

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
JUNE 30, 2007 AND 2006**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mental Health Center of North Iowa, Inc.  
Mason City, Iowa

We have audited the accompanying combined statements of financial position of the Mental Health Center of North Iowa, Inc. and its combined service projects as of June 30, 2007 and 2006, and the related combined statements of activities, cash flows and functional expenses for the years then ended. 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 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 combined 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 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 the Mental Health Center of North Iowa, Inc. and its combined service projects as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Potter & Brant, P.L.C.*

Potter & Brant, P.L.C.  
Certified Public Accountants  
Clear Lake, Iowa  
September 10, 2007

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MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

COMBINED STATEMENTS OF FINANCIAL POSITION  
June 30, 2007 and 2006

| ASSETS                                 | 2007                | 2006                |
|--|---------------------|---------------------|
| <b>CURRENT ASSETS</b>                  |                     |                     |
| Cash:                                  |                     |                     |
| Cash on hand                           | \$ 100              | \$ 100              |
| Cash in bank                           | 144,543             | 83,855              |
| Receivables:                           |                     |                     |
| Patient fees                           | 453,684             | 516,490             |
| Less allowance for doubtful accounts   | (200,000)           | (210,000)           |
| Grants                                 | 22,259              | 20,860              |
| Contractual receivables from counties  | 40,312              | 73,264              |
| Service projects                       | 18,702              | 18,282              |
| Interest                               | 7,920               | 13,563              |
| Miscellaneous                          | 20,165              | 17,284              |
| Prepaid expenses                       | 30,632              | 25,265              |
| Investments                            | 831,924             | 832,183             |
| <b>Total current assets</b>            | <u>1,370,241</u>    | <u>1,391,146</u>    |
| <b>PROPERTY AND EQUIPMENT, at cost</b> |                     |                     |
| Land                                   | 2,000               | 2,000               |
| Land improvements                      | 35,161              | 33,716              |
| Buildings                              | 781,116             | 779,503             |
| Furniture, fixtures and equipment      | 512,092             | 576,265             |
|  | <u>1,330,369</u>    | <u>1,391,484</u>    |
| Less accumulated depreciation          | (1,040,428)         | (1,080,315)         |
| <b>Property and equipment - net</b>    | <u>289,941</u>      | <u>311,169</u>      |
| <b>OTHER ASSETS</b>                    |                     |                     |
| Investments                            | 187,793             | 317,874             |
| <b>Total other assets</b>              | <u>187,793</u>      | <u>317,874</u>      |
| <b>TOTAL ASSETS</b>                    | <u>\$ 1,847,975</u> | <u>\$ 2,020,189</u> |

See accompanying notes and auditors' report.

| <b>LIABILITIES AND NET ASSETS</b>                  | <b>2007</b>         | <b>2006</b>         |
|--|---------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                         |                     |                     |
| Accounts payable                                   | \$ 40,958           | \$ 33,835           |
| Agency funds                                       | 9,565               | 9,603               |
| Accrued expenses                                   | 47,680              | 45,929              |
| Deferred revenue                                   | -                   | 5,103               |
|  | <hr/>               | <hr/>               |
| <b>Total current liabilities/total liabilities</b> | <b>98,203</b>       | <b>94,470</b>       |
| <b>NET ASSETS</b>                                  |                     |                     |
| Unrestricted:                                      |                     |                     |
| Board designated for property and equipment        | 256,324             | 239,489             |
| Board designated for special projects              | 328,572             | 345,575             |
| Board designated for emergency services            | 102,523             | 95,993              |
| Board designated for MHC/CSS projects              | 81,943              | 76,724              |
| Undesignated                                       | 967,390             | 1,156,295           |
|  | <hr/>               | <hr/>               |
| <b>Total unrestricted</b>                          | <b>1,736,752</b>    | <b>1,914,076</b>    |
| Temporarily restricted                             | 11,779              | 10,414              |
| Permanently restricted                             | 1,241               | 1,229               |
|  | <hr/>               | <hr/>               |
| <b>Total net assets</b>                            | <b>1,749,772</b>    | <b>1,925,719</b>    |
|  | <hr/>               | <hr/>               |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>\$ 1,847,975</b> | <b>\$ 2,020,189</b> |

See accompanying notes and auditors' report.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINED STATEMENTS OF ACTIVITIES**

Years Ended June 30, 2007 and 2006

|  | 2007                | 2006                |
|--|---------------------|---------------------|
| <b>UNRESTRICTED NET ASSETS</b>                       |                     |                     |
| Unrestricted public support and revenue:             |                     |                     |
| Unrestricted public support:                         |                     |                     |
| Counties:  |                     |                     |
| Cerro Gordo  | \$ 257,043          | \$ 196,896          |
| Floyd  | 74,740              | 47,293              |
| Franklin   | 59,145              | 44,289              |
| Hancock  | 51,664              | 47,648              |
| Mitchell   | 47,929              | 35,730              |
| Winnebago  | 50,084              | 30,652              |
| Worth  | 32,453              | 5,933               |
| Grants   | 91,437              | 87,788              |
| United Way   | 34,750              | 27,143              |
| Contributions  | 988                 | 5,835               |
| <b>Total unrestricted public support</b>             | <u>700,233</u>      | <u>529,207</u>      |
| Unrestricted revenue:                                |                     |                     |
| Third-party reimbursements                           | 1,468,875           | 1,828,133           |
| Net investment income                                | 66,781              | 44,152              |
| Gain on disposal of fixed assets                     | 340                 | -                   |
| Other  | 57,857              | 60,942              |
| <b>Total unrestricted revenue</b>                    | <u>1,593,853</u>    | <u>1,933,227</u>    |
| <b>Total unrestricted public support and revenue</b> | <u>2,294,086</u>    | <u>2,462,434</u>    |
| Expenses:  |                     |                     |
| Program services                                     | 1,645,908           | 1,781,613           |
| Management and general                               | 825,502             | 803,934             |
| Fundraising  | -                   | -                   |
| <b>Total expenses</b>                                | <u>2,471,410</u>    | <u>2,585,547</u>    |
| <b>Decrease in unrestricted net assets</b>           | <u>(177,324)</u>    | <u>(123,113)</u>    |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>             |                     |                     |
| Net investment income                                | 365                 | 175                 |
| Contributions  | 1,000               | -                   |
| <b>Increase in temporarily restricted net assets</b> | <u>1,365</u>        | <u>175</u>          |
| <b>PERMANENTLY RESTRICTED NET ASSETS</b>             |                     |                     |
| Net investment income                                | 12                  | 5                   |
| <b>Increase in permanently restricted net assets</b> | <u>12</u>           | <u>5</u>            |
| <b>Decrease in net assets</b>                        | <u>(175,947)</u>    | <u>(122,933)</u>    |
| Net assets, beginning of year                        | <u>1,925,719</u>    | <u>2,048,652</u>    |
| Net assets, end of year                              | <u>\$ 1,749,772</u> | <u>\$ 1,925,719</u> |

