

**Vera French**  
**Community Mental Health Center, Inc.**

Auditor's Report  
Financial Statements and  
Supplemental Information

Year Ending June 30, 2007

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**Vera French Community Mental Health Center, Inc.**

**Board Members**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Ted Rogalski	President	2008
Scott Tinsman, Jr	Vice President	2009
Julie Carstensen	Secretary/Treasurer	2009
Robert Anderson, M.D.	Member	2009
Jeff Bert	Member	2009
Dean Bunting, M.D	Member	2008
Mary Dubert	Member	2008
Debrah Kirby	Member	2011
Linda Lewis	Member	2009
Ann Nollett	Member	2009
Ross Paustian	Member	2011
James Spaeth	Member	2008
Phillip Trissel	Member	2008
Bill Wallace	Member	2008
Rory Washburn	Member	2008



**Sitrick & Associates, LLC** *Certified Public Accountants*

2543 Tech Drive ♦ Bettendorf, Iowa 52722 ♦ Telephone 563-332-8288 FAX 563-332-8456

Sheldon S. Sitrick, CPA (1954 - 1988)  
John N. Sherrick, CPA  
Glenn G. Blair, CPA  
James K. Blake, CPA

**Independent Auditor's Report**

To The Board of Directors  
Vera French Community Mental Health Center, Inc.  
Davenport, Iowa

We have audited the accompanying statement of financial position of Vera French Community Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2007, the related statements of activities, functional expenses, and cash flows for the year 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vera French Community Mental Health Center, Inc. as of June 30, 2007, and the results of its operations and its cash flows for then year ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2007, on our consideration of Vera French Community Mental Health Center's internal control structure and a report dated October 5, 2007, on its compliance with laws and regulations.

*Sitrick & Associates*  
SITRICK & ASSOCIATES, LLC  
Certified Public Accountants

October 5, 2007  
Bettendorf, Iowa

**Vera French Community Mental Health Center, Inc.**  
Statement of Financial Position  
 June 30, 2007

**Assets**

Current Assets:	
Cash on hand and in bank	\$ 595,186
Accounts receivable (Note 5)	1,076,239
Prepaid expenses	<u>124,503</u>
Total Current Assets	<u>1,795,928</u>
Property and Equipment (Note 1):	
Land	25,200
Furnishings and equipment	1,140,231
Buildings and improvements	<u>3,202,382</u>
Property and Equipment at Cost	4,367,813
Less: accumulated depreciation	<u>2,522,652</u>
Total Property and Equipment	<u>1,845,161</u>
Other Assets	
Investment in partnership	<u>16,522</u>
Total Assets	<u>\$ 3,657,611</u>

**Liabilities and Net Assets**

Current Liabilities:	
Accounts payable	\$ 131,318
Accrued wages and payroll taxes	415,793
Notes Payable	<u>395,389</u>
Total Current Liabilities	<u>942,500</u>
Long Term Liabilities	
Notes Payable	<u>560,427</u>
Total Liabilities	<u>1,502,927</u>
Net Assets:	
Unrestricted Net Assets:	
Designated by Board for buildings	11,462
Undesignated	<u>2,029,192</u>
Total Unrestricted	<u>2,040,654</u>
Temporarily Restricted Net Assets	<u>114,030</u>
Total Net Assets	<u>2,154,684</u>
Total Liabilities & Net Assets	<u>\$ 3,657,611</u>

