
BLACK HAWK - GRUNDY MENTAL
HEALTH CENTER, INC.
WATERLOO, IOWA

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2009 and 2008



**CARNEY,
ALEXANDER,
MAROLD & Co., L.L.P.**
Certified Public Accountants

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

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BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Board of Directors
June 30, 2009

Name	Title	Term Expires
Kristen Andre	Member	1/1/2011
Charles Bakker	Supervisor	1/1/2011
Stacey Bentley	Member	1/2/2011
Linda Fobian	Member	1/1/2010
Kyle Henderson	Chairperson	1/1/2011
Steve Jordan	Secretary	1/1/2010
Corey Lorenzen	Member	1/1/2010
Frank Magsamen	Member	N/A
Debbie Patton	Treasurer	1/1/2011
Lori Byers	Member	1/1/2012
Sharon Samec	Member	1/1/2010
Lynn Smith	Vice Chairperson	1/1/2011
Cora Turner	Member	1/1/2011
Cindy Wells	Member	1/1/2011

Independent Auditors' Report

Board of Directors
Black Hawk - Grundy Mental Health Center, Inc.
Waterloo, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Black Hawk - Grundy Mental Health Center, Inc., (a nonprofit organization) 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 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 our 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 that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Black Hawk - Grundy Mental Health Center, Inc., 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 accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 4, 2009 on our consideration of Black Hawk - Grundy 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 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.

In connection with our audits, nothing came to our attention that caused us to believe that Black Hawk-Grundy Mental Health Center, Inc. was not in compliance with any terms, covenants, provisions, or conditions of the Black Hawk County, Iowa Revenue Bonds Series 2000 (The Black Hawk-Grundy Mental Health Center, Inc. project) dated December 20, 2007. Further, without the necessity of a special audit, nothing came to our attention that caused us to believe that Black Hawk-Grundy Mental Health Center, Inc. was in default in the performance of any covenant or condition imposed or assumed by it in the above bond issue. However, it should be noted that our audits were not directed primarily toward obtaining knowledge of such noncompliance.

Carmey, Alexander, Howell & Co., L.L.P.

November 4, 2009

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Exhibit A

Statements of Financial Position
As of June 30, 2009 and 2008

	2009	2008
- ASSETS -		
Cash and cash equivalents	\$ 64,623	\$ 13,972
Investments	902,158	441,664
Accounts receivable, patient services, less allowance for uncollectible accounts of \$55,741 for 2009 and \$53,824 for 2008	249,714	183,660
Accounts receivable-other	388,908	685,577
Grant income receivable	77,123	42,473
Deposits	1,225	3,533
Prepaid expense	48,240	44,742
Prepaid bond costs	3,125	4,018
Compensation deferral fund	469,237	453,160
	<u>2,204,353</u>	<u>1,872,799</u>
Property and Equipment:		
Building	1,164,897	1,164,897
Land improvements	59,446	59,446
Equipment	473,093	453,422
	<u>1,697,436</u>	<u>1,677,765</u>
Less accumulated depreciation	760,835	699,948
	<u>936,601</u>	<u>977,817</u>
 Total Assets	 <u>\$ 3,140,954</u>	 <u>\$ 2,850,616</u>
 - LIABILITIES -		
Accounts payable	\$ 18,752	\$ 15,098
Payroll withholdings payable	20,253	6,881
Accrued compensated absences	184,286	177,252
Deferred revenue	28,891	51,278
Deferred compensation	642,140	635,877
Bonds payable	231,688	243,787
	<u>1,126,010</u>	<u>1,130,173</u>
 Total Liabilities	 <u>1,126,010</u>	 <u>1,130,173</u>
 - NET ASSETS -		
Unrestricted	1,919,222	1,572,833
Temporarily restricted	95,722	147,610
	<u>2,014,944</u>	<u>1,720,443</u>
 Total Net Assets	 <u>2,014,944</u>	 <u>1,720,443</u>
 Total Liabilities and Net Assets	 <u>\$ 3,140,954</u>	 <u>\$ 2,850,616</u>

