Vera French
Community Mental Health Center, Inc.

Auditor's Report
Consolidated Financial Statements and
Supplemental Information

Year Ending June 30, 2008

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Vera French Community Mental Health Center, Inc.

Board Members

Name	Title	Term Expires
Ted Rogalski	President	2008
Scott Tinsman, Jr	Vice President	2009
Jeff Bert	Treasurer	2009
Ann Nollett	Secretary	2009
Robert Anderson, M.D.	Member	2009
Mary Dubert	Member	2008
Debrah Kirby	Member	2011
Jeff Lockwood	Member	2011
Ross Paustian	Member	2011
Ethel Reynolds	Member	2011
James Spaeth	Member	2008
Phillip Trissel	Member	2008
Bill Wallace	Member	2008
Rory Washburn	Member	2008
Steve Wright	Member	2011

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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 consolidated statement of financial position of Vera French Community Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2008, the related consolidated 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. The prior year summarized comparative information has been derived from Vera French Community Mental Health Center, Inc. financial statements and, in our report dated October 5, 2007, we expressed an unqualified opinion on those financial statements.

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. 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, 2008, and the results of its operations and its cash flows for the 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 our report dated September 25, 2008, on our consideration of Vera French Community Mental Health Center, Inc.'s internal control over financial reporting and on 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

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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 important for assessing the results of our audit.

Sitrick & Associates

SITRICK & ASSOCIATES, LLC
Certified Public Accountants

September 25, 2008
Bettendorf, Iowa

Vera French Community Mental Health Center, Inc.

Consolidated Statement of Financial Position

June 30, 2008 and 2007

Assets:	6/30/08	6/30/07
Current Assets:		
Cash on hand and in bank	$ 1,392,528	$ 801,562
Accounts receivable	949,260	928,403
Grants receivable	175,579	372,994
Prepaid expenses	110,146	124,503
Investments	338,955	437,265
Total Current Assets	2,966,468	2,664,727
Property and Equipment:		
Land	225,625	212,365
Furnishings and equipment	1,241,365	1,164,590
Buildings and improvements	4,768,012	4,758,631
Property and Equipment at Cost	6,235,002	6,135,586
Less: accumulated depreciation	(3,173,920)	(3,003,858)
Total Property and Equipment	3,061,082	3,131,728
Other Assets:		
Notes receivable	71,682	68,807
Investments	20,492	16,822
Total Assets	$ 6,119,724	$ 5,882,084
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	$ 164,252	$ 104,836
Accrued wages and payroll taxes	419,327	403,841
Other accrued liabilities	98,774	99,868
Notes Payable	70,840	401,640
Total Current Liabilities	753,193	1,010,185
Long Term Liabilities:		
Notes Payable	679,009	749,160
Total Liabilities	1,432,202	1,759,345
Net Assets:		
Unrestricted Net Assets:		
Designated by Board	452,897	687,093
Undesignated	4,120,538	3,317,443
Total Unrestricted Net Assets	4,573,435	4,004,536
Temporarily Restricted Net Assets	114,087	118,203
Total Net Assets	4,687,522	4,122,739
Total Liabilities & Net Assets	$ 6,119,724	$ 5,882,084

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

Vera French Community Mental Health Center, Inc.

