

WEST IOWA COMMUNITY MENTAL
HEALTH CENTER

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

JUNE 30, 2005 AND 2004

Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Statements of Financial Position	A 8
Statements of Activities	B 9
Statements of Functional Expenses	C 10
Statements of Cash Flows	D 11
Notes to Financial Statements	12-16
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting	17-18
Schedule of Findings	19

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	2008
Sandy Johnson	Member	2007
Betty Nobiling	Member	2007
Robert J. Meyer	Member	2008
Annette Watkins	Member	2008
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, 2005 and 2004. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards 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, 2005 and 2004, 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 September 29, 2005 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, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

September 29, 2005
Denison, Iowa

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

West Iowa Community Mental Health Center

Financial Statements

West Iowa Community Mental Health Center

Exhibit A

Statements of Financial Position

June 30, 2005 and 2004

Assets	<u>2005</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 158,980	\$ 167,673
Accounts receivable, patient services, Less allowance for doubtful accounts of \$51,000 in 2005 and \$37,000 in 2004	58,645	43,093
Grants receivable (Note 2)	63,178	63,700
Prepaid expenses	15,436	9,059
Investments (Note 3)	119,179	117,674
Property and equipment at cost, less accumulated depreciation of \$160,966 and \$152,002 for June 30, 2005 and June 30, 2004(Note 4)	<u>9,228</u>	<u>8,668</u>
 Total assets	 <u>\$ 424,646</u>	 <u>\$ 409,867</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ <u>14,987</u>	\$ <u>4,692</u>
 Total liabilities	 <u>14,987</u>	 <u>4,692</u>
 Net assets:		
Unrestricted	403,659	399,175
Temporarily restricted	<u>6,000</u>	<u>6,000</u>
 Total net assets	 <u>409,659</u>	 <u>405,175</u>
 Total liabilities and net assets	 <u>\$ 424,646</u>	 <u>\$ 409,867</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Exhibit B

Statements of Activities

Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS:		
Public support and revenues:		
Public support:		
Crawford County	\$ 164,000	\$ 174,397
Mental Health Specialist	0	21,129
Tracking and Monitoring Program	184,305	170,360
CSP Block Grant	22,723	27,855
BI/MR Waiver	53,481	1,452
SCL Program	16,720	13,090
Community Link/Mentoring (Note 5)	122,570	97,098
Contributions	<u>1,290</u>	<u>1,210</u>
	<u>565,089</u>	<u>506,591</u>
Revenues:		
Patient fees and Title XIX	220,857	184,067
Net unrealized gain(loss) on investments	1,505	(2,326)
Investment income	<u>7,773</u>	<u>6,991</u>
	<u>230,135</u>	<u>188,732</u>
Total public support and revenues	<u>795,224</u>	<u>695,323</u>
Expenses:		
Program services:		
Mental health center programs	319,041	355,545
Support services	<u>471,699</u>	<u>330,426</u>
Total expenses	<u>790,740</u>	<u>685,971</u>
Changes in net unrestricted net assets	<u>4,484</u>	<u>9,352</u>
 TEMPORARILY RESTRICTED NET ASSETS:		
Reserve requirement for Title XIX funding	<u>0</u>	<u>2,000</u>
Changes in net temporarily restricted net assets	<u>0</u>	<u>2,000</u>
Total net changes in net assets	4,484	11,352
Net assets at beginning of year	<u>405,175</u>	<u>393,823</u>
Net assets at end of year	<u>\$ 409,659</u>	<u>\$ 405,175</u>

See notes to financial statements.

West Iowa Community Mental Health Center
Statements of Functional Expenses
Years Ended June 30, 2005 and 2004

Exhibit C

	Program Services Mental Health Center Programs		Support Services Management, and General		Totals	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Salaries	\$ 150,847	\$ 177,049	\$ 235,751	\$ 168,086	\$ 386,598	\$ 345,135
Payroll taxes	12,668	14,213	20,039	14,002	32,707	28,215
Employee group insurance	71,543	74,020	48,055	37,114	119,597	111,134
Term life insurance	282	363	0	0	282	363
Retirement	5,586	15,372	9,757	7,676	15,343	23,048
Total salaries and related expenses	<u>240,926</u>	<u>281,017</u>	<u>313,602</u>	<u>226,878</u>	<u>554,527</u>	<u>507,895</u>
Consultants	0	0	65,758	37,581	65,758	37,581
Rent	0	8,700	1,510	4,235	1,510	12,935
Dues and subscriptions	0	0	2,067	2,043	2,067	2,043
Insurance	0	0	13,533	12,034	13,533	12,034
Professional fees	16,725	13,611	3,911	3,637	20,636	17,248
Professional books/tests	0	0	110	386	110	386
Conferences & workshops	4,564	1,750	3,001	2,337	7,565	4,087
Utilities & telephone	7,297	7,212	5,708	6,923	13,005	14,135
Publicity	408	1,376	4,154	2,535	4,562	3,911
Office operations expense	8,781	2,638	15,945	15,036	24,726	17,674
Provision for doubtful accounts	0	0	23,273	2,046	23,273	2,046
Mileage	16,292	19,774	6,327	5,660	22,619	25,434
Programs - Activities	24,047	19,467	0	0	24,047	19,467
Miscellaneous	0	0	3,838	2,113	3,838	2,113
Total expenses before depreciation	<u>319,041</u>	<u>355,545</u>	<u>462,736</u>	<u>323,444</u>	<u>781,777</u>	<u>678,989</u>
Depreciation	0	0	8,963	6,982	8,963	6,982
Total expenses	<u>\$ 319,041</u>	<u>\$ 355,545</u>	<u>\$ 471,699</u>	<u>\$ 330,426</u>	<u>\$ 790,740</u>	<u>\$ 685,971</u>