The accompanying notes are an integral part of these statements.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Statements of Activities
For the Years Ended June 30, 2009 and 2008

	2009		
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Public Support:			
Black Hawk County	\$ 1,395,414	\$ -	\$ 1,395,414
Grundy County	54,428	-	54,428
Other county and state payments	144,757	-	144,757
Federal, State and other program grants	321,813	192,022	513,835
Gifts and bequests	9,757	-	9,757
	1,926,169	192,022	2,118,191
Revenues:			
Fees from patients	1,571,235	-	1,571,235
Interest and dividends on investments	21,015	-	21,015
Realized gain (loss) on sale of investments	(4,369)	-	(4,369)
Net unrealized loss on investments	(55,726)	-	(55,726)
Other income	2,721	-	2,721
	1,534,876	-	1,534,876
Net Assets Released From Restrictions:			
Satisfaction of program restrictions	243,910	(243,910)	-
	3,704,955	(51,888)	3,653,067
Expenses:			
Program services	2,917,566	-	2,917,566
Support services	436,723	-	436,723
Fundraising	4,277	-	4,277
	3,358,566	-	3,358,566
Change in Net Assets	346,389	(51,888)	294,501
Net Assets, Beginning of Year	1,572,833	147,610	1,720,443
Net Assets, End of Year	\$ 1,919,222	\$ 95,722	\$ 2,014,944

The accompanying notes are an integral part of these statements.

2008		
Unrestricted	Temporarily Restricted	Total
\$ 1,375,036	\$ -	\$ 1,375,036
37,012	-	37,012
136,844	-	136,844
227,829	163,678	391,507
18,805	-	18,805
<u>1,795,526</u>	<u>163,678</u>	<u>1,959,204</u>
1,396,621	-	1,396,621
38,980	-	38,980
60,679	-	60,679
(83,192)	-	(83,192)
4,990	-	4,990
<u>1,418,078</u>	<u>-</u>	<u>1,418,078</u>
149,780	(149,780)	-
<u>3,363,384</u>	<u>13,898</u>	<u>3,377,282</u>
2,702,542	-	2,702,542
419,924	-	419,924
3,665	-	3,665
<u>3,126,131</u>	<u>-</u>	<u>3,126,131</u>
237,253	13,898	251,151
<u>1,335,580</u>	<u>133,712</u>	<u>1,469,292</u>
<u>\$ 1,572,833</u>	<u>\$ 147,610</u>	<u>\$ 1,720,443</u>

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Statements of Functional Expenses
For the Years Ended June 30, 2009 and 2008

	2009			
	Program Services	Support Services, Management and General	Fundraising	Total
Salaries	\$ 2,088,728	\$ 276,860	\$ 3,947	\$ 2,369,535
Payroll taxes	146,821	19,458	137	166,416
Annuity	79,874	15,522	84	95,480
Health insurance	114,542	18,802	77	133,421
Deferred compensation	(9,814)	-	-	(9,814)
Life insurance	11,936	1,949	11	13,896
Continuing education	11,132	1,652	20	12,804
Other personnel	25,692	913	10	26,615
Total Salaries and Related Expenses	2,468,911	335,156	4,286	2,808,353
Insurance	46,434	6,122	-	52,556
Medical consultants	102,048	-	-	102,048
Contract labor	20,975	2,297	-	23,272
Professional supplies	4,198	-	-	4,198
Medication	3,420	-	-	3,420
Dues	3,698	497	-	4,195
Program supplies	19,692	-	(81)	19,611
Office supplies	39,799	5,039	72	44,910
Equipment maintenance	3,626	487	-	4,113
Microfilming	1,785	-	-	1,785
Telephone	16,931	1,693	-	18,624
Equipment lease and rental	45,088	8,103	-	53,191
Building maintenance	12,554	2,361	-	14,915
Utilities	9,031	1,763	-	10,794
Lease of land and storage	16,004	44	-	16,048
Subscriptions	-	-	-	-
Publicity and promotion	4,666	-	-	4,666
Travel expense	39,133	2,942	-	42,075
Attorney fees	-	7,220	-	7,220
Accounting fees	-	7,495	-	7,495
Bad debts	-	22,841	-	22,841
Interest expense	-	10,836	-	10,836
Investment fees	-	10,196	-	10,196
Other	-	-	-	-
	389,082	89,936	(9)	479,009
Total Expenses Before Depreciation and Amortization	2,857,993	425,092	4,277	3,287,362
Depreciation and amortization	59,573	11,631	-	71,204
Total Expenses	\$ 2,917,566	\$ 436,723	\$ 4,277	\$ 3,358,566

