

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

Auditor's Report
Consolidated Financial Statements and
Supplemental Information

Year Ending June 30, 2009

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Vera French Community Mental Health Center, Inc.

Board Members

Name	Title	Term Expires
Ted Rogalski	President	2011
Robert Anderson, M.D.	Member	2009
Jeff Bert	Treasurer	2009
Mary Dubert	Member	2010
Debrah Kirby	Member	2010
Jeff Lockwood	Member	2011
Ross Paustian	Member	2010
Ethel Reynolds	Member	2011
Phillip Trissel	Member	2010
Bill Wallace	Member	2010
Rory Washburn	Member	2011
Steve Wright	Member	2011



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

Sheldon S. Sitrick, CPA (1954 - 1988)
John N. Sherrick, 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, 2009, 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 September 25, 2008, 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, 2009, 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 02, 2009, 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

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

Bettendorf, Iowa
September 02, 2009

Vera French Community Mental Health Center, Inc.
Consolidated Statement of Financial Position
June 30, 2009 and 2008

Assets:	6/30/09	6/30/08
Current Assets:		
Cash on hand and in bank	\$ 2,591,924	\$ 1,392,528
Accounts receivable	788,662	949,260
Grants receivable	129,196	175,579
Prepaid expenses	191,468	110,146
Investments	<u>84,744</u>	<u>338,955</u>
Total Current Assets	<u>3,785,994</u>	<u>2,966,468</u>
Property and Equipment:		
Land	415,013	225,625
Furnishings and equipment	1,308,389	1,241,365
Buildings and improvements	<u>4,808,064</u>	<u>4,768,012</u>
Property and Equipment at Cost	6,531,466	6,235,002
Less: accumulated depreciation	<u>(3,452,019)</u>	<u>(3,173,920)</u>
Total Property and Equipment	<u>3,079,447</u>	<u>3,061,082</u>
Other Assets:		
Notes receivable	71,839	71,682
Investments	<u>16,785</u>	<u>20,492</u>
Total Assets	<u>\$ 6,954,065</u>	<u>\$ 6,119,724</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 97,356	\$ 164,252
Accrued wages and payroll taxes	381,371	419,327
Other accrued liabilities	98,839	98,774
Notes Payable	<u>72,546</u>	<u>70,840</u>
Total Current Liabilities	<u>650,112</u>	<u>753,193</u>
Long Term Liabilities:		
Notes Payable	<u>751,482</u>	<u>679,009</u>
Total Liabilities	<u>1,401,594</u>	<u>1,432,202</u>
Net Assets:		
Unrestricted Net Assets:		
Designated by Board	237,453	452,897
Undesignated	<u>5,288,471</u>	<u>4,120,538</u>
Total Unrestricted Net Assets	5,525,924	4,573,435
Temporarily Restricted Net Assets	<u>26,547</u>	<u>114,087</u>
Total Net Assets	<u>5,552,471</u>	<u>4,687,522</u>
Total Liabilities & Net Assets	<u>\$ 6,954,065</u>	<u>\$ 6,119,724</u>

