

WEST IOWA COMMUNITY MENTAL
HEALTH CENTER

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

JUNE 30, 2007 AND 2006

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West Iowa Community Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Ulmer	President	2010
Sandy Johnson	Vice-President	2011
Stephanie Wright	Secretary/Treasurer	2008
Dean Hargens	Member	2006
Betty Nobiling	Member	2011
Robert J. Meyer	Member	2008
Mark Segebart	Member	2011
Annette Watkins	Member	2008
John Sondag	Executive Director	Indefinite

West Iowa Community Mental Health Center

MAHONEY & GOTTO COMPANY
Certified Public Accountants

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Denison, IA 51442

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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, 2007 and 2006. 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 audit 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, 2007 and 2006, and the 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 19, 2007 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.

Mahoney & Gotto Company

MAHONEY & GOTTO COMPANY
Certified Public Accountants

September 19, 2007
Denison, Iowa

West Iowa Community Mental Health Center

Financial Statements

West Iowa Community Mental Health Center

Exhibit A

Statements of Financial Position

June 30, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Cash and Cash Equivalents	\$ 56,803	\$ 88,210
Accounts receivable, patient services, Less allowance for doubtful accounts of \$35,000 in 2007 and \$35,000 in 2006	71,638	41,149
Grants receivable (Note 2)	73,606	82,438
Prepaid expenses	13,818	12,857
Investments (Note 3)	56,269	66,993
Property and equipment at cost, less accumulated depreciation of \$177,752 and \$167,763 for June 30, 2007 and June 30, 2006 (Note 4)	<u>108,848</u>	<u>118,837</u>
 Total assets	 <u>\$ 380,982</u>	 <u>\$ 410,484</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ <u>15,894</u>	\$ <u>12,315</u>
 Total liabilities	 <u>15,894</u>	 <u>12,315</u>
Net assets:		
Unrestricted	359,088	392,169
Temporarily restricted	<u>6,000</u>	<u>6,000</u>
 Total net assets	 <u>365,088</u>	 <u>398,169</u>
 Total liabilities and net assets	 <u>\$ 380,982</u>	 <u>\$ 410,484</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Exhibit B

Statements of Activities

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED NET ASSETS:		
Public support and revenues:		
Public support:		
Crawford County	\$ 157,600	\$ 164,000
UPS Grant	0	25,000
Tracking and Monitoring Program	155,271	171,242
CSP Block Grant	22,142	19,702
BI/MR Waiver	17,430	20,335
SCL Program	9,750	11,220
Community Link/Mentoring (Note 5)	64,154	84,186
Contributions	<u>587</u>	<u>649</u>
	<u>426,934</u>	<u>496,334</u>
Revenues:		
Patient fees and Title XIX	264,574	262,226
Net unrealized gain(loss) on investments	(724)	(2,186)
Investment income	<u>5,815</u>	<u>6,146</u>
	<u>269,665</u>	<u>266,186</u>
Total public support and revenues	<u>696,599</u>	<u>762,520</u>
Expenses:		
Program services:		
Mental health center programs	256,861	289,739
Support services	<u>472,819</u>	<u>484,271</u>
Total expenses	<u>729,680</u>	<u>774,010</u>
Changes in net unrestricted net assets	<u>(33,081)</u>	<u>(11,490)</u>
TEMPORARILY RESTRICTED NET ASSETS:		
Changes in net temporarily restricted net assets	<u>0</u>	<u>0</u>
Total net changes in net assets	<u>(33,081)</u>	<u>(11,490)</u>
Net assets at beginning of year	<u>398,169</u>	<u>409,659</u>
Net assets at end of year	<u>\$ 365,088</u>	<u>\$ 398,169</u>

See notes to financial statements.

West Iowa Community Mental Health Center
Statements of Functional Expenses
Years Ended June 30, 2007 and 2006

Exhibit C

	Program Services Mental Health <u>Center Programs</u>		Support Services Management, <u>and General</u>		<u>Totals</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Salaries	\$ 132,357	\$ 141,167	\$ 229,105	\$ 258,981	\$ 361,462	\$ 400,148
Payroll taxes	11,958	11,925	20,455	22,147	32,413	34,072
Employee group insurance	45,550	48,822	64,550	47,428	110,100	96,250
Term life insurance	200	256	0	0	200	256
Retirement	4,311	6,310	8,690	10,459	13,001	16,769
Total salaries and related expenses	194,376	208,480	322,800	339,015	517,176	547,495
Consultants	0	0	70,434	75,720	70,434	75,720
Rent	7,025	10,425	0	2,408	7,025	12,833
Dues and subscriptions	0	0	1,906	1,792	1,906	1,792
Insurance	0	0	17,215	24,462	17,215	24,462
Professional fees	7,921	9,750	4,008	4,855	11,929	14,605
Professional books/tests	0	0	239	459	239	459
Conferences & workshops	992	961	891	1,675	1,883	2,636
Utilities & telephone	5,592	8,604	8,864	5,086	14,456	13,690
Advertising	306	819	1,741	2,959	2,047	3,778
Office operations expense	3,965	2,045	22,400	25,455	26,365	27,500
Provision for doubtful accounts	0	0	2,958	(11,241)	2,958	(11,241)
Mileage	21,671	26,115	4,712	4,829	26,383	30,944
Programs - Activities	15,013	22,540	0	0	15,013	22,540
Property Taxes	0	0	4,662	0	4,662	0
	62,485	81,259	140,030	138,459	202,515	219,718
Total expenses before depreciation	256,861	289,739	462,830	477,474	719,691	767,213
Depreciation	0	0	9,989	6,797	9,989	6,797
Total expenses	\$ 256,861	\$ 289,739	\$ 472,819	\$ 484,271	\$ 729,680	\$ 774,010