The accompanying notes are an integral part of these statements.

2008			
Program Services	Support Services, Management and General	Fundraising	Total
\$ 1,951,410	\$ 264,288	\$ 2,048	\$ 2,217,746
130,508	20,282	137	150,927
82,457	13,132	83	95,672
102,718	17,057	87	119,862
(10,205)	-	-	(10,205)
12,115	2,108	13	14,236
13,661	2,524	21	16,206
30,025	977	10	31,012
<u>2,312,689</u>	<u>320,368</u>	<u>2,399</u>	<u>2,635,456</u>
43,778	7,553	-	51,331
64,695	-	-	64,695
11,082	2,982	-	14,064
2,630	259	-	2,889
2,879	-	-	2,879
3,619	478	-	4,097
16,021	-	1,226	17,247
40,136	5,296	40	45,472
28,669	3,898	-	32,567
1,331	-	-	1,331
15,595	1,021	-	16,616
10,385	1,412	-	11,797
10,195	2,743	-	12,938
8,959	2,411	-	11,370
16,365	25	-	16,390
216	-	-	216
2,866	390	-	3,256
36,945	451	-	37,396
-	11,366	-	11,366
-	7,385	-	7,385
-	19,779	-	19,779
18,698	5,030	-	23,728
-	10,685	-	10,685
-	1,651	-	1,651
<u>335,064</u>	<u>84,815</u>	<u>1,266</u>	<u>421,145</u>
2,647,753	405,183	3,665	3,056,601
54,789	14,741	-	69,530
<u>\$ 2,702,542</u>	<u>\$ 419,924</u>	<u>\$ 3,665</u>	<u>\$ 3,126,131</u>

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Exhibit D

Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	\$ 294,501	\$ 251,151
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of buildings and equipment	70,311	67,829
Amortization of prepaid bond costs	893	1,701
Net unrealized loss on investments	55,726	83,192
Realized (gain) loss on sale of investments	4,369	(60,679)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	232,923	(256,957)
Grant income receivable	(34,650)	5,543
Prepaid expense	(3,498)	(7,514)
Prepaid bond costs	-	(4,465)
Increase (decrease) in:		
Accounts payable	3,654	(11,523)
Accrued withholdings	20,406	(39,582)
Deferred revenue	(22,387)	38,873
Compensation deferral fund	(9,814)	(10,206)
Net Cash Provided By Operating Activities	<u>612,434</u>	<u>57,363</u>
Cash Flows from Investing Activities:		
Purchase of investments	(613,710)	(1,422,043)
Proceeds from sale of investments	93,121	1,807,785
Purchase of fixed assets	(29,095)	(29,242)
Net Cash Provided (Used) By Investing Activities	<u>(549,684)</u>	<u>356,500</u>
Cash Flows from Financing Activities:		
Payments on bonds payable	(12,099)	(404,493)
Net Cash Used By Financing Activities	<u>(12,099)</u>	<u>(404,493)</u>
Net Change in Cash and Cash Equivalents	50,651	9,370
Cash and Cash Equivalents at Beginning of Year	13,972	4,602
Cash and Cash Equivalents at End of Year	<u>\$ 64,623</u>	<u>\$ 13,972</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 10,836	\$ 23,728
Income tax	-	-

The accompanying notes are an integral part of these statements.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The 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 primarily to residents of Black Hawk and Grundy Counties.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred, if measurable.

Purchases of fixed assets providing future benefits are capitalized and depreciated over their estimated useful lives.