See accompanying notes and auditors' report.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINED STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2007 and 2006

|  | 2007              | 2006             |
|--|-------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                  |
| Decrease in net assets   | \$ (175,947)      | \$ (122,933)     |
| Adjustments to reconcile decrease in net assets<br>to net cash used in operating activities: |                   |                  |
| Depreciation   | 63,891            | 64,644           |
| Provision for doubtful accounts  | 57,718            | 90,837           |
| Gain on disposal of fixed assets   | (340)             | (65)             |
| Realized (gain) loss on sale of investments  | (7,434)           | 3,369            |
| Unrealized gain on investments   | (10,521)          | (7,401)          |
| Change in assets and liabilities:  |                   |                  |
| (Increase) decrease in receivables   | 28,983            | (88,886)         |
| Increase in prepaid expenses   | (5,367)           | (1,258)          |
| Increase (decrease) in accounts payable  | 7,123             | (46,713)         |
| Increase in agency funds   | (38)              | (5,239)          |
| Increase (decrease) in accrued expenses  | 1,750             | (8,355)          |
| Increase (decrease) in deferred revenue  | (5,103)           | 5,103            |
|  | <u>(45,285)</u>   | <u>(116,897)</u> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                  |
| Sale of property and equipment   | 340               | 65               |
| Sale of investments  | 1,715,562         | 1,532,535        |
| Purchase of property and equipment   | (42,662)          | (21,967)         |
| Purchase of investments  | (1,567,267)       | (1,354,573)      |
|  | <u>105,973</u>    | <u>156,060</u>   |
| <b>Net cash provided by investing activities</b>   | <u>105,973</u>    | <u>156,060</u>   |
| <b>Net increase in cash</b>  | <u>60,688</u>     | <u>39,163</u>    |
| <b>CASH</b>  |                   |                  |
| Beginning of year  | <u>83,955</u>     | <u>44,792</u>    |
| End of year  | <u>\$ 144,643</u> | <u>\$ 83,955</u> |

See accompanying notes and auditors' report.

MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2007 and 2006

|  | 2007                |                        |             |                     |
|--|---------------------|------------------------|-------------|---------------------|
|  | Program Services    | Management and General | Fundraising | Total               |
| Salaries   | \$ 867,712          | \$ 492,915             | \$ -        | \$ 1,360,627        |
| Payroll taxes  | 63,693              | 36,479                 | -           | 100,172             |
| Employee benefits                                    | 156,436             | 110,470                | -           | 266,906             |
| <b>Total salaries and related expenses</b>           | <b>1,087,841</b>    | <b>639,864</b>         | <b>-</b>    | <b>1,727,705</b>    |
| Professional fees                                    | -                   | 23,543                 | -           | 23,543              |
| ProFiler training                                    | -                   | 42,400                 | -           | 42,400              |
| Continued education                                  | 14,407              | 3,562                  | -           | 17,969              |
| Insurance  | 10,252              | 5,620                  | -           | 15,872              |
| Office supplies and postage                          | 36,590              | 13,980                 | -           | 50,570              |
| Program supplies                                     | 2,700               | -                      | -           | 2,700               |
| Rent   | 14,373              | -                      | -           | 14,373              |
| Telephone and utilities                              | 32,178              | 16,842                 | -           | 49,020              |
| Repairs and maintenance                              | 46,995              | 6,591                  | -           | 53,586              |
| Depreciation   | 52,081              | 11,810                 | -           | 63,891              |
| Service and outreach travel                          | 22,535              | 95                     | -           | 22,630              |
| Provision for doubtful accounts                      | -                   | 57,718                 | -           | 57,718              |
| Staff recruiting                                     | 275                 | -                      | -           | 275                 |
| Internship expenses                                  | 16,957              | -                      | -           | 16,957              |
| Psychiatric services                                 | 293,586             | -                      | -           | 293,586             |
| Periodicals, publications and miscellaneous services | 1,243               | 13                     | -           | 1,256               |
| C.M.H.C. Association dues                            | 2,965               | 318                    | -           | 3,283               |
| Meetings and forums                                  | 574                 | 721                    | -           | 1,295               |
| Miscellaneous  | 10,356              | 2,425                  | -           | 12,781              |
| <b>Total expenses</b>                                | <b>\$ 1,645,908</b> | <b>\$ 825,502</b>      | <b>\$ -</b> | <b>\$ 2,471,410</b> |

See accompanying notes and auditors' report.

| 2006                |                           |             |                     |  |
|---------------------|---------------------------|-------------|---------------------|--|
| Program Services    | Management and<br>General | Fundraising | Total               |  |
| \$ 845,600          | \$ 473,735                | \$ -        | \$ 1,319,335        |  |
| 61,378              | 35,958                    | -           | 97,336              |  |
| 153,017             | 111,406                   | -           | 264,423             |  |
| 1,059,995           | 621,099                   | -           | 1,681,094           |  |
| 4,416               | 17,966                    | -           | 22,382              |  |
| -                   | -                         | -           | -                   |  |
| 13,584              | 1,412                     | -           | 14,996              |  |
| 11,588              | 6,265                     | -           | 17,853              |  |
| 47,214              | 17,885                    | -           | 65,099              |  |
| 3,656               | 171                       | -           | 3,827               |  |
| 13,808              | -                         | -           | 13,808              |  |
| 31,681              | 21,233                    | -           | 52,914              |  |
| 52,871              | 7,676                     | -           | 60,547              |  |
| 54,279              | 10,364                    | -           | 64,643              |  |
| 25,455              | 210                       | -           | 25,665              |  |
| -                   | 90,837                    | -           | 90,837              |  |
| 1,462               | 711                       | -           | 2,173               |  |
| 12,878              | -                         | -           | 12,878              |  |
| 435,192             | -                         | -           | 435,192             |  |
| 1,795               | 478                       | -           | 2,273               |  |
| 2,914               | 300                       | -           | 3,214               |  |
| 1,665               | 943                       | -           | 2,608               |  |
| 7,160               | 6,384                     | -           | 13,544              |  |
| <u>\$ 1,781,613</u> | <u>\$ 803,934</u>         | <u>\$ -</u> | <u>\$ 2,585,547</u> |  |

See accompanying notes and auditors' report.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

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**Note 1. Summary of Significant Accounting Policies**

Organization and Nature of Activities: Mental Health Center of North Iowa, Inc. (the Center) is a nonprofit organization providing diagnosis and treatment of general psychiatric and psychological disorders in Cerro Gordo, Floyd, Franklin, Hancock, Mitchell, Winnebago, and Worth Counties in Iowa.

Principles of Combination: The combined financial statements include the accounts of the Center and its service projects, Community Support Programs. All intercompany balances and transactions are eliminated in combination.

Cash and Cash Equivalents: The Center considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents. The Center had no cash equivalents as of June 30, 2007 and 2006.

Allowance for Doubtful Accounts: The Center maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments on the outstanding accounts receivable. The allowance is maintained at a level considered appropriate based on past experience in the collection of accounts receivable and analysis of outstanding balances. The Center's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts. Write-offs are recorded when, in the judgment of management, a receivable is considered uncollectible.

Investments: Investments are carried at market value. Realized and unrealized gains and losses on investments are recorded in the statement of activities.

Depreciation: Depreciation of property and equipment is computed by the straight-line method, with a half-year's depreciation charged in the year of acquisition and in the year of disposal. Estimated useful lives were assigned as follows:

|                                   | <u>Years</u> |
|-----------------------------------|--------------|
| Land improvements                 | 10 - 40      |
| Buildings                         | 7 - 50       |
| Furniture, fixtures and equipment | 3 - 15       |

The Center's policy is to capitalize items exceeding \$500 with a life expectancy of three or more years, unless they are clearly repair and maintenance items.