Consolidated Statement of Activities

For the Year Ended June 30, 2008 and 2007

	2008			2007
	Unrestricted	Restricted	Total	Total
Support and Revenue:				
Scott County	$ 3,737,504	$ -	$ 3,737,504	$ 3,569,086
Service Fees	3,296,061	-	3,296,061	3,168,488
ARO/Habilitation	1,368,728	-	1,368,728	1,473,331
Contributions	215,302	-	215,302	426,054
Title XIX	650,358	-	650,358	756,144
SSI, SSDI, SSA	447,740	-	447,740	550,340
Grants	269,947	105,625	375,572	482,893
State Cases	137,752		137,752	-
Rents	260,826		260,826	264,638
Other	191,615	-	191,615	233,813
Restrictions released	109,741	(109,741)	-	-
Total Support	10,685,574	(4,116)	10,681,458	10,924,787
Expenses:				
Outpatient	3,893,835	-	3,893,835	4,027,314
Community Support	676,424	-	676,424	550,513
Community Service	70,738	-	70,738	78,371
Inpatient	76,273	-	76,273	76,065
Day Treatment	388,032	-	388,032	296,990
Supportive Employment	156,680	-	156,680	259,320
Jail Diversion	143,463	-	143,463	135,001
Supportive Living	56,325	-	56,325	110,200
Case Management	598,805	-	598,805	555,154
Case Monitoring	147,955	-	147,955	132,294
Grant Programs	183,703	-	183,703	110,200
Residential Programs	2,395,354	-	2,395,354	2,403,166
Housing Programs	420,680	-	420,680	398,775
Foundation Programs	41,618	-	41,618	42,707
Total Program Services	9,249,885	-	9,249,885	9,176,070
Supporting Services:				
General Administrative	750,506	-	750,506	782,578
Fundraising	116,284	-	116,284	124,979
Total Expenses	10,116,675	-	10,116,675	10,083,627
Change in Net Assets	568,899	(4,116)	564,783	841,160
Net Assets, Beginning of Year	4,004,536	118,203	4,122,739	3,281,579
Net Assets, End of Year	$ 4,573,435	$ 114,087	$ 4,687,522	$ 4,122,739

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

Vera French Community Mental Health Center, Inc.

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2008 and 2007

	6/30/08	6/30/07
Cash Flows From Operating Activities:		
Change in net assets	$ 564,783	$ 841,160
Revenues and expense items not requiring cash:		
Depreciation	274,333	263,792
Change in market value of investments	23,939	(31,832)
Discount on loan receivable	(8,965)	-
(Increase) Decrease In:		
Accounts receivable	176,558	(491,458)
Prepaid expenses	14,357	(51,869)
Increase (Decrease) In:		
Accounts payable	59,416	20,558
Accrued and other liabilities	14,392	55,672
Unrealized gain on assets	-	(13,404)
Net cash provided by operating activities	1,118,813	592,619
Cash Flows From Investing Activities:		
Purchases of fixed assets	(203,687)	(101,038)
Repayment of note receivable	6,090	8,788
Purchase of investments	(41,888)	(191,263)
Sale of investments	112,589	246,445
Net cash flows used by investing activities	(126,896)	(37,068)
Cash Flows From Financing Activities:		
Repayment on Notes Payable	(70,951)	(97,877)
Advance on Line of credit	(330,000)	(95,956)
Net cash provide by financing activities	(400,951)	(193,833)
Net increase in cash	590,966	361,718
Cash at beginning of year	801,562	439,844
Cash at end of year	$ 1,392,528	$ 801,562
Supplemental Cash flow Disclosure		
Interest paid	$ 48,728	$ 87,198

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

Vera French Community Mental Health Center, Inc.

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2008

	Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Housing Programs	Foundation Programs	Management and General	Fundraising	Total	2007 Total
Salaries	$ 4,456,886	$ 1,627,320	$ 128,297	$ 141,113	$ -	$ 465,498	$ 63,288	$ 6,882,402	$ 6,922,904
Benefits	966,162	439,655	38,194	32,032	-	133,598	14,365	1,624,006	1,568,960
Occupancy	239,557	131,444	-	129,460	-	27,126	-	527,587	480,830
Communications	90,866	10,990	-	-	-	13,399	2,085	117,340	136,375
Supplies	94,778	127,237	9,801	3,290	-	11,896	2,822	249,824	264,217
Equipment Costs	25,012	17,708	-	-	-	5,481	33,724	81,925	93,631
Other Expenses	151,930	38,037	7,411	42,967	41,618	28,477	-	310,440	262,586
Consultation & Education	90	-	-	-	-	-	-	90	3,134
Interest	-	-	-	1,900	-	46,828	-	48,728	87,198
Depreciation	183,249	2,963	-	69,918	-	18,203	-	274,333	263,792
Total	$ 6,208,530	$ 2,395,354	$ 183,703	$ 420,680	$ 41,618	$ 750,506	$ 116,284	$ 10,116,675	$ 10,083,627

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

Note 1 - Nature of Organization and Significant Accounting Policies:

The consolidated financial statement include Vera French Community Mental Health Center (Center), Vera French Housing Corporation and Vera French Foundation.

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.

Vera French Housing Corporation provides housing and support services for mentally ill and low income people in Scott County, Iowa.