C. Basis of 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 - Net assets whose use by the Center has been limited by donor-imposed restrictions, such as specified dates and/or purposes.

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.

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the balance sheets:

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets (continued)

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.

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. Accounts are determined to be past due based on how recently payments have been received.

Property and Equipment - Property and equipment are stated at cost if purchased or fair market value at the date of the gift if donated. Depreciation is computed by the straight-line method over the estimated useful lives of 5 - 40 years. No interest costs were capitalized since there were no qualifying assets.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. Amounts representing an estimate of the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2009.

E. Net Patient Service Revenue

Patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, 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.

F. Contributions

Contributions to the Center which are received from the public are considered available for unrestricted use, unless specifically restricted by the donor. No restricted contributions were received for the years ended June 30, 2009 and 2008. No amounts are reflected in these financial statements for donated services rendered for the Center since no objective basis is available to measure the value of such services.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

H. Income Taxes

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, which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. Accordingly, no provision for income taxes is reflected in the financial statements.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

H. Income Taxes (continued)

The Center has elected to defer the implementation of Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, as allowed by FASB Staff Position FIN 48-3. The provisions of Interpretation No. 48 will not become a requirement until the year ending June 30, 2010. Management would make the appropriate evaluation of any uncertain tax positions based upon current statutes in completing these financial statements and the notes to the financial statements if there were any such uncertain tax positions.

(2) Fair Value Measurements

The Center's investments are reported at fair value in the accompanying statement of financial position.

	Fair Value	Fair Value Measurements Using Quoted Markets for Identical Assets (Level 1)
June 30, 2009		
Cash and Equivalents	\$ 526,698	\$ 526,698
Mutual Funds	375,460	375,460
	\$ 902,158	\$ 902,158
June 30, 2008		
Cash and Equivalents	\$ 43,651	\$ 43,651
Mutual Funds	398,013	398,013
	\$ 441,664	\$ 441,664

SFAS No. 157 *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority and Level 3 have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When applicable, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs would only be used when Level 1 inputs are not available.

Level 1 Fair Value Measurements

The fair value of mutual funds is based on quoted net asset value of the shares held by the Center at year-end. The fair values of common stocks, corporate bonds and U.S. Government securities, if any, are based on quoted market prices.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Notes to Financial Statements

(3) Investments

Unrestricted - The investments at June 30, 2009 and 2008 consist of mutual funds and high grade commercial notes carried at their published fair market value of \$902,158 and \$441,664, respectively. Realized and unrealized gains and losses on investments are reflected on the statements of activities. Values have not been adjusted for market fluctuations subsequent to June 30. Accounting principles generally accepted in the United States of America require adjustment of year end values only when the value has been permanently impaired. Management does not feel market fluctuations have caused permanent impairment to its investment portfolio. Following is a schedule showing the change in fair value for investments for 2009 and 2008.

	2009			2008		
	Cost	Market Value	Unrealized Appreciation (Depreciation)	Cost	Market Value	Unrealized Appreciation (Depreciation)
Unrestricted:						
Mutual Funds:						
Stock Funds	\$ 144,942	\$ 108,270	\$ (36,672)	\$ 158,818	\$ 156,335	\$ (2,483)
Bond Funds	288,708	267,190	(21,518)	244,731	240,529	(4,202)
Money Market Funds	526,698	526,698	-	44,800	44,800	-
	<u>\$ 960,348</u>	<u>\$ 902,158</u>	<u>\$ (58,190)</u>	<u>\$ 448,349</u>	<u>\$ 441,664</u>	<u>\$ (6,685)</u>

(4) Property and Equipment

A summary of changes in property and equipment is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Buildings	\$ 1,164,897	\$ -	\$ -	\$ 1,164,897
Land improvements	59,446	-	-	59,446
Equipment	453,422	29,095	9,424	473,093
Total	<u>1,677,765</u>	<u>29,095</u>	<u>9,424</u>	<u>1,697,436</u>
Less: Accumulated Depreciation	699,948	70,311	9,424	760,835
Net Book Value	<u>\$ 977,817</u>	<u>\$ (41,216)</u>	<u>\$ -</u>	<u>\$ 936,601</u>