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, 2009 and 2008

	2009			2008
	Unrestricted	Restricted	Total	Total
Support and Revenue:				
Scott County	\$ 3,778,478	\$ -	\$ 3,778,478	\$ 3,737,504
Service Fees	3,145,924	-	3,145,924	3,296,061
Habilitation	1,501,025	-	1,501,025	1,368,728
Contributions	319,877	-	319,877	215,302
Title XIX	801,059	-	801,059	650,358
SSI, SSDI, SSA	490,933	-	490,933	447,740
Grants	318,659	26,547	345,206	375,572
State Cases	213,480		213,480	137,752
Rents	253,557		253,557	260,826
Other	78,915	-	78,915	191,615
Restrictions released	114,087	(114,087)	-	-
Total Support	11,015,994	(87,540)	10,928,454	10,681,458
Expenses:				
Outpatient	3,571,939	-	3,571,939	3,893,835
Community Support	638,332	-	638,332	676,424
Community Service	68,418	-	68,418	70,738
Inpatient	78,651	-	78,651	76,273
Day Treatment	455,587	-	455,587	388,032
Supportive Employment	173,327	-	173,327	156,680
Jail Diversion	141,025	-	141,025	143,463
Supportive Living	66,323	-	66,323	56,325
Case Management	565,588	-	565,588	598,805
Case Monitoring	143,767	-	143,767	147,955
Grant Programs	149,237	-	149,237	183,703
Residential Programs	2,566,818	-	2,566,818	2,395,354
Housing Programs	415,079	-	415,079	420,680
Foundation Programs	60,990	-	60,990	41,618
Total Program Services	9,095,081	-	9,095,081	9,249,885
Supporting Services:				
General Administrative	839,763	-	839,763	750,506
Fundraising	128,661	-	128,661	116,284
Total Expenses	10,063,505	-	10,063,505	10,116,675
Change in Net Assets	952,489	(87,540)	864,949	564,783
Net Assets, Beginning of Year	4,573,435	114,087	4,687,522	4,122,739
Net Assets, End of Year	\$ 5,525,924	\$ 26,547	\$ 5,552,471	\$ 4,687,522

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, 2009 and 2008

	6/30/09	6/30/08
Cash Flows From Operating Activities:		
Change in net assets	\$ 864,949	\$ 564,783
Revenues and expense items not requiring cash:		
Depreciation	275,849	274,333
Change in market value of investments	52,144	23,939
Discount on loan receivable	(3,451)	(8,965)
(Increase) Decrease In:		
Accounts receivable	206,981	176,558
Prepaid expenses	(81,322)	14,357
Increase (Decrease) In:		
Accounts payable	(66,896)	59,416
Accrued and other liabilities	(37,892)	14,392
Unrealized gain on assets	-	-
Net cash provided by operating activities	<u>1,210,362</u>	<u>1,118,813</u>
Cash Flows From Investing Activities:		
Purchases of fixed assets	(294,213)	(203,687)
Repayment of note receivable	3,294	6,090
Purchase of investments	(8,211)	(41,888)
Sale of investments	213,985	112,589
Net cash flows used by investing activities	<u>(85,145)</u>	<u>(126,896)</u>
Cash Flows From Financing Activities:		
Repayment on notes payable	(75,821)	(70,951)
Issuance of notes payable	150,000	-
Repayment on line of credit	-	(330,000)
Net cash provide by financing activities	<u>74,179</u>	<u>(400,951)</u>
Net increase in cash	1,199,396	590,966
Cash at beginning of year	<u>1,392,528</u>	<u>801,562</u>
Cash at end of year	<u>\$ 2,591,924</u>	<u>\$ 1,392,528</u>
Supplemental Cash flow Disclosure		
Interest paid	<u>\$ 38,281</u>	<u>\$ 48,728</u>

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, 2009

	Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Housing Programs	Foundation Programs	Management and General	Fundraising	Total	2008 Total
Salaries	\$ 4,219,788	\$ 1,777,841	\$ 112,364	\$ 155,018	\$ -	\$ 533,330	\$ 58,765	\$ 6,857,106	\$ 6,882,402
Benefits	836,626	429,552	31,826	34,029	-	132,283	13,339	1,477,655	1,624,006
Occupancy	270,432	156,168	-	142,540	-	32,448	-	601,588	527,587
Communications	76,116	10,011	-	-	-	11,374	2,932	100,433	117,340
Supplies	88,656	144,736	2,403	-	-	20,114	2,464	258,373	249,824
Equipment Costs	18,576	18,632	-	-	-	4,078	51,161	92,447	81,925
Other Expenses	211,137	22,800	2,644	7,467	60,990	54,482	-	359,520	310,440
Consultation & Education	-	-	-	-	-	-	-	-	90
Interest	-	-	-	4,591	-	33,691	-	38,282	48,728
Depreciation	181,626	7,078	-	71,434	-	17,963	-	278,101	274,333
Total	\$ 5,902,957	\$ 2,566,818	\$ 149,237	\$ 415,079	\$ 60,990	\$ 839,763	\$ 128,661	\$ 10,063,505	\$ 10,116,675

