

**West Central Mental Health Center, Inc.
Adel, Iowa**

FINANCIAL REPORT

June 30, 2008

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**West Central Mental Health Center, Inc.
BOARD OF DIRECTORS
June 30, 2008**

Adair County

Bob Grasty, Supervisor
302 SW 3rd
Greenfield, IA 50849

Arlene Schwartz, Vice President
308 W. Iowa St.
Greenfield, IA 50849

Tom Bingaman
2080 York Ave.
Greenfield, IA 50849

Dallas County

Brad Golightly, Supervisor
Courthouse #100
Adel, IA 50003

Arden Augspurger, Secretary/Treasurer
2526 360th St.
Van Meter, IA 50261

Russ Leckband
19186 Bear Creek Rd.
Earlham, IA 50072

Guthrie County

Kevin Wirt, Supervisor
3328 Hwy 44
Panora, IA 50216

Janet Oberholtz, President
2345 Redwood Ave.
Guthrie Center, IA 50115

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Central Mental Health Center, Inc.
Adel, Iowa

We have audited the accompanying statement of financial position of West Central Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2008, and 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 West Central Mental Health Center, Inc. at June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2009 on our consideration of West Central Mental Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
March 31, 2009

West Central Mental Health Center, Inc.
STATEMENT OF FINANCIAL POSITION
June 30, 2008

ASSETS

Cash	\$ 225,714
Accounts receivable, patient services, less allowance for doubtful accounts \$69,114	
Patients and third-party providers	176,124
Other	35,312
Prepaid expenses	15,327
Property and equipment, net of accumulated depreciation of \$283,926	<u>274,180</u>
Total assets	<u>\$ 726,657</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 4,335
Accrued expenses	<u>46,298</u>
Total liabilities	<u>50,633</u>

NET ASSETS

Unrestricted	<u>676,024</u>
Total liabilities and net assets	<u>\$ 726,657</u>

West Central Mental Health Center, Inc.
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<u>Unrestricted</u>
PUBLIC SUPPORT AND REVENUE	
Public support	
Contributions	\$ <u>765</u>
Fees and grants from governmental agencies	
Dallas County	370,883
Adair County	63,823
Guthrie County	87,671
Community Mental Health Services Block Grant	57,549
Other services	<u>296</u>
Total fees and grants from government agencies	<u>580,222</u>
Other revenue	
Patient fees, including Title XIX, Medicare, and insurance, net of noncollectibles written off	438,219
Interest income	2,899
Miscellaneous income	<u>6,365</u>
Total other revenue	<u>447,483</u>
Total public support and other revenue	<u>1,028,470</u>
EXPENSES	
Program services	
Mental health center programs	523,346
Supported community living programs	14,686
New Horizons program	<u>73,894</u>
Total program services	<u>611,926</u>
Supporting activity	
Management and general	<u>336,556</u>
Total expenses	<u>948,482</u>
CHANGES IN NET ASSETS	79,988
NET ASSETS , beginning of year	<u>596,036</u>
NET ASSETS , end of year	\$ <u>676,024</u>

See Notes to Financial Statements.

West Central Mental Health Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2008

	<u>Program services</u>				<u>Supporting services</u>	
	<u>Mental Health Center</u>	<u>Supported Community Living</u>	<u>New Horizons</u>	<u>Total</u>	<u>Management and general</u>	<u>Total</u>
Salaries	\$ 251,441	\$ 9,053	\$ 43,354	\$ 303,848	\$ 204,606	\$ 508,454
Payroll taxes	18,544	671	3,239	22,454	12,476	34,930
Group health insurance	19,565	599	2,382	22,546	18,317	40,863
Retirement expense	12,241	539	2,564	15,344	11,299	26,643
Other employee benefits	<u>7,647</u>	<u>—</u>	<u>107</u>	<u>7,754</u>	<u>13,198</u>	<u>20,952</u>
Total salaries and related expenses	309,438	10,862	51,646	371,946	259,896	631,842
Consultation	137,811	130	587	138,528	1,835	140,363
After hours crisis	2,200	—	—	2,200	—	2,200
Legal and accounting	3,604	163	741	4,508	39,269	43,777
Contract labor	2,910	—	—	2,910	—	2,910
Professional supplies	233	—	—	233	—	233
Office supplies	9,571	434	1,967	11,972	6,149	18,121
Utilities and telephone	10,673	463	4,392	15,528	6,569	22,097
Postage	965	44	198	1,207	620	1,827
Rent	7,450	—	—	7,450	—	7,450
Repairs and maintenance	4,492	203	923	5,618	2,886	8,504
Dues and subscriptions	996	45	205	1,246	640	1,886
Transportation expenses	4,232	815	2,166	7,213	337	7,550
Insurance	12,489	790	3,282	16,561	7,647	24,208
Advertising	359	16	74	449	231	680
Depreciation	15,542	704	3,194	19,440	9,983	29,423
Miscellaneous	<u>381</u>	<u>17</u>	<u>4,519</u>	<u>4,917</u>	<u>494</u>	<u>5,411</u>
Total expenses	<u>\$ 523,346</u>	<u>\$ 14,686</u>	<u>\$ 73,894</u>	<u>\$ 611,926</u>	<u>\$ 336,556</u>	<u>\$ 948,482</u>

See Notes to Financial Statements.

