

WEST IOWA COMMUNITY MENTAL
HEALTH CENTER

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004 AND 2003

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West Iowa Community Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Hargens	President	2006
Steve Ulmer	Vice-President	2006
Stephanie Wright	Secretary/Treasurer	2005
Sandy Johnson	Member	2007
Diane Withey	Member	2008
Betty Nobiling	Member	2007
Robert J. Meyer	Member	2004
Tonja Koenigs	Executive Director	Indefinite
Ellie Nyblom	Liason	2007

West Iowa Community Mental Health Center

Independent Auditor's Report

To the Board of Directors of
West Iowa Community Mental Health Center

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of West Iowa Community Mental Health Center as of and for the years ended June 30, 2004 and 2003. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Iowa Community Mental Health Center at June 30, 2004 and 2003, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with U.S generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 26, 2004 on our consideration of West Iowa Community Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audits.

MAHONEY & ASSOCIATES L.L.P.
Certified Public Accountants

August 26, 2004
Denison, Iowa

West Iowa Community Mental Health Center

Financial Statements

West Iowa Community Mental Health Center

Exhibit A

Statements of Financial Position

June 30, 2004 and 2003

Assets	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 167,673	\$ 181,848
Accounts receivable, patient services, Less allowance for doubtful accounts of \$37,000 in 2004 and \$42,000 in 2003	43,093	48,771
Grants receivable	63,700	23,477
Prepaid expenses	9,059	8,481
Long-term investments, at cost	120,000	126,000
Property and equipment at cost, less accumulated depreciation of \$152,002 and \$145,020 for June 30, 2004 and June 30, 2003(Note 2)	<u>8,668</u>	<u>15,650</u>
 Total assets	 <u>\$ 412,193</u>	 <u>\$ 404,227</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ <u>4,692</u>	\$ <u>10,404</u>
 Total liabilities	 <u>4,692</u>	 <u>10,404</u>
Net assets -unrestricted	401,501	389,823
- restricted	<u>6,000</u>	<u>4,000</u>
 Total net assets	 <u>407,501</u>	 <u>393,823</u>
 Total liabilities and net assets	 <u>\$ 412,193</u>	 <u>\$ 404,227</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Exhibit B

Statements of Activities

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
UNRESTRICTED NET ASSETS:		
Public support and revenues:		
Public support:		
Crawford County	\$ 174,397	\$ 174,397
Sac County	0	107,000
Mental Health Specialist	21,129	31,694
Tracking and Monitoring Program	170,360	160,000
CSP Block Grant	27,855	29,211
BI/MR Waiver	1,452	0
SCL Program	13,090	17,120
Community Link/Mentoring (Note 3)	97,098	53,737
Contributions	<u>1,210</u>	<u>620</u>
	<u>\$ 506,591</u>	<u>\$ 573,779</u>
Revenues:		
Patient fees and Title XIX	184,067	159,973
Investment income	<u>6,991</u>	<u>8,105</u>
	<u>191,058</u>	<u>168,078</u>
Total public support and revenues	<u>697,649</u>	<u>741,857</u>
Expenses:		
Program services:		
Mental health center programs	355,545	287,782
Support services	<u>330,426</u>	<u>397,968</u>
Total expenses	<u>685,971</u>	<u>685,750</u>
Changes in net unrestricted net assets	<u>11,678</u>	<u>56,107</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Reserve requirement for Title XIX funding	<u>2,000</u>	<u>(600)</u>
Changes in net temporarily restricted net assets	<u>2,000</u>	<u>(600)</u>
Total net changes in net assets	13,678	55,507
Net assets at beginning of year	<u>393,823</u>	<u>338,316</u>
Net assets at end of year	<u>\$ 407,501</u>	<u>\$ 393,823</u>

See notes to financial statements.

West Iowa Community Mental Health Center
 Statements of Functional Expenditures
 Years Ended June 30, 2004 and 2003

Exhibit C

	Program Services Mental Health <u>Center Programs</u>		Support Services Management, <u>and General</u>		<u>Totals</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Salaries	\$ 177,049	\$ 154,618	\$ 168,086	\$ 176,567	\$ 345,135	\$ 331,185
Payroll taxes	14,213	11,927	14,002	14,009	28,215	25,936
Employee group insurance	74,020	61,561	37,114	42,021	111,134	103,582
Term life insurance	363	308	0	0	363	308
Retirement	15,372	0	7,676	6,335	23,048	6,335
Total salaries and related expenses	<u>281,017</u>	<u>228,414</u>	<u>226,878</u>	<u>238,932</u>	<u>507,895</u>	<u>467,346</u>
Consultants	0	5,000	37,581	76,581	37,581	81,581
Rent	8,700	6,135	4,235	2,640	12,935	8,775
Dues and subscriptions	0	0	2,043	2,187	2,043	2,187
Insurance	0	0	12,034	10,043	12,034	10,043
Professional fees	13,611	4,884	3,637	3,889	17,248	8,773
Professional books/tests	0	1,598	386	244	386	1,842
Conferences & workshops	1,750	1,905	2,337	2,627	4,087	4,532
Utilities & telephone	7,212	7,948	6,923	9,654	14,135	17,602
Advertising	1,376	0	2,535	5,457	3,911	5,457
Office operations expense	2,638	6,260	15,036	15,308	17,674	21,568
Provision for doubtful accounts	0	0	2,046	5,664	2,046	5,664
Mileage	19,774	25,638	5,660	10,568	25,434	36,206
Programs - Activities	19,467	0	0	0	19,467	0
Miscellaneous	0	0	2,113	4,356	2,113	4,356
Total expenses before depreciation	<u>355,545</u>	<u>287,782</u>	<u>323,444</u>	<u>388,150</u>	<u>678,989</u>	<u>675,932</u>
Depreciation	0	0	6,982	9,818	6,982	9,818
Total expenses	<u>\$ 355,545</u>	<u>\$ 287,782</u>	<u>\$ 330,426</u>	<u>\$ 397,968</u>	<u>\$ 685,971</u>	<u>\$ 685,750</u>

