

**COMMUNITY MENTAL HEALTH
CENTER FOR MID-EASTERN IOWA**

Financial Statements

June 30, 2009 and 2008

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Contents

	<u>Page</u>
Independent Auditors' Report.....	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities.....	4
Statements of Cash Flows	5
Statement of Functional Expenses – 2009.....	6
Statement of Functional Expenses – 2008.....	7
Notes to Financial Statements	8-13
Supplementary Information:	
Comparative Summary of Budgeted and Actual Functional Expenses	14
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16



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Independent Auditors' Report

Board of Directors
Community Mental Health Center
for Mid-Eastern Iowa
Iowa City, Iowa

We have audited the accompanying statements of financial position of Community Mental Health Center for Mid-Eastern Iowa (a non-profit organization) as of June 30, 2009 and 2008, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization'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 the audits to obtain reasonable assurance about whether 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 Community Mental Health Center for Mid-Eastern Iowa as of June 30, 2009 and 2008, and the changes in 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 January 20, 2010, on our consideration of Community Mental Health Center for Mid-Eastern Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Community Mental Health Center for Mid-Eastern Iowa taken as a whole. The schedule comparative summary of budgeted and actual functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the year ended June 30, 2009 and has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

T&T Financial Group, P.C.

Sigourney, Iowa
January 20, 2010

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Financial Position
June 30, 2009 and 2008

	<u>Assets</u>	
	2009	2008
Current assets:		
Cash and cash equivalents	\$ 548,294	453,400
Receivables:		
Client services, less allowance for doubtful accounts of \$50,000 and \$45,000 in 2009 and 2008, respectively	344,613	461,153
State of Iowa Community Mental Health Services grants- Federal	57,365	42,574
State of Iowa Homeless grant-Federal	8,827	8,519
State and county governments	84,426	151,656
Other	37,782	17,374
Prepaid expenses	58,579	26,392
Total current assets	1,139,886	1,161,068
Property and equipment:		
Land	56,775	56,775
Buildings	832,909	832,909
Furniture and equipment	320,542	300,199
Total	1,210,226	1,189,883
Less accumulated depreciation	803,034	748,852
Net property and equipment	407,192	441,031
Total assets	\$ 1,547,078	1,602,099

See accompanying notes to financial statements.

Liabilities and Net Assets

	<u>2009</u>	<u>2008</u>
Current liabilities:		
Accounts payable	\$ 10,882	217,551
Accrued expenses	<u>189,567</u>	<u>116,667</u>
Total current liabilities	<u>200,449</u>	<u>334,218</u>
Net assets:		
Unrestricted:		
General operating	1,270,749	1,219,209
Temporarily restricted	<u>75,880</u>	<u>48,672</u>
Total net assets	<u>1,346,629</u>	<u>1,267,881</u>
Total liabilities and net assets	\$ <u>1,547,078</u>	<u>1,602,099</u>

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

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

	2009		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Public support:			
Johnson County, including medication fund reimbursements	\$ 779,261	-	779,261
Iowa County	43,200	-	43,200
Cedar County	78,060	-	78,060
Other counties	92,651	-	92,651
State payment program	213,970	-	213,970
Mental Health Block Grant	88,970	-	88,970
PATH Grant for Homeless Outreach			
Services	32,825	-	32,825
Other grants	162,222	-	162,222
Contributions	8,073	82,836	90,909
Net assets released from restrictions	55,628	(55,628)	-
Total public support	<u>1,554,860</u>	<u>27,208</u>	<u>1,582,068</u>
Revenue:			
Client fees	1,089,189	-	1,089,189
Investment income	6,312	-	6,312
Fundraising events, net of direct costs of \$4,260 and \$7,097 in 2009 and 2008	16,612	-	16,612
Other	17,463	-	17,463
Total revenue	<u>1,129,576</u>	<u>-</u>	<u>1,129,576</u>
Total public support and revenue	<u>2,684,436</u>	<u>27,208</u>	<u>2,711,644</u>
Expenses:			
Program services, including reimbursed medications	2,487,618	-	2,487,618
Supporting services:			
Fundraising	12,298	-	12,298
Administrative	132,980	-	132,980
Total expenses	<u>2,632,896</u>	<u>-</u>	<u>2,632,896</u>
Change in net assets	51,540	27,208	78,748
Net assets, beginning of year	<u>1,219,209</u>	<u>48,672</u>	<u>1,267,881</u>
Net assets, end of year	<u>\$ 1,270,749</u>	<u>75,880</u>	<u>1,346,629</u>

See accompanying notes to financial statements.