West Central Mental Health Center, Inc.
STATEMENT OF CASH FLOWS
Year ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 79,988
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	29,423
Change in assets and liabilities	
(Increase) in patient accounts receivables	(48,530)
(Increase) in other receivables	(25,982)
Decrease in prepaid expenses	2,349
Increase in accounts payable	2,972
Increase in accrued expenses	<u>39,715</u>
Net cash provided by operating activities	<u>79,935</u>

NET INCREASE IN CASH

79,935

CASH

Beginning	<u>145,779</u>
Ending	<u>\$ 225,714</u>

West Central Mental Health Center, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 NATURE OF ACTIVITIES

West Central Mental Health Center, Inc. (the Center) is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Dallas, Adair and Guthrie Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law.

The Center provides services through the following programs:

Mental Health Center – Provides outpatient psychotherapy and counseling services, psychiatric services, including ongoing medication management, psychiatric and psychosocial evaluation services, emergency services, and education services.

Supported Community Living – Provides people with serious and persistent mental illness with support to live independently in the community.

New Horizons – Enables patients with serious and persistent mental illness to gather together in one central location and to discover and develop their own unique capabilities.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted – assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Center's board may designate portions of the unrestricted net assets as board-designated for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets.

Temporarily restricted – assets resulting from contributions and other inflows of assets whose use by the Center is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Center meeting the purpose of the restriction.

Permanently restricted – assets resulting from contributions which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them may be expended for any purpose. Currently, the Center has no permanently restricted net assets.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers cash on hand and in banks and investments with a maturity of less than a year to be cash equivalents.

**West Central Mental Health Center, Inc.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 NATURE OF ACTIVITIES (continued)

Patient Receivables

Patient receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a charge to receivables based on its assessment of the current status and billing rates of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient receivables. Changes in the valuation allowance have not been material to the financial statements. Management closely monitors outstanding balances and writes off all balances that will not be collected.

Property and Equipment

Property and equipment is recorded at cost, if purchased, or if donated, at the approximate fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. The Center follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, counties, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions Received

Contributions, which are defined as unconditional transfers of cash or other assets, are measured at fair value on the date received and given recognition as revenue. The imposition of restrictions on how a contribution is to be used does not delay recognition.

Contributions with donor-imposed restrictions are reported as restricted contributions. Gifts of long-lived assets received without donor-imposed restrictions are considered unrestricted support.

Functional Allocations of Expenses

The Center allocates expenses on a functional basis among direct program services and management and general. Expenses are allocated directly to the program service or supporting activity benefited. Certain expenses are allocated using the estimated percentage base.

NOTE 2 PROPERTY AND EQUIPMENT

A summary of property and equipment and related accumulated depreciation at June 30, 2008 follows:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 19,000	\$ —	\$ 19,000
Land improvements	21,720	11,028	10,692
Buildings	407,323	184,652	222,671
Furniture, fixtures and equipment	91,534	69,853	21,681
Leasehold improvement	380	244	136
Vehicles	<u>18,149</u>	<u>18,149</u>	<u>—</u>
Totals	<u>\$ 558,106</u>	<u>\$ 283,926</u>	<u>\$ 274,180</u>

West Central Mental Health Center, Inc.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 RETIREMENT PLAN

A defined contribution pension plan for eligible employees is maintained by the Center. The funding is current as of June 30, 2008. Net pension expense for the current year ended June 30, 2008 was \$26,643. The plan has a six-month waiting period for participation for all employees.

NOTE 4 OPERATING LEASES

The Center, as the lessee, leases a copy machine under an operating lease that requires monthly rental and maintenance agreement payments of \$285, through June 2009. Lease expense for the copy machine totaled \$3,482 for the year ended June 30, 2008.

The following is a schedule of noncancelable future minimum lease payments required under the operating lease:

Year ending June 30

2009

\$ 3,456

NOTE 5 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of demand deposits located at a financial institution. These demand deposits exceeded the federally insured limit of \$100,000 at times throughout the year.

The Center provides counseling to individuals in a three-county area. The Center grants credit to these individuals and the three counties.

The Center receives a substantial amount of its revenue from third-party payors, including Medicare, Medicaid, three counties and several insurance companies. A significant reduction in reimbursement by any of these third-party payors could have a material impact on the Center's programs and services. Support from Dallas County provides for 64 percent of total fees and grants from government agencies.

NOTE 6 CENTER RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
West Central Mental Health Center, Inc.
Adel, Iowa

We have audited the financial statements of West Central Mental Health Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 2009. 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 West Central 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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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 entity'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 Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

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 Center'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 West Central 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 that are required to be reported under *Government Auditing Standards*.

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

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
March 31, 2009