Vera French Foundation raises funds and community awareness to support the mission of the Vera French Community Mental Health Center.

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.

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.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

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.

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2008

Note 1 - Nature of Organization and Significant Accounting Policies:

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.

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

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 $ 1,000 are expensed in the current period. The following lives are currently used:

Classification	Lives
Furnishings and equipment	5 or 7 years
Buildings and improvements	5 - 30 years

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

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 – Investments:

Long-term investments are stated at fair market value and consist of common stocks. Fair values and unrealized appreciation at June 30, 2008 are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
U.S. Government Agency Bonds	$ 50,115	$ 51,281	$ 1,166
Mutual Funds – Fixed Income	8,046	8,062	16
Mutual Funds – Equity	85,681	80,385	(5,296)
Mutual Funds – Global/Intl'	16,212	13,091	(3,121)
Common Stock	122,655	186,136	63,481
	$ 282,709	$ 338,955	$ 56,246

Note 3 - Accounts Receivable:

Accounts receivable of the Center at June 30, 2008 totaled $1,729,961. Based on past collection experience, management has provided for an allowance for doubtful accounts of $780,701 of the receivable balance.

Note 4 – Notes Receivable:

The Organization's notes receivable are summarized as follows:

Vera French Manor – 1% interest	$	68,000
Vera French Terrace – 1% interest		43,964
Vera French Manor – Developer Fee with no interest		34,626
Total		146,590
Discount for less than market interest rate and collectability		(74,908)
Net receivable	$	71,682

Note 5 - 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, 2008 is approximately $325,352.

Note 6 - 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 7 - 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.

Note 8 – Notes Payable:

The Center's notes payable are secured by real estate and summarized as follows:

	Rate	Amount
Vera French Community Mental Health Center:		
Quad City Bank and Trust	6.65%	$ 561,114
Vera French Housing:		
City of Davenport	0.00%	56,000
City of Davenport	1.50%	102,735
LHAP	1.00%	30,000
		$ 749,849

The notes and are due as follows:

2009	$ 70,840
2010	75,324
2012	434,059
2013	6,491
2014	6,617
Thereafter	156,518
Total	$ 749,849

Note 9 - 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"

Note 9 - Pine Knoll Residential Center (Continued)

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 relating to the building at Pine Knoll are included in this report as property of Vera French Community Mental Health Center, Inc.

Note 10 – Revenue

Approximately 21 percent of 2008 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 11 – Concentration of Credit Risk:

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

Note 12 – Temporally Restricted Nets Assets

Temporally Restricted Net Assets consist of:

Restricted use for:	
Computer and Software purchase	$ 48,462
School based program for 2008-09	40,625
Land purchase	25,000
	$ 114,087

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James K. Blake, CPA

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

Our report on our audit of the basic consolidated financial statements of the Vera French Community Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2008, appears on page two. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Consolidating Statement of Financial Position, Consolidating Statement of Activities, Consolidating Statement of Cash Flows, Statement of Functional Support, Revenues and Expenses, Schedule I - Statement of Functional Support, Revenues and Expenses, Schedule II - State and Grant Supported Programs, Vera French Housing - Statement of Functional Support, Revenues and Expenses, Vera French Housing – Schedule of Grants, Vera French Foundation – Statement of Functional Support, Revenues and Expenses, Vera French Foundation – Statement of Activities 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

September 25, 2008
Bettendorf, Iowa

Members American Institute of Certified Public Accountants, Private Companies Practice Section
Iowa Society of Certified Public Accountants

Vera French Community Mental Health Center, Inc.