Basis of Presentation: Net assets and revenues, expenses, gains and losses are classified as unrestricted, temporarily restricted, or permanently restricted, based on the existence and/or nature of any donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted - all amounts over which the Board of Directors and management have discretionary control. The Board of Directors has designated funds for property and equipment to cover future costs for remodeling and expansion of facilities. Special project savings are designated by the Board of Directors for financing deficit budgets, building and equipment capital expenditures and hiring of a full-time psychiatrist. Furniture and fixtures savings are designated by the Board of Directors for purchases of furniture and fixtures.

MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006

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Temporarily Restricted - The Miles Pothast Memorial savings account is restricted by an agreement with the donor's wife that she will make the final decisions as to the use of the money. Plans for the proceeds include sponsoring continuing education workshops. Excess donations received for the 50th Anniversary Celebration of \$572 have been temporarily restricted for educational materials for the Center. Also, a donation of \$1,000 was received during 2007 for the Survivor of Suicide and Columbia Teen Screen program.

Also, the Center received \$6,000 in 1997 that is restricted for the purchase of a van.

Permanently Restricted - The Hayward Goodspeed Memorial savings account is restricted by the donor's will for the purchase of psychological books with 90% of the income earned each year. The remaining 10% is to be added to the savings account balance and cannot be distributed until such time as the Center should cease operations.

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.

Contributions: The Center has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Gifts of cash and other assets are reflected as contributions in the accompanying statements at their estimated fair market value at the date of receipt. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

The Center also receives the use of donated facilities for various programs, which have not been valued as of June 30, 2007 or June 30, 2006.

Contributions of services are recognized as revenues if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by persons possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been reflected in the financial statements for contributed services, since they are not significant to the Center.

Income Recognition: Income from grants and the United Way is recognized at the time the Center has done everything necessary to establish its rights to the income.

Functional Allocation of Expenses: The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated to the programs and supporting services receiving benefit from the expenditures.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006

Income Tax Status: There is no provision for income tax expense or liability since the organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Note 2. Investments**

Investments as of June 30, 2006 are stated at fair value and consist of the following:

|                                    | <u>Cost</u>         | <u>Fair Value</u>   | <u>Unrealized Gain (Loss)</u> |
|------------------------------------|---------------------|---------------------|-------------------------------|
| Certificates of Deposit            | \$ 870,010          | \$ 865,981          | \$ (4,029)                    |
| Money Market Fund                  | 94,023              | 94,023              | -                             |
| Mutual Funds                       | <u>191,963</u>      | <u>190,053</u>      | <u>(1,910)</u>                |
|                                    | <u>\$ 1,155,996</u> | <u>\$ 1,150,057</u> | (5,939)                       |
| Plus: Prior Years' Unrealized Loss |                     |                     | <u>13,340</u>                 |
| Current Year Unrealized Gain       |                     |                     | <u>\$ 7,401</u>               |

Investments as of June 30, 2007 are stated at fair value and consist of the following:

|                                    | <u>Cost</u>         | <u>Fair Value</u>   | <u>Unrealized Gain (Loss)</u> |
|------------------------------------|---------------------|---------------------|-------------------------------|
| Certificates of Deposit            | \$ 640,010          | \$ 639,600          | \$ (410)                      |
| Money Market Fund                  | 282,201             | 282,201             | -                             |
| Mutual Funds                       | <u>92,925</u>       | <u>97,916</u>       | <u>4,991</u>                  |
|                                    | <u>\$ 1,015,136</u> | <u>\$ 1,019,717</u> | 4,581                         |
| Plus: Prior Years' Unrealized Loss |                     |                     | <u>5,939</u>                  |
| Current Year Unrealized Gain       |                     |                     | <u>\$ 10,520</u>              |

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

A summary of the investments as of June 30, 2007 and 2006 is as follows:

|   | Certificates<br>of Deposit | Money<br>Market Fund | Mutual<br>Funds  | Total               |
|---|----------------------------|----------------------|------------------|---------------------|
| Beginning of year balance, July 1, 2005 | \$ 863,352                 | \$ 195,248           | \$ 265,387       | \$ 1,323,987        |
| Purchases and donations                 | 460,000                    | 882,704              | -                | 1,342,704           |
| Realized loss on sale of investments    | -                          | -                    | (3,368)          | (3,368)             |
| Unrealized gain on investments          | 2,629                      | -                    | 4,772            | 7,401               |
| Interest and dividends                  | 21,674                     | 3,573                | 8,295            | 33,542              |
| Redemptions and transfers               | (481,674)                  | (987,502)            | (85,033)         | (1,554,209)         |
| End of year balance, June 30, 2006      | 865,981                    | 94,023               | 190,053          | 1,150,057           |
| Purchases and donations                 | 510,000                    | 1,043,739            | -                | 1,553,739           |
| Realized gain on sale of investments    | -                          | -                    | 7,434            | 7,434               |
| Unrealized gain on investments          | 3,619                      | -                    | 6,901            | 10,520              |
| Interest and dividends                  | 36,769                     | 6,039                | 7,489            | 50,297              |
| Redemptions and transfers               | (776,769)                  | (861,600)            | (113,961)        | (1,752,330)         |
| End of year balance, June 30, 2007      | <u>\$ 639,600</u>          | <u>\$ 282,201</u>    | <u>\$ 97,916</u> | <u>\$ 1,019,717</u> |

Investments are presented in the financial statements in these categories as of:

|                        | <u>June 30,</u>     |                     |
|------------------------|---------------------|---------------------|
|                        | <u>2007</u>         | <u>2006</u>         |
| Investments, current   | \$ 831,924          | \$ 832,183          |
| Investments, long term | 187,793             | 317,874             |
| Total investments      | <u>\$ 1,019,717</u> | <u>\$ 1,150,057</u> |

**Note 3. Agency Funds**

The Center has agreed to serve as the local fiscal agent for payment of fees for the Iowa Court Improvement Project. The Center agreed to provide administration and fiscal accounting services at no cost for the project. According to SFAS No. 116, cash received in transactions in which a not-for-profit organization is acting as an agent, trustee, or intermediary for a resource provider should be reported as increases in assets and liabilities. The Center was holding \$9,565 and \$9,603 of agency funds as of June 30, 2007 and 2006, respectively.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2007 AND 2006**

**Note 4. Net Investment Income**

Investment return is summarized as follows:

|                                       | <u>Period Ending June 30,</u> |                  |
|---------------------------------------|-------------------------------|------------------|
|                                       | 2007                          | 2006             |
| Interest income                       | \$ 39,662                     | \$ 31,820        |
| Dividend income                       | 9,542                         | 8,479            |
| Realized gain (loss) on investments   | 7,434                         | (3,368)          |
| Unrealized gain (loss) on investments | 10,520                        | 7,401            |
|                                       | <u>\$ 67,158</u>              | <u>\$ 44,332</u> |

**Note 5. Commitments and Contingencies**

The Center leases office space in Cerro Gordo County and Franklin County with minimum lease obligations as follows:

| <u>Period Ending</u> |        |
|----------------------|--------|
| <u>June 30,</u>      |        |
| 2008                 | 13,200 |
| 2009                 | 13,200 |
| 2010                 | 13,200 |
| 2011                 | 2,200  |
| Thereafter           | -      |

Rent expenses under all leases for the years ended June 30, 2007 and 2006 were \$13,670 and \$13,808, respectively.

