

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Years Ended June 30, 2010 and 2009**

**Laura J. MacDonald, CPA, Inc.  
135 North Broadway  
Medina, Ohio 44256**

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
Years Ended June 30, 2010 and 2009**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Crossroads: Lake County Adolescent  
Counseling Service, Inc.  
Employer Identification No.: 34-1458441

I have audited the accompanying Consolidated Statements of Financial Position of Crossroads: Lake County Adolescent Counseling Service, Inc. (a non-profit organization) as of June 30, 2010 and 2009, and the related Consolidated Statements of Activities, Functional Expenses and Cash Flows for the years then ended. These financial statements are the responsibility of Crossroads: Lake County Adolescent Counseling Service, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits 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 I plan and perform the audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crossroads: Lake County Adolescent Counseling Service, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated October 22, 2010 on my consideration of Crossroads: Lake County Adolescent Counseling Service, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2010. The purpose of that report is to describe the scope of my 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 and should be considered in assessing the results of my audit.

Board of Trustees  
Crossroads: Lake County Adolescent  
Counseling Service, Inc.  
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My audit was conducted for the purpose of forming an opinion on the basic financial statements of Crossroads: Lake County Adolescent Counseling Service, Inc. taken as a whole. The accompanying Schedule of Federal Awards Expenditures for the year ended June 30, 2010, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "M. D. [unclear]", written in a cursive style.

October 22, 2010

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
June 30, 2010 and 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 1,087,947	\$ 942,901
Cash and cash equivalents, held in brokerage accounts	675,789	484,143
Short-term investments, at cost	568,642	752,743
Cost to market valuation adjustment	1,869	3,580
Grants/contracts receivable	626,578	484,667
Prepaid expenses	8,953	21,028
	<u>2,969,778</u>	<u>2,689,062</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	342,100	224,200
Buildings and improvements	4,955,924	3,573,485
Equipment	1,115,528	1,085,358
Vehicles	47,957	47,957
	<u>6,461,509</u>	<u>4,931,000</u>
Less accumulated depreciation	<u>(2,580,491)</u>	<u>(2,440,906)</u>
	3,881,018	2,490,094
<b>NET PROPERTY AND EQUIPMENT</b>		
	3,881,018	2,490,094
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>		
Reserve for property replacements	5,404	-
<b>INVESTMENTS</b>		
Board restricted, at cost	380,043	380,043
Unrestricted, at cost	3,535,116	3,646,232
	<u>3,915,159</u>	<u>4,026,275</u>
Cost to market valuation adjustment	<u>(356,517)</u>	<u>(766,205)</u>
	3,558,642	3,260,070
<b>INVESTMENTS, AT FAIR MARKET VALUE</b>		
	3,558,642	3,260,070
<b>TOTAL ASSETS</b>		
	<u>\$ 10,414,842</u>	<u>\$ 8,439,226</u>

Please refer to accompanying notes.

<b>LIABILITIES AND NET ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 124,908	\$ 135,268
Accrued expenses:		
Accrued wages	159,875	131,232
Vacation	136,841	172,503
Employee benefits	15,850	43,813
Payroll taxes	21,145	19,017
Interest	34,307	-
Refundable advances	224,465	285,627
Refunds due grantors	2,808	87,681
Other current liabilities	850	45,303
Long-term debt, current portion	<u>58,283</u>	<u>37,981</u>
<b>TOTAL CURRENT LIABILITIES</b>	779,332	958,425
<b>OTHER LIABILITIES</b>		
Long-term debt, less current portion	2,807,036	1,401,839
<b>NET ASSETS</b>		
Unrestricted:		
Unrestricted	6,803,079	6,239,772
Unrealized losses on investments	(354,648)	(762,625)
Board designated	380,043	380,043
Temporarily restricted	-	221,772
Permanently restricted	<u>-</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>6,828,474</u>	<u>6,078,962</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 10,414,842</u>	<u>\$ 8,439,226</u>

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
Years Ended June 30, 2010 and 2009**

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>CHANGES IN NET ASSETS</b>				
<b>SUPPORT AND REVENUE</b>				
Medicaid revenue	\$ 2,237,897	\$ -	\$ -	\$ 2,237,897
Client fees and reimbursements	450,746	-	-	450,746
United Way funding	10,990	-	-	10,990
Donations	27,729	-	-	27,729
Interest and dividend income	127,108	-	-	127,108
Amortization of loan forgiveness	36,949	-	-	36,949
Fundraising and special events, net	18,711	-	-	18,711
Loss on disposal of property	(29,557)	-	-	(29,557)
Other income	3,861	-	-	3,861
	<u>2,884,434</u>	<u>-</u>	<u>-</u>	<u>2,884,434</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Federal program revenue	1,189,150	(1,189,150)	-	-
State and local program revenue	2,693,302	(2,693,302)	-	-
Free Clinic net program revenue	221,772	-	-	221,772
Program revenue released from restrictions	-	3,660,680	-	3,660,680
	<u>4,104,224</u>	<u>(221,772)</u>	<u>-</u>	<u>3,882,452</u>
	6,988,658	(221,772)	-	6,766,886
<b>EXPENSES</b>				
Program services	5,682,275	-	-	5,682,275
Management and general expenses	623,984	-	-	623,984
	<u>6,306,259</u>	<u>-</u>	<u>-</u>	<u>6,306,259</u>
	682,399	(221,772)	-	460,627
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>				
<b>OTHER CHANGES IN NET ASSETS</b>				
Realized gains (losses) on long-term investments	(119,094)	-	-	(119,094)
Unrealized gains (losses) on investments	407,979	-	-	407,979
	<u>288,885</u>	<u>-</u>	<u>-</u>	<u>288,885</u>
<b>INTER-FUND TRANSFERS</b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	971,284	(221,772)	-	749,512
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>5,857,190</u>	<u>221,772</u>	<u>-</u>	<u>6,078,962</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 6,828,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,828,474</u>

Please refer to accompanying notes.

## 2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,851,972	\$ -	\$ -	\$ 1,851,972
367,769	-	-	367,769
33,148	-	-	33,148
456,450	-	-	456,450
146,758	-	-	146,758
36,924	-	-	36,924
(4,343)	-	-	(4,343)
-	-	-	-
4,640	-	-	4,640
<u>2,893,318</u>	<u>-</u>	<u>-</u>	<u>2,893,318</u>
924,874	(924,874)	-	-
3,188,617	(3,188,617)	-	-
-	-	-	-
-	4,113,491	-	4,113,491
<u>4,113,491</u>	<u>-</u>	<u>-</u>	<u>4,113,491</u>
7,006,809	-	-	7,006,809
6,185,451	2,114	-	6,187,565
676,263	-	-	676,263
<u>6,861,714</u>	<u>2,114</u>	<u>-</u>	<u>6,863,828</u>
145,095	(2,114)	-	142,981
(141,178)	-	-	(141,178)
<u>(576,160)</u>	<u>-</u>	<u>-</u>	<u>(576,160)</u>
(717,338)	-	-	(717,338)
<u>(1,224)</u>	<u>1,224</u>	<u>-</u>	<u>-</u>
(573,467)	(890)	-	(574,357)
<u>6,430,657</u>	<u>222,662</u>	<u>-</u>	<u>6,653,319</u>
<u>\$ 5,857,190</u>	<u>\$ 221,772</u>	<u>\$ -</u>	<u>\$ 6,078,962</u>

**CROSSROADS: LAKE COUNTY  
 ADOLESCENT COUNSELING SERVICE, INC.  
 CONSOLIDATED STATEMENT  
 OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 2010**

