

**West Central Mental Health Center, Inc.  
Adel, Iowa**

**FINANCIAL REPORT**

**June 30, 2010**

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**West Central Mental Health Center, Inc.  
BOARD OF DIRECTORS  
June 30, 2010**

**Adair County**

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Cliff Sheriff, Supervisor  
2965 260<sup>th</sup> Street  
Greenfield, IA 50849

Arlene Schwartz, Vice President  
308 W. Iowa St.  
Greenfield, IA 50849

Tom Bingaman  
2080 York Ave.  
Greenfield, IA 50849

**Dallas County**

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Arden Augspurger, Treasurer  
2526 360<sup>th</sup> St.  
Van Meter, IA 50261

Russ Leckband  
19186 Bear Creek Rd.  
Earlham, IA 50072

**Guthrie County**

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Kevin Wirt, Supervisor  
3328 Hwy 44  
Panora, IA 50216

Janet Oberholtz, President  
2345 Redwood Ave.  
Guthrie Center, IA 50115

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
West Central Mental Health Center, Inc.  
Adel, Iowa

We have audited the accompanying statements of financial position of West Central Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 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 West Central Mental Health Center, Inc. at June 30, 2010 and 2009, 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 December 20, 2010 on our consideration of West Central 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 on 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.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
December 20, 2010

**West Central Mental Health Center, Inc.  
STATEMENTS OF FINANCIAL POSITION**

	<b>June 30</b>	
<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
Cash	\$ 156,566	\$ 237,261
Accounts receivable, patient services, less allowance for doubtful accounts 2010 \$53,719; 2009 \$65,198		
Patients and third-party providers	115,760	121,529
Other	-	3,800
Prepaid expenses	14,467	19,826
Property and equipment, net of accumulated depreciation of 2010 \$314,185; 2009 \$296,207	<u>236,381</u>	<u>254,359</u>
Total assets	<u>\$ 523,174</u>	<u>\$ 636,775</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 10,404	\$ 10,808
Accrued expenses	<u>5,735</u>	<u>5,485</u>
Total liabilities	16,139	16,293
<b>NET ASSETS</b>		
Unrestricted	<u>507,035</u>	<u>620,482</u>
Total liabilities and net assets	<u>\$ 523,174</u>	<u>\$ 636,775</u>

See Notes to Financial Statements.

**West Central Mental Health Center, Inc.  
STATEMENTS OF ACTIVITIES**

	<b>Year ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>PUBLIC SUPPORT AND REVENUE</b>		
Public support		
Contributions	\$ 50	\$ 125
Fees and grants from governmental agencies		
Dallas County	84,664	78,198
Adair County	63,823	63,823
Guthrie County	81,283	83,859
Madison County	-	495
Community Mental Health Services Block Grant	-	11,019
Other services	-	2,208
Total fees and grants from government agencies	229,770	239,602
Other revenue		
Net patient service revenue, including Title XIX, Medicare, and insurance, net of noncollectibles written off	412,885	367,421
Interest income	527	2,218
Medicaid reconciliation payment	1,633	89,066
Total other revenue	415,045	458,705
Total public support and other revenue	644,865	698,432
<b>EXPENSES</b>		
Program services		
Mental health center	457,430	417,945
Supported community living	31,955	14,481
New Horizons	85,176	80,265
Total program services	574,561	512,691
Supporting activity		
Management and general	183,751	241,283
Total expenses	758,312	753,974
<b>CHANGES IN NET ASSETS</b>	(113,447)	(55,542)
<b>NET ASSETS</b> , beginning of year	620,482	676,024
<b>NET ASSETS</b> , end of year	\$ 507,035	\$ 620,482

See Notes to Financial Statements.