As of June 30, 2007, a claim was filed by a former client against the Center for negligence regarding medications. The insurance policy issued to the Center and the limits of liability there under should be adequate to cover any settlement on this claim. It is management's opinion that no significant financial loss will result from this claim. The Center had an additional claim filed against them by a former client's wife for negligence regarding her husband's death. The Center is defending the allegations against it vigorously. The Center has not received any statement from the plaintiff regarding their claimed damages and therefore, it is impossible to evaluate the likelihood of an unfavorable outcome or estimate an amount or range of potential loss.

**Note 6. Pension Plan**

The Center has a defined contribution plan covering all employees who have completed at least one full year of continuous service and worked more than 1,000 hours. The Center contributes, on behalf of each of the employees who are members of the plan, an amount equal to 6% of the annual compensation of these employees and reflects this as an operating expense which amounted to \$74,187 and \$71,677 for the years ended June 30, 2007 and 2006, respectively.

**Note 7. Concentration of Credit Risk**

The Center is required by the Statement of Financial Accounting Standards No. 105, "Disclosure of Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk," to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments that potentially subject the Center to concentration of credit risk consist primarily of temporary cash investments. The Center has funds deposited with Wells Fargo and Wells Fargo Brokerage Services in amounts exceeding federally insured limits.

**INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Mental Health Center of North Iowa, Inc.  
Mason City, Iowa

Our report on our audits of the basic combined financial statements of the Mental Health Center of North Iowa, Inc. and its combined service projects for the years ended June 30, 2007 and 2006, appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information on pages 14 through 26 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

*Potter & Brant, P.L.C.*

Potter & Brant, P.L.C.  
Certified Public Accountants  
Clear Lake, Iowa  
September 10, 2007

Clear Lake, IA  
641-357-5291

Mason City, IA  
641-423-3535

Webster City, IA  
515-832-4783

MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

COMBINING STATEMENT OF FINANCIAL POSITION

June 30, 2007

| ASSETS   | Mental Health<br>Center of North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations     | Combined            |
|--|--|----------------------------------|------------------|---------------------|
| <b>CURRENT ASSETS</b>                                |  |                                  |                  |                     |
| Cash   |  |                                  |                  |                     |
| Cash on hand   | \$ 100   | \$ -                             | \$ -             | \$ 100              |
| Cash in bank   | 118,747  | 25,796                           | -                | 144,543             |
| Receivables  |  |                                  |                  |                     |
| Patient fees, net of allowance for doubtful accounts | 276,651  | -                                | 22,967           | 253,684             |
| Grants   | 6,588  | 15,671                           | -                | 22,259              |
| United Way   | -  | -                                | -                | -                   |
| Contractual receivables from counties                | 31,864   | 8,448                            | -                | 40,312              |
| Service projects                                     | -  | 18,702                           | -                | 18,702              |
| Interdivisional                                      | -  | 17,488                           | 17,488           | -                   |
| Interest   | 7,448  | 472                              | -                | 7,920               |
| Miscellaneous  | 51,748   | -                                | 31,583           | 20,165              |
| Prepaid expenses                                     | 29,532   | 1,100                            | -                | 30,632              |
| Investments  | 686,800  | 145,124                          | -                | 831,924             |
| <b>Total current assets</b>                          | <u>1,209,478</u>                               | <u>232,801</u>                   | <u>72,038</u>    | <u>1,370,241</u>    |
| <b>PROPERTY AND EQUIPMENT, at cost</b>               |  |                                  |                  |                     |
| Land   | 2,000  | -                                | -                | 2,000               |
| Land improvements                                    | 35,161   | -                                | -                | 35,161              |
| Buildings  | 781,116  | -                                | -                | 781,116             |
| Furniture, fixtures and equipment                    | 474,305  | 37,787                           | -                | 512,092             |
|  | <u>1,292,582</u>                               | <u>37,787</u>                    | <u>-</u>         | <u>1,330,369</u>    |
| Less accumulated depreciation                        | (1,006,406)                                    | (34,022)                         | -                | (1,040,428)         |
| <b>Property and equipment - net</b>                  | <u>286,176</u>                                 | <u>3,765</u>                     | <u>-</u>         | <u>289,941</u>      |
| <b>OTHER ASSETS</b>                                  |  |                                  |                  |                     |
| Investments  | 187,793  | -                                | -                | 187,793             |
| <b>Total other assets</b>                            | <u>187,793</u>                                 | <u>-</u>                         | <u>-</u>         | <u>187,793</u>      |
| <b>TOTAL ASSETS</b>                                  | <u>\$ 1,683,447</u>                            | <u>\$ 236,566</u>                | <u>\$ 72,038</u> | <u>\$ 1,847,975</u> |

See auditors' report on supplementary information.

| <b>LIABILITIES AND NET ASSETS</b>                  | Mental Health<br>Center of North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations         | Combined                |
|--|--|----------------------------------|----------------------|-------------------------|
| <b>CURRENT LIABILITIES</b>                         |  |                                  |                      |                         |
| Accounts payable                                   | \$ 35,287                                      | \$ 5,671                         | \$ -                 | \$ 40,958               |
| Accounts payable, service projects                 | 40,455   | 31,583                           | 72,038               | -                       |
| Agency funds                                       | 9,565  | -                                | -                    | 9,565                   |
| Accrued expenses                                   | 37,391   | 10,289                           | -                    | 47,680                  |
| Deferred revenue                                   | -  | -                                | -                    | -                       |
| <b>Total current liabilities/total liabilities</b> | <b>122,698</b>                                 | <b>47,543</b>                    | <b>72,038</b>        | <b>98,203</b>           |
| <b>NET ASSETS</b>                                  |  |                                  |                      |                         |
| Unrestricted:                                      |  |                                  |                      |                         |
| Board designated for property and equipment        | 170,157  | 86,167                           | -                    | 256,324                 |
| Board designated for special projects              | 328,572  | -                                | -                    | 328,572                 |
| Board designated for emergency services            | 102,523  | -                                | -                    | 102,523                 |
| Board designated for MHC/CSS projects              | 81,943   | -                                | -                    | 81,943                  |
| Undesignated                                       | 864,534  | 102,856                          | -                    | 967,390                 |
| <b>Total unrestricted</b>                          | <b>1,547,729</b>                               | <b>189,023</b>                   | <b>-</b>             | <b>1,736,752</b>        |
| Temporarily restricted                             | 11,779   | -                                | -                    | 11,779                  |
| Permanently restricted                             | 1,241  | -                                | -                    | 1,241                   |
| <b>Total net assets</b>                            | <b>1,560,749</b>                               | <b>189,023</b>                   | <b>-</b>             | <b>1,749,772</b>        |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b>        | <br><b>\$ 1,683,447</b>                        | <br><b>\$ 236,566</b>            | <br><b>\$ 72,038</b> | <br><b>\$ 1,847,975</b> |

See auditors' report on supplementary information.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINING STATEMENT OF FINANCIAL POSITION**

