

CROSSROADS MENTAL HEALTH CENTER
CRESTON, IOWA

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
ADDITIONAL AUDITOR'S REPORT

Years Ended June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Crossroads Mental Health Center
1003 Cottonwood Road
Creston, IA

We have audited the accompanying statements of financial position of Crossroads Mental Health Center (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Mental Health Center as of June 30, 2008 and 2007, the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2008, on our consideration of Crossroads Mental Health Center's internal control over financial reporting and 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Draper, Snodgrass, Mikkelsen & Co., P.C.

November 21, 2008

LIABILITIES AND NET ASSETS	<u>2008</u>	<u>2007</u>
CURRENT LIABILITIES		
Accounts payable	\$ 7,942	\$ 11,551
Accrued vacation pay	71,357	60,870
Accrued interest payable	650	750
Accrued flex pay payable	1,146	-
Deferred revenue	-	4,507
Current portion long-term debt	6,041	5,747
Total current liabilities	<u>\$ 87,136</u>	<u>\$ 83,425</u>
LONG-TERM LIABILITIES		
Note payable - Farmers Home Administration	\$ 306,249	\$ 311,995
Less current portion	(6,041)	(5,747)
Total long-term liabilities	<u>\$ 300,208</u>	<u>\$ 306,248</u>
Total liabilities	<u>\$ 387,344</u>	<u>\$ 389,673</u>
NET ASSETS		
Unrestricted net assets		
Designated for unemployment compensation	\$ 20,716	\$ 20,716
Designated for capital expenditures	13,805	10,502
Undesignated	530,874	226,937
Unrestricted net assets	\$ 565,395	\$ 258,155
Temporarily restricted net assets		
Loan reserve account	<u>21,216</u>	<u>21,216</u>
Total net assets	<u>\$ 586,611</u>	<u>\$ 279,371</u>
Total liabilities and net assets	<u><u>\$ 973,955</u></u>	<u><u>\$ 669,044</u></u>

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
County funding grants	\$ 395,898	\$ 360,595
Client fees:		
Mental health	626,174	379,037
IDSA, Action Now	346,980	320,176
Special grants, Action Now	-	52,174
Consultation	1,100	1,800
Federal block grant	49,178	45,398
Other income	85,554	72,578
	<u>\$ 1,504,884</u>	<u>\$ 1,231,758</u>
EXPENSES		
Program services	\$ 937,737	\$ 836,327
Support services	401,297	361,158
	<u>\$ 1,339,034</u>	<u>\$ 1,197,485</u>
Increase in unrestricted net assets before extra ordinary item	\$ 165,850	\$ 34,273
Extraordinary item - service revenues (Note 8)	<u>141,390</u>	<u>-</u>
Increase in unrestricted net assets	\$ 307,240	\$ 34,273
NET ASSETS AT BEGINNING OF YEAR	<u>279,371</u>	<u>245,098</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 586,611</u></u>	<u><u>\$ 279,371</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2008

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
EXPENSES			
Salaries	\$ 648,598	\$ 255,576	\$ 904,174
Payroll tax	44,924	17,471	62,395
Work comp insurance	2,143	833	2,976
Fringe benefits	67,191	47,321	114,512
IPERS	36,882	14,589	51,471
Continuing education	7,736	2,578	10,314
Accounting and audit	-	12,413	12,413
Advertising	2,074	79	2,153
Community support	186	-	186
Program material	5,649	-	5,649
Computer expense	2,649	7,947	10,596
Equipment repairs	1,484	4,451	5,935
Insurance	12,690	4,230	16,920
Interest	11,527	3,843	15,370
Miscellaneous	60	20	80
Office	-	11,072	11,072
Postage	-	2,674	2,674
Dues	3,337	1,113	4,450
Psychiatric testing	1,115	-	1,115
Rent	10,192	3,398	13,590
Telephone	10,456	550	11,006
Travel	31,623	1,664	33,287
Grounds maintenance	2,533	844	3,377
Depreciation	13,026	4,342	17,368
Janitorial	3,411	1,137	4,548
Utilities	6,352	2,118	8,470
Miscellaneous	3,104	1,034	4,138
Legal fees	-	-	-
Contract services	8,743	-	8,743
Child care	52	-	52
	<u> </u>	<u> </u>	<u> </u>
Total expense	<u>\$937,737</u>	<u>\$ 401,297</u>	<u>\$1,339,034</u>

The Notes to Financial Statements are an integral part of this statement.

