

**BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER
CLINTON, IOWA**

FINANCIAL REPORT

JUNE 30, 2006

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bridgeview Community Mental Health Center
Clinton, Iowa

We have audited the accompanying statement of financial position of Bridgeview Community Mental Health Center as of June 30, 2006 and the related statement of activities, functional expenses and cash flows from inception to June 30, 2006. These financial statements are the responsibility of the Bridgeview Community Mental Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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. We believe that our audit provides 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 Bridgeview Community Mental Health Center as of June 30, 2006 and the changes in net assets and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

September 19, 2006
Bettendorf, Iowa

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Statement of Financial Position

June 30, 2006

Assets:

Current Assets:

Cash	\$	60,147	
Accounts Receivable		310,969	
Grants Receivable		<u>1,795</u>	
Total Current	\$		372,911

Property and Equipment

Office Furniture and Equipment		30,855	
Less: Accumulated Depreciation		<u>(1,221)</u>	
Total Property and Equipment			29,634

Other Assets:

Deposits			<u>230</u>
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Total Assets \$ 402,775

Liabilities:

Current Liabilities:

Accounts Payable	\$	17,311	
Other Accrued Expenses		121,112	
Accrued wages		83,966	
Notes Payable (Note 4)		<u>7,056</u>	
Total Current Liabilities	\$		229,445

Long Term Liabilities:

Notes Payable			<u>85,337</u>
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Total Liabilities 314,782

Net Assets:

Unrestricted			<u>87,993</u>
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Total Liabilities and Net Assets \$ 402,775

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Statement of Activities
From Inception to June 30, 2006

	2006		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support:			
Service Fees:			
State	\$ 42,023	\$ -	\$ 42,023
County	429,202		429,202
ARO	65,732		65,732
Medicare	91,484		91,484
Medicaid	290,052		290,052
Private Insurance	156,167		156,167
Self Pay	35,543		35,543
Less Adjustments	(307,983)		(307,983)
Grants, Contracts, Fees	97,858		97,858
Donations	2,000		2,000
Other	<u>133</u>	<u>-</u>	<u>133</u>
Total Revenue & Support	<u>902,211</u>	<u>-</u>	<u>902,211</u>
Expenses:			
Program Expenses			
Independent Living	78,542		78,542
School SAT	39,645		39,645
School Contracts	58,778		58,778
Clinical	229,715		229,715
Medical	153,556		153,556
Hospital	46,329		46,329
DeWitt	<u>1,878</u>	<u>-</u>	<u>1,878</u>
	608,443	-	608,443
General & Administrative	<u>205,775</u>	<u>-</u>	<u>205,775</u>
Total Expenses	<u>814,218</u>	<u>-</u>	<u>814,218</u>
Change in Net Assets	87,993	-	87,993
Net Assets Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets End of Year	<u>\$ 87,993</u>	<u>\$ -</u>	<u>\$ 87,993</u>

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Statement of Cash Flows
From Inception to June 30, 2006

Cash flows from (used in) Operating Activities:	
Excess of revenue over expenses	\$ 87,993
Adjustments to reconcile change in assets to net cash from operating activities:	
Depreciation	1,221
Decrease (increase) in operating assets:	
Accounts Receivable	(310,969)
Other Receivables	(2,025)
Increase (decrease) in Operating Liabilities:	
Accounts payable	17,311
Other accrued expenses	121,112
Accrued wages	<u>83,966</u>
Net cash flows from Operating Activities	<u>(1,391)</u>
Cash Flows from (used in) Investing Activities	
Purchase of Furniture & Equipment	<u>(30,855)</u>
Net Cash Used in Investing Activities	<u>(30,855)</u>
Cash Flows from (used in) Financing Activities	
Proceeds from Notes	92,855
Repayment of Notes	<u>(462)</u>
Net Cash Provided by Financing Activities	<u>92,393</u>
Net (Decrease) Increase in Cash	60,147
Cash Beginning of Year	<u>-</u>
Cash End of Year	<u>\$ 60,147</u>
Supplemental disclosures of cash flow information:	
Interest Paid	\$ 764

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Statement of Functional Expenses
From Inception to June 30, 2006

