

CROSSROADS BEHAVIORAL HEALTH SERVICES  
CRESTON, IOWA

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

Years Ended June 30, 2013 and 2012

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Crossroads Behavioral Health Services  
Creston, IA

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

We have audited the accompanying financial statements of Crossroads Behavioral Health Services (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads Behavioral Health Services as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2013, on our consideration of Crossroads Behavioral Health Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Crossroads Behavioral Health Services' internal control over financial reporting and compliance.

*Drapen, Smidgrasso, Middelstein + Co., P.C.*

December 13, 2013



LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 9,347	\$ 3,580
Accrued vacation pay	10,211	103,333
Vacation buyback	34,423	-
Accrued interest payable	561	575
Flex plan payable	624	-
Accrued fringe payable	1,350	18,043
Other accounts payable	325	-
Unemployment tax payable	1,071	-
Deferred revenue	-	7,049
Current portion long-term debt	7,750	7,375
Total current liabilities	<u>\$ 65,662</u>	<u>\$ 139,955</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable - Farmers Home Administration	\$ 272,798	\$ 280,170
Less current portion	(7,750)	(7,375)
Total long-term liabilities	<u>\$ 265,048</u>	<u>\$ 272,795</u>
Total liabilities	<u>\$ 330,710</u>	<u>\$ 412,750</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	856,488	598,382
Unrestricted net assets	<u>\$ 891,009</u>	<u>\$ 632,903</u>
Temporarily restricted net assets		
Loan reserve account	\$ 21,216	\$ 21,216
Contributions	33,249	32,366
Temporarily restricted net assets	<u>\$ 54,465</u>	<u>\$ 53,582</u>
Total net assets	<u>\$ 945,474</u>	<u>\$ 686,485</u>
Total liabilities and net assets	<u><u>\$ 1,276,184</u></u>	<u><u>\$ 1,099,235</u></u>

CROSSROADS BEHAVIORAL HEALTH SERVICES  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
County funding grants	\$ 537,582	\$ 498,535
Client fees:		
Mental health	824,180	713,713
IDSA, Action Now	348,207	363,501
Special grants	83,813	60,539
Consultation	2,100	1,400
Federal block grant	31,019	46,206
Other income	53,225	37,154
	<u>\$ 1,880,126</u>	<u>\$ 1,721,048</u>
Net assets released from restrictions	<u>32,366</u>	<u>-</u>
Total support and revenue and reclassifications	<u>\$ 1,912,492</u>	<u>\$ 1,721,048</u>
EXPENSES		
Program services	\$ 1,169,415	\$ 1,234,922
Support services	<u>484,971</u>	<u>414,699</u>
Total expenses	<u>\$ 1,654,386</u>	<u>\$ 1,649,621</u>
Increase in unrestricted net assets	<u>\$ 258,106</u>	<u>\$ 71,427</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 33,249	\$ 32,366
Net assets released from restrictions	<u>(32,366)</u>	<u>-</u>
Increase in temporarily restricted net assets	<u>\$ 883</u>	<u>\$ 32,366</u>
INCREASE IN NET ASSETS	\$ 258,989	\$ 103,793
NET ASSETS AT BEGINNING OF YEAR	<u>686,485</u>	<u>582,692</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 945,474</u></u>	<u><u>\$ 686,485</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, 2013

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
EXPENSES			
Salaries	\$ 734,336	\$ 298,058	\$ 1,032,394
Payroll tax	66,108	23,147	89,255
Work comp insurance	3,823	1,552	5,375
Fringe benefits	81,662	56,447	138,109
IPERS	60,980	25,290	86,270
Continuing education	3,966	209	4,175
Accounting and audit	-	9,336	9,336
Advertising	143	106	249
Program material	150	-	150
Computer expense	25,982	5,267	31,249
Equipment repairs	4,073	12,216	16,289
Insurance	10,438	3,479	13,917
Interest	10,372	3,457	13,829
Office	-	16,749	16,749
Postage	-	2,419	2,419
Dues	969	323	1,292
Psychiatric testing	1,077	-	1,077
Rent	20,145	6,715	26,860
Telephone	17,364	914	18,278
Travel	24,911	1,311	26,222
Grounds maintenance	9,586	3,195	12,781
Depreciation	19,912	6,638	26,550
Janitorial	4,438	1,480	5,918
Utilities	9,147	3,049	12,196
Miscellaneous	4,210	1,404	5,614
Legal	-	510	510
Contract services	9,000	-	9,000
ATR expenses	41,524	-	41,524
	<u>41,524</u>	<u>-</u>	<u>41,524</u>
Total expense	<u>\$ 1,164,316</u>	<u>\$ 483,271</u>	<u>\$ 1,647,587</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, 2012