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

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2009

Note 1 - Nature of Organization and Significant Accounting Policies:

The consolidated financial statement includes 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, 2008, 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, 2009

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:

<u>Classification</u>	<u>Lives</u>
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, 2009 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
U.S. Government Agency Bonds	\$ 20,088	\$ 21,128	\$ 1,040
Common Stock	\$ 52,313	\$ 39,084	\$ (13,229)
Community Foundation Investments	<u>24,532</u>	<u>24,532</u>	<u>-</u>
	<u>\$ 96,933</u>	<u>\$ 84,744</u>	<u>\$ (12,189)</u>

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2009

Note 3 - Accounts Receivable:

Accounts receivable of the Center at June 30, 2009 totaled \$1,435,376. Based on past collection experience, management has provided for an allowance for doubtful accounts of \$646,714 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	42,495
Vera French Manor – Developer Fee with no interest	<u>32,822</u>
Total	143,317
Discount for less than market interest rate and collectability	<u>(71,478)</u>
Net receivable	<u><u>\$ 71,839</u></u>

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, 2009 is approximately \$324,402.

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.

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2009

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.

Note 8 – Notes Payable:

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

	Rate	Amount
<u>Vera French Community Mental Health Center:</u>		
Quad City Bank and Trust	6.65%	\$ 491,603
 <u>Vera French Housing:</u>		
City of Davenport	0.00%	53,667
City of Davenport	1.50%	98,758
LHAP	1.00%	30,000
Scott County Housing Council	2.00%	150,000
		\$ 824,028

The notes and are due as follows:

	Center	Housing	Total
2010	\$ 65,477	\$ 7,069	\$ 72,546
2011	426,126	7,144	433,270
2012	-	7,219	7,219
2013	-	7,360	7,360
2014	-	7,439	7,439
Thereafter	-	296,194	296,194
Total	\$ 491,603	\$ 332,425	\$ 824,028

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"

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2009

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 23 percent of 2009 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 – Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consist of:

Restricted use for:

Building remodeling	\$ 26,547
	<hr style="width: 10%; margin-left: auto; margin-right: 0;"/>
	<u>\$ 26,547</u>



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Sheldon S. Sitrick, CPA (1954 - 1988)
John N. Sherrick, CPA
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, 2009, 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

Bettendorf, Iowa
September 02, 2009

Vera French Community Mental Health Center, Inc.
Consolidating Statement of Financial Position
For the Year Ended June 30, 2009