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2007

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
EXPENSES			
Salaries	\$568,148	\$ 231,845	\$ 799,993
Payroll tax	39,477	16,110	55,587
Work comp insurance	2,301	939	3,240
Fringe benefits	62,647	41,866	104,513
IPERS	32,355	13,203	45,558
Continuing education	4,307	1,435	5,742
Accounting and audit	-	7,302	7,302
Advertising	2,764	-	2,764
Community support	31	-	31
Program material	1,099	-	1,099
Computer expense	2,719	8,158	10,877
Equipment repairs	1,148	3,443	4,591
Insurance	11,950	3,984	15,934
Interest	13,146	4,382	17,528
Miscellaneous	12	4	16
Office	-	11,933	11,933
Postage	-	2,511	2,511
Dues	2,827	942	3,769
Psychiatric testing	353	-	353
Rent	8,400	2,800	11,200
Telephone	8,788	463	9,251
Travel	28,940	1,523	30,463
Grounds maintenance	1,677	559	2,236
Depreciation	12,737	4,245	16,982
Janitorial	3,551	1,184	4,735
Utilities	5,638	1,879	7,517
Miscellaneous	1,152	384	1,536
Legal fees	-	64	64
Contract services - psychology	20,001	-	20,001
Child care	159	-	159
	<u> </u>	<u> </u>	<u> </u>
Total expense	<u><u>\$836,327</u></u>	<u><u>\$ 361,158</u></u>	<u><u>\$1,197,485</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 307,240	\$ 34,273
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	17,368	16,982
(Increase) decrease in operating assets:		
Accounts receivable	(367,969)	(28,514)
Flex plan receivable	5,450	(5,450)
Prepaid expenses	(428)	616
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	3,417	(35,658)
	\$ (34,922)	\$ (17,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(20,663)	(5,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long term debt	(5,746)	(3,688)
NET INCREASE (DECREASE) IN CASH	\$ (61,331)	\$ (26,767)
CASH AT BEGINNING OF YEAR	227,558	254,325
CASH AT END OF YEAR	\$ 166,227	\$ 227,558
Supplemental disclosure of cash flow information:		
Cash paid during year for interest	\$ 15,370	\$ 14,237

The Notes to Financial Statements are an integral part of this statement.

CROSSROADS MENTAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Note 1. Organization and Function

The Crossroads Mental Health Center was organized in 1975 under the Non-profit Corporation Act, Code of Iowa, 1973, Chapter 504A and is exempt from income taxes under IRS Code Section 501(c)(3).

The purposes of the Corporation are:

- To prevent mental and emotional disability;
- To provide evaluation of mental and emotional disabilities in children, adults and the community at large;
- To treat mental and emotional disabilities when they occur;
- To raise the level of mental hygiene and emotional health in the community;
- To serve as a resource to Physicians, Clergy, Educators, Attorneys, Law Enforcement and other Service Agencies, etc; and
- To provide leadership in community planning and education for mental health.

The Crossroads Mental Health Center is divided into two divisions as follows:

1. The Mental Health Division provides services for citizens with mental and emotional disabilities who reside in Adams, Clarke, Taylor and Union Counties. The counties provide funding grants in addition to revenues provided from Department of Human Services - State Block Grant and Title XIX and other third party and individual payors.
2. Action Now Chemical Dependence Treatment Services is the division of Crossroads Mental Health Center which provides alcohol and drug abuse treatment services in Adams, Clarke, Taylor, Ringgold, Decatur, and Union Counties.

Note 2. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and include all material accounts receivable and payables and all significant liabilities.

CROSSROADS MENTAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Note 2. Significant Accounting Policies (continued)

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Property and Depreciation

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterment are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue and expense.

Billing Adjustments and Uncollectible Accounts

The allowance for doubtful accounts is established to allow for estimated billing adjustments and uncollectible accounts.

Income Tax Status

Crossroads Mental Health Center is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is classified by the Internal Revenue Service as other than a private foundation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CROSSROADS MENTAL HEALTH CENTER
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

Note 2. Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Center maintains its cash balances in two financial institutions where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. In addition to FDIC coverage deposits in one financial institution have been covered by a \$100,000 bank deposit surety bond since December 6, 2006. As of June 30, 2008 and 2007, the Center had uninsured cash balances of \$0 and \$0, respectively.

Note 3. Operating Leases

Crossroads Mental Health Center entered into a 10 year lease agreement on January 1, 2002, for office space in Osceola. The lease calls for a payment of \$8,100 per year payable in equal monthly installments. Future payments will be adjusted for increases in property taxes and insurance. The lease expires December 31, 2011. The remaining commitment under the lease for the 3 year period from July 1, 2008 to December 31, 2011 is \$28,350.

The Center entered into a 7 year lease agreement on April 1, 2008, for office space in Winterset. The lease calls for a payment of \$8,400 per year payable in equal monthly installments. During the current year the Center also paid \$5,200 for leasehold improvements which are being amortized over the period of the lease. The remaining commitment under the lease for the 7 year period from July 1, 2008 to March 31, 2015 is \$57,400.

The Center has entered into operating leases with a company for copier equipment for the Center. One lease is for 60 months beginning on May 2, 2008. Another lease is for 36 months beginning on May 21, 2008. Minimum future lease payments are as follows:

Year ending <u>June 30,</u>	
2009	\$ 4,441
2010	4,441
2011	3,703
2012	3,176
2013	1,323

The Center also has two month to month leases that call for payments of \$150 and \$125 a month.