June 30, 2006

| <b>ASSETS</b>  | Mental Health<br>Center of North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations     | Combined            |
|--|--|----------------------------------|------------------|---------------------|
| <b>CURRENT ASSETS</b>                                |  |                                  |                  |                     |
| Cash   |  |                                  |                  |                     |
| Cash on hand   | \$ 100   | \$ -                             | \$ -             | \$ 100              |
| Cash in bank   | 63,740   | 20,115                           | -                | 83,855              |
| Receivables  |  |                                  |                  |                     |
| Patient fees, net of allowance for doubtful accounts | 324,077  | -                                | 17,587           | 306,490             |
| Grants   | 7,484  | 14,069                           | 693              | 20,860              |
| United Way   | -  | -                                | -                | -                   |
| Contractual receivables from counties                | 67,184   | 11,142                           | 5,062            | 73,264              |
| Service projects                                     | 107  | 18,282                           | 107              | 18,282              |
| Interdivisional                                      | -  | 34,032                           | 34,032           | -                   |
| Interest   | 12,198   | 1,365                            | -                | 13,563              |
| Miscellaneous  | 44,284   | -                                | 27,000           | 71,284              |
| Prepaid expenses                                     | 24,165   | 1,100                            | -                | 25,265              |
| Investments  | 712,916  | 119,267                          | -                | 832,183             |
| <b>Total current assets</b>                          | <u>1,256,255</u>                               | <u>219,372</u>                   | <u>84,481</u>    | <u>1,391,146</u>    |
| <b>PROPERTY AND EQUIPMENT, at cost</b>               |  |                                  |                  |                     |
| Land   | 2,000  | -                                | -                | 2,000               |
| Land improvements                                    | 33,716   | -                                | -                | 33,716              |
| Buildings  | 779,503  | -                                | -                | 779,503             |
| Furniture, fixtures and equipment                    | 538,478  | 37,787                           | -                | 576,265             |
|  | <u>1,353,697</u>                               | <u>37,787</u>                    | <u>-</u>         | <u>1,391,484</u>    |
| Less accumulated depreciation                        | (1,049,175)                                    | (31,140)                         | -                | (1,080,315)         |
| <b>Property and equipment - net</b>                  | <u>304,522</u>                                 | <u>6,647</u>                     | <u>-</u>         | <u>311,169</u>      |
| <b>OTHER ASSETS</b>                                  |  |                                  |                  |                     |
| Investments  | 278,466  | 39,408                           | -                | 317,874             |
| <b>Total other assets</b>                            | <u>278,466</u>                                 | <u>39,408</u>                    | <u>-</u>         | <u>317,874</u>      |
| <b>TOTAL ASSETS</b>                                  | <u>\$ 1,839,243</u>                            | <u>\$ 265,427</u>                | <u>\$ 84,481</u> | <u>\$ 2,020,189</u> |

See auditors' report on supplementary information.

| <b>LIABILITIES AND NET ASSETS</b>                  | Mental Health<br>Center of North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations     | Combined            |
|--|--|----------------------------------|------------------|---------------------|
| <b>CURRENT LIABILITIES</b>                         |  |                                  |                  |                     |
| Accounts payable                                   | \$ 32,670                                      | \$ 1,165                         | \$ -             | \$ 33,835           |
| Accounts payable, service projects                 | 57,481   | 27,000                           | 84,481           | -                   |
| Agency funds                                       | 9,603  | -                                | -                | 9,603               |
| Accrued expenses                                   | 35,921   | 10,008                           | -                | 45,929              |
| Deferred revenue                                   | -  | 5,103                            | -                | 5,103               |
| <b>Total current liabilities/total liabilities</b> | <u>135,675</u>                                 | <u>43,276</u>                    | <u>84,481</u>    | <u>94,470</u>       |
| <b>NET ASSETS</b>                                  |  |                                  |                  |                     |
| Unrestricted:                                      |  |                                  |                  |                     |
| Board designated for property and equipment        | 159,318  | 80,171                           | -                | 239,489             |
| Board designated for special projects              | 345,575  | -                                | -                | 345,575             |
| Board designated for emergency services            | 95,993   | -                                | -                | 95,993              |
| Board designated for MHC/CSS projects              | 76,724   | -                                | -                | 76,724              |
| Undesignated                                       | 1,014,315                                      | 141,980                          | -                | 1,156,295           |
| <b>Total unrestricted</b>                          | <u>1,691,925</u>                               | <u>222,151</u>                   | <u>-</u>         | <u>1,914,076</u>    |
| Temporarily restricted                             | 10,414   | -                                | -                | 10,414              |
| Permanently restricted                             | 1,229  | -                                | -                | 1,229               |
| <b>Total net assets</b>                            | <u>1,703,568</u>                               | <u>222,151</u>                   | <u>-</u>         | <u>1,925,719</u>    |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b>        | <u>\$ 1,839,243</u>                            | <u>\$ 265,427</u>                | <u>\$ 84,481</u> | <u>\$ 2,020,189</u> |

See auditors' report on supplementary information.

MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

COMBINED CONTRACTUAL RECEIVABLES FROM COUNTIES  
June 30, 2007 and 2006

|             | 2007             | 2006             |
|-------------|------------------|------------------|
| Counties:   |                  |                  |
| Cerro Gordo | \$ 19,058        | \$ 31,383        |
| Floyd       | 8,626            | 6,797            |
| Franklin    | 2,297            | 6,744            |
| Hancock     | 2,934            | 17,872           |
| Mitchell    | 2,744            | 8,604            |
| Winnebago   | 2,845            | 1,798            |
| Worth       | 1,808            | 66               |
|             | <u>\$ 40,312</u> | <u>\$ 73,264</u> |

See auditors' report on supplementary information.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINING STATEMENT OF ACTIVITIES**