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
Assets:				
Current Assets:				
Cash on hand and in bank	\$ 2,417,784	\$ 121,782	\$ 52,358	\$ 2,591,924
Accounts receivable	786,308	2,354		788,662
Grants receivable	77,331	26,547	25,318	129,196
Prepaid expenses	189,212	-	2,256	191,468
Investments	-	-	84,744	84,744
Total Current Assets	<u>3,470,635</u>	<u>150,683</u>	<u>164,676</u>	<u>3,785,994</u>
Property and Equipment:				
Land	25,200	389,813	-	415,013
Furnishings and equipment	1,284,030	24,359	-	1,308,389
Buildings and improvements	<u>3,202,382</u>	<u>1,605,682</u>	<u>-</u>	<u>4,808,064</u>
Property and Equipment at Cost	4,511,612	2,019,854	-	6,531,466
Less: accumulated depreciation	<u>(2,829,462)</u>	<u>(622,557)</u>	<u>-</u>	<u>(3,452,019)</u>
Total Property and Equipment	<u>1,682,150</u>	<u>1,397,297</u>	<u>-</u>	<u>3,079,447</u>
Other Assets:				
Notes receivable	-	71,839	-	71,839
Investments	<u>16,485</u>	<u>300</u>	<u>-</u>	<u>16,785</u>
Total Assets	<u>\$ 5,169,270</u>	<u>\$ 1,620,119</u>	<u>\$ 164,676</u>	<u>\$ 6,954,065</u>
Liabilities and Net Assets:				
Current Liabilities:				
Accounts payable	\$ 96,489	\$ 867	\$ -	\$ 97,356
Accrued wages and payroll taxes	381,371	-	-	381,371
Other accrued liabilities	51,750	47,089	-	98,839
Notes Payable	<u>65,477</u>	<u>7,069</u>	<u>-</u>	<u>72,546</u>
Total Current Liabilities	<u>595,087</u>	<u>55,025</u>	<u>-</u>	<u>650,112</u>
Long Term Liabilities:				
Notes Payable	<u>426,126</u>	<u>325,356</u>	<u>-</u>	<u>751,482</u>
Total Liabilities	<u>1,021,213</u>	<u>380,381</u>	<u>-</u>	<u>1,401,594</u>
Net Assets:				
Unrestricted Net Assets:				
Designated by Board	-	72,777	164,676	237,453
Undesignated	<u>4,148,057</u>	<u>1,140,414</u>	<u>-</u>	<u>5,288,471</u>
Total Unrestricted Net Assets	4,148,057	1,213,191	164,676	5,525,924
Temporarily Restricted Net Assets	<u>-</u>	<u>26,547</u>	<u>-</u>	<u>26,547</u>
Total Net Assets	<u>4,148,057</u>	<u>1,239,738</u>	<u>164,676</u>	<u>5,552,471</u>
Total Liabilities & Net Assets	<u>\$ 5,169,270</u>	<u>\$ 1,620,119</u>	<u>\$ 164,676</u>	<u>\$ 6,954,065</u>

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, 2009

	<u>Vera French CMHC</u>	<u>Vera French Housing</u>	<u>Vera French Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support and Revenue:					
Scott County	\$3,724,224	\$ 54,254	\$ -	\$ -	\$ 3,778,478
Service Fees	3,145,924	-	-	-	3,145,924
Habilitation	1,501,025	-	-	-	1,501,025
Contributions	319,695	11,419	296,929	(308,166)	319,877
Title XIX	801,059	-	-	-	801,059
SSI, SSDI, SSA	490,933	-	-	-	490,933
Grants	167,807	132,237	45,162	-	345,206
State Cases	213,480	-	-	-	213,480
Rents	-	253,557	-	-	253,557
Other	94,959	54,674	(70,718)	-	78,915
	<u>10,459,106</u>	<u>506,141</u>	<u>271,373</u>	<u>(308,166)</u>	<u>10,928,454</u>
Total Support					
Expenses:					
Outpatient	3,571,939	-	-	-	3,571,939
Community Support	638,332	-	-	-	638,332
Community Service	68,418	-	-	-	68,418
Inpatient	78,651	-	-	-	78,651
Day Treatment	455,587	-	-	-	455,587
Supportive Employment	173,327	-	-	-	173,327
Jail Diversion	141,025	-	-	-	141,025
Supportive Living	66,323	-	-	-	66,323
Case Management	565,588	-	-	-	565,588
Case Monitoring	143,767	-	-	-	143,767
Grant Programs	149,237	-	-	-	149,237
Residential Programs	2,566,818	-	-	-	2,566,818
Housing Programs	-	415,079	-	-	415,079
Foundation Programs	-	-	369,156	(308,166)	60,990
	<u>8,619,012</u>	<u>415,079</u>	<u>369,156</u>	<u>(308,166)</u>	<u>9,095,081</u>
Total Program Services					
Supporting Services:					
General Administrative	763,235	76,528	-	-	839,763
Fundraising	-	-	128,661	-	128,661
	<u>9,382,247</u>	<u>491,607</u>	<u>497,817</u>	<u>(308,166)</u>	<u>10,063,505</u>
Total Expenses					
Change in Net Assets	1,076,859	14,534	(226,444)	-	864,949
Net Assets, Beginning of Year	<u>3,071,198</u>	<u>1,225,204</u>	<u>391,120</u>	<u>-</u>	<u>4,687,522</u>
Net Assets, End of Year	<u>\$4,148,057</u>	<u>\$1,239,738</u>	<u>\$ 164,676</u>	<u>\$ -</u>	<u>\$ 5,552,471</u>