**West Central Mental Health Center, Inc.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**

Year ended June 30, 2010

	Program services			Supporting services		
	Mental Health Center	Supported Community Living	New Horizons	Total	Management and general	Total
Salaries	\$ 202,607	\$ 20,928	\$ 50,520	\$ 274,055	\$ 102,945	\$ 377,000
Payroll taxes	15,865	1,641	3,894	21,400	7,966	29,366
Group health insurance	1,945	73	512	2,530	5,672	8,202
Retirement expense	8,285	435	2,732	11,452	1,693	13,145
Other employee benefits	1,249	—	60	1,309	1,101	2,410
Total salaries and related expenses	229,951	23,077	57,718	310,746	119,377	430,123
Consultation	149,557	253	4,433	154,243	2,095	156,338
After hours crisis	2,200	—	—	2,200	—	2,200
Legal and accounting	29,397	2,625	3,162	35,184	33,842	69,026
Contract labor	—	—	—	—	822	822
Office supplies	5,506	431	1,201	7,138	3,569	10,707
Utilities and telephone	9,205	720	3,738	13,663	5,966	19,629
Postage	92	7	20	119	60	179
Rent	5,900	—	—	5,900	—	5,900
Repairs and maintenance	4,974	389	1,085	6,448	3,223	9,671
Transportation expenses	212	2,485	2,150	4,847	1,180	6,027
Insurance	10,403	1,204	2,660	14,267	6,742	21,009
Advertising	243	19	53	315	158	473
Depreciation	9,246	723	2,017	11,986	5,992	17,978
Bad debt	266	—	2,208	2,474	—	2,474
Miscellaneous	278	22	4,731	5,031	725	5,756
Total expenses	\$ <u>457,430</u>	\$ <u>31,955</u>	\$ <u>85,176</u>	\$ <u>574,561</u>	\$ <u>183,751</u>	\$ <u>758,312</u>

See Notes to Financial Statements.

Year ended June 30, 2009

Program services				Supporting services	
Mental Health Center	Supported Community Living	New Horizons	Total	Management and general	Total
\$ 189,552	\$ 9,883	\$ 46,877	\$ 246,312	\$ 109,279	\$ 355,591
14,503	753	3,574	18,830	9,119	27,949
4,371	152	630	5,153	22,627	27,780
4,853	600	2,651	8,104	1,760	9,864
<u>7,858</u>	<u>—</u>	<u>1,330</u>	<u>9,188</u>	<u>668</u>	<u>9,856</u>
221,137	11,388	55,062	287,587	143,453	431,040
135,154	115	2,270	137,539	1,295	138,834
2,400	—	—	2,400	—	2,400
6,310	229	1,087	7,626	66,801	74,427
—	—	—	—	2,612	2,612
6,799	388	1,842	9,029	4,362	13,391
8,151	465	3,966	12,582	5,231	17,813
313	17	85	415	201	616
4,975	—	—	4,975	—	4,975
5,245	299	1,421	6,965	3,365	10,330
623	339	3,334	4,296	—	4,296
10,735	612	3,707	15,054	6,887	21,941
1,301	14	67	1,382	160	1,542
10,322	589	2,796	13,707	6,622	20,329
4,022	—	—	4,022	—	4,022
<u>458</u>	<u>26</u>	<u>4,628</u>	<u>5,112</u>	<u>294</u>	<u>5,406</u>
<u>\$ 417,945</u>	<u>\$ 14,481</u>	<u>\$ 80,265</u>	<u>\$ 512,691</u>	<u>\$ 241,283</u>	<u>\$ 753,974</u>

**West Central Mental Health Center, Inc.**  
**STATEMENTS OF CASH FLOWS**  
Year ended June 30, 2010

	<b>Year ended June 30</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (113,447)	\$ (55,542)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	17,978	20,329
Change in assets and liabilities		
Decrease in patient and third party provider accounts receivables	5,769	54,595
Decrease in other receivables	3,800	31,512
(Increase) decrease in prepaid expenses	5,359	(4,499)
Increase (decrease) in accounts payable	(404)	6,473
Increase (decrease) in accrued expenses	250	(40,813)
Net cash provided by (used in) operating activities	(80,695)	12,055
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	—	(508)
Net cash (used in) investing activities	—	(508)
<b>NET INCREASE (DECREASE) IN CASH</b>	(80,695)	11,547
<b>CASH</b>		
Beginning	237,261	225,714
Ending	\$ 156,566	\$ 237,261

See Notes to Financial Statements.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES**

West Central Mental Health Center, Inc. (the Center) is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Dallas, Adair, and Guthrie Counties.

The Center provides services through the following programs:

Mental Health Center – Provides outpatient psychotherapy and counseling services, psychiatric services, including ongoing medication management, psychiatric and psychosocial evaluation services, emergency services, and education services.

Supported Community Living – Provides people with serious and persistent mental illness with support to live independently in the community.

New Horizons – Enables patients with serious and persistent mental illness to gather together in one central location and to discover and develop their own unique capabilities.

**Basis of Presentation**

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

**Unrestricted** – assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. The Center's board may designate portions of the unrestricted net assets as board-designated for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets.

**Temporarily restricted** – assets resulting from contributions and other inflows of assets whose use by the Center is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the Center meeting the purpose of the restriction. Currently, the Center has no temporarily restricted net assets.