Year Ended June 30, 2007

|  | Mental Health<br>Center of North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations | Combined            |
|--|--|----------------------------------|--------------|---------------------|
| <b>UNRESTRICTED NET ASSETS</b>                         |  |                                  |              |                     |
| Unrestricted public support and revenue                |  |                                  |              |                     |
| Unrestricted public support                            |  |                                  |              |                     |
| Counties   |  |                                  |              |                     |
| Cerro Gordo  | \$ 188,112                                     | \$ 68,931                        | \$ -         | \$ 257,043          |
| Floyd  | 74,740   | -                                | -            | 74,740              |
| Franklin   | 44,486   | 14,659                           | -            | 59,145              |
| Hancock  | 51,664   | -                                | -            | 51,664              |
| Mitchell   | 47,929   | -                                | -            | 47,929              |
| Winnebago  | 50,084   | -                                | -            | 50,084              |
| Worth  | 32,453   | -                                | -            | 32,453              |
| Grants   | 25,161   | 66,276                           | -            | 91,437              |
| United Way   | -  | 34,750                           | -            | 34,750              |
| Contributions  | 988  | -                                | -            | 988                 |
| <b>Total unrestricted public support</b>               | <u>515,617</u>                                 | <u>184,616</u>                   | <u>-</u>     | <u>700,233</u>      |
| Unrestricted revenue                                   |  |                                  |              |                     |
| Third-party reimbursements                             | 1,308,805                                      | 160,070                          | -            | 1,468,875           |
| Net investment income                                  | 58,661   | 8,120                            | -            | 66,781              |
| Gain on disposal of fixed assets                       | 340  | -                                | -            | 340                 |
| Other  | 63,343   | 284                              | 5,770        | 57,857              |
| <b>Total unrestricted revenue</b>                      | <u>1,431,149</u>                               | <u>168,474</u>                   | <u>5,770</u> | <u>1,593,853</u>    |
| <b>Total unrestricted public support &amp; revenue</b> | <u>1,946,766</u>                               | <u>353,090</u>                   | <u>5,770</u> | <u>2,294,086</u>    |
| Expenses:  |  |                                  |              |                     |
| Program services                                       | 1,322,488                                      | 329,190                          | 5,770        | 1,645,908           |
| Management and general                                 | 768,474  | 57,028                           | -            | 825,502             |
| Fundraising  | -  | -                                | -            | -                   |
| <b>Total expenses</b>                                  | <u>2,090,962</u>                               | <u>386,218</u>                   | <u>5,770</u> | <u>2,471,410</u>    |
| <b>Decrease in unrestricted net assets</b>             | <u>(144,196)</u>                               | <u>(33,128)</u>                  | <u>-</u>     | <u>(177,324)</u>    |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>               |  |                                  |              |                     |
| Net investment income                                  | 365  | -                                | -            | 365                 |
| Contributions  | 1,000  | -                                | -            | 1,000               |
| <b>Increase in temporarily restricted net assets</b>   | <u>1,365</u>                                   | <u>-</u>                         | <u>-</u>     | <u>1,365</u>        |
| <b>PERMANENTLY RESTRICTED NET ASSETS</b>               |  |                                  |              |                     |
| Net investment income                                  | 12   | -                                | -            | 12                  |
| <b>Increase in permanently restricted net assets</b>   | <u>12</u>                                      | <u>-</u>                         | <u>-</u>     | <u>12</u>           |
| <b>Decrease in net assets</b>                          | <u>(142,819)</u>                               | <u>(33,128)</u>                  | <u>-</u>     | <u>(175,947)</u>    |
| Net assets, beginning of year                          | <u>1,703,568</u>                               | <u>222,151</u>                   | <u>-</u>     | <u>1,925,719</u>    |
| Net assets, end of year                                | <u>\$ 1,560,749</u>                            | <u>\$ 189,023</u>                | <u>\$ -</u>  | <u>\$ 1,749,772</u> |

See auditors' report on supplementary information.

MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

|  | Mental Health<br>Center of North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations | Combined            |
|--|--|----------------------------------|--------------|---------------------|
| <b>UNRESTRICTED NET ASSETS</b>                         |  |                                  |              |                     |
| Unrestricted public support and revenue                |  |                                  |              |                     |
| Unrestricted public support                            |  |                                  |              |                     |
| Counties   |  |                                  |              |                     |
| Cerro Gordo  | \$ 126,077                                     | \$ 70,819                        | \$ -         | \$ 196,896          |
| Floyd  | 47,293   | -                                | -            | 47,293              |
| Franklin   | 31,616   | 12,673                           | -            | 44,289              |
| Hancock  | 47,648   | -                                | -            | 47,648              |
| Mitchell   | 35,730   | -                                | -            | 35,730              |
| Winnebago  | 30,652   | -                                | -            | 30,652              |
| Worth  | 5,933  | -                                | -            | 5,933               |
| Grants   | 27,165   | 60,623                           | -            | 87,788              |
| United Way   | -  | 27,143                           | -            | 27,143              |
| Contributions  | 5,682  | 153                              | -            | 5,835               |
| <b>Total unrestricted public support</b>               | <u>357,796</u>                                 | <u>171,411</u>                   | <u>-</u>     | <u>529,207</u>      |
| Unrestricted revenue                                   |  |                                  |              |                     |
| Third-party reimbursements                             | 1,640,376                                      | 187,757                          | -            | 1,828,133           |
| Net investment income                                  | 38,836   | 5,316                            | -            | 44,152              |
| Gain on disposal of fixed assets                       | -  | -                                | -            | -                   |
| Other  | 65,862   | 720                              | 5,640        | 60,942              |
| <b>Total unrestricted revenue</b>                      | <u>1,745,074</u>                               | <u>193,793</u>                   | <u>5,640</u> | <u>1,933,227</u>    |
| <b>Total unrestricted public support &amp; revenue</b> | <u>2,102,870</u>                               | <u>365,204</u>                   | <u>5,640</u> | <u>2,462,434</u>    |
| Expenses:  |  |                                  |              |                     |
| Program services                                       | 1,467,601                                      | 319,652                          | 5,640        | 1,781,613           |
| Management and general                                 | 748,963  | 54,971                           | -            | 803,934             |
| Fundraising  | -  | -                                | -            | -                   |
| <b>Total expenses</b>                                  | <u>2,216,564</u>                               | <u>374,623</u>                   | <u>5,640</u> | <u>2,585,547</u>    |
| <b>Decrease in unrestricted net assets</b>             | <u>(113,694)</u>                               | <u>(9,419)</u>                   | <u>-</u>     | <u>(123,113)</u>    |
| <b>TEMPORARILY RESTRICTED NET ASSETS</b>               |  |                                  |              |                     |
| Net investment income                                  | 175  | -                                | -            | 175                 |
| Contributions  | -  | -                                | -            | -                   |
| <b>Increase in temporarily restricted net assets</b>   | <u>175</u>                                     | <u>-</u>                         | <u>-</u>     | <u>175</u>          |
| <b>PERMANENTLY RESTRICTED NET ASSETS</b>               |  |                                  |              |                     |
| Net investment income                                  | 5  | -                                | -            | 5                   |
| <b>Increase in permanently restricted net assets</b>   | <u>5</u>                                       | <u>-</u>                         | <u>-</u>     | <u>5</u>            |
| <b>Decrease in net assets</b>                          | <u>(113,514)</u>                               | <u>(9,419)</u>                   | <u>-</u>     | <u>(122,933)</u>    |
| Net assets, beginning of year                          | <u>1,817,082</u>                               | <u>231,570</u>                   | <u>-</u>     | <u>2,048,652</u>    |
| Net assets, end of year                                | <u>\$ 1,703,568</u>                            | <u>\$ 222,151</u>                | <u>\$ -</u>  | <u>\$ 1,925,719</u> |

See auditors' report on supplementary information.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2007**