Consolidating Statement of Financial Position

For the Year Ended June 30, 2008

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
Assets:				
Current Assets:				
Cash on hand and in bank	$ 1,237,456	$ 118,377	$ 36,695	$ 1,392,528
Accounts receivable	946,204	3,056		949,260
Grants receivable	102,929	25,000	47,650	175,579
Prepaid expenses	110,146	-	-	110,146
Investments	-	-	338,955	338,955
Total Current Assets	2,396,735	146,433	423,300	2,966,468
Property and Equipment:				
Land	25,200	200,425	-	225,625
Furnishings and equipment	1,217,006	24,359	-	1,241,365
Buildings and improvements	3,202,382	1,565,630	-	4,768,012
Property and Equipment at Cost	4,444,588	1,790,414	-	6,235,002
Less: accumulated depreciation	(2,622,796)	(551,124)	-	(3,173,920)
Total Property and Equipment	1,821,792	1,239,290	-	3,061,082
Other Assets:				
Notes receivable	-	71,682	-	71,682
Investments	20,192	300	-	20,492
Total Assets	$ 4,238,719	$ 1,457,705	$ 423,300	$ 6,119,724
Liabilities and Net Assets:				
Current Liabilities:				
Accounts payable	$ 128,997	$ 3,075	$ 32,180	$ 164,252
Accrued wages and payroll taxes	419,327	-	-	419,327
Other accrued liabilities	58,083	40,691	-	98,774
Notes Payable	64,530	6,310	-	70,840
Total Current Liabilities	670,937	50,076	32,180	753,193
Long Term Liabilities:				
Notes Payable	496,584	182,425	-	679,009
Total Liabilities	1,167,521	232,501	32,180	1,432,202
Net Assets:				
Unrestricted Net Assets:				
Designated by Board	-	61,777	391,120	452,897
Undesignated	2,982,111	1,138,427	-	4,120,538
Total Unrestricted Net Assets	2,982,111	1,200,204	391,120	4,573,435
Temporarily Restricted Net Assets	89,087	25,000	-	114,087
Total Net Assets	3,071,198	1,225,204	391,120	4,687,522
Total Liabilities & Net Assets	$ 4,238,719	$ 1,457,705	$ 423,300	$ 6,119,724

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

Vera French Community Mental Health Center, Inc.

Consolidating Statement of Activities

For the Year Ended June 30, 2008

	Vera French CMHC	Vera French Housing	Vera French Foundation	Eliminations	Consolidated
Support and Revenue:					
Scott County	$3,684,830	$ 52,674	$ -	$ -	$ 3,737,504
Service Fees	3,296,061	-	-	-	3,296,061
ARO/Habilitation	1,368,728	-	-	-	1,368,728
Contributions	391,754	12,000	235,340	(423,792)	215,302
Title XIX	650,358	-	-	-	650,358
SSI, SSDI, SSA	447,740	-	-	-	447,740
Grants	268,328	82,244	25,000	-	375,572
State Cases	137,752	-	-	-	137,752
Rents	-	260,826	-	-	260,826
Other	136,456	84,478	(29,319)	-	191,615
Total Support	10,382,007	492,222	231,021	(423,792)	10,681,458
Expenses:					
Outpatient	3,893,835	-	-	-	3,893,835
Community Support	676,424	-	-	-	676,424
Community Service	70,738	-	-	-	70,738
Inpatient	76,273	-	-	-	76,273
Day Treatment	388,032	-	-	-	388,032
Supportive Employment	156,680	-	-	-	156,680
Jail Diversion	143,463	-	-	-	143,463
Supportive Living	56,325	-	-	-	56,325
Case Management	598,805	-	-	-	598,805
Case Monitoring	147,955	-	-	-	147,955
Grant Programs	183,703	-	-	-	183,703
Residential Programs	2,395,354	-	-	-	2,395,354
Housing Programs	-	420,680	-	-	420,680
Foundation Programs	-	-	465,410	(423,792)	41,618
Total Program Services	8,787,587	420,680	465,410	(423,792)	9,249,885
Supporting Services:					
General Administrative	677,906	72,600	-	-	750,506
Fundraising	-	-	116,284	-	116,284
Total Expenses	9,465,493	493,280	581,694	(423,792)	10,116,675
Change in Net Assets	916,514	(1,058)	(350,673)	-	564,783
Net Assets, Beginning of Year	2,154,684	1,226,262	741,793	-	4,122,739
Net Assets, End of Year	$3,071,198	$1,225,204	$ 391,120	$ -	$ 4,687,522

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

Vera French Community Mental Health Center, Inc.