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, 2009

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
Cash Flows From Operating Activities:				
Change in net assets	\$ 1,076,859	\$ 14,534	\$ (226,444)	\$ 864,949
Revenues and expense items not requiring cash:				
Depreciation	204,415	71,434	-	275,849
Change in market value of investments			52,144	52,144
Discount on loan receivable		(3,451)		(3,451)
(Increase) Decrease In:				
Accounts receivable	185,494	(845)	22,332	206,981
Prepaid expenses	(79,066)		(2,256)	(81,322)
Increase (Decrease) In:				
Accounts payable	(32,508)	(2,208)	(32,180)	(66,896)
Accrued and other liabilities	(44,289)	6,397	-	(37,892)
Net cash provided by operating activities	<u>1,310,905</u>	<u>85,861</u>	<u>(186,404)</u>	<u>1,210,362</u>
Cash Flows From Investing Activities:				
Purchases of fixed assets	(64,773)	(229,440)	-	(294,213)
Repayment of note receivable	-	3,294	-	3,294
Purchase of investments	3,707	-	(11,918)	(8,211)
Sale of investments	-	-	213,985	213,985
Net cash flows used by investing activities	<u>(61,066)</u>	<u>(226,146)</u>	<u>202,067</u>	<u>(85,145)</u>
Cash Flows From Financing Activities:				
Repayment on notes payable	(69,511)	(6,310)	-	(75,821)
Issuance of notes payable	-	150,000	-	150,000
Repayment on Line of credit	-	-	-	-
Net cash provide by financing activities	<u>(69,511)</u>	<u>143,690</u>	<u>-</u>	<u>74,179</u>
Net increase (decrease) in cash	1,180,328	3,405	15,663	1,199,396
Cash at beginning of year	<u>1,237,456</u>	<u>118,377</u>	<u>36,695</u>	<u>1,392,528</u>
Cash at end of year	<u>\$ 2,417,784</u>	<u>\$ 121,782</u>	<u>\$ 52,358</u>	<u>\$ 2,591,924</u>

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, 2009

	Vera French Community Mental Health Center Schedule I	Pine Knoll Residential Programs	State and Grant Programs Schedule II	Total
Support and Revenue:				
Scott County	\$ 2,739,448	\$ 984,776	\$ -	\$ 3,724,224
Service Fees	2,753,070	392,854	-	3,145,924
Habilitation	295,060	1,205,965	-	1,501,025
Contributions	311,805	7,890	-	319,695
Title XIX	801,059	-	-	801,059
SSI, SSDI, SSA	-	490,933	-	490,933
Grants	18,570	-	149,237	167,807
State Cases	213,480	-	-	213,480
Rents	-	-	-	-
Other	94,959	-	-	94,959
Total Support and Revenue	<u>7,227,451</u>	<u>3,082,418</u>	<u>149,237</u>	<u>10,459,106</u>
Expenses:				
Salaries	4,710,882	1,777,841	112,364	6,601,087
Benefits	959,638	429,552	31,826	1,421,016
Occupancy	300,480	156,168	-	456,648
Communications	87,490	10,011	-	97,501
Supplies	99,910	144,736	2,403	247,049
Equipment Costs	22,654	18,632	-	41,286
Other Expenses	251,858	22,800	2,644	277,302
Interest	33,691	-	-	33,691
Depreciation	199,589	7,078	-	206,667
Total Expenses	<u>6,666,192</u>	<u>2,566,818</u>	<u>149,237</u>	<u>9,382,247</u>
Change in Net Assets	<u>\$ 561,259</u>	<u>\$ 515,600</u>	<u>\$ -</u>	<u>\$ 1,076,859</u>

