CROSSROADS MENTAL HEALTH CENTER
CRESTON, IOWA

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

Years Ended June 30, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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 19, 2013, 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 19, 2013

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS	2012	2011
CURRENT ASSETS		
Cash, including certificates of deposit (2012 $22,495; 2011 $20,485)	$ 382,249	$ 58,111
Accounts receivable, client fees, net of allowance for doubtful accounts and billing adjustments (2012 $63,634; 2011 $56,223)	148,479	131,186
Accounts receivable, other	240,265	469,022
Flex plan receivable	1,327	-
Prepaid expenses	11,246	12,651
Total current assets	$ 783,566	$ 670,970
PROPERTY AND EQUIPMENT, at cost		
Building	$ 450,428	$ 450,428
Furniture and equipment	224,364	205,057
Land	15,000	15,000
	$ 689,792	$ 670,485
Less accumulated depreciation	(395,531)	(368,026)
Net property and equipment	$ 294,261	$ 302,459
OTHER ASSETS		
Restricted cash	$ 21,216	$ 21,216
Other assets	192	19,777
	$ 21,408	$ 40,993
Total assets	$ 1,099,235	$ 1,014,422

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

LIABILITIES AND NET ASSETS	2012	2011
CURRENT LIABILITIES		
Accounts payable	$ 3,580	$ 6,657
Accrued vacation pay	103,333	108,078
Accrued interest payable	575	575
Flex plan payable	-	1,350
Accrued fringe payable	18,043	10,730
IPERS payable	-	201
Deferred revenue	7,049	16,953
Current portion long-term debt	7,375	7,000
Total current liabilities	$ 139,955	$ 151,544
LONG-TERM LIABILITIES		
Note payable - Farmers Home Administration	$ 280,170	$ 287,186
Less current portion	(7,375)	(7,000)
Total long-term liabilities	$ 272,795	$ 280,186
Total liabilities	$ 412,750	$ 431,730
NET ASSETS		
Unrestricted net assets		
Designated for unemployment compensation	$ 20,716	$ 20,716
Designated for capital expenditures	13,805	13,805
Undesignated	598,382	526,955
Unrestricted net assets	$ 632,903	$ 561,476
Temporarily restricted net assets		
Loan reserve account	$ 21,216	$ 21,216
Contributions	32,366	-
Temporarily restricted net assets	$ 53,582	$ 21,216
Total net assets	$ 686,485	$ 582,692
Total liabilities and net assets	$ 1,099,235	$ 1,014,422

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
County funding grants	$ 498,535	$ 404,358
Client fees:		
Mental health	713,713	651,681
IDSA, Action Now	363,501	393,667
Special grants	60,539	43,823
Consultation	1,400	1,363
Federal block grant	46,206	42,552
Other income	37,154	45,817
Total support and revenue	$ 1,721,048	$ 1,583,261
EXPENSES		
Program services	$ 1,234,922	$ 1,330,785
Support services	414,699	336,895
Total expenses	$ 1,649,621	$ 1,667,680
Increase (Decrease) in unrestricted net assets	$ 71,427	$ (84,419)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	$ 32,366	$ -
Increase in temprarily restricted net assets	$ 32,366	$ -
INCREASE (DECREASE) IN NET ASSETS	$ 103,793	$ (84,419)
NET ASSETS AT BEGINNING OF YEAR	582,692	667,111
NET ASSETS AT END OF YEAR	$ 686,485	$ 582,692

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

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services	Support Services	Total
EXPENSES			
Salaries	$ 778,564	$ 290,880	$ 1,069,444
Payroll tax	67,516	14,821	82,337
Work comp insurance	4,417	969	5,386
Fringe benefits	118,215	25,950	144,165
IPERS	68,336	15,000	83,336
Continuing education	5,297	1,765	7,062
Accounting and audit	-	11,890	11,890
Advertising	2,450	212	2,662
Program material	-	-	-
Computer expense	8,898	2,966	11,864
Equipment repairs	2,323	6,968	9,291
Insurance	10,183	3,395	13,578
Interest	10,718	3,573	14,291
Office	-	11,108	11,108
Postage	-	2,676	2,676
Dues	3,089	1,030	4,119
Psychiatric testing	133	-	133
Rent	16,833	5,611	22,444
Telephone	14,478	762	15,240
Travel	25,843	1,360	27,203
Grounds maintenance	4,364	1,455	5,819
Depreciation	20,629	6,876	27,505
Janitorial	3,791	1,264	5,055
Utilities	9,209	3,069	12,278
Miscellaneous	2,171	724	2,895
Legal	-	-	-
Child care	-	375	375
ATR expenses	35,872	-	35,872
Block grant expenses	21,593	-	21,593
Total expense	$ 1,234,922	$ 414,699	$ 1,649,621