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2008

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
Cash Flows From Operating Activities:				
Change in net assets	$ 916,514	$ (1,058)	$ (350,673)	$ 564,783
Revenues and expense items not requiring cash:				
Depreciation	204,415	69,918	-	274,333
Change in market value of investments			23,939	23,939
Discount on loan receivable		(8,965)		(8,965)
(Increase) Decrease In:				
Accounts receivable	27,106	(22,231)	171,683	176,558
Prepaid expenses	14,357		-	14,357
Increase (Decrease) In:			-	
Accounts payable	42,462	(243)	17,197	59,416
Accrued and other liabilities	16,833	(2,441)	-	14,392
Net cash provided by operating activities	1,221,687	34,980	(137,854)	1,118,813
Cash Flows From Investing Activities:				
Purchases of fixed assets	(181,046)	(22,641)	-	(203,687)
Repayment of note receivable	-	6,090	-	6,090
Purchase of investments	(3,670)	-	(38,218)	(41,888)
Sale of investments	-	-	112,589	112,589
Net cash flows used by investing activities	(184,716)	(16,551)	74,371	(126,896)
Cash Flows From Financing Activities:				
Repayment on Notes Payable	(64,701)	(6,250)	-	(70,951)
Repayment on Line of credit	(330,000)	-	-	(330,000)
Net cash provide by financing activities	(394,701)	(6,250)	-	(400,951)
Net increase (decrease) in cash	642,270	12,179	(63,483)	590,966
Cash at beginning of year	595,186	106,198	100,178	801,562
Cash at end of year	$ 1,237,456	$ 118,377	$ 36,695	$ 1,392,528

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

Vera French Community Mental Health Center, Inc.

Vera French Community Mental Health Center Programs -
Statement of Functional Support, Revenues and Expenses
For the Year Ended June 30, 2008

	Vera French Community Mental Health Center Schedule I	Pine Knoll Residential Programs	State and Grant Programs Schedule II	Total
Support and Revenue:				
Scott County	$ 2,737,409	$ 947,421	$ -	$ 3,684,830
Service Fees	2,776,268	519,793	-	3,296,061
ARO/Habilitation	248,860	1,119,868	-	1,368,728
Contributions	369,108	22,646	-	391,754
Title XIX	650,358	-	-	650,358
SSI, SSDI, SSA	-	447,740	-	447,740
Grants	84,625	-	183,703	268,328
State Cases	137,752	-	-	137,752
Rents	-	-	-	-
Other	135,094	1,362	-	136,456
Total Support and Revenue	7,139,474	3,058,830	183,703	10,382,007
Expenses:				
Salaries	4,876,281	1,627,320	128,297	6,631,898
Benefits	1,099,760	439,655	38,194	1,577,609
Occupancy	264,283	131,444	-	395,727
Communications	99,592	10,990	-	110,582
Supplies	104,743	127,237	9,801	241,781
Equipment Costs	27,650	17,708	-	45,358
Other Expenses	165,757	38,037	7,411	211,205
Consultation & Education	90	-	-	90
Interest	46,828	-	-	46,828
Depreciation	201,452	2,963	-	204,415
Total Expenses	6,886,436	2,395,354	183,703	9,465,493
Change in Net Assets	$ 253,038	$ 663,476	$ -	$ 916,514

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, 2008

	Outpatient	Community Support	Community Service	Case Management	Inpatient
Support and Revenue:					
Unrestricted:					
Scott County	$ 1,375,422	$ 532,590	$ 64,666	-	$ 76,273
Service Fees	2,673,491	-	-	-	-
ARO/Habilitation	-	2,114	-	205,809	-
Contributions	365,728	3,380	-	-	-
Title XIX	-	247,580	-	353,961	-
SSI, SSDI, SSA	-	-	-	-	-
Grants	84,625	-	-	-	-
State Cases	137,752	-	-	-	-
Other	70,612	34,168	-	33	-
Total Unrestricted Support	4,707,630	819,832	64,666	559,803	76,273
Expenses:					
Salaries	3,346,228	471,010	47,015	390,130	76,273
Benefits	783,376	112,314	9,012	85,615	-
Occupancy	108,014	22,898	7,242	38,622	-
Communications	50,792	6,931	987	16,373	-
Supplies	54,793	18,036	504	14,752	-
Equipment Costs	10,074	9,600	96	2,310	-
Other Expenses	81,061	20,208	570	23,153	-
Consultation & Education	-	-	90	-	-
Interest	22,009	-	1,405	7,493	-
Depreciation	115,394	15,427	3,817	20,357	-
Total Expenses	4,571,741	676,424	70,738	598,805	76,273
Change in Unrestricted Net Assets	$ 135,889	$ 143,408	$ (6,072)	$ (39,002)	$ -

