

CROSSROADS MENTAL HEALTH CENTER  
CRESTON, IOWA

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

Years Ended June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 January 5, 2012, 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.*

January 5, 2012



LIABILITIES AND NET ASSETS	<u>2011</u>	<u>2010</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,657	\$ 7,032
Accrued vacation pay	108,078	107,767
Accrued interest payable	575	600
Flex plan payable	1,350	-
Accrued fringe payable	10,730	5,889
IPERS payable	201	-
Deferred revenue	16,953	48,725
Current portion long-term debt	7,000	6,675
Total current liabilities	<u>\$ 151,544</u>	<u>\$ 176,688</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable - Farmers Home Administration	\$ 287,186	\$ 293,859
Less current portion	(7,000)	(6,675)
Total long-term liabilities	<u>\$ 280,186</u>	<u>\$ 287,184</u>
Total liabilities	<u>\$ 431,730</u>	<u>\$ 463,872</u>
<b>NET ASSETS</b>		
Unrestricted net assets		
Designated for unemployment compensation	\$ 20,716	\$ 20,716
Designated for capital expenditures	13,805	13,805
Undesignated	526,955	611,374
Unrestricted net assets	\$ 561,476	\$ 645,895
Temporarily restricted net assets		
Loan reserve account	<u>21,216</u>	<u>21,216</u>
Total net assets	<u>\$ 582,692</u>	<u>\$ 667,111</u>
Total liabilities and net assets	<u><u>\$ 1,014,422</u></u>	<u><u>\$ 1,130,983</u></u>

CROSSROADS MENTAL HEALTH CENTER  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
County funding grants	\$ 404,358	\$ 404,359
Client fees:		
Mental health	651,681	754,090
IDSA, Action Now	393,667	431,539
Special grants	43,823	63,610
Consultation	1,363	800
Federal block grant	42,552	40,986
Other income	45,817	64,109
	<u>                    </u>	<u>                    </u>
Total support and revenue	<u>\$ 1,583,261</u>	<u>\$ 1,759,493</u>
EXPENSES		
Program services	\$ 1,330,785	\$ 1,314,083
Support services	336,895	453,568
	<u>                    </u>	<u>                    </u>
Total expenses	<u>\$ 1,667,680</u>	<u>\$ 1,767,651</u>
Decrease in unrestricted net assets	\$ (84,419)	\$ (8,158)
NET ASSETS AT BEGINNING OF YEAR	<u>667,111</u>	<u>675,269</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 582,692</u></u>	<u><u>\$ 667,111</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, 2011

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
EXPENSES			
Salaries	\$ 907,068	\$ 204,526	\$ 1,111,594
Payroll tax	70,785	15,538	86,323
Work comp insurance	4,417	969	5,386
Fringe benefits	125,526	27,554	153,080
IPERS	60,030	13,177	73,207
Continuing education	11,280	3,760	15,040
Accounting and audit	-	11,561	11,561
Advertising	2,351	100	2,451
Community support	30	-	30
Program material	110	-	110
Computer expense	2,453	7,357	9,810
Equipment repairs	2,290	6,870	9,160
Insurance	12,049	4,016	16,065
Interest	10,889	3,630	14,519
Miscellaneous	-	-	-
Office	-	12,988	12,988
Postage	-	2,636	2,636
Dues	3,330	1,110	4,440
Psychiatric testing	131	-	131
Rent	16,245	5,415	21,660
Telephone	14,125	743	14,868
Travel	35,205	1,853	37,058
Grounds maintenance	3,170	1,057	4,227
Depreciation	18,747	6,249	24,996
Janitorial	3,596	1,199	4,795
Utilities	9,685	3,228	12,913
Miscellaneous	4,072	1,357	5,429
Legal fees	-	-	-
Child care	28	-	28
ATR expenses	13,175	-	13,175
	<u>\$ 1,330,787</u>	<u>\$ 336,893</u>	<u>\$ 1,667,680</u>
Total expense	<u>\$ 1,330,787</u>	<u>\$ 336,893</u>	<u>\$ 1,667,680</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, 2010

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
EXPENSES			
Salaries	\$ 904,275	\$ 274,452	\$ 1,178,727
Payroll tax	61,648	22,801	84,449
Work comp insurance	3,249	1,202	4,451
Fringe benefits	114,857	42,482	157,339
IPERS	53,515	19,793	73,308
Continuing education	7,866	2,622	10,488
Accounting and audit	-	11,142	11,142
Advertising	2,313	2,202	4,515
Program material	6,035	-	6,035
Computer expense	8,511	25,533	34,044
Equipment repairs	2,381	7,141	9,522
Insurance	11,188	3,730	14,918
Interest	11,112	3,704	14,816
Miscellaneous	45	15	60
Office	-	13,567	13,567
Postage	-	2,744	2,744
Dues	445	149	594
Psychiatric testing	1,009	-	1,009
Rent	16,582	5,528	22,110
Telephone	13,622	717	14,339
Travel	35,632	1,875	37,507
Grounds maintenance	2,515	838	3,353
Depreciation	18,496	6,165	24,661
Janitorial	3,983	1,327	5,310
Utilities	7,669	2,556	10,225
Miscellaneous	3,429	1,143	4,572
Legal	-	140	140
Child care	56	-	56
ATR expenses	23,650	-	23,650
	<u>23,650</u>	<u>-</u>	<u>23,650</u>
Total expense	<u>\$ 1,314,083</u>	<u>\$ 453,568</u>	<u>\$ 1,767,651</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (84,422)	\$ (8,158)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	24,996	24,661
(Increase) decrease in operating assets:		
Accounts receivable	(165,083)	183,704
Flex plan receivable	3,730	1,225
Prepaid expenses	529	(1,562)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(25,466)	53,119
	<u>(25,466)</u>	<u>53,119</u>
Net cash provided (used) by operating activities	<u>\$ (245,716)</u>	<u>\$ 252,989</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	\$ -	\$ (16,588)
Investment in other assets	(19,777)	-
	<u>\$ (19,777)</u>	<u>\$ (16,588)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on long term debt	<u>\$ (6,673)</u>	<u>\$ (6,350)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>\$ (272,166)</u>	<u>\$ 230,051</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>330,277</u>	<u>100,226</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 58,111</u></u>	<u><u>\$ 330,277</u></u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during year for interest	<u><u>\$ 14,541</u></u>	<u><u>\$ 14,816</u></u>