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

**Vera French Community Mental Health Center, Inc.**  
**Statement of Activities**  
For the Year Ended June 30, 2007

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Support and Revenue:			
Unrestricted:			
Scott County	\$ 3,520,165	\$ -	\$ 3,520,165
Service Fees	3,168,488	-	3,168,488
ARO	1,473,331	-	1,473,331
Contributions	334,445	-	334,445
Title XIX	756,144	-	756,144
SSI,SSDI, SSA	550,340	-	550,340
Grants	227,593	-	227,593
Other	69,555	-	69,555
Restrictions released	<u>45,970</u>	<u>(45,970)</u>	<u>-</u>
 Total Support	 10,146,031	 (45,970)	 10,100,061
 Expenses:			
Outpatient	4,137,514	-	4,137,514
Community Support	550,513	-	550,513
Community Service	78,371	-	78,371
Inpatient	76,065	-	76,065
Day Treatment	296,990	-	296,990
Supportive Employment	259,320	-	259,320
Jail Diversion	135,001	-	135,001
Outreach	110,200	-	110,200
Case Management	555,154	-	555,154
Case Monitoring	132,294	-	132,294
Residential Programs	<u>2,403,166</u>	<u>-</u>	<u>2,403,166</u>
 Total Program Services	 8,734,588	 -	 8,734,588
 Supporting Services			
General Administrative	<u>714,629</u>	<u>-</u>	<u>714,629</u>
 Total Expenses	 <u>9,449,217</u>	 <u>-</u>	 <u>9,449,217</u>
 Change in Net Assets	 696,814	 (45,970)	 650,844
 Net Assets, Beginning of Year	 <u>1,343,840</u>	 <u>160,000</u>	 <u>1,503,840</u>
 Net Assets, End of Year	 <u>\$ 2,040,654</u>	 <u>\$ 114,030</u>	 <u>\$ 2,154,684</u>

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

**Vera French Community Mental Health Center, Inc.**  
Statement of Cash Flows  
For the Year Ended June 30, 2007

Cash Flows From Operating Activities:	
Change in net assets	\$ 650,844
Revenues and expense items not requiring cash:	
Depreciation	197,027
(Increase) Decrease In:	
Accounts receivable	(331,546)
Prepaid expenses	(51,869)
Increase (Decrease) In:	
Accounts payable	5,932
Accrued and other liabilities	<u>60,301</u>
Net cash provided by operating activities	<u>530,689</u>
Cash Flows From Investing Activities:	
Purchases of fixed assets	<u>(74,744)</u>
Net cash flows used by investing activities	<u>(74,744)</u>
Cash Flows From Financing Activities:	
Repayment on Notes Payable	(55,925)
Advance on Line of credit	<u>(95,956)</u>
Net cash provide by financing activities	<u>(151,881)</u>
Net increase in cash	304,064
Cash at beginning of year	<u>291,122</u>
Cash at end of year	<u>\$ 595,186</u>

Supplemental Information:

Interest Paid      84,149

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

**Vera French Community Mental Health Center, Inc.**  
Statement of Functional Expenses  
For the Year Ended June 30, 2007

	Vera French Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Management and General	Total
Salaries	4,515,563	1,657,860	87,419	\$ 427,598	\$ 6,688,440
Benefits	942,042	425,454	20,269	127,973	1,515,738
Occupancy	212,666	139,835	-	21,951	374,452
Communications	110,567	9,560	-	10,674	130,801
Supplies	110,014	135,275	-	10,743	256,032
Equipment Costs	25,300	20,178	-	2,669	48,147
Other Expenses	122,381	15,004	2,512	11,400	151,297
Consultation & Education	3,134	-	-		3,134
Interest	-	-	-	84,149	84,149
Depreciation	179,555	-	-	17,472	197,027
 Total	 <u>\$ 6,221,222</u>	 <u>\$ 2,403,166</u>	 <u>\$ 110,200</u>	 <u>\$ 714,629</u>	 <u>\$ 9,449,217</u>

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

**Vera French Community Mental Health Center, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2007

Note 1 - Nature of Organization and Significant Accounting Policies:

The Vera French Community Mental Health Center, Inc. was formed in 1950 for the purpose of providing facilities and a complex of community mental health services offering professional consultation and care in coordination with other agencies of the community.

Financial Statement Presentation - The Center elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-Profit Organizations," 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. In addition, the Center is required to present a statement of cash flows.

Contributions - In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Net Patient Revenue - Patient service revenue is reported at estimated net realizable amounts from patients, third party payors, and others for services rendered.

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

Estimates - The preparation of financial statements in conformity with 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.

Income Taxes - The Center is exempt from income taxes as a non-profit organization under section 501(c)(3) of the Internal Revenue Service Code. The Center is also exempt from state income taxes.

**Vera French Community Mental Health Center, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2007

Note 1 - Nature of Organization and Significant Accounting Policies:

Fixed Assets - Fixed assets are stated at cost and being depreciated over their estimated useful life using the straight-line method of depreciation. Fixed assets under \$ 500 are expensed in the current period. The following lives are currently used:

<u>Classification</u>	<u>Lives</u>
Furnishings and equipment	5 or 7 years
Buildings and improvements	5, 15, 25, 30 or 31.5 years

Leased Assets - Equipment under capital leases are recorded as assets and obligations at amounts equal to the fair market values of the equipment at the beginning of the lease terms. Each lease payment is allocated between a reduction of the lease obligation and interest expense. The assets are being amortized using the straight-line method of depreciation.