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, 2009

	<u>Outpatient</u>	<u>Community Support</u>	<u>Community Service</u>	<u>Case Management</u>	<u>Inpatient</u>
Support and Revenue:					
Unrestricted:					
Scott County	\$ 1,415,810	\$ 484,315	\$ 66,554	-	\$ 78,651
Service Fees	2,655,471	-	-	-	-
Habilitation	-	-	-	227,852	-
Contributions	311,805	-	-	-	-
Title XIX	-	272,380	-	475,069	-
SSI, SSDI, SSA	-	-	-	-	-
Grants	18,208	1,250	-	-	-
State Cases	213,480	-	-	-	-
Other	44,546	27,579	-	-	-
Total Unrestricted Support	<u>4,659,320</u>	<u>785,524</u>	<u>66,554</u>	<u>702,921</u>	<u>78,651</u>
Expenses:					
Salaries	3,209,945	460,850	32,248	359,539	78,651
Benefits	684,074	89,814	8,306	72,182	-
Occupancy	122,633	22,762	8,960	44,435	-
Communications	31,971	4,163	2,500	16,205	-
Supplies	39,256	21,631	1,973	12,057	-
Equipment Costs	5,570	4,026	1,253	2,687	-
Other Expenses	135,875	26,602	6,434	22,516	-
Interest	15,497	-	1,011	5,390	-
Depreciation	90,353	8,484	5,733	30,577	-
Total Expenses	<u>4,335,174</u>	<u>638,332</u>	<u>68,418</u>	<u>565,588</u>	<u>78,651</u>
Change in Unrestricted Net Assets	<u>\$ 324,146</u>	<u>\$ 147,192</u>	<u>\$ (1,864)</u>	<u>\$ 137,333</u>	<u>\$ -</u>

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

<u>Day Treatment</u>	<u>Case Monitoring</u>	<u>Supported Employment</u>	<u>Jail Diversion</u>	<u>Supported Community Living</u>	<u>Total</u>
\$ 322,993	\$ 159,059	\$ 87,344	\$ 124,722	-	2,739,448
97,599	-	-	-	-	2,753,070
-	-	-	-	67,208	295,060
-	-	-	-	-	311,805
53,610	-	-	-	-	801,059
-	-	-	-	-	-
-	-	-	-	(888)	18,570
-	-	-	-	-	213,480
-	-	22,834	-	-	94,959
<u>474,202</u>	<u>159,059</u>	<u>110,178</u>	<u>124,722</u>	<u>66,320</u>	<u>7,227,451</u>
219,365	87,942	113,436	108,108	40,798	4,710,882
37,889	18,890	17,032	17,635	13,816	959,638
69,429	8,332	18,375	2,777	2,777	300,480
22,154	3,455	2,926	2,599	1,517	87,490
16,778	2,749	3,410	1,120	936	99,910
4,751	1,563	2,468	168	168	22,654
29,022	13,837	7,139	6,370	4,063	251,858
8,423	1,011	1,685	337	337	33,691
<u>47,776</u>	<u>5,988</u>	<u>6,856</u>	<u>1,911</u>	<u>1,911</u>	<u>199,589</u>
<u>455,587</u>	<u>143,767</u>	<u>173,327</u>	<u>141,025</u>	<u>66,323</u>	<u>6,666,192</u>
<u>\$ 18,615</u>	<u>\$ 15,292</u>	<u>\$ (63,149)</u>	<u>\$ (16,303)</u>	<u>\$ (3)</u>	<u>\$ 561,259</u>