2008

Unrestricted	Temporarily Restricted	Total
959,908	-	959,908
43,200	-	43,200
83,517	-	83,517
104,380	-	104,380
240,440	-	240,440
90,574	-	90,574
32,825	-	32,825
59,067	-	59,067
53,919	38,541	92,460
42,264	(42,264)	-
1,710,094	(3,723)	1,706,371
675,769	-	675,769
5,736	-	5,736
13,324	-	13,324
27,243	-	27,243
722,072	-	722,072
2,432,166	(3,723)	2,428,443
2,210,192	-	2,210,192
10,747	-	10,747
110,880	-	110,880
2,331,819	-	2,331,819
100,347	(3,723)	96,624
1,118,862	52,395	1,171,257
1,219,209	48,672	1,267,881

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

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

	<u>2009</u>	<u>2008</u>
Operating activities:		
Change in net assets	\$ 78,748	96,624
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	54,182	51,726
Effects of changes in operating assets and liabilities:		
Receivables	148,263	(135,841)
Prepaid expenses	(32,187)	(858)
Accounts payable	(206,669)	74,439
Accrued expenses	<u>72,900</u>	<u>(5,834)</u>
Net cash provided (used) by operating activities	<u>115,237</u>	<u>80,256</u>
Investing activities:		
Purchases of property and equipment	<u>(20,343)</u>	<u>(39,671)</u>
Net cash provided (used) by investing activities	<u>(20,343)</u>	<u>(39,671)</u>
Net increase (decrease) in cash and cash equivalents	94,894	40,585
Cash and cash equivalents, beginning of year	<u>453,400</u>	<u>412,815</u>
Cash and cash equivalents, end of year	<u>\$ 548,294</u>	<u>453,400</u>

See accompanying notes to financial statements.

**COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA**

**Statement of Functional Expenses
For the Year Ended June 30, 2009**

	Program Services						
	School Liaison	PACE Johnson	Homeless	Compeer	Clubhouse	Supported Community Living	Consultation and Education
Direct salaries and nonemployee compensation	\$ 28,926	51,285	35,076	14,512	35,574	95,452	5,688
Payroll taxes	2,125	3,696	2,643	1,104	2,715	7,045	400
Employee benefits	5,389	8,860	4,617	610	6,890	19,000	1,213
Total salaries and related expenses	36,440	63,841	42,336	16,226	45,179	121,497	7,301
Rent	43	65	50	11	58	91	21
Dues and subscriptions	-	-	-	500	-	-	-
Repairs and maintenance	302	838	309	268	7,574	1,634	23
Insurance	337	662	372	162	2,604	1,114	117
Professional fees	761	1,142	876	720	1,348	1,599	380
Travel	305	-	313	-	284	7,135	-
Staff development	248	6,607	319	694	396	884	47
Utilities and telephone	525	665	609	214	2,960	2,009	133
Advertising	263	394	302	66	355	552	131
Office supplies and postage	750	1,125	863	188	1,013	1,575	376
Emergency services	120	180	138	30	162	252	60
Program activities and supplies	74	1,192	6,765	628	2,079	51	17
Recruitment	10	16	12	38	14	151	6
Other	84	112	86	360	101	182	37
Total before depreciation	40,262	76,839	53,350	20,105	64,127	138,726	8,649
Depreciation	599	1,208	813	298	6,477	2,842	372
Total functional expenses	\$ 40,861	78,047	54,163	20,403	70,604	141,568	9,021

See accompanying notes to financial statements.