	<u>COUNSELING SERVICES</u>	<u>PRE- VENTION SERVICES</u>	<u>COMMUNITY SUPPORT SERVICES</u>	<u>MEDICAL/ SOMATIC SERVICES</u>	<u>PARTIAL HOSPITAL- IZATION SERVICES</u>	<u>EARLY HEAD START</u>
Salaries and wages	\$ 793,075	\$ 660,148	\$ 825,716	\$ 278,113	\$ 459,727	\$ 424,882
Employee benefits and payroll taxes	153,982	125,135	158,107	51,753	86,447	78,758
Contract/professional services	41,327	37,582	56,460	5,032	38,219	26,519
Rent and insurance	11,814	18,829	11,795	1,306	9,710	22,263
Repairs and maintenance	34,808	18,620	34,776	2,575	65,591	62,359
Utilities	22,249	4,686	18,672	1,328	22,903	3,031
Supplies	22,947	40,177	20,466	2,106	39,855	14,895
Office expense	31,749	16,257	27,530	2,455	11,315	66,334
Travel	9,935	28,930	47,257	73	6,951	16,822
Interest	9,753	14,623	6,002	600	10,353	20,584
Wrap around services	-	-	81	-	67	883
Cluster/other services	-	-	-	-	-	-
Depreciation	56,794	21,386	42,945	4,738	54,511	23,618
Other	9,291	23,417	13,715	2,018	6,865	20,367
	<u>\$ 1,197,724</u>	<u>\$ 1,009,790</u>	<u>\$ 1,263,522</u>	<u>\$ 352,097</u>	<u>\$ 812,514</u>	<u>\$ 781,315</u>

Please refer to accompanying notes.

OTHER SERVICES	PROGRAM SERVICES TOTAL	MANAGEMENT AND GENERAL			CROSS- ROADS TOTAL	FREE CLINIC HOLDING COMPANY	CONSOL- IDATED TOTAL
		CROSS- ROADS	MAY HAYDEN	TOTAL			
\$ 3,849	\$ 3,445,510	\$ 379,720	\$ 72,187	\$ 451,907	\$ 3,897,417	\$ -	\$ 3,897,417
666	654,848	71,247	9,053	80,300	735,148	-	735,148
(11,494)	193,645	10,542	129	10,671	204,316	(10,600)	193,716
31	75,748	3,416	-	3,416	79,164	-	79,164
815	219,544	8,757	-	8,757	228,301	350	228,651
-	72,869	5,311	-	5,311	78,180	6,418	84,598
2,601	143,047	5,223	191	5,414	148,461	-	148,461
75	155,715	8,248	2,686	10,934	166,649	71	166,720
15,018	124,986	4,154	212	4,366	129,352	-	129,352
-	61,915	2,401	-	2,401	64,316	-	64,316
37,668	38,699	-	-	-	38,699	-	38,699
202,327	202,327	-	-	-	202,327	-	202,327
-	203,992	15,178	-	15,178	219,170	23,932	243,102
(8,269)	67,404	10,339	14,990	25,329	92,733	1,855	94,588
<u>\$ 243,287</u>	<u>\$ 5,660,249</u>	<u>\$ 524,536</u>	<u>\$ 99,448</u>	<u>\$ 623,984</u>	<u>\$ 6,284,233</u>	<u>\$ 22,026</u>	<u>\$ 6,306,259</u>

CROSSROADS: LAKE COUNTY  
 ADOLESCENT COUNSELING SERVICE, INC.  
 CONSOLIDATED STATEMENT  
 OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 2009

	<u>COUNSELING SERVICES</u>	<u>PRE- VENTION SERVICES</u>	<u>COMMUNITY SUPPORT SERVICES</u>	<u>MEDICAL/ SOMATIC SERVICES</u>	<u>PARTIAL HOSPITAL- IZATION SERVICES</u>	<u>EARLY HEAD START</u>
Salaries and wages	\$ 965,508	\$ 692,479	\$ 1,107,841	\$ 301,687	\$ 490,989	\$ 361,875
Employee benefits and payroll taxes	178,484	129,400	209,233	50,047	91,817	68,498
Contract/professional services	52,634	102,248	60,242	5,383	27,747	25,663
Rent and insurance	9,610	5,128	17,753	897	7,367	35,166
Repairs and maintenance	31,304	32,820	25,873	2,232	45,808	11,820
Utilities	25,527	10,245	15,831	1,571	27,098	488
Supplies	20,652	48,118	27,545	1,773	47,287	12,942
Office expense	14,817	11,478	29,229	2,736	8,387	6,616
Travel	13,155	23,179	64,068	127	3,373	14,276
Interest	11,167	1,031	6,872	687	11,854	-
Wrap around services	-	-	-	-	63	117
Cluster/other services	-	-	-	-	-	-
Depreciation	60,696	14,993	47,949	4,650	55,945	12,977
Other	22,640	34,147	25,645	2,816	15,273	12,113
	<u>\$ 1,406,194</u>	<u>\$ 1,105,266</u>	<u>\$ 1,638,081</u>	<u>\$ 374,606</u>	<u>\$ 833,008</u>	<u>\$ 562,551</u>

Please refer to accompanying notes.

OTHER SERVICES	PROGRAM SERVICES TOTAL	MANAGEMENT AND GENERAL			CROSS- ROADS TOTAL	FREE CLINIC HOLDING COMPANY	CONSOL- IDATED TOTAL
		CROSS- ROADS	MAY HAYDEN	TOTAL			
\$ 5,037	\$ 3,925,416	\$ 402,111	\$ 79,839	\$ 481,950	\$ 4,407,366	\$ -	\$ 4,407,366
1,014	728,493	73,619	11,044	84,663	813,156	-	813,156
37,864	311,781	27,310	14,242	41,552	353,333	10,600	363,933
2,932	78,853	2,271	-	2,271	81,124	-	81,124
3,336	153,193	7,510	-	7,510	160,703	-	160,703
-	80,760	6,284	-	6,284	87,044	-	87,044
6,894	165,211	3,584	158	3,742	168,953	-	168,953
-	73,263	5,674	2,279	7,953	81,216	25	81,241
10,839	129,017	5,135	481	5,616	134,633	36	134,669
-	31,611	2,749	-	2,749	34,360	-	34,360
36,385	36,565	-	-	-	36,565	-	36,565
145,128	145,128	-	-	-	145,128	-	145,128
69	197,279	14,659	-	14,659	211,938	(8,547)	203,391
16,247	128,881	13,592	3,722	17,314	146,195	-	146,195
<u>\$ 265,745</u>	<u>\$ 6,185,451</u>	<u>\$ 564,498</u>	<u>\$ 111,765</u>	<u>\$ 676,263</u>	<u>\$ 6,861,714</u>	<u>\$ 2,114</u>	<u>\$ 6,863,828</u>

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 749,512	\$ (574,357)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	243,102	203,391
Amortization of loan forgiveness	(36,949)	(36,924)
Realized (gains) losses on investments	119,094	141,178
Unrealized (gains) losses on investments	(407,979)	576,160
Loss on disposal of property	29,557	-
(Increase) decrease in assets:		
Grants/contracts receivable	(141,911)	37,234
Prepaid expenses	12,075	5,829
Increase (decrease) in liabilities:		
Accounts payable	(10,360)	(54,918)
Accrued expenses	1,453	24,737
Refunds due grantors/refundable advances	(146,035)	76,533
Other current liabilities	(44,453)	43,002
	<u>367,106</u>	<u>441,865</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
	367,106	441,865
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Replacement reserve deposits	(5,404)	-
Net sales (purchases) of investments	176,125	(289,849)
Capital expenditures	(1,663,583)	(71,670)
	<u>(1,492,862)</u>	<u>(361,519)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
	(1,492,862)	(361,519)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings under long-term debt agreements	1,500,000	-
Principal payments on long-term debt	(37,552)	(237,817)
	<u>1,462,448</u>	<u>(237,817)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
	1,462,448	(237,817)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	336,692	(157,471)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,427,044</u>	<u>1,584,515</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,763,736</u>	<u>\$ 1,427,044</u>

Please refer to accompanying notes.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying consolidated financial statements include the accounts of Crossroads: Lake County Adolescent Counseling Service, Inc. (the Agency) and its wholly-owned subsidiary: the "Free Clinic Holding Company" (the Free Clinic). Significant intercompany transactions have been eliminated in consolidation.