CROSSROADS MENTAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

Note 4. Long-Term Debt

The Center's long-term debt consisted of the following:

	<u>6-30-2008</u>	<u>6-30-2007</u>
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Mortgage payable to U.S. Department of Agriculture with an interest rate of 5%, to be repaid over 40 years with interest only the first two years. The note is secured by a mortgage on the property and building of the Center. Monthly payments of \$1,768 are to be made beginning May 15, 1996, with a maturity date of February 15, 2034.	\$ 306,249	\$ 311,995
Less: Current portion	<u>6,041</u>	<u>5,747</u>
Total long-term debt	<u>\$ 300,208</u>	<u>\$ 306,248</u>

Payments for the next five years and thereafter are as follows:

Year Ended June 30,	USDA		Total USDA
	Principal	Interest	
2009	\$ 6,041	\$ 15,175	\$ 21,216
2010	6,350	14,866	21,216
2011	6,675	14,541	21,216
2012	7,016	14,200	21,216
2013	7,375	13,841	21,216
Thereafter	<u>272,792</u>	<u>165,048</u>	<u>437,840</u>
Total	<u>\$ 306,249</u>	<u>\$ 237,671</u>	<u>\$ 543,920</u>

Note 5. Employee Benefit Plan & Retirement Benefits

The Center provides full time employees with monies equal to a percentage of their gross salary to purchase health insurance, disability insurance, life insurance and/or payments into a tax sheltered annuity. Under the plan, the Center made contributions to the plan as follows:

CROSSROADS MENTAL HEALTH CENTER
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008 and 2007

Note 5. Employee Benefit Plan & Retirement Benefits (continued)

	<u>6-30-2008</u>	<u>6-30-2007</u>
Tax sheltered annuities	\$ 64,919	\$ 58,115
Other benefits	<u>49,593</u>	<u>46,398</u>
Total	<u>\$114,512</u>	<u>\$104,513</u>

The Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. Plan members are required to contribute 3.90% of their annual salary and the Center is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The Center's contribution to IPERS for the years ended June 30, 2008 and June 30, 2007, was \$51,471 and \$45,558.

Note 6. Restricted Cash

The restricted cash balance of \$21,216 on June 30, 2008 and 2007, is established to comply with the mortgage loan agreement with the Farmers Home Administration. With approval of Farmers Home Administration, the funds may be withdrawn for repairs or improvements to the facility.

Note 7. Contingencies

The Center maintains a self-insured plan for the coverage of unemployment compensation claims. An estimated amount of \$20,716 has been designated as an unrestricted net asset for future unemployment claims. No claims were paid during the year ended June 30, 2008.

Note 8 Extraordinary Item

As disclosed last year, the Center filed a cost report for the period from October 1, 2006 through June 30, 2007 pertaining to services provided to Medicare and Medicaid clients. The amount of any additional payment or return of funds was not determinable at the completion of last year's audit. During the current year, \$141,390 was received for services performed in the prior year.

SUPPLEMENTARY INFORMATION

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

Board of Directors
Crossroads Mental Health Center
P.O. Box 166
Creston, IA

We have audited the financial statements of Crossroads Mental Health Center (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 21, 2008. 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 Controller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Crossroads Mental Health Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crossroads Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Crossroads Mental Health Center'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*.

We noted certain matters that we reported to management of Crossroads Mental Health Center in a separate letter dated November 21, 2008.

This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Drapen, Smoldgrasso, Mikkelsen + Co., P.C.

November 21, 2008

DRAPER, SNODGRASS, MIKKELSEN & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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CRESTON, IOWA 50801

AUG 13 2009

To the Board of Directors
and Rick Rice of
Crossroads Mental Health Center

In planning and performing our audit of the financial statements of Crossroads Mental Health Center as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Crossroads Mental Health Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control was to the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Center, and is not intended to be and should not be used by anyone other than these specified parties.

Draper, Snodgrass, Mikkelsen & Co., P.C.

November 21, 2008

CROSSROADS MENTAL HEALTH CENTER
MANAGEMENT LETTER MEMORANDUM

A. Asset Capitalization Policy

We noted that eleven depreciable items that need to be capitalized had to be reclassified from an expense. These would have overstated expense by \$19,553. We recommend that a formal asset capitalization policy be developed, adopted and followed.

B. Prior Year Medicaid Cost Report Receivable

We noted that the accounts receivable from the prior year cost report was not booked. The check was received in June but was returned due to a coding error. An adjusting journal entry was made to record this receivable as an Extraordinary Item since it was due to the prior year but was not able to be reasonably estimated and included in the prior year financial statements. This should not be a problem in the future because the amount can be reasonably determined at year end.

C. Current Year Medicaid Cost Report Receivable

We noted that the accounts receivable for the current year cost report was not booked. The cost report had not been completed when we were given the books to start our audit procedures. An adjusting entry was made to record the receivable once the cost report was completed. This will continue to be an issue because the cost report is not prepared until a significant part of the audit procedures are completed. We recommend that management make a reasonable estimate of the receivable at year end prior to submitting the books for audit. This amount may then be adjusted during the audit if necessary.

D. Deposits Exceeding FDIC and the Bank Deposit Guaranty Bond

We noted that deposits exceeded your FDIC and Bank Deposit Guaranty Bond coverage for one day during the fiscal year. The loss exposure for that day was \$12,701. We recommend that management continue to monitor this situation and increase the Bank Deposit Guaranty Bond as needed to ensure that all deposits are covered.