**Permanently restricted** – assets resulting from contributions which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them may be expended for any purpose. Currently, the Center has no permanently restricted net 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**

For purposes of the statement of cash flows, the Center considers cash on hand and in banks and investments with a maturity of less than a year to be cash equivalents.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES (continued)**

**Patient Receivables**

Patient receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a charge to receivables based on its assessment of the current status and billing rates of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to patient receivables. Changes in the valuation allowance have not been material to the financial statements. Management closely monitors outstanding balances and writes off all balances that will not be collected.

**Property and Equipment**

Property and equipment is recorded at cost, if purchased, or if donated, at the approximate fair value at the date of donation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

**Net Patient Service Revenue**

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

**Contributions Received**

Contributions, which are defined as unconditional transfers of cash or other assets, are measured at fair value on the date received and given recognition as revenue. The imposition of restrictions on how a contribution is to be used does not delay recognition.

Contributions with donor-imposed restrictions are reported as restricted contributions. Gifts of long-lived assets received without donor-imposed restrictions are considered unrestricted support.

**Functional Allocations of Expenses**

The Center allocates expenses on a functional basis among direct program services and management and general. Expenses are allocated directly to the program service or supporting activity benefited. Certain expenses are allocated using the estimated percentage base.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 PROPERTY AND EQUIPMENT**

A summary of property and equipment and related accumulated depreciation consists of the following:

	<u>June 30, 2010</u>			<u>June 30, 2009</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Land	\$ 19,000	\$ —	\$ 19,000	\$ 19,000	\$ —	\$ 19,000
Land improvements	21,720	13,093	8,627	21,720	12,059	9,661
Buildings	407,323	206,030	201,293	407,323	195,342	211,981
Furniture, fixtures and equipment	92,042	84,641	7,401	92,042	78,423	13,619
Leasehold improvement	380	320	60	380	282	98
Vehicles	<u>10,101</u>	<u>10,101</u>	<u>—</u>	<u>10,101</u>	<u>10,101</u>	<u>—</u>
Totals	<u>\$ 550,566</u>	<u>\$ 314,185</u>	<u>\$ 236,381</u>	<u>\$ 550,566</u>	<u>\$ 296,207</u>	<u>\$ 254,359</u>

**NOTE 3 RETIREMENT PLAN**

A defined contribution pension plan for eligible employees is maintained by the Center. The funding is current as of June 30, 2010. Net pension expense for the years ended June 30, 2010 and 2009 were \$13,145 and \$9,864, respectively. The plan has a six-month waiting period for participation for all employees.

**NOTE 4 OPERATING LEASES**

The Center, as the lessee, leases a copy machine under an operating lease that requires monthly rental payments of approximately \$176, through June 2014. Lease expense for the copy machine totaled \$2,087 for the year ended June 30, 2010.

The following is a schedule of noncancelable future minimum lease payments required under the operating lease:

<u>Year ending June 30</u>	
2011	\$ 2,118
2012	2,118
2013	2,118
2014	<u>1,942</u>
	<u>\$ 8,296</u>

**NOTE 5 CONCENTRATION OF CREDIT RISK**

The Center provides counseling to individuals in a three-county area. The Center grants credit to these individuals and the three counties.

The Center receives a substantial amount of its revenue from third-party payors, including Medicare, Medicaid, three counties and several insurance companies. A significant reduction in reimbursement by any of these third-party payors could have a material impact on the Center's programs and services.

**West Central Mental Health Center, Inc.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 CENTER RISK MANAGEMENT**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**NOTE 7 INCOME TAX STATUS**

The Center is exempt from federal income tax under the provisions of Section 501(c)(3), Internal Revenue Code, and annually files a federal return as an exempt organization.

Effective July 1, 2009, the Center has adopted the accounting for uncertainty in income tax requirements as required by the Income Tax Topic of the *FASB Accounting Standards Codification*. Management has evaluated their material tax positions and determined no income tax effects with respect to the financial statements. The Center's federal income tax returns since 2006 open by statute are subject to examination by the tax authorities. The Center has not been notified of any impending examinations by tax authorities, and no examinations are in process.

**NOTE 8 SUBSEQUENT EVENTS**

The Center has evaluated subsequent events through December 20, 2010, the date which the financial statements were available to be issued. There were no subsequent events that required disclosure.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
West Central Mental Health Center, Inc.  
Adel, Iowa

We have audited the financial statements of West Central Mental Health Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 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 West Central 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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 over financial reporting that might be deficiencies, 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 West Central 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*.

West Central Mental Health Center, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings. While we have expressed our conclusion on the Center's response, we did not audit the Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Center's management and Board of Directors and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
December 20, 2010