Crossroads was incorporated in 1984 as a private non-profit organization for the purpose of providing mental health and chemical dependency counseling services to the youth of Lake County. Prior to 1984, the organization operated as the "Lake County Free Clinic". The Lake County Free Clinic was established in 1971. In 1978, the Free Clinic Holding Company was established for the purpose of retaining title to, and assuming any related debt obligations of, the Lake County Free Clinic's office building.

Crossroads provides the following specific services:

**Counseling Services**

The Agency has a professional staff of social workers and counselors available for individualized outpatient treatment programs for children and adolescents having a variety of emotional and behavioral problems.

**Prevention Services**

The Agency's prevention programs are designed to increase awareness, provide information, and enhance understanding of chemical dependency and mental health issues, and to provide early intervention with adolescents who might not otherwise seek professional advice.

**Community Support Services**

The Agency's Community Support workers identify, develop and coordinate formal and informal resources in partnership with families, and assist in accessing other intensive mental health services. They also work with children and families in the home and community utilizing family strengths.

**Medical/Somatic Services**

The Agency's psychiatrists and nursing staff specialize in providing services to children and their families, and perform psychiatric evaluations and consultations as well as medical management services, which are coordinated with other treatment programs.

**Partial Hospitalization Services**

Crossroads' Partial Hospitalization Program is available to children with severe impairments in social, emotional and academic functioning. This program provides a highly structured daily setting which includes art and recreational therapy and individual and group counseling within a certified academic classroom.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Early Head Start**

The Early Head Start Program assists parents as well as their day-care providers to ensure optimal development of infants and toddlers.

The Agency's primary sources of support and revenue include Medicaid reimbursements, Lake County ADAMHS Board funding, Federal, State and Local grant revenues and client fees.

**Accounting Basis**

The accompanying consolidated financial statements have been prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America, as prescribed in the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Not-For-Profit Organizations*. The following information summarizes the accounting basis:

**Financial Statement Presentation**

The Agency classifies net assets, revenues, gains and other support and expenses based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported in three categories, as follows:

**Unrestricted Net Assets**

Unrestricted net assets are either not subject to donor-imposed stipulations or are subject to such restrictions but those restrictions have been met in the same fiscal period that the revenue is recorded.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.

**Permanently Restricted Net Assets**

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Agency.

**Grants/Contracts Receivable/Refundable Advances**

Grants and contracts receivable are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. Refundable advances represent unexpended grant award funds received.

**Property and Equipment**

Property and equipment is stated at cost. Renewals and betterments are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Gains and losses on asset retirement or disposition are reflected in the Statements of Activities.

CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

**Property and Equipment (Continued)**

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	30 years
Equipment	5 - 10 years
Vehicles	10 years

**Support**

In accordance with Statement of Financial Accounting Standards No. 117, expended grant revenues are reflected as unrestricted support in the accompanying Consolidated Statements of Activities.

**Accounting for Planned Major Maintenance Activities**

As permitted by FSP AUG AIR-1, all planned major maintenance activities are expensed as incurred.

**Volunteer Services**

The Agency operates with the help of certain volunteers whose services, which benefit all Agency programs, have not been included in support or expenses in the accompanying financial statements because they don't meet the recognition guidelines outlined in Statement of Financial Accounting Standards No. 116, Accounting for Contributions Received and Contributions Made.

**Investments**

Investments in debt and equity securities are reported at fair value, in accordance with Statement of Financial Accounting Standards No. 124. Realized and unrealized gains and losses associated with such securities are recorded in the Consolidated Statements of Activities.

**Fair Value Measurements**

The Agency has adopted SFAS No. 157, Fair Value Measurements, which provides clarification and guidance regarding reporting of financial instruments at fair value. In accordance with SFAS No. 157, fair value is defined as the price that the Agency would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. SFAS No. 157 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability based on market data obtained from sources independent of the reporting entity (observable

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Fair Value Measurements (Continued)**

inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Agency's investments. The inputs are summarized in the three levels, required by SFAS No. 157, and listed below:

Level 1 – Inputs represent unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access as of the measurement date.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets.

Level 3 – Unobservable inputs supported by little or no market activity significant to the fair value measurements.

The following is a summary of the inputs used as of June 30, 2010 and 2009 in valuing the Agency's investments carried at fair value:

<u>June 30, 2010</u>		<u>Fair Value Measurements</u>		
<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 675,789	\$ 675,789	-	-
Mutual Funds	2,201,663	2,201,663	-	-
Equities	154,376	154,376	-	-
Fixed Income Securities	<u>1,773,114</u>	<u>1,674,184</u>	<u>98,932</u>	<u>-</u>
	<u>\$4,804,942</u>	<u>\$4,706,010</u>	<u>\$ 98,932</u>	<u>\$ -</u>
<u>June 30, 2009</u>				
<u>Investment Category</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and Cash Equivalents	\$ 484,143	\$ 484,143	-	-
Mutual Funds	1,539,664	1,539,664	-	-
Equities	273,447	273,447	-	-
Fixed Income Securities	<u>2,203,282</u>	<u>2,082,051</u>	<u>121,231</u>	<u>-</u>
	<u>\$4,500,536</u>	<u>\$4,379,305</u>	<u>\$ 121,231</u>	<u>\$ -</u>

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Income Taxes**

The Agency is a private non-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. None of the Agency's present or anticipated future activities are subject to taxation as unrelated business income. Therefore, no provision for income taxes has been made in the accompanying consolidated financial statements.

During the year ended June 30, 2010, the Agency adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48) *Accounting for Uncertainty in Income Taxes* that requires the disclosure of uncertain tax positions. There have been no interest or penalties recognized in the accompanying Consolidated Statements of Financial Position or the Consolidated Statements of Activities relating to uncertain tax positions. Additionally, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease during the next 12 months. The Agency evaluates uncertain tax positions, if any, on a continual basis.

**Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make certain estimates that affect the amount of assets, liabilities, revenues and expenses reported in the financial statements. Actual results could differ from those estimates.

**Concentration of Risk**

Grants and contracts receivable are due primarily from governmental agencies.

The Agency maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. As of June 30, 2010, the Agency had cash deposits of \$911,018 in excess of federally insured limits.

**Consolidated Statements of Cash Flows**

The Agency considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest totaled \$30,009 and \$34,360 for the years ended June 30, 2010 and 2009, respectively. There were no cash payments for income taxes during the years ended June 30, 2010 and 2009.

**Disclosure of Subsequent Events**

The Agency is required to disclose the date through which subsequent events have been evaluated, in accordance with the requirements of FASB ASC Paragraph 855-10-50-1. The Agency has evaluated all events that occurred from July 1, 2010 through the date the accompanying financial statements were issued (October 22, 2010) for proper accounting and disclosure in the accompanying financial statements.

**Reclassifications**

Certain balances in the June 30, 2009 financial statements have been reclassified to conform with the 2010 presentation.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Functional Allocation of Expenses**

The costs of providing counseling services and other activities have been summarized on a functional basis in the Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated between program expenses and management and general expenses using various allocation methods which attempt to allocate the costs equitably in relation to the benefits provided.