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

Vera French Community Mental Health Center, Inc.
Schedule II - State and Grant Supported Programs
For the Year Ended June 30, 2009

	<u>DHS Adult</u>	<u>DHS Child/Adol/ADM</u>	<u>PATH Program</u>	<u>Total</u>
Support and Revenue:				
Unrestricted:				
Scott County	\$ -	\$ -	\$ -	\$ -
Service Fees	-	-	-	-
Grants	42,914	47,399	58,924	149,237
Other	-	-	-	-
	<u>42,914</u>	<u>47,399</u>	<u>58,924</u>	<u>149,237</u>
Total Unrestricted Support	<u>42,914</u>	<u>47,399</u>	<u>58,924</u>	<u>149,237</u>
Expenses:				
Salaries	32,153	39,155	41,056	112,364
Benefits	9,386	7,539	14,901	31,826
Occupancy	-	-	-	-
Communications	-	-	-	-
Supplies	74	476	1,853	2,403
Equipment Costs	-	-	-	-
Other Expenses	1,301	229	1,114	2,644
Interest	-	-	-	-
Depreciation	-	-	-	-
	<u>42,914</u>	<u>47,399</u>	<u>58,924</u>	<u>149,237</u>
Total Expenses	<u>42,914</u>	<u>47,399</u>	<u>58,924</u>	<u>149,237</u>
Change in Unrestricted Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Vera French Community Mental Health Center, Inc.
Vera French Housing Programs
Statement of Functional Support, Revenues and Expenses
For the Year Ended June 30, 2009

	<u>Master Lease</u>	<u>Rental Program</u>	<u>Housing Acquisition</u>	<u>Management and General</u>	<u>Total</u>
Support and Revenue:					
Scott County	\$ -	\$ -	\$ -	\$ 54,254	\$ 54,254
Service Fees	-	-	-	-	-
Habilitation	-	-	-	-	-
Contributions	-	11,419	-	-	11,419
Title XIX	-	-	-	-	-
SSI, SSDI, SSA	-	-	-	-	-
Grants	46,686	-	85,551	-	132,237
State Cases	-	-	-	-	-
Rents	27,347	226,210	-	-	253,557
Other	(290)	-	3,296	51,668	54,674
Total Support	<u>73,743</u>	<u>237,629</u>	<u>88,847</u>	<u>105,922</u>	<u>506,141</u>
Expenses:					
Salaries	45,135	92,044	17,839	42,236	197,254
Benefits	9,908	20,205	3,916	9,271	43,300
Occupancy	76,445	66,095	-	2,400	144,940
Communications	-	-	-	3,835	3,835
Supplies	-	-	-	8,860	8,860
Equipment Costs	-	-	-	2,728	2,728
Other Expenses	2,453	4,984	30	7,198	14,665
Interest	-	4,591	-	-	4,591
Depreciation	-	71,434	-	-	71,434
Total Expenses	<u>133,941</u>	<u>259,353</u>	<u>21,785</u>	<u>76,528</u>	<u>491,607</u>

Vera French Community Mental Health Center, Inc.
Vera French Housing Programs
Schedule of Grants
For the Year Ended June 30, 2009

<u>Grantor/Program Title</u>	<u>Amount Received</u>
HUD I Supportive Housing	\$ 34,956
HUD II Supportive Housing	11,730
Scott Co. Housing Council	60,551
NAMI	25,000
Scott County	<u>54,254</u>
Total	<u>\$ 186,491</u>

Vera French Community Mental Health Center, Inc.
Vera French Foundation
Statement of Functional Support, Revenues and Expenses
For the Year Ended June 30, 2009