	PROGRAM SERVICES									
	Independent Living	School SAT	School Contracts	Clinical	Medical	Hospital	DeWitt	Program Services	General & Administrative	Total
Salaries and Wages	\$ 54,619	\$ 32,646	\$ 50,349	\$ 181,225	\$ 127,613	\$ 40,646	\$ 1,480	\$ 488,578	\$ 93,248	\$ 581,826
Payroll Taxes	3,960	2,370	3,753	12,708	8,917	2,823	121	34,652	6,606	41,258
Employee Benefits	5,004	1,412	3,165	18,094	5,897	1,035	(14)	34,593	40,761	75,354
Insurance	-	-	-	-	4,824	977	-	5,801	10,342	16,143
Advertising	-	-	-	-	-	-	-	-	5,451	5,451
Staff Development	45	33	134	747	-	-	-	959	-	959
Dues, Fees, Licenses	150	-	-	569	1,742	773	-	3,234	4,139	7,373
Rent, Utilities, Phone	8,289	915	769	10,590	3,321	-	180	24,064	14,016	38,080
Supplies	4,000	50	90	5,626	656	-	-	10,422	11,012	21,434
Professional Services	-	19	-	45	200	75	-	339	15,518	15,857
Equipment	325	-	-	-	53	-	-	378	2,534	2,912
Mileage	2,150	2,200	518	111	333	-	111	5,423	163	5,586
Interest	-	-	-	-	-	-	-	-	764	764
Depreciation	-	-	-	-	-	-	-	-	1,221	1,221
Total Expenses	\$ 78,542	\$ 39,645	\$ 58,778	\$ 229,715	\$ 153,556	\$ 46,329	\$ 1,878	\$ 608,443	\$ 205,775	\$ 814,218

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

Sitrick & Associates, LLC
Certified Public Accountants

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - Bridgeview Community Mental Health Center provides comprehensive, caring, quality mental health services to individuals in Clinton County, Iowa and surrounding areas. As such, the Organization is subject to the business risk associated with that industry in the Clinton County, Iowa area.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Agency considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants, contracts, Medicaid/Medicare, and others. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Fixed Assets - Fixed assets acquired by Bridgeview Community Mental Health Center through restricted grant contributions are considered to be owned by Bridgeview Community Mental Health Center. Some funding sources may have a reversionary interest in the property as well as the determination of use of any proceeds from the sale of these assets.

Bridgeview Community Mental Health Center follows the practice of capitalizing all expenditures for property, furniture, fixtures and office equipment in excess of \$500. Depreciation or amortization of all such items is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Furniture and equipment	5-7 years
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BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Notes to Financial Statements

June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions. Bridgeview Community Mental Health Center had no temporarily or permanently restricted net assets in 2006.

Service Revenues – Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors. And others for services rendered, including estimate 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 period as final settlements are determined.

Income Taxes - The Organization is exempt from income taxes as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code and under state income tax code.

Compensated Absences – The Center employees accumulate a limited amount of earned but unused vacation and personal say benefits payable to the employee. Amounts representing the cost of compensated absences are recorded as liabilities and have been compute based on current rates of pay.

Contributed Services - During the year ended June 30, 2006 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

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. No Fund-raising expenses are included in general and administrative expenses.

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Notes to Financial Statements

June 30, 2006

Note 2 - Property and Equipment

Fixed Assets are summarized as follows:

	<u>2006</u>
Office equipment	\$ 23,100
Vehicles	<u>7,755</u>
Accumulated Depreciation	<u>(1,221)</u>
	<u>\$ 29,634</u>

Note 3 – Accounts Receivable

Accounts receivable of the Center on June 30, 2006 totaled \$448,229. Based on past collection experience, management has provided for an allowance for adjustments and doubtful accounts of \$137,260 of the receivable balance.

Note 4 - Notes Payable

At June 30, 2006, the Center had a \$300,000 secured line of credit with a bank to be drawn upon as needed through May 15, 2008, with an interest rate of .5% above prime. As of June 30, 2006, \$70,000 of the line of credit had been drawn down and was outstanding. The Center also has note with a bank secured by equipment.

Line of Credit with variable interest rate, currently at 8.75%	70,000
Term loan with an interest rate of 8.25%	<u>22,393</u>
Total	<u>\$ 92,393</u>

Maturities of long-term debt for each of the next three years:

2007	\$ 7,056
2008	7,660
2009	<u>7,677</u>
	<u>\$ 22,393</u>

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Notes to Financial Statements

June 30, 2006

Note 5 – Revenue

Approximately 55 percent of 2006 revenue was derived under federal and state third-party reimbursement programs. These revenues are based in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 6 – Economic Dependence

The center receives a substantial amount of its support from local county government. A significant reduction in the level of this support, if this were to occur, may have an effect on the Center's programs and activities. A large portion of the Center's revenue from patient fees are paid by third-party reimbursement whereby patient qualify for funding through title XIX of the federal Social Security Act. Change in the level of funding for this program could have a considerable effect on the patients' ability to pay for service's provided.