Depreciation expense for 2009 and 2008, respectively, was \$70,311 and \$67,829.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
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Notes to Financial Statements

(5) Leases

The land upon which the Center's building stands was leased from Covenant Medical Center for \$120 per year commencing June 2, 1965, and for twenty years thereafter. In June, 2000, the lease was extended to September 30, 2006. The lease has and will automatically continue thereafter upon the same terms and conditions, for three successive terms of ten years each, unless the lessee gives the lessor written notice of its intention to terminate at least six months prior to termination. Lessee shall, upon expiration of this lease, surrender possession of the leased premises, and if lessee shall hold over, it shall be considered a tenant under a month to month tenancy. The current lease term extends through September 30, 2016.

The Center rents office space from Grundy County Memorial Hospital for \$100 per day or \$50 per four hours. The lease began May 1, 2007 and expired June 30, 2008. The lease has and will automatically continue thereafter for each additional one year period at the same terms and conditions, unless terminated by either party upon sixty days written notice. The current lease term extended through June 30, 2009 and was automatically renewed for another one year period.

The Center rents office space in the Black's Building in Waterloo, Iowa for \$600 per month. The lease began January 15, 2009 and expires January 14, 2010. The lease does not have any automatic renewal provisions.

The Center rents an additional 233 square feet of the Black's Building in Waterloo, Iowa for \$350 per month. The lease began June 1, 2009 and expires January 14, 2010. The lease does not have any automatic renewal provisions.

The Center rented office space in the KWWL Building in Waterloo, Iowa. The office space was shared with another party. The rent was \$150 per month, in which the Center was responsible for half. The lease began October 1, 2007 and expired October 1, 2008. The lease was not renewed after that date.

The Center is also obligated under two noncancelable leases for office equipment. The leases have original terms from four to five years and are being treated as operating leases.

Rent expense paid on all leases during the year ended June 30, 2009 and 2008, was \$29,104 and \$28,187, respectively. Included in expense are contingent rentals based on measured usage of some of the leased equipment.

The future minimum lease payments for the next five years required under the leases mentioned above are as follows:

Years ending June 30:		
2010	\$	19,483
2011		2,358
2012		120
2013		120
2014		120

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
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Notes to Financial Statements

(6) Compensation Deferral

The Center had entered into agreements with its employees to remit portions of their earned compensation to an insurance carrier for the purpose of deferring personal income taxes until payment by the carrier to the employees. The fund must be in the name of the Center to prevent current taxation to the employees. Contributions to the fund ceased during April, 1994. In an effort to greatly reduce or eliminate the need for future contributions to the plan, the Center has invested a portion of the plan assets in a combination of single premium annuity and life insurance policies. The annuity proceeds were used to fund the insurance premiums through November, 2000. No additional premiums were contributed by the Center during the years ended June 30, 2009 and 2008.

The Center also entered into agreements with its employees to pay compensation upon retirement. The monthly deferred compensation payments will be made for ten years. Upon retirement, the employees can begin drawing the payments at age 60. The employee earns increased payments based on the number of years of service and the age upon retirement or separation of service. The liability recognized is based on the present value of the expected future payments.

The cash value of the deferred compensation fund was \$469,237 and \$453,160 at June 30, 2009 and 2008, respectively. Deferred compensation payments made to employees for the years ended June 30, 2009 and 2008 were \$18,103 for both years. The deferred compensation liability of the Center to the employees was \$642,140 and \$635,877 at June 30, 2009 and 2008, respectively. The current portion of the deferred compensation liability at June 30, 2009 and 2008 was \$18,103 for both years.

(7) Annuities

The Center contributes 5.00 percent of each participant's base salary into a 403(b) Thrift Plan. A participant is defined as a full-time employee or an employee who works greater than one thousand hours in the preceding calendar year and has reached age twenty-one. The employee may elect also to contribute to the annuity plan within the limits prescribed by law. Upon termination of employment the Center's contributions are subject to the vesting schedule in the plan document based on the number of years of service. Employer contributions under the plan for the years ended June 30, 2009 and 2008 totaled \$95,480 and \$95,672, respectively.