West Iowa Community Mental Health Center

Exhibit D

Statements of Cash Flow

Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Changes in net assets	\$(33,081)	\$(11,490)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,989	6,797
Unrealized loss on investments	724	2,186
Realized (gain) loss on investments	0	2,825
(Increase) decrease in:		
Receivables	(30,489)	17,496
Grant receivable	8,832	(19,260)
Prepaid expenses	(961)	2,579
Increase (decrease) in:		
Accounts payable	<u>3,579</u>	<u>(2,672)</u>
Total adjustments	<u>(8,326)</u>	<u>9,951</u>
Net cash (used) by operating activities	<u>(41,407)</u>	<u>(1,539)</u>
Cash flows from investing activities:		
(Purchase) of furniture and equipment	0	(16,406)
Proceeds from sale of investments	30,000	47,175
(Purchase) of investments	<u>(20,000)</u>	<u>0</u>
Net cash provided (used) by investing activities	<u>10,000</u>	<u>(69,231)</u>
Cash flows from financing activities:		
None	<u>0</u>	<u>0</u>
Net (decrease) in cash and cash equivalents	(31,407)	(70,770)
Cash and cash equivalents at beginning of year	<u>88,210</u>	<u>158,980</u>
Cash and cash equivalents at end of year	<u>\$ 56,803</u>	<u>\$ 88,210</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2007 and 2006

(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 its' surrounding Counties.

The Center is exempt from income tax under Section 501©(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 2007 or 2006.

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

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, 2007 and 2006, 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, 2007. This amount was determined to be immaterial for the fiscal years ended June 30, 2007 and June 30, 2006.

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
State Department of Human Services	<u>\$ 73,606</u>	<u>\$ 82,438</u>

(3) Investments

Unrestricted – The investments at June 30, 2007 and 2006 consist of certificates of deposits and corporate bonds carried at fair market value of \$56,269 and \$66,993, 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 2007 and 2006.

	<u>2007</u>			<u>2006</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	45,000	43,994	\$(1,006)	35,000	34,062	\$(938)
Corporate Bonds	<u>15,000</u>	<u>12,275</u>	<u>(2,725)</u>	<u>35,000</u>	<u>32,931</u>	<u>(2,069)</u>
TOTALS	\$ 60,000 =====	\$ 56,269 =====	\$(3,731) =====	\$ 70,000 =====	\$ 66,993 =====	\$(3,007) =====

(4) Plant Assets and Depreciation

A summary of plant assets follows:

	<u>2007</u>	<u>2006</u>
Furniture and Fixtures	\$ 170,194	\$ 170,194
Land and Buildings	95,659	95,659
Vehicles	<u>20,747</u>	<u>20,747</u>
	286,600	286,600
Less: accumulated depreciation	<u>(177,752)</u>	<u>(167,763)</u>
Net Book Value	\$ <u>108,848</u>	\$ <u>118,837</u>

Depreciation expense for 2007 and 2006, respectively, was \$9,989 and \$6,797.

(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 2005; CFDA No. 84-184B; date was October 1, 2004 through September 30, 2006. A single Audit was not required or performed as total expenditures did not exceed \$500,000. All funds have been received for the fiscal year from the Department of Education.

(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 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, 2007 and 2006, the Center's required and actual contributions amounted to \$13,001 and \$16,769 respectively, which is 5% of each year's covered payroll of \$260,020 and \$335,380 respectively. The Center's total fiscal year payroll for all employees was \$361,462 for June 30, 2007 and \$400,148 for June 30, 2006.

(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-three and twenty-two percent of its total public support and revenues for the years ended June 30, 2007 and 2006 from Crawford County.

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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 Directors of
West Iowa Community Mental Health Center:

We have audited the financial statements of West Iowa Community Mental Health Center, Denison, Iowa as of and for the year ended June 30, 2007, and have issued our report thereon dated September 19, 2007. 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.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of West Iowa Community Mental Health Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of West Iowa Community Mental Health Center's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. However, we do not believe any of the deficiencies to be considered material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects West Iowa Community

Mental Health Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of West Iowa Community Mental Health Center's financial statements that is more than inconsequential will not be prevented or detected by West Iowa Community Mental Health Center's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by West Iowa Community Mental Health Center's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we do not believe the deficiencies to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 statements 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 or other matters that is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2007 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.

West Iowa Community Mental Health Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we expressed our conclusions on the Center's responses, we did not audit West Iowa Community Mental Health Center's responses and accordingly, we express no opinion on them.

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 & Gotto Company

MAHONEY & GOTTO COMPANY
Certified Public Accountants

September 19, 2007
Denison, Iowa

West Iowa Community Mental Health Center

Schedule of Findings

Year ended June 30, 2007

Findings related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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.