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

CROSSROADS MENTAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

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, Madison, 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, Madison, 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, 2011 and 2010

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. The Medicaid receivable was estimated based on the current years cost report and the history of reimbursement for the prior two years cost reports.

CROSSROADS MENTAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

Note 2. Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Center maintains its cash balances in three financial institutions where the balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2011 and 2010, 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 period from July 1, 2011 to December 31, 2011 is \$4,050.

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. The remaining commitment under the lease for the period from July 1, 2011 to March 31, 2015 is \$31,500.

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. Another lease is for 60 months beginning on September 13, 2010. Minimum future lease payments are as follows:

Year ending <u>June 30,</u>	
2012	\$ 3,176
2013	3,176
2014	3,176
2015	3,176
2016	529

The Center also has two month to month leases that call for payments of \$150 and \$100 a month.

CROSSROADS MENTAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010

Note 4. Long-Term Debt

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

6-30-2011

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.

\$ 287,186

Less: Current portion

7,000

Total long-term debt

\$ 280,186

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

Year Ended June 30,	<u>USDA</u>		Total USDA
	<u>Principal</u>	<u>Interest</u>	
2012	\$ 7,016	\$ 14,200	\$ 21,216
2013	7,375	13,841	21,216
2014	7,752	13,464	21,216
2015	8,149	13,067	21,216
2016	8,566	12,650	21,216
Thereafter	<u>248,328</u>	<u>125,869</u>	<u>374,197</u>
Total	<u>\$ 287,186</u>	<u>\$ 193,091</u>	<u>\$ 480,277</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, 2011 and 2010

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

	<u>6-30-2011</u>	<u>6-30-2010</u>
Tax sheltered annuities	\$ 83,375	\$ 88,230
Other benefits	<u>69,706</u>	<u>71,244</u>
Total	<u>\$153,081</u>	<u>\$159,474</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 4.5% of their annual salary and the Center is required to contribute 6.95% of annual covered payroll. Contribution requirements are established by state statute. The Center's contribution to IPERS for the years ended June 30, 2011 and June 30, 2010, was \$73,207 and \$73,307.

Note 6. Restricted Cash

The restricted cash balance of \$21,216 on June 30, 2011 and 2010, 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, 2011 and 2010.

Note 8. Subsequent Events

Management has evaluated subsequent events through January 5, 2012, the date on which the financial statements were available to be issued.

Note 9. Risk Management

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

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, 2011, and have issued our report thereon dated January 5, 2012. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2011-A and 2011-B to be material weaknesses.

## 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 January 5, 2012.

Crossroads Mental Health Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the Center's responses, we did not audit Crossroads Mental Health Center's responses and, accordingly, we express no opinion on them.

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, Mickelson + Co., P.C.*

January 5, 2012

CROSSROADS MENTAL HEALTH CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESSES

2011-A      USE OF ESTIMATES – We noted the accounts receivable for the current year Medicaid cost report reimbursement was materially understated. After reviewing the prior two years cost reports for units of service, cost per unit of service and the reimbursement received, Management adjusted the receivable. This is a repeat finding from the prior year.

Recommendation – We recommend management use all available information to make reasonable estimates when they are required.

Response – Management will make every effort in the future to evaluate the Agency’s estimated accrued revenue from Medicaid throughout the year. Additionally, once the cost report is completed, a further review of the estimates will be made and adjusted accordingly.

Conclusion – Response acknowledged.

2011-B      REVENUE RECOGNITION – We noted that no revenue had been recorded for one grant for the year. Management subsequently recorded the revenue. This is a repeat finding from the prior year.

Recommendation – We recommend management review all grants for the year to make sure that all revenue that has been earned has been properly recorded in the period during which it was earned. Management may need to adopt additional procedures to follow at year-end to accomplish this.

Response – Regarding future grant revenues, management will work to assure that revenue will be recorded in the year it is earned.

Conclusion – Response acknowledged.

To the Board of Directors  
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, 2011, 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 identify deficiencies in internal control that we consider to be material weaknesses, as defined above, described in the Schedule of Findings and Responses as items 2011-A and 2011-B.

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.*

January 5, 2012

CROSSROADS MENTAL HEALTH CENTER  
MANAGEMENT LETTER MEMORANDUM

A. Incorrect Recording

We noted that certain assets acquired with grant funds were incorrectly recorded as a debit against the revenue account. The result of this recording error was an understatement of assets and revenue. This error was corrected prior to issuance of the audited financial statements. All revenue and related expenditures should be appropriately recorded and not netted against each other.