Note 7 – Leases

As of June 30, 2006, the Center had entered into various noncancelable operating lease agreements for the rental of office and residential facilities, expiring from August 2008 to June 2011. Minimum rentals, on an annual basis, are as follows:

Fiscal year ending June 30, 2007	\$	80,958
2008		80,961
2009		68,864
2010		60,522
2011		51,390
Thereafter		-
	\$	<u>342,695</u>

The Center has an option to extend the lease for the rental of office space for its main offices an additional two (5) year term by giving notice to the landlord prior to the termination date of the lease. The rent for the extended period would be the current rate plus and adjustment for inflation at the date of the notice.



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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Bridgeview Community Mental Health Center

Our report on our audit of the financial statements of Bridgeview Community Mental Health Center June 30, 2006 appears on page 1. The audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of grants and state grants are presented for additional analysis and are not 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

September 19, 2006
Bettendorf, Iowa

BRIDGEVIEW COMMUNITY MENTAL HEALTH CENTER

Schedule of Income and Expenses by Department
From Inception to June 30, 2006

	Independent Living	School SAT	School Contracts	Clinical	Medical
Revenue:					
State	\$ 24,725	\$ -	\$ -	\$ 14,012	\$ 3,286
County	2,831	15,330	-	187,739	95,515
ARO	65,732	-	-	-	-
Medicare	130	-	-	63,750	24,805
Medicaid	24,705	14,980	-	193,641	53,092
Private Insurance	538	4,500	-	118,626	27,099
Self Pay	3	704	-	15,835	14,718
Less Adjustments	(17,505)	(11,933)	-	(221,354)	(49,384)
Grants, Contracts, Fees	-	-	84,018	7,840	-
Donations	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue & Support	<u>101,159</u>	<u>23,581</u>	<u>84,018</u>	<u>380,089</u>	<u>169,131</u>
Expenses:					
Salaries and Wages	54,619	32,646	50,349	181,225	127,613
Payroll Taxes	3,960	2,370	3,753	12,708	8,917
Employee Benefits	5,004	1,412	3,165	18,094	5,897
Insurance	-	-	-	-	4,824
Advertising	-	-	-	-	-
Staff Development	45	33	134	747	-
Dues, Fees, Licenses	150	-	-	569	1,742
Rent, Utilities, Phone	8,289	915	769	10,590	3,321
Supplies	4,000	50	90	5,626	656
Professional Services	-	19	-	45	200
Equipment	325	-	-	-	53
Mileage	2,150	2,200	518	111	333
Interest	-	-	-	-	-
Depreciation	-	-	-	-	-
Total Expenses	<u>78,542</u>	<u>39,645</u>	<u>58,778</u>	<u>229,715</u>	<u>153,556</u>
Net Revenue over Expenditures	<u>\$ 22,617</u>	<u>\$ (16,064)</u>	<u>\$ 25,240</u>	<u>\$ 150,374</u>	<u>\$ 15,575</u>

Hospital	DeWitt	General & Administrative	Total
\$ -	\$ -	\$ -	\$ 42,023
1,645	-	126,142	429,202
-	-	-	65,732
2,379	420	-	91,484
3,494	140	-	290,052
5,404	-	-	156,167
3,931	352	-	35,543
(5,219)	(280)	(2,308)	(307,983)
6,000	-	-	97,858
-	-	2,000	2,000
-	-	133	133
<u>17,634</u>	<u>632</u>	<u>125,967</u>	<u>902,211</u>
40,646	1,480	93,248	581,826
2,823	121	6,606	41,258
1,035	(14)	40,761	75,354
977	-	10,342	16,143
-	-	5,451	5,451
-	-	-	959
773	-	4,139	7,373
-	180	14,016	38,080
-	-	11,012	21,434
75	-	15,518	15,857
-	-	2,534	2,912
-	111	163	5,586
-	-	764	764
-	-	1,221	1,221
<u>46,329</u>	<u>1,878</u>	<u>205,775</u>	<u>814,218</u>
<u>\$ (28,695)</u>	<u>\$ (1,246)</u>	<u>\$ (79,808)</u>	<u>\$ 87,993</u>