|   | Mental Health<br>Center of<br>North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations | Combined          |
|---|---|----------------------------------|--------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                                  |              |                   |
| Decrease in net assets  | \$ (142,819)                                      | \$ (33,128)                      | \$ -         | \$ (175,947)      |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: |   |                                  |              |                   |
| Depreciation  | 61,008  | 2,883                            | -            | 63,891            |
| Provision for doubtful accounts   | 57,718  | -                                | -            | 57,718            |
| Gain on disposal of fixed assets  | (340)   | -                                | -            | (340)             |
| Realized gain on investments  | (7,434)   | -                                | -            | (7,434)           |
| Unrealized gain on investments  | (9,734)   | (787)                            | -            | (10,521)          |
| Change in assets and liabilities:   |   |                                  |              |                   |
| Decrease in receivables   | 23,317  | 18,109                           | 12,443       | 28,983            |
| Increase in prepaid expenses  | (5,367)   | -                                | -            | (5,367)           |
| Increase (decrease) in accounts payable   | (14,409)  | 9,089                            | (12,443)     | 7,123             |
| Decrease in agency funds  | (38)  | -                                | -            | (38)              |
| Increase in accrued expenses  | 1,470   | 280                              | -            | 1,750             |
| Decrease in deferred revenue  | -   | (5,103)                          | -            | (5,103)           |
| <b>Net cash used in operating activities</b>  | <u>(36,628)</u>                                   | <u>(8,657)</u>                   | <u>-</u>     | <u>(45,285)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                                  |              |                   |
| Sale of property and equipment  | 340   | -                                | -            | 340               |
| Sale of investments   | 1,553,962   | 161,600                          | -            | 1,715,562         |
| Purchase of property and equipment  | (42,662)  | -                                | -            | (42,662)          |
| Purchase of investments   | (1,420,005)                                       | (147,262)                        | -            | (1,567,267)       |
| <b>Net cash provided by investing activities</b>  | <u>91,635</u>                                     | <u>14,338</u>                    | <u>-</u>     | <u>105,973</u>    |
| <b>Net increase in cash</b>   | <u>55,007</u>                                     | <u>5,681</u>                     | <u>-</u>     | <u>60,688</u>     |
| <b>CASH</b>   |   |                                  |              |                   |
| Beginning of year   | <u>63,840</u>                                     | <u>20,115</u>                    | <u>-</u>     | <u>83,955</u>     |
| End of year   | <u>\$ 118,847</u>                                 | <u>\$ 25,796</u>                 | <u>\$ -</u>  | <u>\$ 144,643</u> |

See auditors' report on supplementary information.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINING STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2006**

|   | Mental Health<br>Center of<br>North<br>Iowa, Inc. | Community<br>Support<br>Programs | Eliminations | Combined           |
|---|---|----------------------------------|--------------|--------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                                  |              |                    |
| Decrease in net assets  | \$ (113,514)                                      | \$ (9,419)                       | \$ -         | \$ (122,933)       |
| Adjustments to reconcile decrease in net assets to net cash used in operating activities: |   |                                  |              |                    |
| Depreciation  | 61,553  | 3,091                            | -            | 64,644             |
| Provision for doubtful accounts   | 90,837  | -                                | -            | 90,837             |
| Gain on disposal of fixed assets  | (65)  | -                                | -            | (65)               |
| Realized loss on investments  | 3,369   | -                                | -            | 3,369              |
| Unrealized (gain) loss on investments   | (7,617)   | 216                              | -            | (7,401)            |
| Change in assets and liabilities:   |   |                                  |              |                    |
| Increase in receivables   | (81,976)  | (11,915)                         | (5,005)      | (88,886)           |
| Increase in prepaid expenses  | (1,208)   | (50)                             | -            | (1,258)            |
| Decrease in accounts payable  | (41,116)  | (592)                            | 5,005        | (46,713)           |
| Decrease in agency funds  | (5,239)   | -                                | -            | (5,239)            |
| Increase (decrease) in accrued expenses   | (9,124)   | 769                              | -            | (8,355)            |
| Increase in deferred revenue  | -   | 5,103                            | -            | 5,103              |
| <b>Net cash used in operating activities</b>  | <u>(104,100)</u>                                  | <u>(12,797)</u>                  | <u>-</u>     | <u>(116,897)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |   |                                  |              |                    |
| Sale of property and equipment  | 65  | -                                | -            | 65                 |
| Sale of investments   | 1,359,735   | 172,800                          | -            | 1,532,535          |
| Purchase of property and equipment  | (17,839)  | (4,128)                          | -            | (21,967)           |
| Purchase of investments   | <u>(1,208,905)</u>                                | <u>(145,668)</u>                 | <u>-</u>     | <u>(1,354,573)</u> |
| <b>Net cash provided by investing activities</b>  | <u>133,056</u>                                    | <u>23,004</u>                    | <u>-</u>     | <u>156,060</u>     |
| <b>Net increase in cash</b>   | 28,956  | 10,207                           | -            | 39,163             |
| <b>CASH</b>   |   |                                  |              |                    |
| Beginning of year   | <u>34,884</u>                                     | <u>9,908</u>                     | <u>-</u>     | <u>44,792</u>      |
| End of year   | <u>\$ 63,840</u>                                  | <u>\$ 20,115</u>                 | <u>\$ -</u>  | <u>\$ 83,955</u>   |

See auditors' report on supplementary information.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2007**

|   | Program Services                              |                                  |                 |                     |
|---|---|----------------------------------|-----------------|---------------------|
|   | Mental Health<br>Center of North<br>Iowa, Inc | Community<br>Support<br>Programs | Eliminations    | Total               |
| Salaries  | \$ 655,252                                    | \$ 212,460                       | \$ -            | \$ 867,712          |
| Payroll taxes   | 48,221  | 15,472                           | -               | 63,693              |
| Employee benefits                                       | 106,238                                       | 50,198                           | -               | 156,436             |
| <b>Total salaries and related expenses</b>              | <b>809,711</b>                                | <b>278,130</b>                   | <b>-</b>        | <b>1,087,841</b>    |
| Professional fees                                       | -   | -                                | -               | -                   |
| ProFiler training                                       | -   | -                                | -               | -                   |
| Continued education                                     | 11,978  | 2,429                            | -               | 14,407              |
| Insurance   | 10,252  | -                                | -               | 10,252              |
| Office supplies and postage                             | 33,537  | 3,053                            | -               | 36,590              |
| Program supplies  | 1,629   | 1,071                            | -               | 2,700               |
| Rent  | 703   | 19,440                           | 5,770           | 14,373              |
| Telephone and utilities                                 | 26,584  | 5,594                            | -               | 32,178              |
| Repairs and maintenance                                 | 45,178  | 1,817                            | -               | 46,995              |
| Depreciation  | 49,198  | 2,883                            | -               | 52,081              |
| Service and outreach travel                             | 10,240  | 12,295                           | -               | 22,535              |
| Provision for doubtful accounts                         | -   | -                                | -               | -                   |
| Staff recruiting  | 275   | -                                | -               | 275                 |
| Internship expenses                                     | 16,957  | -                                | -               | 16,957              |
| Psychiatric services                                    | 293,586                                       | -                                | -               | 293,586             |
| Periodicals, publications and<br>miscellaneous services | 1,243   | -                                | -               | 1,243               |
| C.M.H.C. Association dues                               | 2,965   | -                                | -               | 2,965               |
| Meetings and forums                                     | 574   | -                                | -               | 574                 |
| Miscellaneous   | 7,878   | 2,478                            | -               | 10,356              |
| <b>Total expenses</b>                                   | <b>\$ 1,322,488</b>                           | <b>\$ 329,190</b>                | <b>\$ 5,770</b> | <b>\$ 1,645,908</b> |

See auditors' report on supplementary information.

