

CEDAR VALLEY MENTAL HEALTH CENTER

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
SCHEDULE OF FINDINGS

June 30, 2005

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CEDAR VALLEY MENTAL HEALTH CENTER

BOARD OF DIRECTORS

As of June 30, 2005

	Term Expires*	Name and Address
Bremer County	2006	Kent Hawley, Waverly IA
	2007	Keith Collins, Waverly IA
	2007	Linda Hall, Janesville IA
	2005	Jayne Hall, Waverly IA
Butler County	2006	Kathleen Eberle, Allison IA
	2006	Larry Backer, Clarksville IA
	2007	Paul Schaedig, Parkersburg IA
	2005	Fred Maifeld, Clarksville IA
Chickasaw County	2007	Eleanor Martin, New Hampton IA
	2005	Wendell Hurst, New Hampton IA
	2005	Jim Schueth, New Hampton IA
	2006	Francie Crawford, Fredericksburg IA

* Terms expire as of the annual meeting of each respective year.

OFFICERS:

President

Jayne Hall

Vice-President

Francie Crawford

Secretary

Kathleen Eberle

Treasurer

Fred Maifeld

STAFF:

Executive Director

Carla Janssen, LMHC

Independent Auditor's Report

To the Board of Directors of
Cedar Valley Mental Health Center

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Cedar Valley Mental Health Center, as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Center's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides 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 Cedar Valley Mental Health Center at June 30, 2005 and the results of its operations, changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated September 12, 2005 on my consideration of Cedar Valley Mental Health Center's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations and contracts. 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.


Keith Oltrogge
Certified Public Accountant

September 12, 2005

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION

At June 30, 2005

With Comparative Totals for June 30, 2004

ASSETS	Current Fund Unrestricted	Land Building & Equipment Fund	2005 Total (Memorandum Only)	2004 Total (Memorandum Only)
Cash – operating	\$ 251,523	\$ -	\$ 251,523	\$ 255,142
Accounts receivable, patient services (less allowance for doubtful accounts of \$118,574 and \$112,000 at June 30, 2005 and 2004, respectively)	109,568	-	109,568	89,359
Grants receivable	2,032	-	2,032	20,243
Property and Equipment (Note 2)				
Land and buildings	-	716,267	716,267	716,267
Furniture and fixtures	-	221,389	221,389	219,835
Accumulated depreciation	-	-300,895	-300,895	-285,035
Net construction interest	-	1,267	1,267	1,309
Other assets	9,761	-	9,761	7,858
TOTAL ASSETS	\$ 372,884	\$ 638,028	\$ 1,010,912	\$ 1,024,978
LIABILITIES & NET ASSETS				
Liabilities:				
Accounts payable	\$ 3,104	\$ -	\$ 3,104	\$ 6,517
Accrued payroll	6,282	-	6,282	17,065
Accrued interest	171	-	171	813
Accrued compensated absences	24,968	-	24,968	24,150
Mortgage payable	-	51,915	51,915	74,664
Total Liabilities	\$ 34,525	\$ 51,915	\$ 86,440	\$ 123,209
Net Assets - unrestricted	\$ 338,359	\$ 586,113	\$ 924,472	\$ 901,769
TOTAL LIABILITIES & NET ASSETS	\$ 372,884	\$ 638,028	\$ 1,010,912	\$ 1,024,978

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF ACTIVITIES
At June 30, 2005
With Comparative Totals for June 30, 2004