West Iowa Community Mental Health Center

Exhibit D

Statements of Cash Flow

Years ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Changes in net assets	\$ 11,678	\$ 56,107
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,982	9,818
(Increase) decrease in:		
Receivables	5,678	(3,200)
Grant receivable	(40,223)	38,276
Prepaid expenses	(578)	(1,597)
Increase (decrease) in:		
Accounts payable	(5,712)	5,365
Temporarily restricted net assets	<u>2,000</u>	<u>(600)</u>
Total adjustments	<u>(31,853)</u>	<u>48,062</u>
Net cash provided (used) by operating activities	<u>(20,175)</u>	<u>104,169</u>
Cash flows from investing activities:		
(Purchase) of furniture and equipment	0	(4,938)
(Increase) decrease in long-term investments	<u>6,000</u>	<u>(16,000)</u>
Net cash provided (used) by investing activities	<u>6,000</u>	<u>(20,938)</u>
Cash flows from financing activities:	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(14,175)	83,231
Cash and cash equivalents at beginning of year	<u>181,848</u>	<u>98,617</u>
Cash and cash equivalents at end of year	<u>\$ 167,673</u>	<u>\$ 181,848</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2004 and 2003

(1) Summary of Significant Accounting Policies

A. Reporting Entity

West Iowa Community Mental Health Center is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Crawford and Sac Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Center are organized on the basis of an unrestricted fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets and Liabilities

The following accounting policies are followed in preparing the balance sheets:

Cash and Cash Equivalents - The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statements of cash flows are reported using the indirect method.

Receivables - Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 3 to 5 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences - Center employees accumulate a limited amount of earned but unused sick pay benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and are computed based on rates of pay in effect at June 30, 2004. This amount was determined to be immaterial for the fiscal years ended June 30, 2004 and June 30, 2003.

F. Patient Services Revenue

Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

(2) Plant Assets and Depreciation

A summary of plant assets follows:

	<u>2004</u>	<u>2003</u>
Furniture and Fixtures	\$ 160,670	\$ 160,670
Less: accumulated depreciation	<u>152,002</u>	<u>145,020</u>
Net	\$ <u>8,668</u>	\$ <u>15,650</u>

(3) Grant Funding

West Iowa Community Mental Health Center received funding for its Mentoring Program from the U.S. Department of Education. The funding year was 2002; CFDA No. 84-184B; date was October 1, 2002 through September 30, 2003.

(4) Pension and Retirement Plan

The Center maintains a defined contribution retirement plan as authorized by the Center's by-laws, which was administered by Wells Fargo Brokerage Services, LLC through October 2003. Effective November 1, 2003; the plan is being administered by ePlan Services, Inc. as a Money Purchase Plan. The plan is available to all employees who have worked a minimum of 1,000 hours in the fiscal year.

Under the terms of the plan, the Center contributes an amount equal to 5% of the annual salary for each employee participating in the plan. Amounts credited to individual participants are 50% vested the first year, 75% vested the second year and 100% vested the third year. The accumulated monies are paid upon a participant's retirement or termination.

For the years ended June 30, 2004 and 2003, the Center's required and actual contributions amounted to \$16,227 and \$13,304 respectively, which is 5% of each year's covered payroll of \$324,540 and \$266,080 respectively. The Center's total fiscal year payroll for all employees was \$345,135 for June 30, 2004 and \$334,649 for June 30, 2003.

(5) Subsequent Event

Effective July 1, 2003; Sac County will no longer be associated with the Center. Total receipts for the 2002 – 2003 fiscal year were \$107,000. The Center does not anticipate any problems as a result of this withdrawal.

(6) Center Risk Management

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

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Board of Directors of
West Iowa Community Mental Health Center:

We have audited the financial statements of the West Iowa Community Mental Health Center as of and for the year ended June 30, 2004, and have issued our report thereon dated August 26, 2004. We conducted our audit in accordance with U.S generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of the obtaining reasonable assurance about whether the West Iowa Community Mental Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance 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 non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operation for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Iowa Community Mental Health Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the West Iowa Community Mental Health Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Of the reportable conditions described above, we do not believe any of the items are a material weakness.

This report, a public record by law, is intended solely for the information and use of West Iowa Community Mental Health Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Iowa Community Mental Health Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

MAHONEY & ASSOCIATES, L.L.P.
Certified Public Accountants

August 26, 2004
Denison, Iowa

West Iowa Community Mental Health Center

Schedule of Findings

Year ended June 30, 2004

Findings related to the General Purpose Financial Statements:

REPORTABLE CONDITIONS:

A. Segregation of Duties

During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Center's financial statements. It is recognized that the Center has made reasonable efforts to segregate these duties. Because of staffing limitations, the Center is not able to segregate all incompatible responsibilities.

Recommendation

We realize that with staffing limitations, segregation of duties is difficult. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances. Supervisory review of financial transactions and reports is extremely important when incompatible responsibilities can not be segregated.

Response

We are aware of the need to segregate incompatible duties. We will continue to make improvements when feasible, and provide supervisory review of financial activity.

Conclusion

Response accepted.