**NOTE 2 – INVESTMENTS**

The Agency's investments consist of internally restricted funds available from operations (reported in Crossroads Operating Fund) and investments associated with contributions of property and cash provided by a major donor (reported in the May Hayden Fund). A summary of short and long-term investments by fund is as follows:

	<u>Operating Fund</u>		<u>May Hayden Fund</u>		<u>Total</u>	
	<u>Original Cost</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Fair Value</u>
<b><u>June 30, 2010:</u></b>						
<b><u>Cash and Cash Equivalents</u></b>	\$ 437,790	\$ 437,790	\$ 237,999	\$ 237,999	\$ 675,789	\$ 675,789
<b><u>Short-Term Investments</u></b>						
Fixed Income Securities	\$ 351,970	\$ 351,618	\$ 216,672	\$ 218,893	\$ 568,642	\$ 570,511
<b><u>Long-Term Investments</u></b>						
Mutual Funds	\$943,101	\$825,717	\$1,581,086	\$1,375,946	\$2,524,187	\$2,201,663
Equities	-	-	198,003	154,376	198,003	154,376
Fixed Income Securities	<u>799,963</u>	<u>816,575</u>	<u>393,006</u>	<u>386,028</u>	<u>1,192,969</u>	<u>1,202,603</u>
	<u>\$1,743,064</u>	<u>\$1,642,292</u>	<u>\$2,172,095</u>	<u>\$1,916,350</u>	<u>\$3,915,159</u>	<u>\$3,558,642</u>
<b>Grand Totals</b>	<u>\$2,532,824</u>	<u>\$2,431,700</u>	<u>\$2,626,766</u>	<u>\$2,373,242</u>	<u>\$5,159,590</u>	<u>\$4,804,942</u>
<b><u>June 30, 2009:</u></b>						
<b><u>Cash and Cash Equivalents</u></b>	\$ 302,271	\$ 302,271	\$ 181,872	\$ 181,872	\$ 484,143	\$ 484,143
<b><u>Short-Term Investments</u></b>						
Fixed Income Securities	\$ 628,134	\$ 631,286	\$ 124,609	\$ 125,037	\$ 752,743	\$ 756,323
<b><u>Long-Term Investments</u></b>						
Mutual Funds	\$707,322	\$470,846	\$1,420,496	\$1,068,818	\$2,127,818	\$1,539,664
Equities	20,353	11,359	419,731	262,088	440,084	273,447
Fixed Income Securities	<u>964,131</u>	<u>966,742</u>	<u>494,242</u>	<u>480,217</u>	<u>1,458,373</u>	<u>1,446,959</u>
	<u>\$1,691,806</u>	<u>\$1,448,947</u>	<u>\$2,334,469</u>	<u>\$1,811,123</u>	<u>\$4,026,275</u>	<u>\$3,260,070</u>
<b>Grand Totals</b>	<u>\$2,622,211</u>	<u>\$2,382,504</u>	<u>\$2,640,950</u>	<u>\$2,118,032</u>	<u>\$5,263,161</u>	<u>\$4,500,536</u>

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 2 – INVESTMENTS (Continued)**

Unrealized appreciation (depreciation) and interest and dividend income associated with short and long term investments as of June 30, 2010 and 2009 and for the years then ended is as follows:

	Operating Fund		May Hayden Fund		Total	
	Unrealized Apprec / Deprec	Interest / Dividend Income	Unrealized Apprec / Deprec	Interest / Dividend Income	Unrealized Apprec / Deprec	Interest / Dividend Income
<b>June 30, 2010:</b>						
<u>Cash and Cash Equivalents</u>	\$ -	\$ 656	\$ -	\$ 357	\$ -	\$ 1,013
<u>Short-Term Investments</u>						
Fixed Income Securities	\$ (352)	\$ 8,707	\$ 2,221	\$ 7,137	\$ 1,869	\$ 15,844
<u>Long-Term Investments</u>						
Mutual Funds	(\$117,384)	\$14,270	(\$205,140)	\$25,726	(\$322,524)	\$ 39,996
Equities	-	-	(43,627)	4,747	(43,627)	4,747
Fixed Income Securities	<u>16,612</u>	<u>37,515</u>	<u>(6,978)</u>	<u>16,348</u>	<u>9,634</u>	<u>53,863</u>
	<u>(\$100,772)</u>	<u>\$51,785</u>	<u>(\$255,745)</u>	<u>\$46,821</u>	<u>(\$356,517)</u>	<u>\$ 98,606</u>
<b>Grand Totals</b>	<b><u>(\$101,124)</u></b>	<b><u>\$61,148</u></b>	<b><u>(\$253,524)</u></b>	<b><u>\$54,315</u></b>	<b><u>(\$354,648)</u></b>	<b><u>\$115,463</u></b>
<b>June 30, 2009:</b>						
<u>Cash and Cash Equivalents</u>	\$ -	\$ 151	\$ -	\$ 38	\$ -	\$ 189
<u>Short-Term Investments</u>						
Fixed Income Securities	\$ 3,152	\$19,061	\$ 428	\$ 4,606	\$ 3,580	\$ 23,667
<u>Long-Term Investments</u>						
Mutual Funds	(\$236,476)	\$ 9,348	(\$351,678)	\$24,434	(\$588,154)	\$ 33,782
Equities	(8,994)	1,438	(157,643)	8,007	(166,637)	9,445
Fixed Income Securities	<u>2,611</u>	<u>45,782</u>	<u>(14,025)</u>	<u>20,091</u>	<u>(11,414)</u>	<u>65,873</u>
	<u>(\$242,859)</u>	<u>\$56,568</u>	<u>(\$523,346)</u>	<u>\$52,532</u>	<u>(\$766,205)</u>	<u>\$109,100</u>
<b>Grand Totals</b>	<b><u>(\$239,707)</u></b>	<b><u>\$75,780</u></b>	<b><u>(\$522,918)</u></b>	<b><u>\$57,176</u></b>	<b><u>(\$762,625)</u></b>	<b><u>\$132,956</u></b>

Investment fees totaled \$9,931 and \$9,487 for the years ended June 30, 2010 and 2009, respectively.

**NOTE 3 – RETIREMENT BENEFITS**

The Agency has a defined contribution retirement plan, which covers eligible employees, as defined in the Plan Document. The Agency has agreed to make voluntary annual contributions to the Plan, at the discretion of the Board of Trustees, to be computed based on a percentage of eligible salaries. The contributions for fiscal 2010 and 2009 totaled \$15,850 and \$48,538, respectively, and were based on .5% of eligible salaries for the year ended June 30, 2010, and 1.22% of eligible salaries for the year ended June 30, 2009.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 4 - GRANTS/CONTRACTS RECEIVABLE**

The grants/contracts receivable balance consists of the following as of June 30, 2010 and 2009:

<u>Program</u>	<u>2010</u>	<u>2009</u>
Title XIX, Medicaid, Federal funds	\$238,822	\$206,155
Title XIX, Medicaid, Local funds	91,326	132,743
School Counseling/Therapeutic Services	70,074	54,658
Juvenile Court	32,797	14,432
Lake County DJFS	77,738	24,626
Family and Children First Council	16,615	27,519
Lake County Board of MRDD	21,973	4,054
Lake County ADAMHS Board	61,561	-
Other	<u>15,672</u>	<u>20,480</u>
	<u>\$626,578</u>	<u>\$484,667</u>

**NOTE 5 – REFUNDABLE ADVANCES**

The refundable advances account balance as of June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Lake County Board of Alcohol, Drug Addiction and Mental Health Services: Grant Revenue	\$113,733	\$222,705
Fee for Service Advance	62,632	-
Early Head Start Program	-	1,728
Suicide Prevention Conference	-	12,650
Other	<u>48,100</u>	<u>48,544</u>
	<u>\$224,465</u>	<u>\$285,627</u>

**NOTE 6 – REFUNDS DUE GRANTORS**

Refunds due grantors represent unexpended grant funds which are required to be returned to the Lake County ADAMHS Board. The balance in this account totaled \$2,808 and \$87,681 as of June 30, 2010 and 2009, respectively.