	<u>Foundation Programs</u>	<u>Fundraising</u>	<u>Total</u>
Support and Revenue:			
Scott County	\$ -	\$ -	\$ -
Service Fees	-	-	-
Habilitation	-	-	-
Contributions	296,929	-	296,929
Title XIX	-	-	-
SSI, SSDI, SSA	-	-	-
Grants	45,162	-	45,162
State Cases	-	-	-
Rents	-	-	-
Other	-	(70,718)	(70,718)
	<u>-</u>	<u>(70,718)</u>	<u>(70,718)</u>
Total Support	<u>342,091</u>	<u>(70,718)</u>	<u>271,373</u>
Expenses:			
Salaries	-	59,126	59,126
Benefits	-	12,978	12,978
Occupancy	-	-	-
Communications	-	2,932	2,932
Supplies	-	2,464	2,464
Equipment Costs	-	-	-
Other Expenses	369,156	51,161	420,317
Interest	-	-	-
Depreciation	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>369,156</u>	<u>128,661</u>	<u>497,817</u>
Change in Net Assets	<u>\$ (27,065)</u>	<u>\$ (199,379)</u>	<u>\$ (226,444)</u>

Vera French Community Mental Health Center, Inc.
Vera French Foundation
Statement of Activities
For the Year Ended June 30, 2009

Support and Revenue:		
Contributions	\$ 336,799	
Less cost of special events	<u>39,870</u>	\$ 296,929
Grants		45,162
Other:		
Interest and dividends	8,109	
Loss on sale of investments	(26,683)	
Unrealized loss on investments	<u>(52,144)</u>	<u>(70,718)</u>
 Total Support and Revenue		 <u>271,373</u>
Expenses:		
Program Expenses:		
School based		268,666
Client needs		23,481
Staff development		1,465
Camp scholarships		8,142
Rent scholarships		12,000
NAMI		7,100
VFCMHC - HVAC		27,500
VFCMHC - Other		<u>20,802</u>
 Total Program Services		 <u>369,156</u>
Supporting Services:		
Fundraising		<u>128,661</u>
 Total Expenses		 <u>497,817</u>
 Change in Net Assets		 (226,444)
 Net Assets, Beginning of Year		 <u>391,120</u>
 Net Assets, End of Year		 <u>\$ 164,676</u>



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John N. Sherrick, 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, 2009, and have issued our report thereon dated September 02, 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 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.

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 any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Vera French Community Mental Health Center, Inc. in a separate letter dated September 02, 2009.

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, LLC
Certified Public Accountants

Bettendorf, Iowa
September 02, 2009

Vera French Community Mental Health Center, Inc.
Schedule of Findings
For the Year Ended June 30, 2009

There were no audit findings.



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John N. Sherrick, CPA
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Board of Directors
Vera French Community Mental Health Center
Davenport, Iowa

In planning and performing our audit of the consolidated financial statements of Vera French Community Mental Health Center for the year ended June 30, 2009 we considered the Center's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are an opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 02, 2009 on the financial statements of Vera French Community Mental Health Center.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestion with various Center personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

September 02, 2009
Bettendorf, Iowa

Vera French Community Mental Health Center
June 30, 2009

Page 2 of 2

Accrual Basis Accounting

The organization has made improvements in the accounting procedures to move toward the goal of having all accounting records on a full accrual basis at all locations. Each location has implemented accrual basis for expenses with the use of computerized accounts payable system. Revenues are still being recorded on a cash receipts basis. We recommend that the organization continue converting to full accrual basis to provide accrual basis monthly financial statements.

Pine Knoll - Accounts Receivable Aging

The billing and accounts receivable system does not provide an aging report to manage outstanding balances due. Staff manually maintains listing of accounts receivable for use in past collections and financial statement preparation. The billing system software vendor was contacted to determine the possibility of getting the reports needed from the system but the updates have not been implemented due to change in accounting staff. The billing system vendor should be contacted review the status of the reporting request.

Vera French Housing – Documentation of Credit Card Payments

We noted during the audit that the approval of credit card bills paid was not being documented when they are paid by direct withdrawal from the bank rather than a check. We recommend that the same documentation procedures be used for these direct payments as payments made by checks.