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

Day Treatment	Case Monitoring	Supported Employment	Jail Diversion	Supported Community Living	Total
$ 313,986	$ 154,473	$ 98,910	$ 121,089	-	2,737,409
102,777	-	-	-	-	2,776,268
-	-	63	-	40,874	248,860
-	-	-	-	-	369,108
48,817	-	-	-	-	650,358
-	-	-	-	-	-
-	-	-	-	-	84,625
-	-	-	-	-	137,752
-	111	30,170	-	-	135,094
465,580	154,584	129,143	121,089	40,874	7,139,474
215,931	91,607	101,710	101,134	35,243	4,876,281
38,015	23,788	17,675	19,581	10,384	1,099,760
60,346	7,242	14,059	2,930	2,930	264,283
9,611	4,346	5,967	4,157	428	99,592
6,748	3,539	3,174	3,130	67	104,743
1,296	674	2,973	627	-	27,650
9,371	11,537	5,900	9,294	4,663	165,757
-	-	-	-	-	90
11,707	1,405	1,405	702	702	46,828
35,007	3,817	3,817	1,908	1,908	201,452
388,032	147,955	156,680	143,463	56,325	6,886,436
$ 77,548	$ 6,629	$ (27,537)	$ (22,374)	$ (15,451)	$ 253,038

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, 2008

	DHS Adult	DHS Child/Adol/ADM	PATH Program	Total
Support and Revenue:				
Unrestricted:				
Scott County	$ -	$ -	$ -	$ -
Service Fees	-	-	-	-
Grants	60,001	62,502	61,200	183,703
Other	-	-	-	-
Total Unrestricted Support	60,001	62,502	61,200	183,703
Expenses:				
Salaries	42,796	41,381	44,120	128,297
Benefits	10,504	13,700	13,990	38,194
Occupancy	-	-	-	-
Communications	-	-		-
Supplies	2,939	3,772	3,090	9,801
Equipment Costs	-	-	-	-
Other Expenses	3,762	3,649	-	7,411
Consultation & Education	-	-	-	-
Interest	-	-	-	-
Depreciation	-	-	-	-
Total Expenses	60,001	62,502	61,200	183,703
Change in Unrestricted Net Assets	$ -	$ -	$ -	$ -

Vera French Community Mental Health Center, Inc.

Vera French Housing Programs

Statement of Functional Support, Revenues and Expenses

For the Year Ended June 30, 2008

	Master Lease	Rental Program	Housing Acquisition	Management and General	Total
Support and Revenue:					
Scott County	$ -	$ -	$ -	$ 52,674	$ 52,674
Service Fees	-	-	-	-	-
ARO/Habilitation	-	-	-	-	-
Contributions	-	12,000	-	-	12,000
Title XIX	-	-	-	-	-
SSI, SSDI, SSA	-	-	-	-	-
Grants	43,954	-	38,290	-	82,244
State Cases	-	-	-	-	-
Rents	29,637	231,189	-	-	260,826
Other	949	-	478	83,051	84,478
Total Support	74,540	243,189	38,768	135,725	492,222
Expenses:					
Salaries	45,651	78,621	16,841	38,447	179,560
Benefits	10,363	17,847	3,822	7,656	39,688
Occupancy	83,334	46,126	-	2,400	131,860
Communications	-	-	-	4,673	4,673
Supplies	-	3,290	-	1,931	5,221
Equipment Costs	-	-	-	2,843	2,843
Other Expenses	1,695	41,157	115	14,650	57,617
Consultation & Education	-	-	-	-	-
Interest	-	1,900	-	-	1,900
Depreciation	-	69,918	-	-	69,918
Total Expenses	141,043	258,859	20,778	72,600	493,280

Vera French Community Mental Health Center, Inc.
Vera French Housing Programs
Schedule of Grants
For the Year Ended June 30, 2008

Grantor/Program Title	Amount Received
HUD I Supportive Housing	$ 29,312
HUD II Supportive Housing	14,642
Scott Co. Housing Council	12,290
Scott County Regional Authority	25,000
Community Foundation	1,000
Scott County	52,674
Total	$ 134,918

Vera French Community Mental Health Center, Inc.