**NOTE 7 – LINE OF CREDIT**

In addition to the long-term debt discussed in Note 8, the Agency has a \$300,000 line of credit available for working capital purposes. There were no borrowings against this line of credit as of June 30, 2010 and 2009.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 8 - LONG-TERM DEBT**

Long-term debt consists of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Promissory note payable to U.S. Dept. of Agriculture, in monthly installments of \$7,520 including interest at 4.25%; beginning in November, 2010 through October, 2040; secured by related property and accounts receivable.	\$1,500,000	-
Mortgage note payable to bank, in monthly installments of \$5,630 including interest at 6.20% through March 2014; with the remaining balance payable in one balloon payment due on April 15, 2019; secured by related property.	\$ 456,802	\$ 494,355
Non-interest bearing notes payable to Ohio Department of Mental Health; principal portion being forgiven in 480 equal monthly installments ranging from \$2,211 to \$3,216, through 2040.	<u>908,517</u>	<u>945,465</u>
	2,865,319	1,439,820
Less current portion	<u>(58,283)</u>	<u>(37,981)</u>
Long-term portion	<u>\$2,807,036</u>	<u>\$1,401,839</u>

The Promissory note payable to the U.S. Department of Agriculture requires a payment on October 28, 2010, of interest only from inception (in October of 2009) through September, 2010, totaling \$51,460. This loan also requires the Agency to deposit \$772 per month into a reserve account for a period of 10 years or until the balance in this account amounts to \$92,700. This account is to be restricted for the purpose of property replacements or improvements. As replacements or improvements are made and reserve funds are used, additional deposits of \$772 monthly will be required until the account is replenished. As of June 30, 2010, the balance in this account totaled \$5,404.

The non-interest bearing notes payable to the Ohio Department of Mental Health (ODMH) are being forgiven monthly by ODMH, over a 40 year period, providing the Agency does not violate any covenants associated with this agreement. These loan covenants require, among other things, that the Agency continuously use the related facility for approved mental health services, that they comply with the laws of the State of Ohio and the Administrative Rule of ODMH and that they make all tax and insurance payments on a timely basis. As of June 30, 2010, and 2009, the Agency was in compliance with all debt covenants.

Future maturities of long-term debt, excluding the notes payable to ODMH, are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2011	\$58,283
2012	70,768
2013	74,714
2014	78,887
2015	83,302
Thereafter	1,590,848

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 9 – NONCANCELLABLE OPERATING LEASES**

The Agency is obligated under various operating leases for facilities and equipment with terms of one year or less. Rent expense for the years ended June 30, 2010 and 2009 totaled \$66,045 and \$73,339, respectively.

**NOTE 10 – EARLY HEAD START PROGRAM – MATCHING REQUIREMENT**

The Early Head Start Program is funded by the U.S. Department of Health and Human Services, which requires that this program receive non-federal funds equal to 20% of the total funding received. This program had expenditures totaling \$796,747 and \$596,574 during the years ended June 30, 2010 and 2009, respectively. The non-federal funding in the form of in-kind contributions of volunteer services, during each of these periods, totaled approximately \$196,000 for the year ended June 30, 2010, and \$163,000 for the year ended June 30, 2009. These amounts have not been recorded in the financial statements because they do not meet the recognition guidelines outlined in the Statement of Financial Accounting Standards No. 116. Crossroads met the non-federal funding requirements for the Early Head Start Program for each of the years ended June 30, 2010 and 2009.

**NOTE 11 – RESTATEMENT OF PRIOR YEAR NET ASSETS**

Permanently restricted net assets as of June 30, 2009 consisted of proceeds invested from the sale of certain properties received from the estate of May W. Hayden. These investments were originally reported as permanently restricted net assets. However, during 2010, management completed an analysis of the history of this inheritance. Based on review of a legal opinion dating back to November, 1994 and management's recommendations, the Board of Trustees has determined that this inheritance is more appropriately reported as an unrestricted/Board designated net asset in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the 2009 Statement of Financial Position has been restated to reclassify \$380,043 from permanently restricted net assets to unrestricted/Board designated net assets.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Trustees  
Crossroads: Lake County Adolescent  
Counseling Service, Inc.  
Employer Identification No.: 34-1458441

My report on my audits of the consolidated financial statements of Crossroads: Lake County Adolescent Counseling Service, Inc., as of and for the years ended June 30, 2010 and 2009, appears on page 1 of this report. I conducted my audits 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, for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in the accompanying Supplementary Schedules is presented only for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 22, 2010

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SUPPLEMENTARY CONSOLIDATING STATEMENT  
OF FINANCIAL POSITION  
June 30, 2010**

	CROSSROADS			FREE CLINIC HOLDING COMPANY	CONSOLIDATED TOTAL
	OPERATING FUND	MAY HAYDEN FUND	TOTAL		
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 1,021,312	\$ -	\$ 1,021,312	\$ 66,635	\$ 1,087,947
Cash and cash equivalents, held in brokerage accounts	437,790	237,999	675,789	-	675,789
Short-term investments, at cost	351,970	216,672	568,642	-	568,642
Cost to market valuation adjustment	(352)	2,221	1,869	-	1,869
Grants/contracts receivable	626,578	-	626,578	-	626,578
Inter-fund receivables/payables	(12,092)	(201,152)	(213,244)	213,244	-
Prepaid expenses	8,953	-	8,953	-	8,953
<b>TOTAL CURRENT ASSETS</b>	<b>2,434,159</b>	<b>255,740</b>	<b>2,689,899</b>	<b>279,879</b>	<b>2,969,778</b>
<b>PROPERTY AND EQUIPMENT</b>					
Land	342,100	-	342,100	-	342,100
Buildings and improvements	4,955,924	-	4,955,924	-	4,955,924
Equipment	992,378	-	992,378	123,150	1,115,528
Vehicles	-	-	-	47,957	47,957
	6,290,402	-	6,290,402	171,107	6,461,509
Less accumulated depreciation	(2,409,384)	-	(2,409,384)	(171,107)	(2,580,491)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>3,881,018</b>	<b>-</b>	<b>3,881,018</b>	<b>-</b>	<b>3,881,018</b>
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>					
	5,404	-	5,404	-	5,404
<b>INVESTMENTS</b>					
Board restricted, at cost	-	380,043	380,043	-	380,043
Unrestricted, at cost	1,743,064	1,792,052	3,535,116	-	3,535,116
	1,743,064	2,172,095	3,915,159	-	3,915,159
Cost to market valuation adjustment	(100,772)	(255,745)	(356,517)	-	(356,517)
<b>INVESTMENTS AT FAIR MARKET VALUE</b>	<b>1,642,292</b>	<b>1,916,350</b>	<b>3,558,642</b>	<b>-</b>	<b>3,558,642</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,962,873</b>	<b>\$ 2,172,090</b>	<b>\$ 10,134,963</b>	<b>\$ 279,879</b>	<b>\$ 10,414,842</b>

Please refer to Auditor's Report on Supplementary Information.