Note 2 - Retirement Plan:

The Center has a defined contribution retirement plan for substantially all full time employees. The annual contribution to the plan equals approximately 4.5% of gross salary. The amount included in the expenses for the year ended June 30, 2007 is approximately \$342,137.

Note 3 - Leased Land:

The Center leases approximately four acres of land, upon which the Center's building is located, for an annual rental of \$1 plus the payment of any taxes and insurance. The lease agreement expires in May 2020 and provides that the Center will have the right of first refusal in the event of any sale of land by the lessor.

Note 4 - Contingent Liabilities:

According to the Center's employment policies, sick leave pay is forfeited upon termination and therefore has not been accrued.

Malpractice claims may be asserted arising from past service provided. Management believes that these claims, if asserted would be settled within the limits of insurance coverage.

The Center is involved in litigation over several employee related matters. Management believes that these claims if successful would be settled within the limits of insurance coverage. Therefore no estimate of liability has been accrued in the financial statements.

**Vera French Community Mental Health Center, Inc.**

Notes to Financial Statements

For the Year Ended June 30, 2007

Note 5 - Accounts Receivable:

Accounts receivable of the Center at June 30, 2007 totaled \$1,034,328. Based on past collection experience, management has provided for an allowance for doubtful accounts of \$480,119 of the receivable balance. Accounts receivable of the Pine Knoll residential center was \$372,543 and \$149,487 was from grants at the Center.

Note 6 – Notes Payable:

Notes payable consists of two short term notes due within one year. The notes are secured by the Center's interest in its building and accounts receivable.

Line of Credit with variable interest rate, currently at 8.25%	\$ 335,000
Mortgage with an variable interest rate, currently 6.65%	<u>620,816</u>
Total	<u>\$ 955,816</u>

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

2008	\$ 395,389
2009	64,530
2010	68,955
2011	73,683
2012	<u>353,259</u>
	<u>\$ 955,816</u>

Note 7 - Pine Knoll Residential Center:

Vera French Community Mental Health Center entered into a leasehold agreement with Scott County, Iowa as of July 1, 1987. Under the terms of the lease, all administrative, programmatic and fiscal control of the operation known as "The Pine Knoll Health Care Facility" was given to Vera French Community Health Center for the consideration of \$1 per year. The property under lease is to remain a residential care facility, primarily for the care and treatment of the chronically mentally ill. The county remains responsible for insurance and maintenance of structural and mechanical features of the building. The Community Mental Health Center is responsible for routine inside building and personal property, insurance and maintenance, as well as outside grounds maintenance. However, Scott County maintains a landlord's lien and security interest on all personal property and substitutions. Therefore, no assets at Pine Knoll are included in this report as property of Vera French Community Mental Health Center, Inc.

**Vera French Community Mental Health Center, Inc.**  
Notes to Financial Statements  
For the Year Ended June 30, 2007

Note 8 – Revenue

Approximately 24 percent of 2007 revenue was derived under federal and state third-party reimbursement programs. These revenues are based in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 9 - Related Organizations:

Vera French Housing Corporation - This Corporation works closely with Vera French Community Mental Health Center to provide affordable housing to its patients. The Board of the Housing Corporation is approved and may be removed by the Center's Board. A financial statement summary for June 30, 2007 is as follows:

Assets	\$1,467,697	Revenues	\$ 521,951
Liabilities	<u>241,435</u>	Expenses	<u>466,724</u>
Net Assets	<u>\$1,226,262</u>	Change in net assets	<u>\$ 55,227</u>

Vera French Foundation - The Foundation supports the Center and various other organizations. During the year ended June 30, 2007 the Vera French Foundation made a grant to Vera French Community Mental Health Center for capital improvements and programs. The Center's Board approves and can remove the Foundation's Board. A financial statement summary for June 30, 2007 is as follows:

Assets	\$ 756,776	Revenues	\$ 764,773
Liabilities	<u>14,983</u>	Expenses	<u>629,685</u>
Net Assets	<u>\$ 741,793</u>	Change in net assets	<u>\$ 135,088</u>

Note 10 – Concentration of Credit Risk:

The agency maintains cash balances at a local bank. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$100,000.