Vera French Foundation

Statement of Functional Support, Revenues and Expenses

For the Year Ended June 30, 2008

	Foundation Programs	Fundraising	Total
Support and Revenue:			
Scott County	$ -	$ -	$ -
Service Fees	-	-	-
ARO/Habilitation	-	-	-
Contributions	235,340	-	235,340
Title XIX	-	-	-
SSI, SSDI, SSA	-	-	-
Grants	25,000	-	25,000
State Cases	-	-	-
Rents	-	-	-
Other	-	(29,319)	(29,319)
Total Support	260,340	(29,319)	231,021
Expenses:			
Salaries	-	63,288	63,288
Benefits	-	14,365	14,365
Occupancy	-	-	-
Communications	-	2,085	2,085
Supplies	-	2,822	2,822
Equipment Costs	-	-	-
Other Expenses	465,410	33,724	499,134
Consultation & Education	-	-	-
Interest	-	-	-
Depreciation	-	-	-
Total Expenses	465,410	116,284	581,694
Change in Net Assets	$(205,070)	$ (145,603)	$ (350,673)

Vera French Community Mental Health Center, Inc.

Vera French Foundation

Statement of Activities

For the Year Ended June 30, 2008

Support and Revenue:		
Contributions	$ 332,800	
Less cost of special events	97,460	$ 235,340
Grants		25,000
Other:		
Interest and dividends	16,987	
Gain on sale of investments	6,014	
Unrealized loss on investments	(52,320)	(29,319)
Total Support and Revenue		231,021
Expenses:		
Program Expenses:		
School based		328,666
Client needs		24,094
Staff development		24,672
Camp scholarships		10,025
Rent scholarships		12,000
NAMI		7,500
VFCMHC - HVAC		30,000
VFCMHC - Pine Knoll		20,764
VFCMHC - Other		7,689
Total Program Services		465,410
Supporting Services:		
Fundraising		116,284
Total Expenses		581,694
Change in Net Assets		(350,673)
Net Assets, Beginning of Year		741,793
Net Assets, End of Year		$ 391,120

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

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, 2008, and have issued our report thereon dated September 25, 2008. 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. 2008-1, 2008-2.

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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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify and 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*.

We noted certain matters that we reported to management of Vera French Community Mental Health Center, Inc. in a separate letter dated September 25, 2008.

This report is intended solely for the information and use of the board of directors, management, others within the organization 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

SITRICK & ASSOCIATES, LLC
Certified Public Accountants

September 25, 2008
Bettendorf, Iowa

Vera French Community Mental Health Center, Inc.
Schedule of Findings
For the Year Ended June 30, 2008

2008-1 Accounts receivable collections and write off uncollectable amounts.

Condition: In the past year, the amount of the accounts receivable in the over 120 day and over category has increased significantly from $369,000 to $708,000.

Cause: Changes in personnel and limitation of staff time work on uncollected accounts.

Recommendation: The organization should put procedures in place to monitor old uncollected accounts receivable amounts and post the appropriate account write offs to the accounts receivable system. Uncollected accounts should be reviewed on a monthly basis and specific collection policy put in place. An example is over 90 days send a collection letter, Over 120 send a second letter, over 150 send to a collection agency.

Response: Accounts receivable management was an area identified for focus during the Vera French strategic planning process. A project to address the overall management and oversight is planned to be completed by March 2009. Accounts receivable management reports will be developed and analytical processes established. A review of personnel duties and accountability for completing defined procedures will be completed.

Conclusion: Response accepted.

2008-2 Signature Stamp - Segregation of Duties

Condition: The employee at the center, who enters accounts payable, prepares checks for disbursements also stamps the checks with a signature stamp and mails them.

Cause: Changes in personnel and reassignment of duties.

Recommendation: Checks should be manually signed by and authorized individual or the physical custody of the signature stamp and duty of stamping should be given to another employee.

Response: Custody of the Vera French signature stamp has been moved to the CEO. The CEO or an authorized individual other than someone, who enters accounts payable and prepares the checks, will sign the checks manually or with the signature stamp.

Conclusion: Response accepted