	<u>CROSSROADS</u>			<u>FREE CLINIC HOLDING COMPANY</u>	<u>CONSOLIDATED TOTAL</u>
	<u>OPERATING FUND</u>	<u>MAY HAYDEN FUND</u>	<u>TOTAL</u>		
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 123,364	\$ 1,544	\$ 124,908	\$ -	\$ 124,908
Accrued expenses:					
Wages	159,875	-	159,875	-	159,875
Vacation	132,451	4,390	136,841	-	136,841
Employee benefits	15,850	-	15,850	-	15,850
Payroll taxes	21,145	-	21,145	-	21,145
Interest	34,307	-	34,307	-	34,307
Refundable advances	224,465	-	224,465	-	224,465
Refunds due grantors	2,808	-	2,808	-	2,808
Other current liabilities	850	-	850	-	850
Long-term debt, current portion	58,283	-	58,283	-	58,283
<b>TOTAL CURRENT LIABILITIES</b>	<b>773,398</b>	<b>5,934</b>	<b>779,332</b>	<b>-</b>	<b>779,332</b>
<b>OTHER LIABILITIES</b>					
Long-term debt, less current portion	2,807,036	-	2,807,036	-	2,807,036
<b>NET ASSETS</b>					
Unrestricted:					
Unrestricted	4,483,563	2,039,637	6,523,200	279,879	6,803,079
Unrealized losses on investments	(101,124)	(253,524)	(354,648)	-	(354,648)
Board designated	-	380,043	380,043	-	380,043
Temporarily restricted	-	-	-	-	-
Permanently restricted	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>4,382,439</b>	<b>2,166,156</b>	<b>6,548,595</b>	<b>279,879</b>	<b>6,828,474</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,962,873</b>	<b>\$ 2,172,090</b>	<b>\$ 10,134,963</b>	<b>\$ 279,879</b>	<b>\$ 10,414,842</b>

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SUPPLEMENTARY CONSOLIDATING STATEMENT  
OF FINANCIAL POSITION  
June 30, 2009**

	<u>CROSSROADS</u>			<u>FREE CLINIC HOLDING COMPANY</u>	<u>CONSOLIDATED TOTAL</u>
	<u>OPERATING FUND</u>	<u>MAY HAYDEN FUND</u>	<u>TOTAL</u>		
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash	\$ 701,399	\$ -	\$ 701,399	\$ 241,502	\$ 942,901
Cash and cash equivalents, held in brokerage accounts	302,271	181,872	484,143	-	484,143
Short-term investments, at cost	628,134	124,609	752,743	-	752,743
Cost to market valuation adjustment	3,152	428	3,580	-	3,580
Grants/contracts receivable	484,667	-	484,667	-	484,667
Inter-fund receivables/payables	189,891	(146,229)	43,662	(43,662)	-
Prepaid expenses	21,028	-	21,028	-	21,028
<b>TOTAL CURRENT ASSETS</b>	<b>2,330,542</b>	<b>160,680</b>	<b>2,491,222</b>	<b>197,840</b>	<b>2,689,062</b>
<b>PROPERTY AND EQUIPMENT</b>					
Land	224,200	-	224,200	-	224,200
Buildings and improvements	3,573,485	-	3,573,485	-	3,573,485
Equipment	962,208	-	962,208	123,150	1,085,358
Vehicles	-	-	-	47,957	47,957
	4,759,893	-	4,759,893	171,107	4,931,000
Less accumulated depreciation	(2,293,731)	-	(2,293,731)	(147,175)	(2,440,906)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>2,466,162</b>	<b>-</b>	<b>2,466,162</b>	<b>23,932</b>	<b>2,490,094</b>
<b>INVESTMENTS</b>					
Restricted, at cost	-	380,043	380,043	-	380,043
Unrestricted, at cost	1,691,806	1,954,426	3,646,232	-	3,646,232
	1,691,806	2,334,469	4,026,275	-	4,026,275
Cost to market valuation adjustment	(242,859)	(523,346)	(766,205)	-	(766,205)
<b>INVESTMENTS AT FAIR MARKET VALUE</b>	<b>1,448,947</b>	<b>1,811,123</b>	<b>3,260,070</b>	<b>-</b>	<b>3,260,070</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,245,651</b>	<b>\$ 1,971,803</b>	<b>\$ 8,217,454</b>	<b>\$ 221,772</b>	<b>\$ 8,439,226</b>

	CROSSROADS			FREE CLINIC HOLDING COMPANY	CONSOLIDATED TOTAL
	OPERATING FUND	MAY HAYDEN FUND	TOTAL		
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 135,240	\$ 28	\$ 135,268	\$ -	\$ 135,268
Accrued expenses:					
Wages	125,929	5,303	131,232	-	131,232
Vacation	168,029	4,474	172,503	-	172,503
Employee benefits	43,813	-	43,813	-	43,813
Payroll taxes	18,611	406	19,017	-	19,017
Refundable advances	285,627	-	285,627	-	285,627
Refunds due grantors	87,681	-	87,681	-	87,681
Other current liabilities	45,303	-	45,303	-	45,303
Long-term debt, current portion	37,981	-	37,981	-	37,981
<b>TOTAL CURRENT LIABILITIES</b>	<b>948,214</b>	<b>10,211</b>	<b>958,425</b>	<b>-</b>	<b>958,425</b>
<b>OTHER LIABILITIES</b>					
Long-term debt, less current portion	1,401,839	-	1,401,839	-	1,401,839
<b>NET ASSETS</b>					
Unrestricted:					
Unrestricted	4,135,305	2,104,467	6,239,772	-	6,239,772
Unrealized losses on investments	(239,707)	(522,918)	(762,625)	-	(762,625)
Board designated	-	380,043	380,043	-	380,043
Temporarily restricted	-	-	-	221,772	221,772
Permanently restricted	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>3,895,598</b>	<b>1,961,592</b>	<b>5,857,190</b>	<b>221,772</b>	<b>6,078,962</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,245,651</b>	<b>\$ 1,971,803</b>	<b>\$ 8,217,454</b>	<b>\$ 221,772</b>	<b>\$ 8,439,226</b>

CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SUPPLEMENTARY CONSOLIDATING STATEMENT  
OF ACTIVITIES  
Year Ended June 30, 2010

	CROSSROADS			FREE CLINIC HOLDING COMPANY	CONSOLI- DATED TOTAL
	OPERATING FUND	MAY HAYDEN FUND	TOTAL		
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>					
<b>UNRESTRICTED SUPPORT AND REVENUE</b>					
Medicaid revenue	\$ 2,237,897	\$ -	\$ 2,237,897	\$ -	\$ 2,237,897
Client fees and reimbursements	450,746	-	450,746	-	450,746
United Way funding	10,990	-	10,990	-	10,990
Donations	-	27,729	27,729	-	27,729
Interest and dividend income	71,417	55,558	126,975	133	127,108
Amortization of loan forgiveness	36,949	-	36,949	-	36,949
Realized gains (losses) on long-term investments	(59,282)	(59,812)	(119,094)	-	(119,094)
Unrealized gains (losses) on long-term investments	138,585	269,394	407,979	-	407,979
Fundraising and special events, net of related expenses	7,787	10,924	18,711	-	18,711
Loss on disposal of property	(29,557)	-	(29,557)	-	(29,557)
Other income	3,642	219	3,861	-	3,861
	<u>2,869,174</u>	<u>304,012</u>	<u>3,173,186</u>	<u>133</u>	<u>3,173,319</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
Federal program revenue	1,109,150	-	1,109,150	80,000	1,189,150
State and local program revenue	2,693,302	-	2,693,302	-	2,693,302
Free Clinic net program revenue	-	-	-	221,772	221,772
	<u>3,802,452</u>	<u>-</u>	<u>3,802,452</u>	<u>301,772</u>	<u>4,104,224</u>
	<u>6,671,626</u>	<u>304,012</u>	<u>6,975,638</u>	<u>301,905</u>	<u>7,277,543</u>
<b>UNRESTRICTED EXPENSES</b>					
<b>PROGRAM SERVICES</b>					
Counseling Services	1,197,724	-	1,197,724	-	1,197,724
Prevention Services	1,009,790	-	1,009,790	-	1,009,790
Community Support Services	1,263,522	-	1,263,522	-	1,263,522
Medical/Somatic Services	352,097	-	352,097	-	352,097
Partial Hospitalization Services	812,514	-	812,514	-	812,514
Early Head Start Services	781,315	-	781,315	-	781,315
Other Services	243,287	-	243,287	-	243,287
Free Clinic Holding Co.	-	-	-	22,026	22,026
	<u>5,660,249</u>	<u>-</u>	<u>5,660,249</u>	<u>22,026</u>	<u>5,682,275</u>
<b>MANAGEMENT AND GENERAL EXPENSES</b>					
	<u>524,536</u>	<u>99,448</u>	<u>623,984</u>	<u>-</u>	<u>623,984</u>
	<u>6,184,785</u>	<u>99,448</u>	<u>6,284,233</u>	<u>22,026</u>	<u>6,306,259</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>					
	<u>486,841</u>	<u>204,564</u>	<u>691,405</u>	<u>279,879</u>	<u>971,284</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
Federal program revenue	1,109,150	-	1,109,150	80,000	1,189,150
State and local program revenue	2,693,302	-	2,693,302	-	2,693,302
Program revenue released from restrictions	(3,802,452)	-	(3,802,452)	(80,000)	(3,882,452)
Release of restrictions on Free Clinic program revenue	-	-	-	(221,772)	(221,772)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(221,772)</u>	<u>(221,772)</u>
<b>INCREASE IN NET ASSETS</b>					
	<u>486,841</u>	<u>204,564</u>	<u>691,405</u>	<u>58,107</u>	<u>749,512</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>					
	<u>3,895,598</u>	<u>1,961,592</u>	<u>5,857,190</u>	<u>221,772</u>	<u>6,078,962</u>
<b>NET ASSETS AT END OF YEAR</b>					
	<u>\$ 4,382,439</u>	<u>\$ 2,166,156</u>	<u>\$ 6,548,595</u>	<u>\$ 279,879</u>	<u>\$ 6,828,474</u>

