

WEST IOWA COMMUNITY MENTAL  
HEALTH CENTER

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

JUNE 30, 2009 AND 2008

**MAHONEY & GOTTO COMPANY**  
*Certified Public Accountants*

Denison, Iowa



West Iowa Community Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Ulmer	President	2011
Sandy Johnson	Vice-President	2012
Stephanie Wright	Secretary/Treasurer	2009
Betty Nobiling	Member	2012
Robert J. Meyer	Member	2009
Mark Segebart	Member	2012
Annette Watkins	Member	2009
John Sondag	Executive Director	Indefinite

West Iowa Community Mental Health Center

**MAHONEY & GOTTO COMPANY**  
*Certified Public Accountants*

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Denison, IA 51442

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Independent Auditor's Report

To the Board of Directors of  
West Iowa Community Mental Health Center

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of West Iowa Community Mental Health Center as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Iowa Community Mental Health Center at June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2009 on our consideration of West Iowa Community Mental Health Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

***Mahoney & Gotto Company***  
MAHONEY & GOTTO COMPANY  
Certified Public Accountants

September 21, 2009  
Denison, Iowa

West Iowa Community Mental Health Center

## Financial Statements

West Iowa Community Mental Health Center

Exhibit A

Statements of Financial Position

June 30, 2009 and 2008

Assets	<u>2009</u>	<u>2008</u>
Cash and Cash Equivalents	\$ 108,527	\$ 53,765
Accounts receivable, patient services, Less allowance for doubtful accounts of \$35,000 in 2009 and \$35,000 in 2008	73,418	66,364
Grants receivable (Note 2)	40,837	72,147
Prepaid expenses	14,064	13,338
Investments (Note 3)	24,171	30,152
Property and equipment at cost, less accumulated depreciation of \$195,033 and \$186,525 for June 30, 2009 and June 30, 2008 (Note 4)	<u>98,540</u>	<u>100,075</u>
 Total assets	 <u>\$ 359,557</u>	 <u>\$ 335,841</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 31,152	\$ 19,542
Deferred Liability (Note 5)	<u>40,889</u>	<u>0</u>
 Total liabilities	 <u>72,041</u>	 <u>19,542</u>
 <b>Net assets:</b>		
Unrestricted	<u>287,516</u>	<u>316,299</u>
 Total net assets	 <u>287,516</u>	 <u>316,299</u>
 Total liabilities and net assets	 <u>\$ 359,557</u>	 <u>\$ 335,841</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Exhibit B

Statements of Activities

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>UNRESTRICTED NET ASSETS:</b>		
Public support and revenues:		
Public support:		
Crawford County	\$ 148,000	\$ 148,000
Tracking and Monitoring Program	143,104	173,131
CSP Block Grant	17,496	19,295
BI/MR Waiver	26,432	20,694
Remedial Waiver	152,378	0
SCL Program	41,070	29,070
Community Link/Mentoring	26,168	43,311
School Based Therapist	9,339	0
Contributions	<u>795</u>	<u>662</u>
Total public support	<u>564,782</u>	<u>434,163</u>
Revenues:		
Patient fees and Title XIX	330,965	275,748
Net unrealized gain (loss) on investments	( 5,981)	( 1,117)
Investment income	<u>1,967</u>	<u>4,147</u>
Total revenues	<u>326,951</u>	<u>278,778</u>
Net assets released from restrictions:		
Completion of Administrative Time Study funding	<u>0</u>	<u>6,000</u>
Total public support and revenues	<u>891,733</u>	<u>718,941</u>
Expenses:		
Program services:		
Mental health center programs	261,355	277,031
Support services	<u>659,161</u>	<u>484,699</u>
Total expenses	<u>920,516</u>	<u>761,730</u>
Changes in net unrestricted net assets	( 28,783)	( 42,789)
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Net assets release from restrictions		
Completion of Administrative Time Study funding	( 0)	( 6,000)
Total net changes in net assets	( 28,783)	( 48,789)

West Iowa Community Mental Health Center

Exhibit B

Statements of Activities, Continued

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Net assets at beginning of year	<u>316,299</u>	<u>365,088</u>
Net assets at end of year	<u>\$ 287,516</u>	<u>\$ 316,299</u>

See notes to financial statements.