	Current Fund Unrestricted	Land Building & Equipment Fund	2005 Total (Memorandum Only)	2004 Total (Memorandum Only)
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Butler County	\$ 74,529	\$ -	\$ 74,529	\$ 70,891
Chickasaw County	57,452	-	57,452	56,441
Community Investment Grant & Mental Health Services Block Grant	32,908	-	32,908	31,233
Farm Grant	-	-	-	1,658
United Way support	16,075	-	16,075	12,875
Contributions	100	-	100	7,572
	<u>\$ 181,064</u>	<u>\$ -</u>	<u>\$ 181,064</u>	<u>\$ 180,670</u>
Revenues:				
Patient fees, services & Title XIX	\$ 477,537	\$ -	\$ 477,537	\$ 493,793
Investment income	5,267	-	5,267	5,405
Miscellaneous income	325	-	325	-
Rental income	2,400	-	2,400	7,094
	<u>\$ 485,529</u>	<u>\$ -</u>	<u>\$ 485,529</u>	<u>\$ 506,292</u>
TOTAL PUBLIC SUPPORT & REVENUES	<u>\$ 666,593</u>	<u>\$ -</u>	<u>\$ 666,593</u>	<u>\$ 686,962</u>
EXPENSES:				
Program Services:				
Mental health center programs	\$ 459,005	\$ -	\$ 459,005	\$ 439,260
Support services	168,983	15,902	184,885	172,490
TOTAL EXPENSES	<u>\$ 627,988</u>	<u>\$ 15,902</u>	<u>\$ 643,890</u>	<u>\$ 611,750</u>
Change in net assets	\$ 38,605	\$ -15,902	\$ 22,703	\$ 75,212
Other changes in net assets, property and equipment acquisitions, and debt payments	-24,303	24,303	-	-
Net assets beginning of year	324,057	577,712	901,769	826,557
NET ASSETS END OF YEAR	<u>\$ 338,359</u>	<u>\$ 586,113</u>	<u>\$ 924,472</u>	<u>\$ 901,769</u>

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2005

With Comparative Totals for June 30, 2004

	Program Services Mental Health Center Programs	Support Services, Management & General	2005 Total	2004 Total
Salaries	\$ 300,696	\$ 71,835	\$ 372,531	\$ 345,556
Contract services	87,717	21,053	108,770	107,455
Payroll taxes	23,655	5,606	29,261	26,102
Group health & disability insurance	26,671	7,106	33,777	31,618
Staff development	981	2,861	3,842	2,258
Dues, subscriptions & licenses	1,264	1,961	3,225	1,877
Repair & maintenance	-	5,446	5,446	4,862
Insurance	6,785	5,937	12,722	15,170
Postage	500	2,198	2,698	2,934
Professional fees	928	2,425	3,353	3,714
Travel	5,145	1,642	6,787	6,862
Telephone	-	7,087	7,087	7,166
Utilities	-	6,002	6,002	6,866
Advertising	-	6,528	6,528	4,699
Supplies & office supplies	1,757	9,571	11,328	6,031
Office rent	2,242	-	2,242	2,263
Equipment rent	-	1,617	1,617	1,224
Miscellaneous	664	495	1,159	8,022
Interest expense	-	3,039	3,039	10,886
Bad debt expense	-	6,574	6,574	-
Total Expenses Before Depreciation	\$ 459,005	\$ 168,983	\$ 627,988	\$ 595,565
Other Expenses: Depreciation & amortization	-	15,902	15,902	16,185
TOTAL EXPENSES	\$ 459,005	\$ 184,885	\$ 643,890	\$ 611,750

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

STATEMENTS OF CASH FLOWS

June 30, 2005

With Comparative Totals for June 30, 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 22,703	\$ 75,212
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	15,860	16,143
Amortization	42	42
(Increase) Decrease in Assets:		
Accounts receivable	-20,209	-14,432
Grants receivable	18,211	-11,960
Other assets	-1,903	-3,619
Increase (Decrease) in Liabilities:		
Accounts payable	-3,413	359
Accrued payroll	-10,783	2,992
Accrued compensated absences	818	1,383
Accrued interest	-642	-
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 20,684	\$ 66,120
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	\$ -1,554	\$ -
NET CASH FLOWS USED BY INVESTING ACTIVITIES	\$ -1,554	\$ -
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of debt	\$ -22,749	\$ -98,643
NET CASH FLOWS USED BY FINANCING ACTIVITIES	\$ -22,749	\$ -98,643
Net Decrease in Cash for the Year Ended June 30	\$ -3,619	\$ -32,523
Cash and Cash Equivalents at July 1	255,142	287,665
CASH AND CASH EQUIVALENTS AT JUNE 30, 2005 & 2004	\$ 251,523	\$ 255,142
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 3,039	\$ 10,886
Cash paid for income tax	\$ -	\$ -

See notes to financial statements.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entities

The Cedar Valley 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 Bremer, Butler and Chickasaw 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 provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

B. Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are grouped as follows in the financial statements:

Current Funds:

Unrestricted – The current unrestricted fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitation of its charter and bylaws except for unrestricted amounts invested in land, buildings and equipment that may be accounted for in a separate fund.

The Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current fund and segregates the designated and undesignated portions of the fund within the net asset section of the balance sheet.

Land, Building & Equipment Fund – The land, building and equipment fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the organization.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Purchase of fixed assets providing future benefits are directly charged against the current unrestricted fund balance and capitalized in the land, building and equipment fund.

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, Liabilities and Fund Balances

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.

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.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment – Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 5-60 years.

Interest of \$1,673, which was capitalized during construction of the building, is being amortized over the estimated life of 39.5 years.

Compensated Absences – Center employees accumulate a limited amount of earned but unused vacation and sick leave benefits. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on current rates of pay in effect at June 30, 2005.

Net Patient Service Revenue – Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

F. Total Columns

The total columns on the statements of financial position and the statements of activities are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles.

G. Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 2 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is as follows:

	Balance Beginning Of Year	Additions	Deletions	Balance End Of Year
Land & buildings	\$ 716,267	\$ -	\$ -	\$ 716,267
Furniture & fixtures	219,835	1,554	-	221,389
Total	\$ 936,102	\$ 1,554	\$ -	\$ 937,656

NOTE 3 – OPERATING LEASES

Satellite office locations and some equipment are leased on a month-to-month basis.

NOTE 4 – RELATED PARTIES AND ECONOMIC DEPENDENCY

The Cedar Valley Mental Health Center, during the year ended June 30, 2005, received \$74,529 from Butler County and \$57,452 from Chickasaw County for operating assistance. One member of the Chickasaw and Butler County Boards of Supervisors also serves as a voting member on the Board of Directors of the Cedar Valley Mental Health Center.

NOTE 5 – CASH AND INVESTMENTS

The Center's deposits at June 30, 2005 were not entirely covered by Federal depository insurance. The Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

NOTE 6 – CONCENTRATIONS OF CREDIT RISK

The Center maintains its cash in bank deposit accounts at two financial institutions, which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash. At June 30, 2005, the Center's uninsured cash balance was approximately \$88,252.

CEDAR VALLEY MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 7 – LONG-TERM DEBT

Lender	6-30-05 Loan Balance	Current Portion	Interest Rate	Due Date	Security
First National Bank- Waverly	<u>\$51,915</u>	<u>\$17,224</u>	6.0%	8-14-28	Real Estate-Office Building

Lender	6-30-04 Loan Balance	Current Portion	Interest Rate	Due Date	Security
First National Bank- Waverly	<u>\$74,664</u>	<u>\$16,087</u>	6.85%	8-14-28	Real Estate-Office Building

The following is a schedule of future maturities of the above long-term debt as of June 30, 2005:

Year Ending	Amount
June 30, 2006	\$ 17,224
June 30, 2007	18,442
June 30, 2008	16,249
	<u>\$ 51,915</u>

NOTE 8 – CENTER RISK MANAGEMENT

Cedar Valley 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. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 9 – IN-KIND DONATIONS

Directors and officers of the Cedar Valley Mental Health Center provide various in-kind volunteer services for legal, financial and administrative assistance. The value of these services is not reflected in these financial statements.

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

To the Board of Directors
Cedar Valley Mental Health Center

I have audited the financial statements of the Cedar Valley Mental Health Center as of and for the year ended June 30, 2005, and have issued my report thereon dated September 12, 2005. I conducted my 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 obtaining reasonable assurance about whether the Cedar Valley Mental Health Center's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Center. Since my 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 my audit, I considered Cedar Valley Mental Health Center's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted no matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Cedar Valley Mental Health Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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. My 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.

This report is intended for the information of Cedar Valley Mental Health Center. However, this report is a matter of public record and its distribution is not limited.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Cedar Valley Mental Health Center during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge
Certified Public Accountant

September 12, 2005

CEDAR VALLEY MENTAL HEALTH CENTER

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

(None)