				Supporting Services			
Psychotherapy	Psychiatry	Project Recovery	Total Program Services	Fundraising	Administrative	Total Supporting Services	Total
537,602	932,164	68,360	1,804,639	8,225	72,679	80,904	1,885,543
38,853	46,092	5,126	109,799	629	5,560	6,189	115,988
105,311	108,593	7,693	268,176	1,435	11,331	12,766	280,942
681,766	1,086,849	81,179	2,182,614	10,289	89,570	99,859	2,282,473
2,849	1,013	9	4,210	-	-	-	4,210
243	2	-	745	-	3,801	3,801	4,546
12,124	7,289	9	30,370	-	3,907	3,907	34,277
8,890	20,884	47	35,189	-	7,981	7,981	43,170
14,087	17,854	152	38,919	-	5,006	5,006	43,925
4,321	10	1,008	13,376	-	2,081	2,081	15,457
6,526	5,872	19	21,612	-	-	-	21,612
10,916	6,790	759	25,580	-	3,291	3,291	28,871
4,863	6,164	53	13,143	-	-	-	13,143
13,877	17,590	150	37,507	2,009	4,432	6,441	43,948
2,220	2,814	24	6,000	-	-	-	6,000
378	478	13,493	25,155	-	-	-	25,155
293	472	2	1,014	-	-	-	1,014
1,417	1,773	27	4,179	-	6,734	6,734	10,913
764,770	1,175,854	96,931	2,439,613	12,298	126,803	139,101	2,578,714
17,245	18,061	90	48,005	-	6,177	6,177	54,182
782,015	1,193,915	97,021	2,487,618	12,298	132,980	145,278	2,632,896

**COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA**

**Statement of Functional Expenses
For the Year Ended June 30, 2008**

	Program Services						
	School Liaison	PACE Johnson	Homeless	Compeer	Clubhouse	Supported Community Living	Consultation and Education
Direct salaries and nonemployee compensation	\$ 30,119	54,317	32,676	12,139	43,885	66,667	4,458
Payroll taxes	1,975	3,561	2,142	796	2,877	4,371	292
Employee benefits	6,777	9,436	4,412	447	6,729	12,504	837
Total salaries and related expenses	<u>38,871</u>	<u>67,314</u>	<u>39,230</u>	<u>13,382</u>	<u>53,491</u>	<u>83,542</u>	<u>5,587</u>
Rent	49	147	66	14	87	121	6
Dues and subscriptions	5	100	70	498	35	35	-
Repairs and maintenance	300	1,002	334	284	7,445	1,765	-
Insurance	309	1,148	460	116	1,620	995	3
Professional fees	633	5,837	894	431	1,159	1,599	27
Travel	38	185	1,066	-	172	3,548	-
Staff development	358	5,747	79	1,838	175	143	4
Utilities and telephone	744	973	964	220	3,553	1,552	77
Advertising	137	412	186	40	242	339	8
Office supplies and postage	432	1,390	705	392	1,107	1,242	20
Emergency services	102	306	138	30	180	252	5
Program activities and supplies	133	277	2,488	-	2,868	-	450
Recruitment	35	-	291	170	-	35	-
Other	42	656	1,602	282	88	159	2
Total before depreciation	<u>42,188</u>	<u>85,494</u>	<u>48,573</u>	<u>17,697</u>	<u>72,222</u>	<u>95,327</u>	<u>6,189</u>
Depreciation	<u>490</u>	<u>1,712</u>	<u>797</u>	<u>258</u>	<u>6,463</u>	<u>2,716</u>	<u>149</u>
Total functional expenses	<u>\$ 42,678</u>	<u>87,206</u>	<u>49,370</u>	<u>17,955</u>	<u>78,685</u>	<u>98,043</u>	<u>6,338</u>

See accompanying notes to financial statements.