Please refer to Auditor's Report on Supplementary Information.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SUPPLEMENTARY CONSOLIDATING STATEMENT  
OF ACTIVITIES  
Year Ended June 30, 2009**

	CROSSROADS			FREE CLINIC HOLDING COMPANY	CONSOLI- DATED TOTAL
	OPERATING FUND	MAY HAYDEN FUND	TOTAL		
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>					
<b>UNRESTRICTED SUPPORT AND REVENUE</b>					
Medicaid revenue	\$ 1,851,972		\$ 1,851,972	\$ -	\$ 1,851,972
Client fees and reimbursements	367,769		367,769	-	367,769
United Way funding	33,148		33,148	-	33,148
Donations	445,370	11,080	456,450	-	456,450
Interest and dividend income	83,446	62,088	145,534	1,224	146,758
Amortization of loan forgiveness	36,924		36,924	-	36,924
Fundraising, net of related expenses	-	(4,343)	(4,343)	-	(4,343)
Other income	4,640		4,640	-	4,640
	<u>2,823,269</u>	<u>68,825</u>	<u>2,892,094</u>	<u>1,224</u>	<u>2,893,318</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>					
Federal program revenue	924,874	-	924,874	-	924,874
State and local program revenue	3,188,617	-	3,188,617	-	3,188,617
	<u>4,113,491</u>	<u>-</u>	<u>4,113,491</u>	<u>-</u>	<u>4,113,491</u>
	<u>6,936,760</u>	<u>68,825</u>	<u>7,005,585</u>	<u>1,224</u>	<u>7,006,809</u>
<b>UNRESTRICTED EXPENSES</b>					
<b>PROGRAM SERVICES</b>					
Counseling Services	1,406,194	-	1,406,194	-	1,406,194
Prevention Services	1,105,266	-	1,105,266	-	1,105,266
Community Support Services	1,638,081	-	1,638,081	-	1,638,081
Medical/Somatic Services	374,606	-	374,606	-	374,606
Partial Hospitalization Services	833,008	-	833,008	-	833,008
Early Head Start Services	562,551	-	562,551	-	562,551
Other Services	265,745	-	265,745	-	265,745
Free Clinic Holding Co.	-	-	-	2,114	2,114
	<u>6,185,451</u>	<u>-</u>	<u>6,185,451</u>	<u>2,114</u>	<u>6,187,565</u>
<b>MANAGEMENT AND GENERAL EXPENSES</b>	<u>564,498</u>	<u>111,765</u>	<u>676,263</u>	<u>-</u>	<u>676,263</u>
	<u>6,749,949</u>	<u>111,765</u>	<u>6,861,714</u>	<u>2,114</u>	<u>6,863,828</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>186,811</u>	<u>(42,940)</u>	<u>143,871</u>	<u>(890)</u>	<u>142,981</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>					
Federal program revenue	924,874	-	924,874	-	924,874
State and local program revenue	3,188,617	-	3,188,617	-	3,188,617
Program revenue released from restrictions	(4,113,491)	-	(4,113,491)	-	(4,113,491)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<u>186,811</u>	<u>(42,940)</u>	<u>143,871</u>	<u>(890)</u>	<u>142,981</u>
<b>OTHER CHANGES IN NET ASSETS</b>					
Realized losses on long-term investments	(21,014)	(120,164)	(141,178)	-	(141,178)
Unrealized losses on investments	(148,963)	(427,197)	(576,160)	-	(576,160)
	<u>(169,977)</u>	<u>(547,361)</u>	<u>(717,338)</u>	<u>-</u>	<u>(717,338)</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>16,834</u>	<u>(590,301)</u>	<u>(573,467)</u>	<u>(890)</u>	<u>(574,357)</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>3,878,764</u>	<u>2,551,893</u>	<u>6,430,657</u>	<u>222,662</u>	<u>6,653,319</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 3,895,598</u>	<u>\$ 1,961,592</u>	<u>\$ 5,857,190</u>	<u>\$ 221,772</u>	<u>\$ 6,078,962</u>

Please refer to Auditor's Report on Supplementary Information.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
Year Ended June 30, 2010**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Agriculture		
Direct Award:		
Community Facilities Loan	10.780	\$ 1,500,000
Community Facilities Grant	10.780	<u>80,000</u>
<b>TOTAL, U.S. DEPARTMENT OF AGRICULTURE</b>		<b>1,580,000</b>
U.S. Department of Health and Human Services:		
Direct Award:		
Head Start Cluster:		
Early Head Start	93.600	\$ 752,744
ARRA Early Head Start	93.709	<u>44,053</u>
<b>SUBTOTAL, HEAD START CLUSTER</b>		<b>796,797</b>
Passed through Lake County Department of Job and Family Services:		
Temporary Assistance for Needy Families	93.558	10,327
Passed through Lake County Board of Alcohol, Drug Addiction and Mental Health Services:		
-Federal Child Care Mandatory and Matching Funds	93.596	49,324
-Title XX Program	93.667	26,441
-Substance Prevention and Treatment Block Grants:		
Federal Treatment - Counseling Youth/Family	93.959	5,602
Federal Treatment - Residential Placements	93.959	11,000
Federal Prevention - Prevention Youth/Family	93.959	<u>200,916</u>
<b>SUBTOTAL, SUBSTANCE PREVENTION AND TREATMENT BLOCK GRANTS</b>		<b>217,518</b>
-Block Grants for Community Mental Health Services	93.958	<u>8,743</u>
<b>TOTAL, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b><u>1,109,150</u></b>
<b>TOTAL FEDERAL EXPENDITURES</b>		<b><u>\$ 2,689,150</u></b>

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
Year Ended June 30, 2010**

**BASIS OF PRESENTATION**

The accompanying Schedule of Federal Awards Expenditures includes the federal grant activity for the year ended June 30, 2010, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Specializing in Audits  
of Non-Profit Agencies

**LAURA J. MACDONALD**  
CPA, INC.

135 North Broadway • Medina, Ohio 44256  
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**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**

To the Board of Trustees  
Crossroads: Lake County Adolescent  
Counseling Service, Inc.  
Mentor, Ohio  
Employer Identification No.: 34-1458441

I have audited the consolidated financial statements of Crossroads: Lake County Adolescent Counseling Service, Inc. (a non-profit organization) as of and for the year ended June 30, 2010, and have issued my report thereon dated October 22, 2010. I conducted my 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.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Crossroads: Lake County Adolescent Counseling Service, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of this organization's Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization'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 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

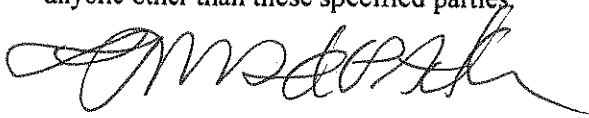
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Crossroads: Lake County Adolescent Counseling Service, Inc.'s financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Board of Trustees  
Crossroads: Lake County Adolescent  
Counseling Service, Inc.  
Mentor, Ohio

However, I noted certain matters that I have reported to the management of Crossroads: Lake County Adolescent Counseling Service, Inc. in a separate letter dated October 22, 2010.