West Iowa Community Mental Health Center

Exhibit D

Statements of Cash Flow

Years ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Changes in net assets	\$ 4,484	\$ 9,352
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,963	6,982
Unrealized (gain) loss on investments	(1,505)	2,326
(Increase) decrease in:		
Receivables	(15,552)	5,678
Grant receivable	522	(40,223)
Prepaid expenses	(6,377)	(578)
Increase (decrease) in:		
Accounts payable	10,295	(5,712)
Temporarily restricted net assets	<u>0</u>	<u>2,000</u>
Total adjustments	<u>(3,654)</u>	<u>(29,527)</u>
Net cash provided (used) by operating activities	<u>830</u>	<u>(20,175)</u>
Cash flows from investing activities:		
(Purchase) of furniture and equipment	(9,523)	0
(Increase) decrease in investments	<u>0</u>	<u>6,000</u>
Net cash provided (used) by investing activities	<u>(9,523)</u>	<u>6,000</u>
Cash flows from financing activities:		
None	<u>0</u>	<u>0</u>
Net (decrease) in cash and cash equivalents	(8,693)	(14,175)
Cash and cash equivalents at beginning of year	<u>167,673</u>	<u>181,848</u>
Cash and cash equivalents at end of year	<u>\$ 158,980</u>	<u>\$ 167,673</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2005 and 2004

(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. There was no unrelated business income for the fiscal years ended in 2005 or 2004.

B. Fund Accounting

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

C. Basis of Accounting

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. Financial Statement Presentation

The Center has adopted SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Center does not use fund accounting.

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.

Temporarily restricted net assets – Substantially all of the restrictions on net assets as of June 30, 2005 and 2004, were related to the Title XIX funding reserve requirement.

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. There were no amounts paid for interest or taxes, nor were there any non-cash transactions to be disclosed.

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 and are capitalized if the cost exceeds \$500.00. 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, 2005. This amount was determined to be immaterial for the fiscal years ended June 30, 2005 and June 30, 2004.

F. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

G. 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.

H. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Grants Receivable

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
State Department of Human Services	\$ 63,178 =====	\$ 63,700 =====

(3) Investments

Unrestricted – The investments at June 30, 2005 and 2004 consist of certificates of deposits and corporate bonds carried at fair market value of \$119,179 and \$117,674, respectively. Realized and unrealized gains and losses on investments are reflected on the statement of activities. Following is a schedule showing the change in fair value for investments for 2005 and 2004.

	<u>2005</u>			<u>2004</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Unrestricted: Certificates Of Deposit	35,000	34,556	\$(444)	35,000	35,166	\$ 166
Corporate Bonds	<u>85,000</u>	<u>84,623</u>	(<u>377</u>)	<u>85,000</u>	<u>82,508</u>	(<u>2,492</u>)
TOTALS	<u>\$120,000</u> =====	<u>\$119,179</u> =====	<u>\$(821)</u> =====	<u>\$120,000</u> =====	<u>\$117,674</u> =====	<u>\$(2,326)</u> =====

(4) Plant Assets and Depreciation

A summary of plant assets follows:

	<u>2005</u>	<u>2004</u>
Furniture and Fixtures	\$ 170,194	\$ 160,670
Less: accumulated depreciation	<u>160,966</u>	<u>152,002</u>
Net Book Value	<u>\$ 9,228</u>	<u>\$ 8,668</u>

Depreciation expense for 2005 and 2004, respectively, was \$8,963 and \$6,982.

(5) 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.

(6) 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, 2005 and 2004, the Center's required and actual contributions amounted to \$13,694 and \$16,227 respectively, which is 5% of each year's covered payroll of \$273,878 and \$324,540 respectively. The Center's total fiscal year payroll for all employees was \$386,598 for June 30, 2005 and \$345,135 for June 30, 2004.

(7) 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.

(8) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for professional services. The accounts receivable are collectible from private pay individuals as well as third party payors including Medicare, Title XIX and various insurance companies. Also, the Center received twenty-one and twenty-eight percent of its total public support and revenues for the years ended June 30, 2005 and 2004 from Crawford County.

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, 2005, and have issued our report thereon dated September 29, 2005. We conducted our 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.

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, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operation for the year ended June 30, 2005 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 an opinion 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 judgment, 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 reportable 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 caused by error or fraud 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. However, 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

September 29, 2005
Denison, Iowa

West Iowa Community Mental Health Center

Schedule of Findings

Year ended June 30, 2005

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.