Supporting Services

Psycho-therapy	Psychiatry	Total Program Services	Supporting Services		Total Supporting Services	Total
			Fundraising	Administrative		
554,083	789,016	1,587,360	7,985	61,470	69,455	1,656,815
36,327	51,730	104,071	524	4,030	4,554	108,625
103,577	97,656	242,375	815	7,000	7,815	250,190
693,987	938,402	1,933,806	9,324	72,500	81,824	2,015,630
2,871	1,325	4,686	-	-	-	4,686
378	343	1,464	-	3,269	3,269	4,733
13,128	7,204	31,462	-	4,049	4,049	35,511
8,536	20,366	33,553	-	8,752	8,752	42,305
14,246	17,444	42,270	-	5,439	5,439	47,709
3,508	-	8,517	-	2,788	2,788	11,305
5,726	5,088	19,158	-	-	-	19,158
12,336	6,874	27,293	-	3,183	3,183	30,476
6,188	3,712	11,264	-	-	-	11,264
11,401	13,262	29,951	1,423	3,660	5,083	35,034
2,226	2,761	6,000	-	-	-	6,000
-	-	6,216	-	-	-	6,216
-	430	961	-	-	-	961
1,125	3,806	7,762	-	1,343	1,343	9,105
775,656	1,021,017	2,164,363	10,747	104,983	115,730	2,280,093
16,237	17,007	45,829	-	5,897	5,897	51,726
791,893	1,038,024	2,210,192	10,747	110,880	121,627	2,331,819

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Notes to Financial Statements June 30, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies

Community Mental Health Center for Mid-Eastern Iowa was incorporated in September 1969 in the State of Iowa. The Organization's fiscal year ends June 30. Significant accounting policies followed by the Organization are presented below.

Nature of Activities

The Organization provides outpatient psychotherapy for a wide range of clientele. It also provides outpatient community support for the chronically mentally ill to help them function more independently in the community and to prevent further hospitalization. Psychiatric services are provided as needed for both community support and outpatient psychotherapy clients. The Organization is primarily supported by Johnson County and the surrounding counties.

The Organization's mission statement is: Community Mental Health Center for Mid-Eastern Iowa is dedicated to improving lives through high quality, accessible mental health services and promoting awareness of mental health issues in the community.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables and other liabilities.

Basis of Presentation

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

- Unrestricted net assets – net assets not subject to donor-imposed restrictions
- Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed restrictions that are neither fulfilled or otherwise removed by actions of the Organization nor expire with the passage of time.

Management has determined that the Organization has no permanently restricted net assets.

(continued)

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued) June 30, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as temporarily restricted revenues, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Use of 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with an original maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash in excess of daily requirements is invested in interest bearing accounts and money market funds of qualified financial institutions in amounts that may exceed federal insured limits. The Organization believes the credit risk related to these deposits is minimal.

(continued)

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable are uncollateralized customer obligations, which generally require payment within thirty days from the invoice date.

Account balances with invoices over ninety days old are considered delinquent. Delinquent accounts of \$100 or more are set up on a payment plan, with minimum monthly payments of \$5. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation of allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibles of specific patient's accounts and the aging of the accounts receivable. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Impairment of Long-Lived Assets

The Center reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which range from 3 to 39 years.

Revenue Recognition

Revenue from client service grants and contract is recognized in the period the services are performed.

(continued)

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note 1 – Summary of Significant Accounting Policies (Continued)

Functional Expenses

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

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Date of Managements' Review

Management has evaluated subsequent events through January 20, 2010, the date which the financial statements were available to be issued.

Note 2 – Client Fees

Client fees for the years ended June 30, 2009 and 2008 consisted of the following:

	<u>2009</u>	<u>2008</u>
Gross client fees	\$ 2,433,803	2,183,611
Fee adjustments	<u>(1,344,614)</u>	<u>(1,507,842)</u>
Net fees	\$ <u>1,089,189</u>	<u>675,769</u>

Note 3 – Economic Dependency

The Organization is dependent upon federal, state, and county monies to maintain its operations. In the event that monies are not available from such sources Community Mental Health Center for Mid-Eastern Iowa may not continue as a going concern.