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

A handwritten signature in black ink, appearing to be "M. D. Ash" or similar, written in a cursive style.

October 22, 2010



135 North Broadway • Medina, Ohio 44256  
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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees  
Crossroads: Lake County Adolescent  
Counseling Service, Inc.  
Mentor, Ohio  
Employer Identification No.: 34-1458441

**Compliance**

I have audited the compliance of Crossroads: Lake County Adolescent Counseling Service, Inc. (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2010. Crossroads: Lake County Adolescent Counseling Service, Inc.'s major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Crossroads: Lake County Adolescent Counseling Service, Inc.'s management. My responsibility is to express an opinion on Crossroads: Lake County Adolescent Counseling Service, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crossroads: Lake County Adolescent Counseling Service, Inc.'s compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Crossroads: Lake County Adolescent Counseling Service, Inc.'s compliance with those requirements.

In my opinion, Crossroads: Lake County Adolescent Counseling Service, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2010. However, the results of my auditing procedures disclosed instances of non-compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings as item #2010-01.

The Board of Trustees  
Crossroads: Lake County Adolescent Counseling Service, Inc.  
Mentor, Ohio

**Internal Control Over Compliance**

The management of Crossroads: Lake County Adolescent Counseling Service, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Crossroads: Lake County Adolescent Counseling Service, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Crossroads: Lake County Adolescent Counseling Service, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over compliance that I consider to be significant deficiencies and which are described in the accompanying Schedule of Findings as item #2010-01. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Crossroads: Lake County Adolescent Counseling Service, Inc.'s responses identified in the audit are described in the accompanying Schedule of Findings. I did not audit their responses and, accordingly, I express no opinion on them.

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

A handwritten signature in black ink, appearing to be 'J. M. ...', is written over the text of the report.

October 22, 2010

CROSSROADS: LAKE COUNTY ADOLESCENT  
 COUNSELING SERVICE, INC.  
 SCHEDULE OF FINDINGS  
 June 30, 2010

I. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies in internal control reported at the financial statement level (Generally Accepted Government Auditing Standards)?	No
Were there any material weakness conditions reported at the financial statement level (Generally Accepted Government Auditing Standards)?	No
Was there any material reported noncompliance at the financial statement level (Government Auditing Standards)?	No
Were there any significant deficiencies in internal control reported for major federal programs?	Yes
Were there any material weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any findings relating to major programs under Section 510 (a) of OMB Circular A-133?	Yes
Major Programs:	Community Facilities Loan/Grant; CFDA No. 10.780 Head Start Cluster; CFDA No. 93.600; 93.709
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
Low Risk Auditee?	No

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

NONE

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SCHEDULE OF FINDINGS (Continued)  
Year Ended June 30, 2010**

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**FINDING # 2010-01:**

**Condition**

In April 2010, the Department of Health and Human Services (HHS) conducted an on-site program review of the Early Head Start (EHS) Program and a subsequent follow-up visit was completed in October of 2010. The initial review resulted in the identification of certain instances of non-compliance, many of which management asserts will be cleared as a result of subsequent clarification and supporting documentation presented to the HHS representative during the follow-up visit. As of the date of the auditor's report, no formal correspondence from HHS to this effect has been received. Corrected areas of non-compliance relating to this report include failure to provide adequate training for administrative staff, failure to share monthly financial statements and credit card expenditures with the governing body and Policy Council, and failure to ensure that all in-kind matching contributions were necessary and reasonable. The only uncorrected area of non-compliance resulting from the initial review was the Agency's failure to maintain personnel activity reports for administrative staff compensated in part by EHS funding. The Agency is working diligently to resolve this issue.

**Criteria:**

Cost Principles for Non-Profit Organizations receiving federal funding are detailed in OMB Circular A-122. Included among the factors affecting allowability of costs in 2 CFR Part 230, Appendix A, (A)(2)(b) are that costs charged to a federal grant must conform to any limitations or exclusions set forth in the grant award. Also 2 CFR Part 230, Appendix B, (8)(m)(2) requires that reports reflecting the distribution of activity of each employee must be maintained for all staff whose compensation is charged to federal awards. Program Performance Standards for the Operation of Head Start Programs require a structured approach to staff training and development. The Head Start Act, Section 6-2 requires each Head Start Agency to share monthly financial statements and credit card expenditures with its governing body and Policy Council.

**Effect:**

The effect of these instances of non-compliance does not appear to be material. Several of the findings identified above were also reflected as findings in the Agency's previous on-site program review conducted in June, 2007. Each finding from that review was corrected with new procedures that were approved by the Head Start Regional Office in 2008. The Agency has not changed any procedures instituted from the prior on-site review; however, many of these procedures were unacceptable to the 2010 review team.

**Cause:**

The Early Head Start program accounts for approximately 11% of total Agency revenue. The Agency does not have any other significant Federal Grants. Although Agency administrative personnel have devoted a significant amount of time to maintaining compliance with Federal requirements relating to the Early Head Start program, the unique organizational structure at this Agency makes compliance with certain Head Start requirements a challenge.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.,  
SCHEDULE OF FINDINGS (Continued)  
Year Ended June 30, 2010**

**Questioned Costs**

None

**Current Status:**

The Agency's management team is in the process of addressing the issues raised by the Department of Health and Human Services.

**Recommendation:**

None at this time.

**CROSSROADS: LAKE COUNTY ADOLESCENT  
COUNSELING SERVICE, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2010**

**Year Ended June 30, 2009**

There were no audit findings reported for the year ended June 30, 2009.



# Crossroads

Making a Brighter, Happier and Healthier World for Children

## CORRECTIVE ACTION PLAN

Name of Entity: CROSSROADS: LAKE COUNTY ADOLESCENT COUNSELING SERVICE, INC.  
Audit Firm: LAURA J. MACDONALD, C.P.A. INC.  
Audit Period: YEAR ENDED JUNE 30, 2010

### A. Comments on Findings and Recommendations

#### Finding:

As described in Auditor Finding #02010-01, areas of non-compliance include failure to provide adequate training for administrative staff, failure to share monthly financial statements and credit card expenditures with the governing body and Policy Council, failure to ensure that all in-kind matching contributions were necessary and reasonable, and failure to maintain personnel activity reports for administrative staff compensated in part by EHS funding.

#### Comment:

Crossroads concurs with the auditor's finding #2010-01. During the Department of Health and Human Services (HHS) follow-up visit in November 2010, Crossroads provided the necessary clarification and supporting physical evidence to clear all non-compliance issues. We anticipate we may need to take additional steps to comply with maintaining personnel activity reports for administrative staff compensated in part by EHS funding.

#### Actions Taken or Planned:

We plan to fully comply with the grant's provisions and conditions. We are in the process of developing a Crossroads Personnel Activity Report (PAR) for administrative personnel. We are awaiting a formal letter from HHS documenting their findings from the follow-up review.