Note 11 – Temporally Restricted Nets Assets

Temporally Restricted Net Assets consist of:

Restricted for Computer Equipment \$ 114,030



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To the Board of Directors  
Vera French Community Mental Health Center, Inc.  
Davenport, Iowa

Our report on our audit of the basic financial statements of the Vera French Community Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2007, appears on page one. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of Functional Support, Revenues and Expense, Schedule I Vera French Community Mental Health Center Programs, and Schedule II State and Grant supported Programs are presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information was subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Sitrick & Associates*  
SITRICK & ASSOCIATES, LLC  
Certified Public Accountants

October 5, 2007  
Bettendorf, Iowa

**Vera French Community Mental Health Center, Inc.**  
**Statement of Functional Support, Revenues and Expenses**  
**For the Year Ended June 30, 2007**

	Vera French Community Mental Health Center Schedule I	Pine Knoll Residential Programs	State and Grant Programs Schedule II	Total
<b>Support and Revenue:</b>				
<b>Unrestricted:</b>				
Scott County	\$ 2,696,311	\$ 823,854	\$ -	\$ 3,520,165
Service Fees	2,844,899	323,589		3,168,488
ARO	-	1,473,331	-	1,473,331
Contributions	323,798	10,647		334,445
Title XIX	756,144	-	-	756,144
SSI,SSDI, SSA	-	550,340	-	550,340
Grants	71,423	-	156,170	227,593
Other	69,555	-	-	69,555
	<u>6,762,130</u>	<u>3,181,761</u>	<u>156,170</u>	<u>10,100,061</u>
<b>Total Unrestricted Support</b>	<b>6,762,130</b>	<b>3,181,761</b>	<b>156,170</b>	<b>10,100,061</b>
<b>Expenses:</b>				
Salaries	4,943,161	1,657,860	87,419	6,688,440
Benefits	1,070,015	425,454	20,269	1,515,738
Occupancy	234,617	139,835	-	374,452
Communications	121,241	9,560	-	130,801
Supplies	120,757	135,275	-	256,032
Equipment Costs	27,969	20,178	-	48,147
Other Expenses	133,781	15,004	2,512	151,297
Consultation & Education	3,134	-	-	3,134
Interest	84,149	-	-	84,149
Depreciation	197,027	-	-	197,027
	<u>6,935,851</u>	<u>2,403,166</u>	<u>110,200</u>	<u>9,449,217</u>
<b>Total Expenses</b>	<b>6,935,851</b>	<b>2,403,166</b>	<b>110,200</b>	<b>9,449,217</b>
<b>Change in Unrestricted Net Assets</b>	<b>\$ (173,721)</b>	<b>\$ 778,595</b>	<b>\$ 45,970</b>	<b>\$ 650,844</b>

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

**Vera French Community Mental Health Center, Inc.**  
**Schedule I - Vera French Community Mental Health Center Programs**  
**For the Year Ended June 30, 2007**

	Outpatient	Community Support	Community Service	Case Management	Inpatient
<b>Support and Revenue:</b>					
<b>Unrestricted:</b>					
Scott County	\$ 1,505,306	\$ 405,420	\$ 63,012	\$ -	\$ 76,065
Service Fees	2,723,717	30,222	-	-	-
ARO	-	-	-	-	-
Contributions	236,842	750	80,801	-	-
Title XIX		133,540	-	564,574	-
Grants	-	10,935	2,778	-	-
Other	<u>42,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Unrestricted Support</b>	<b>4,508,422</b>	<b>580,867</b>	<b>146,591</b>	<b>564,574</b>	<b>76,065</b>
<b>Expenses:</b>					
Salaries	3,546,590	396,803	56,846	347,639	76,065
Benefits	631,375	149,580	10,391	114,310	-
Occupancy	154,825	11,621	3,461	20,555	-
Communications	78,578	6,686	595	15,009	-
Supplies	72,736	13,826	561	14,077	-
Equipment Costs	11,418	10,148	79	1,889	-
Other Expenses	150,517	25,769	1,221	20,251	-
Consultation & Education	-	-	3,134	-	-
Depreciation	<u>95,904</u>	<u>46,280</u>	<u>2,083</u>	<u>21,424</u>	<u>-</u>
<b>Total Expenses</b>	<b><u>4,741,943</u></b>	<b><u>660,713</u></b>	<b><u>78,371</u></b>	<b><u>555,154</u></b>	<b><u>76,065</u></b>
<b>Change in Unrestricted</b>					
Net Assets	<u>\$ (233,521)</u>	<u>\$ (79,846)</u>	<u>\$ 68,220</u>	<u>\$ 9,420</u>	<u>\$ -</u>