| Management and General                   |                            |                   | Fundraising                              |                            |             | Total Expenses      |
|--|----------------------------|-------------------|--|----------------------------|-------------|---------------------|
| Mental Health Center of North Iowa, Inc. | Community Support Programs | Total             | Mental Health Center of North Iowa, Inc. | Community Support Programs | Total       |                     |
| \$ 450,423                               | \$ 42,492                  | \$ 492,915        | \$ -                                     | \$ -                       | \$ -        | \$ 1,360,627        |
| 33,239                                   | 3,240                      | 36,479            | -  | -                          | -           | 100,172             |
| 101,695                                  | 8,775                      | 110,470           | -  | -                          | -           | 266,906             |
| 585,357                                  | 54,507                     | 639,864           | -  | -                          | -           | 1,727,705           |
| 22,418                                   | 1,125                      | 23,543            | -  | -                          | -           | 23,543              |
| 42,400                                   | -                          | 42,400            | -  | -                          | -           | 42,400              |
| 2,662                                    | 900                        | 3,562             | -  | -                          | -           | 17,969              |
| 5,620                                    | -                          | 5,620             | -  | -                          | -           | 15,872              |
| 13,754                                   | 226                        | 13,980            | -  | -                          | -           | 50,570              |
| -  | -                          | -                 | -  | -                          | -           | 2,700               |
| -  | -                          | -                 | -  | -                          | -           | 14,373              |
| 16,809                                   | 33                         | 16,842            | -  | -                          | -           | 49,020              |
| 6,591                                    | -                          | 6,591             | -  | -                          | -           | 53,586              |
| 11,810                                   | -                          | 11,810            | -  | -                          | -           | 63,891              |
| -  | 95                         | 95                | -  | -                          | -           | 22,630              |
| 57,718                                   | -                          | 57,718            | -  | -                          | -           | 57,718              |
| -  | -                          | -                 | -  | -                          | -           | 275                 |
| -  | -                          | -                 | -  | -                          | -           | 16,957              |
| -  | -                          | -                 | -  | -                          | -           | 293,586             |
| 13                                       | -                          | 13                | -  | -                          | -           | 1,256               |
| 318                                      | -                          | 318               | -  | -                          | -           | 3,283               |
| 721                                      | -                          | 721               | -  | -                          | -           | 1,295               |
| 2,283                                    | 142                        | 2,425             | -  | -                          | -           | 12,781              |
| <u>\$ 768,474</u>                        | <u>\$ 57,028</u>           | <u>\$ 825,502</u> | <u>\$ -</u>                              | <u>\$ -</u>                | <u>\$ -</u> | <u>\$ 2,471,410</u> |

See auditors' report on supplementary information.

**MENTAL HEALTH CENTER OF NORTH IOWA, INC.  
AND ITS COMBINED SERVICE PROJECTS**

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2006**

|   | Program Services                              |                                  |                 |                     |
|---|---|----------------------------------|-----------------|---------------------|
|   | Mental Health<br>Center of North<br>Iowa, Inc | Community<br>Support<br>Programs | Eliminations    | Total               |
| Salaries  | \$ 641,582                                    | \$ 204,018                       | \$ -            | \$ 845,600          |
| Payroll taxes   | 46,401  | 14,977                           | -               | 61,378              |
| Employee benefits                                       | 104,385                                       | 48,632                           | -               | 153,017             |
| <b>Total salaries and related expenses</b>              | <b>792,368</b>                                | <b>267,627</b>                   | <b>-</b>        | <b>1,059,995</b>    |
| Professional fees                                       | 4,416   | -                                | -               | 4,416               |
| ProFiler training                                       | -   | -                                | -               | -                   |
| Continued education                                     | 12,563  | 1,021                            | -               | 13,584              |
| Insurance   | 11,588  | -                                | -               | 11,588              |
| Office supplies and postage                             | 42,518  | 4,696                            | -               | 47,214              |
| Program supplies  | 2,282   | 1,374                            | -               | 3,656               |
| Rent  | -   | 19,448                           | 5,640           | 13,808              |
| Telephone and utilities                                 | 26,147  | 5,534                            | -               | 31,681              |
| Repairs and maintenance                                 | 51,057  | 1,814                            | -               | 52,871              |
| Depreciation  | 51,189  | 3,090                            | -               | 54,279              |
| Service and outreach travel                             | 12,167  | 13,288                           | -               | 25,455              |
| Provision for doubtful accounts                         | -   | -                                | -               | -                   |
| Staff recruiting  | 1,462   | -                                | -               | 1,462               |
| Internship expenses                                     | 12,878  | -                                | -               | 12,878              |
| Psychiatric services                                    | 435,192                                       | -                                | -               | 435,192             |
| Periodicals, publications and<br>miscellaneous services | 1,795   | -                                | -               | 1,795               |
| C.M.H.C. Association dues                               | 2,914   | -                                | -               | 2,914               |
| Meetings and forums                                     | 1,665   | -                                | -               | 1,665               |
| Miscellaneous   | 5,400   | 1,760                            | -               | 7,160               |
| <b>Total expenses</b>                                   | <b>\$ 1,467,601</b>                           | <b>\$ 319,652</b>                | <b>\$ 5,640</b> | <b>\$ 1,781,613</b> |

See auditors' report on supplementary information.

| Management and General                   |                            |                   | Fundraising                              |                            |             | Total Expenses      |
|--|----------------------------|-------------------|--|----------------------------|-------------|---------------------|
| Mental Health Center of North Iowa, Inc. | Community Support Programs | Total             | Mental Health Center of North Iowa, Inc. | Community Support Programs | Total       |                     |
| \$ 433,871                               | \$ 39,864                  | \$ 473,735        | \$ -                                     | \$ -                       | \$ -        | \$ 1,319,335        |
| 32,845                                   | 3,113                      | 35,958            | -  | -                          | -           | 97,336              |
| 103,054                                  | 8,352                      | 111,406           | -  | -                          | -           | 264,423             |
| 569,770                                  | 51,329                     | 621,099           | -  | -                          | -           | 1,681,094           |
| 16,951                                   | 1,015                      | 17,966            | -  | -                          | -           | 22,382              |
| -  | -                          | -                 | -  | -                          | -           | -                   |
| 665                                      | 747                        | 1,412             | -  | -                          | -           | 14,996              |
| 6,265                                    | -                          | 6,265             | -  | -                          | -           | 17,853              |
| 17,529                                   | 356                        | 17,885            | -  | -                          | -           | 65,099              |
| 171                                      | -                          | 171               | -  | -                          | -           | 3,827               |
| -  | -                          | -                 | -  | -                          | -           | 13,808              |
| 20,501                                   | 732                        | 21,233            | -  | -                          | -           | 52,914              |
| 7,676                                    | -                          | 7,676             | -  | -                          | -           | 60,547              |
| 10,364                                   | -                          | 10,364            | -  | -                          | -           | 64,643              |
| -  | 210                        | 210               | -  | -                          | -           | 25,665              |
| 90,837                                   | -                          | 90,837            | -  | -                          | -           | 90,837              |
| 711                                      | -                          | 711               | -  | -                          | -           | 2,173               |
| -  | -                          | -                 | -  | -                          | -           | 12,878              |
| -  | -                          | -                 | -  | -                          | -           | 435,192             |
| 478                                      | -                          | 478               | -  | -                          | -           | 2,273               |
| 300                                      | -                          | 300               | -  | -                          | -           | 3,214               |
| 943                                      | -                          | 943               | -  | -                          | -           | 2,608               |
| 5,802                                    | 582                        | 6,384             | -  | -                          | -           | 13,544              |
| <u>\$ 748,963</u>                        | <u>\$ 54,971</u>           | <u>\$ 803,934</u> | <u>\$ -</u>                              | <u>\$ -</u>                | <u>\$ -</u> | <u>\$ 2,585,547</u> |

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