Markets Tax Credit**

In April 2015, Turnstone and affiliates entered into a New Markets Tax Credit (NMTC) financing transaction to fund a portion of the cost of construction of the aforementioned 125,000 square foot addition to its facility (The Plassman Athletic Center) in Fort Wayne, Indiana. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 (Act) and is intended to induce capital investment in qualified low-income communities. The Act permits taxpayers to claim credits against their Federal income taxes for up to 39% of qualified investments in the equity of Community Development Entities (CDE). A CDE is a privately managed investment institution that is certified to make qualified low-income community investments (QLICI) loans. The NMTC structure includes Turnstone and affiliates (through Turnstone Leverage Lender), as a leverage lender, and the tax credit investor is PNC New Markets Investment Partners, LLC, an entity formed for purposes of this transaction by PNC Bank, N.A.

In April 2015, PNC New Markets Investments Partners, LLC made a \$3,042,000 capital contribution to Turnstone Investments Fund, LLC, a qualified equity investment fund. At the same time, Turnstone Leverage Lender made a \$7,118,000 leverage loan to the same investment fund. In turn Turnstone Investment Fund, LLC made a \$10,000,000 capital contribution to FWNMRF CDE IV LLC (Sub-CDE I) and PNC CDE 56, LP (Sub-CDE II), each recognized as a qualified community development entity (noted above), or Sub-CDE in this structure. After deducting certain fees associated with the transaction, each made with two QLICI loans to Turnstone Fieldhouse for a combined total of \$9,840,000. In this structure, Turnstone Fieldhouse is designated as a qualified active low-income community benefit entity (QALICB). The QLICI loans bear interest at a rate of 1.13% and mature in 2045. Interest-only payments due quarterly are made during the first seven years of the notes.



Turnstone Center for Children and Adults with Disabilities, Inc.

Notes to Consolidated Financial Statements (continued)

**11. New Markets Tax Credit (continued)**

The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. Turnstone and affiliates are required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, could require Turnstone and affiliates to indemnify the investors for any loss or recapture of NMTCs related to the financing until such time as Turnstone and affiliates obligation to deliver tax benefits is relieved. Turnstone and affiliates do not anticipate any credit recaptures in connection with this arrangement. This transaction includes a put/call provision that becomes effective at the end of the seven year compliance/recapture period. Under the put/call provision, Turnstone and affiliates may be obligated or entitled to purchase the investor's interest in Turnstone Investment Fund, LLC. Turnstone and affiliates believe the investors will exercise the put option in April 2022 at the end of the compliance/recapture period. The value attributed to the put/call provision is de minimis.

**12. Contributed Goods and Services**

During the years ended June 30, 2017 and 2016, the fair market value of contributed goods and services recognized as revenue in the accompanying statements of activities and changes in net assets consisted of the following:

	<b>Year ended June 30</b>	
	<b>2017</b>	<b>2016</b>
Maintenance and supplies	\$ 128,773	\$ 2,401
Buildings and equipment	21,000	195,226
Professional services	16,007	10,919
	<b>\$ 165,780</b>	<b>\$ 208,546</b>

## Turnstone Center for Children and Adults with Disabilities, Inc.

### Notes to Consolidated Financial Statements (continued)

#### 13. Government Program Revenue

Government program funds received for services rendered are included in program services fees in the consolidated statements of activities and changes in net assets and consisted of the following:

	Year ended June 30	
	2017	2016
Indiana Family & Social Service Administration: CHOICE (community and home options to institutional care for the elderly and disabled)	\$ 15,110	\$ 19,510
Department of Veterans Affairs: Adult day program and transportation services	31,497	41,454
	<u>\$ 46,607</u>	<u>\$ 60,964</u>

#### 14. Employee Retirement Plan

Turnstone sponsors a Section 403(b) plan (Plan). All full time employees who have attained age 21 are eligible to participate in the Plan. Turnstone may make discretionary matching contributions to the Plan. Turnstone's contribution to the Plan was \$47,379 and \$44,411 for the years ended June 30, 2017 and 2016, respectively.

#### 15. Related Party Transactions

Certain members of the Board of Directors are employed by organizations that have provided goods and services for Turnstone and affiliates. The fees and costs paid for these goods and services were based on customary and reasonable rates for such services.

#### 16. Subsequent Events

Management has evaluated subsequent events through September 25, 2017, the date on which the financial statements were available to be issued.