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

Day Treatment	Case Monitoring	Supportive Employment	Jail Diversion	Total
\$ 300,236	\$ 152,824	\$ 72,360	\$ 121,088	\$ 2,696,311
87,808	-	3,152	-	2,844,899
-	-	-	-	-
-	-	5,405	-	323,798
58,030	-	-	-	756,144
-	-	57,710	-	71,423
-	-	26,998	-	69,555
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
446,074	152,824	165,625	121,088	6,762,130
184,261	79,112	167,673	88,172	4,943,161
54,556	29,924	50,657	29,222	1,070,015
29,110	4,136	10,235	674	234,617
6,341	4,166	6,077	3,789	121,241
6,385	3,926	5,890	3,356	120,757
839	556	2,569	471	27,969
6,274	4,523	6,009	3,366	217,930
-	-	-	-	3,134
9,224	5,951	10,210	5,951	197,027
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
296,990	132,294	259,320	135,001	6,935,851
<u>\$ 149,084</u>	<u>\$ 20,530</u>	<u>\$ (93,695)</u>	<u>\$ (13,913)</u>	<u>\$ (173,721)</u>

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

**Vera French Community Mental Health Center, Inc.**  
**Schedule II - State and Grant Supported Programs**  
**For the Year Ended June 30, 2007**

	DHS Children	Path Program	Capital Improvements	Total
<b>Support and Revenue:</b>				
<b>Unrestricted:</b>				
Scott County	\$ -	\$ -	\$ -	\$ -
Grants	50,200	60,000	45,970	156,170
Service Fees	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Unrestricted Support	50,200	60,000	45,970	156,170
 <b>Expenses:</b>				
Salaries	40,063	47,356	-	87,419
Benefits	9,215	11,054	-	20,269
Occupancy	-	-	-	-
Communications	-	-	-	-
Supplies	-	-	-	-
Equipment Costs	-	-	-	-
Other Costs	922	1,590	-	2,512
Consultation & Education	-	-	-	-
Depreciation	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	50,200	60,000	-	110,200
 <b>Change in Unrestricted</b>				
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,970</u>	<u>\$ 45,970</u>



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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  
Vera French Community Mental Health Center, Inc.  
Davenport, Iowa

We have audited the financial statements of Vera French Community Mental Health Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Vera French Community Mental Health Center, Inc.'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 an opinion on the effectiveness of the Vera French Community Mental Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a 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 the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting 2007-1, 2007-2.

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

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vera French Community Mental Health Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
SITRICK & ASSOCIATES, LLC  
Certified Public Accountants

October 5, 2007  
Bettendorf, Iowa

**Vera French Community Mental Health Center, Inc.**  
**Schedule of Findings**  
**For the Year Ended June 30, 2007**

2007-1 Bank Reconciliations

Condition: Bank reconciliations were being prepared but not reconciled to the cash account in the general ledger monthly basis after a change in accounting staff.

Cause: Procedures were not in place to verify that bank reconciliations were completed and reconciled to the general ledger.

Recommendation: Bank reconciliations should be prepared each month using the bank reconciliation feature in the accounting software and compared to the general ledger cash account. Procedures should be put in place to review the completed bank reconciliations.

Response: Procedures have been put in place to reconcile the bank balances to the general ledger on a monthly basis.

Conclusion: Response accepted

2007-2 Segregation of Duties

Condition: The organization has two locations that perform accounting functions. At the Pine Knoll location one employee prepares the disbursements, signs the checks, posts the disbursements to the ledger and reconciles the bank. The disbursements are approved by another individual.

Recommendation: The duties of signing the checks should be given to someone other than the employee preparing the checks. Procedures should be put in place for another individual to review the bank statements and reconciliations on a monthly basis.

Response: Check signature authority and has been given to the administrator at Pine Knoll

Conclusion: Response accepted.