	<u>Program Services</u>	<u>Support Services</u>	<u>Total</u>
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
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
	<u>          </u>	<u>          </u>	<u>          </u>
Total expense	<u>\$ 1,234,922</u>	<u>\$ 414,699</u>	<u>\$ 1,649,621</u>

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

CROSSROADS BEHAVIORAL HEALTH SERVICES  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 258,989	\$ 103,793
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	26,550	27,505
(Increase) decrease in operating assets:		
Accounts receivable	(132,950)	211,464
Flex plan receivable	1,327	(1,327)
Prepaid expenses	(1,372)	1,405
Deposits	(5,800)	-
Decrease in operating liabilities		
Accounts payable and accrued expenses	(74,293)	(11,964)
	<u>\$ 72,451</u>	<u>\$ 330,876</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	\$ -	\$ (19,307)
Decrease in investment in other assets	146	19,585
	<u>\$ 146</u>	<u>\$ 278</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on long term debt	\$ (7,747)	\$ (7,016)
<b>NET INCREASE IN CASH</b>	<b>\$ 64,850</b>	<b>\$ 324,138</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u>382,249</u>	<u>58,111</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 447,099</u></u>	<u><u>\$ 382,249</u></u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during year for interest	<u>\$ 13,843</u>	<u>\$ 14,541</u>

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

CROSSROADS BEHAVIORAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

Note 1. Organization and Function

The Crossroads Behavioral Health Services (the Organization) 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 Organization 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.

Crossroads Behavioral Health Services 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 Behavioral Health Services which provides alcohol and drug abuse treatment services in Adams, Clarke, Madison, Taylor, Adair, 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 BEHAVIORAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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 Behavioral Health Services 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 year's cost report and the history of reimbursement for the prior two years' cost reports.

CROSSROADS BEHAVIORAL HEALTH SERVICES  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2013 and 2012

Note 2. Significant Accounting Policies (continued)

Concentrations of Credit Risk

The Organization 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, 2013 and 2012, the Organization had uninsured cash balances of \$0 and \$19,025 respectively.

Note 3. Operating Leases

Crossroads Behavioral Health Services 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, 2013 to April 30, 2014 is \$6,525.

The Organization 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, 2013 to March 31, 2015 is \$14,700.

The Organization entered into a 1 year lease agreement on December 19, 2012 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, 2013 to December 18, 2013 is \$1,116.

The Organization entered into an eleven month lease agreement on January 1, 2013, for office space in Greenfield. The lease calls for a payment of \$400 monthly. The remaining commitment under the lease for the period from July 1, 2013 to November 30, 2013 is \$2,000.

The Organization has entered into operating leases with a company for copier equipment for the Organization. One 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 <u>June 30,</u>	
2014	\$ 4,805
2015	4,669
2016	529

CROSSROADS BEHAVIORAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

Note 4. Long-Term Debt

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

6-30-2013

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 Organization. Monthly payments of \$1,768 are to be made beginning May 15, 1996, with a maturity date of February 15, 2034.

\$ 272,798

Less: Current portion

7,750

Total long-term debt

\$ 265,048

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

Year Ended June 30,	<u>USDA</u>		Total USDA
	Principal	Interest	
2014	\$ 7,750	\$ 13,466	\$ 21,216
2015	8,149	13,067	21,216
2016	8,566	12,650	21,216
2017	9,004	12,212	21,216
2018	9,465	11,751	21,216
Thereafter	<u>229,864</u>	<u>101,907</u>	<u>331,771</u>
Total	<u>\$ 272,798</u>	<u>\$ 165,053</u>	<u>\$ 437,851</u>

Note 5. Employee Benefit Plan & Retirement Benefits

The Organization 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 Organization made contributions to the plan as follows:

CROSSROADS BEHAVIORAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

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

	<u>6-30-2013</u>	<u>6-30-2012</u>
Tax sheltered annuities	\$ 78,197	\$ 82,070
Other benefits	<u>59,912</u>	<u>62,095</u>
Total	<u>\$138,109</u>	<u>\$144,165</u>

The Organization 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 5.78% of their annual salary and the Organization is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by state statute. The Organization's contribution to IPERS for the years ended June 30, 2013 and June 30, 2012, was \$86,270 and \$83,336.

Note 6. Restricted Cash

The restricted cash balance of \$21,216 on June 30, 2013 and 2012, 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 Organization 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, 2013 and 2012.

Note 8. Subsequent Events

Management has evaluated subsequent events through December 13, 2013, the date on which the financial statements were available to be issued.

CROSSROADS BEHAVIORAL HEALTH SERVICES  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013 and 2012

Note 9. Risk Management

The Organization 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 Organization 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**

INDEPENDENT AUDITOR'S 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 Behavioral Health Services  
P.O. Box 166  
Creston, IA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Crossroads Behavioral Health Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flow for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2013.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Drapen, Smolgrasso, Mikkelsen + Co., P.C.*

December 13, 2013