Note 4 – Contingent Liability

The Organization is contingently liable to grantors for monies received until each grant has been closed by the grantor.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Subsequent years operations	\$ 20,745	21,001
McCormick Foundation Project Recovery	16,814	-
Compeer program	<u>38,321</u>	<u>27,671</u>
	<u>\$ 75,880</u>	<u>48,672</u>

Note 6 – Depreciation

Depreciation expense for the years ended June 30, 2009 and 2008 is \$54,182 and \$51,726, respectively.

Note 7 – Pension Plan

The Organization has a defined-contribution 403(b) pension plan covering all permanent employees who work 20 or more hours per week. The Organization contributed an amount equal to 8% for 2009 and 8% for 2008 of the annual compensation of these employees. Pension expense totaled \$111,872 and \$110,262 for the years ended June 30, 2009 and 2008, respectively.

Note 8 – Concentrations of Credit Risk

Accounting principles generally accepted in the United States of America require disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

During each of the years ended June 30, 2009 and 2008 the Center received 29% and 40% of its total public support and revenue from Johnson County, respectively. Significant reductions in the County's funding of social programs could materially affect the Center's operations.

The Center maintains a security repurchase agreement with Iowa State Bank. The investments purchased through the agreement are considered cash equivalents. The transactions entered into under the security repurchase agreement are not insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note 9 – Line of Credit

The Organization had a line of credit with a local bank of \$100,000 which expired July 31, 2008. It had a variable interest rate based on the Wall Street Journal Prime Rate and there was a blanket security agreement in place. There were no outstanding borrowings on the line of credit at June 30, 2008. The Organization did not renew the line of credit once it expired.

Note 10 – Delayed Adoption of Accounting Standard

The Financial Accounting Standards Board has deferred until fiscal years beginning after December 15, 2008, the effective date of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*, for nonpublic organizations. The Organization's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Organization has no uncertain tax positions that would be subject to FASB ASC 740-10.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Supplementary Information

June 30, 2009 and 2008

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Comparative Summary of Budgeted and Actual Functional
Expenses

For the Year Ended June 30, 2009

	(Unaudited) Budgeted <u>Expenditures</u>	Actual <u>Expenditures</u>
Functional expenses:		
Salaries and nonemployee compensation	\$ 1,842,207	1,885,543
Payroll taxes and employee benefits	383,481	396,930
Total salaries and related expenses	<u>2,225,688</u>	<u>2,282,473</u>
Staff development	25,000	21,612
Professional fees	12,000	9,812
Computer support	31,747	34,113
Professional memberships and licenses	4,356	3,801
Rent	4,797	4,210
Utilities	18,781	15,495
Insurance	46,713	43,170
Telephone and internet service	13,131	13,376
Supplies, postage, small equipment	62,000	51,810
Maintenance, buildings and grounds	33,989	34,277
Publicity	15,351	13,143
Travel reimbursement	15,000	15,457
Emergency service	6,000	6,000
Staff recruitment	1,384	1,014
Bank fees	1,486	1,735
Depreciation	53,220	54,182
PATH rent deposit fund	2,600	4,106
McCormick Grant related expenses	30,000	13,186
Other expenses	7,000	9,924
	<u>384,555</u>	<u>350,423</u>
Total functional expenses	\$ <u>2,610,243</u>	<u>2,632,896</u>



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Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Directors
Community Mental Health Center
for Mid-Eastern Iowa
Iowa City, Iowa

We have audited the financial statements of Community Mental Health Center for Mid-Eastern Iowa as of and for the year ended June 30, 2009, and have issued our report thereon dated January 20, 2010. 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 Community Mental Health Center for Mid-Eastern Iowa'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 Community Mental Health Center for Mid-Eastern Iowa'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 accounting principles generally accepted in the United States of America, 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 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

As part of obtaining reasonable assurance about whether Community Mental Health Center for Mid-Eastern Iowa'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*.

This report is intended solely for the information and use of the board of directors, management, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

T&T Financial Group, P.C.

Sigourney, Iowa
January 20, 2010