West Iowa Community Mental Health Center  
Statements of Functional Expenses  
Years Ended June 30, 2009 and 2008

Exhibit C

	Program Services Mental Health Center Programs		Support Services Management, and General		Totals	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Salaries	\$ 131,141	\$ 145,942	\$ 260,854	\$ 233,772	\$ 391,995	\$ 379,714
Payroll taxes	12,603	13,670	25,811	21,507	38,414	35,177
Employee group insurance	57,446	56,707	89,176	73,847	146,622	130,554
Term life insurance	195	201	21	0	216	201
Retirement	5,870	6,203	13,226	11,567	19,096	17,770
Total salaries and related expenses	<u>207,255</u>	<u>222,723</u>	<u>389,088</u>	<u>340,693</u>	<u>596,343</u>	<u>563,416</u>
Consultants	0	0	206,772	79,483	206,772	79,483
Rent	1,100	2,981	0	0	1,100	2,981
Dues and subscriptions	0	0	2,100	2,100	2,100	2,100
Insurance	0	0	16,369	18,291	16,369	18,291
Professional fees	10,200	4,561	5,773	6,272	15,973	10,833
Professional books/tests	0	3,285	309	481	309	3,766
Conferences & workshops	713	1,115	672	1,256	1,385	2,371
Utilities & telephone	4,259	5,630	9,674	7,394	13,933	13,024
Advertising	6,547	0	1,476	1,640	8,023	1,640
Office operations expense	929	3,252	15,033	14,579	15,962	17,831
Provision for doubtful accounts	0	0	0	0	0	0
Mileage	19,474	22,649	3,388	3,737	22,862	26,386
Programs - Activities	10,878	10,835	0	0	10,878	10,835
Property Taxes	0	0	0	0	0	0
Total expenses before depreciation	<u>261,355</u>	<u>277,031</u>	<u>650,654</u>	<u>475,926</u>	<u>912,009</u>	<u>752,957</u>
Depreciation	0	0	8,507	8,773	8,507	8,773
Total expenses	<u>\$ 261,355</u>	<u>\$ 277,031</u>	<u>\$ 659,161</u>	<u>\$ 484,699</u>	<u>\$ 920,516</u>	<u>\$ 761,730</u>

## West Iowa Community Mental Health Center

Exhibit D

## Statements of Cash Flow

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Changes in net assets	\$( 28,783)	\$( 48,789)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	8,507	8,773
Unrealized loss on investments	5,981	1,117
(Increase) decrease in:		
Receivables	( 7,054)	5,274
Grant receivable	31,310	1,459
Prepaid expenses	( 726)	480
Increase (decrease) in:		
Accounts payable	11,610	3,648
Deferred liability	<u>40,889</u>	<u>0</u>
Total adjustments	<u>90,517</u>	<u>20,751</u>
Net cash (used) by operating activities	<u>61,734</u>	( <u>28,038</u> )
Cash flows from investing activities:		
Proceeds from sale of investments	0	25,000
(Purchase) of equipment	( <u>6,972</u> )	<u>0</u>
Net cash provided (used) by investing activities	( <u>6,972</u> )	<u>25,000</u>
Cash flows from financing activities:		
None	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	54,762	( 3,038)
Cash and cash equivalents at beginning of year	<u>53,765</u>	<u>56,803</u>
Cash and cash equivalents at end of year	<u>\$ 108,527</u>	<u>\$ 53,765</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2009 and 2008

(1) Summary of Significant Accounting Policies

A. Reporting Entity

West Iowa Community Mental Health Center is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Crawford and its' surrounding Counties.

The Center is exempt from income tax under Section 501©(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. There was no unrelated business income for the fiscal years ended in 2009 or 2008.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Center are organized on the basis of an unrestricted fund.

C. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

D. Financial Statement Presentation

The Center has adopted SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Center does not use fund accounting.

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – During the fiscal year 2008-2009, the administrative time study was completed. Therefore, these net assets were released from restrictions.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

#### E. Assets and Liabilities

The following accounting policies are followed in preparing the statements of financial position:

Cash and Cash Equivalents – The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statements of cash flows are reported using the indirect method. There were no amounts paid for interest or taxes, nor were there any non-cash transactions to be disclosed.

Receivables – Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

Property and Equipment – Property and equipment is stated at cost and are capitalized if the cost exceeds \$500.00. Depreciation is computed by the straight-line method over the estimated useful lives of 3 to 5 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences – Center employees accumulate a limited amount of earned but unused sick pay benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and are computed based on rates of pay in effect at June 30, 2009. This amount was determined to be immaterial for the fiscal years ended June 30, 2009 and June 30, 2008.

F. Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

G. Patient Services Revenue

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

H. Estimates

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

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Grants Receivable

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
State Department of Human Services	\$ <u>40,837</u>	\$ <u>72,147</u>

(3) Investments

Unrestricted – The investments at June 30, 2009 and 2008 consist of certificates of deposits and corporate bonds carried at fair market value of \$24,171 and \$30,152, respectively. Realized and unrealized gains and losses on investments are reflected on the statement of activities. Following is a schedule showing the change in fair value for investments for 2009 and 2008.

	<u>2009</u>			<u>2008</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Unrestricted: Certificates Of Deposit	20,000	20,530	\$ 530	20,000	20,241	\$ 241
Corporate Bonds	<u>15,000</u>	<u>3,641</u>	<u>( 11,359)</u>	<u>15,000</u>	<u>9,911</u>	<u>( 5,089)</u>
TOTALS	<u>\$ 35,000</u>	<u>\$ 24,171</u>	<u>\$ ( 10,829)</u>	<u>\$ 35,000</u>	<u>\$ 30,152</u>	<u>\$ ( 4,848)</u>

(4) Plant Assets and Depreciation

A summary of plant assets follows:

	<u>2009</u>	<u>2008</u>
Furniture and Fixtures	\$ 177,167	\$ 170,194
Land and Buildings	95,659	95,659
Vehicles	<u>20,747</u>	<u>20,747</u>
	293,573	286,600
Less: accumulated depreciation	<u>( 195,033)</u>	<u>( 186,525)</u>
Net Book Value	<u>\$ 98,540</u>	<u>\$ 100,075</u>

Depreciation expense for 2009 and 2008, respectively, was \$8,507 and \$8,773.

(5) Deferred Liability

West Iowa Community Mental Health Center and Crawford County entered into an agreement providing that the Center would furnish a school based therapist to the residents of Crawford County, Iowa on an outpatient and need basis. The County paid the Center a block grant in the sum of \$60,000 in a one-time installment on December 1, 2008. The term of the agreement was from December 1, 2008 through June 30, 2009. The remaining balance of \$40,889 of the block grant has been recorded as a deferred liability as of June 30, 2009. As of the end of fieldwork, there have been no proceedings or information regarding the repayment of funds set forth.

(6) Pension and Retirement Plan

The Center maintains a defined contribution retirement plan as authorized by the Center's by-laws, which was administered by ePlan Services, Inc. as a Money Purchase Plan. The plan is available to all employees who have worked a minimum of 1,000 hours in the fiscal year.

Under the terms of the plan, the Center contributes an amount equal to 5% of the annual salary for each employee participating in the plan. Amounts credited to individual participants are 50% vested the first year, 75% vested the second year and 100% vested the third year. The accumulated monies are paid upon a participant's retirement or termination.

For the years ended June 30, 2009 and 2008, the Center's required and actual contributions amounted to \$19,096 and \$17,770 respectively, which is 5% of each year's covered payroll of \$381,920 and \$355,400 respectively. The Center's total fiscal year payroll for all employees was \$389,733 for June 30, 2009 and \$379,714 for June 30, 2008.

(7) Center Risk Management

West Iowa Community Mental Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Center assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

(8) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for professional services. The accounts receivable are collectible from private pay individuals as well as third party payors including Medicare, Title XIX and various insurance companies. Also, the Center received twenty-one and twenty-three percent of its total public support and revenues for the years ended June 30, 2009 and 2008 from Crawford County.

**MAHONEY & GOTTO COMPANY**  
*Certified Public Accountants*

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Directors of  
West Iowa Community Mental Health Center:

We have audited the financial statements of West Iowa Community Mental Health Center, Denison, Iowa as of and for the year ended June 30, 2009, and have issued our report thereon dated September 21, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of West Iowa Community Mental Health Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of West Iowa Community Mental Health Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

***Mahoney & Gotto Company***  
MAHONEY & GOTTO COMPANY  
Certified Public Accountants

September 21, 2009  
Denison, Iowa

West Iowa Community Mental Health Center

Schedule of Findings

Year ended June 30, 2009

**Findings related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

A. Segregation of Duties

During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Center's financial statements. It is recognized that the Center has made reasonable efforts to segregate these duties. Because of staffing limitations, the Center is not able to segregate all incompatible responsibilities.

Recommendation

We realize that with staffing limitations, segregation of duties is difficult. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances. Supervisory review of financial transactions and reports is extremely important when incompatible responsibilities can not be segregated.

Response

We are aware of the need to segregate incompatible duties. We will continue to make improvements when feasible, and provide supervisory review of financial activity.

Conclusion

Response accepted.