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

	Program Services	Support Services	Total
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
Total expense	$ 1,330,787	$ 336,893	$ 1,667,680

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

CROSSROADS MENTAL HEALTH CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 103,793	$ (84,422)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	27,505	24,996
(Increase) decrease in operating assets:		
Accounts receivable	211,464	(165,083)
Flex plan receivable	(1,327)	3,730
Prepaid expenses	1,405	529
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(11,964)	(25,466)
Net cash provided (used) by operating activities	$ 330,876	$ (245,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	$ (19,307)	$ -
(Increase) decrease in investment in other assets	19,585	(19,777)
	$ 278	$ (19,777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long term debt	$ (7,016)	$ (6,673)
NET INCREASE (DECREASE) IN CASH	$ 324,138	$ (272,166)
CASH AT BEGINNING OF YEAR	58,111	330,277
CASH AT END OF YEAR	$ 382,249	$ 58,111
Supplemental disclosure of cash flow information		
Cash paid during year for interest	$ 14,200	$ 14,541

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

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.

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.

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, 2012 and 2011, the Center had uninsured cash balances of $19,025 and $0, respectively.

Note 3. Operating Leases

Crossroads Mental Health Center entered into a 2 year lease agreement on April 1, 2012, for office space in Osceola. The lease calls for a payment of $8,460 per year payable for the first 12 months and $8,700 per year payable for the last 12 months in equal monthly installments. The lease expires March 31, 2014. The remaining commitment under the lease for the period from July 1, 2012 to April 30, 2014 is $15,045.

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, 2012 to March 31, 2015 is $23,100.

The Center entered into a 1 year lease on December 19, 2011 for office space in Corning. The lease calls for a payment of $2,400 a year payable in monthly installments. The remaining commitment under the lease for the period from July 1, 2012 to December 18, 2012 is $1,116.

The Center has entered into operating leases with a company for copier equipment for the Center. One lease is for 48 months beginning on May 15, 2009. Another lease is for 36 months beginning on June 30, 2012. Another lease is for 60 months beginning on September 13, 2010. Minimum future lease payments are as follows:

Year ending June 30,	
2013	$ 6,304
2014	4,805
2015	4,669
2016	529

Note 4. Long-Term Debt

The Center's long-term debt consisted of the following:	6-30-2012
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.	$ 280,170
Less: Current portion	7,375
Total long-term debt	$ 272,795

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

Year Ended June 30,	USDA Principal	USDA Interest	Total USDA
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
2017	9,004	12,212	21,216
Thereafter	239,324	113,657	352,981
Total	$ 280,170	$ 178,891	$ 459,061

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:

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

	6-30-2012	6-30-2011
Tax sheltered annuities	$ 82,070	$ 83,375
Other benefits	62,095	69,706
Total	$144,165	$153,081

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 5.38% of their annual salary and the Center is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. The Center's contribution to IPERS for the years ended June 30, 2012 and June 30, 2011, was $83,336 and $73,207.

Note 6. Restricted Cash

The restricted cash balance of $21,216 on June 30, 2012 and 2011, 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, 2012 and 2011.

Note 8. Subsequent Events

Starting in December 2012 the Center added Adair County to its service area and started providing services to the citizens of the county.

Management has evaluated subsequent events through January 19, 2013, 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

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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, 2012, and have issued our report thereon dated January 19, 2013. 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

Management of Crossroads Mental Health Center is responsible for establishing and maintaining effective 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

This report is intended solely for the information and use of management, others within the entity, 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.

Draper, Snodgrass, Mickelson + Co., P.C.

January 19, 2013