(8) Bonds Payable

An addition to the facility was financed through the issuance of tax-exempt bonds of \$826,320 in January, 2001. The bonds were secured by a first mortgage lien on the facility and a security interest in the equipment, revenues and accounts of the Center. Monthly payments of \$5,688 were required on the bonds based on a twenty-year amortization with a final balloon payment due December 20, 2007. The bonds had an interest rate of 5.43%.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Notes to Financial Statements

(8) Bonds Payable (continued)

On December 20, 2007, the Center issued a single tax-exempt bond of \$250,000 to partially continue the previous bond issue for the addition of the facility in 2001. The bond is secured by a first mortgage lien on the facility and a security interest in certain personal property, machinery and equipment. The bond contains covenants requiring the Center to maintain certain levels for investments and profitability and restricts the pledging of assets to secure other debt. The single bond payable is based on a five-year amortization with a final payment due December 20, 2012. The Center is required to make monthly payments of \$1,911 and the bond has an interest rate of 4.485%.

At June 30, 2009 and 2008, bonds payable were \$231,688 and \$243,787, respectively. Interest expense for the years ended June 30, 2009 and 2008 was \$10,836 and \$23,728, respectively.

As of June 30, 2009, the maturities of the bonds payable was as follows:

Years ending June 30:	
2010	\$ 12,805
2011	13,392
2012	14,005
2013	191,486

(9) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for services rendered. The accounts receivable are collectible from individuals receiving service and in many cases third party payors such as insurance carriers. The Center received 39% and 42% of its total public support and revenue for the years ended June 30, 2009 and 2008 from Black Hawk and Grundy Counties.

(10) Related Party Transactions

The Center is related to Friends of the Black Hawk - Grundy Mental Health Center, Inc. through common Board members. This organization was formed to promote the Center and solicit contributions from the public for the benefit of the Center. There were no material transactions between the two organizations during the years ended June 30, 2009 and 2008.

The Center maintains cash balances at a financial institution. At certain times during the year the cash balances were not covered or exceeded the \$250,000 FDIC insured limit.

(11) Risk Management

Black Hawk - Grundy Mental Health Center, Inc. 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.

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Notes to Financial Statements

(12) Reclassifications of Net Assets

Net assets were placed under temporary restrictions as follows:

	2009	2008
Funds placed under temporary restriction as required by grant stipulations	\$ 192,022	\$ 163,678
Funds released from temporary restriction due to satisfaction of program restrictions	<u>243,910</u>	<u>149,780</u>
Net assets placed under (released from) restriction	<u>\$ (51,888)</u>	<u>\$ 13,898</u>

Temporarily restricted net assets at June 30, 2009 and 2008 consist of cash and cash equivalents and investments of \$95,722 and \$147,610, respectively.

Independent Auditors' 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
Black Hawk - Grundy Mental Health Center, Inc.
Waterloo, Iowa

We have audited the financial statements of Black Hawk - Grundy Mental Health Center, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated November 4, 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 Black Hawk - Grundy 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 Black Hawk - Grundy Mental Health Centers, Inc.'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 a 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.

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 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 Black Hawk - Grundy 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, non-compliance with which would 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

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.

This report, a public record by law, is intended for the information and use of the Black Hawk - Grundy Mental Health Center, Inc. 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 those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Black Hawk - Grundy Mental Health Center, Inc. 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.

Cuney, Alexander, Marshall & Co., L.L.P.

November 4, 2009

BLACK HAWK - GRUNDY MENTAL HEALTH CENTER, INC.
WATERLOO, IOWA

Schedule of Findings

Year Ended June 30, 2009

Findings Related to the Financial Statements:

No material weaknesses in internal control over financial reporting were noted.

Other Findings Related to Statutory Requirements and Other Matters:

No matters were noted.