

WEST IOWA COMMUNITY MENTAL
HEALTH CENTER

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

JUNE 30, 2010 AND 2009

MAHONEY & GOTTO COMPANY
Certified Public Accountants

Denison, Iowa

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West Iowa Community Mental Health Center

Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Ulmer	President	2015
Sandy Johnson	Vice-President	2012
Stephanie Wright	Secretary/Treasurer	2014
Betty Nobiling	Member	2009
Robert J. Meyer	Member	2014
Mark Segebart	Member	2012
Annette Watkins	Member	2014
John Sondag	Executive Director	Indefinite

West Iowa Community Mental Health Center

MAHONEY & GOTTO COMPANY

Certified Public Accountants

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Denison, IA 51442**

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Independent Auditor's Report

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

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of West Iowa Community Mental Health Center as of and for the years ended June 30, 2010 and 2009. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our 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 Iowa Community Mental Health Center 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.



MAHONEY & GOTTO COMPANY
Certified Public Accountants

December 1, 2010
Denison, Iowa

West Iowa Community Mental Health Center

Financial Statements

West Iowa Community Mental Health Center
Statements of Financial Position

Exhibit A

June 30, 2010 and 2009

	Assets	
	<u>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 74,344	\$ 108,527
Accounts receivable, patient services, Less allowance for doubtful accounts of \$35,000 in 2010 and \$35,000 in 2009	79,153	73,418
Grants receivable (Note 2)	54,855	40,837
Prepaid expenses	8,738	14,064
Investments (Note 3)	0	24,171
Property and equipment at cost, less accumulated depreciation of \$204,134 and \$195,033 for June 30, 2010 and June 30, 2009 (Note 4)	<u>89,439</u>	<u>98,540</u>
 Total assets	 <u>\$ 306,529</u>	 <u>\$ 359,557</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 29,403	\$ 31,152
Deferred Liability (Note 5)	<u>0</u>	<u>40,889</u>
 Total liabilities	 <u>29,403</u>	 <u>72,041</u>
Net assets:		
Unrestricted	<u>277,126</u>	<u>287,516</u>
 Total net assets	 <u>277,126</u>	 <u>287,516</u>
 Total liabilities and net assets	 <u>\$ 306,529</u>	 <u>\$ 359,557</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Exhibit B

Statements of Activities

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
UNRESTRICTED NET ASSETS:		
Public support and revenues:		
Public support:		
Crawford County	\$ 150,000	\$ 148,000
Tracking and Monitoring Program	0	143,104
CSP Block Grant	12,867	17,496
BI/MR Waiver	29,752	26,432
Remedial Waiver	236,678	152,378
SCL Program	36,051	41,070
Community Link/Mentoring	15,232	26,168
School Based Therapist	78,468	9,339
Contributions	318	795
Kaskie Grant	<u>26,852</u>	<u>0</u>
Total public support	<u>586,218</u>	<u>564,782</u>
Revenues:		
Patient fees and Title XIX	282,940	330,965
Realized loss on investments	(9,073)	0
Net unrealized gain (loss) on investments	10,830	(5,981)
Investment income	<u>1,322</u>	<u>1,967</u>
Total revenues	<u>286,019</u>	<u>326,951</u>
Total public support and revenues	<u>872,237</u>	<u>891,733</u>
Expenses:		
Program services:		
Mental health center programs	26,831	261,355
Support services	<u>855,796</u>	<u>659,161</u>
Total expenses	<u>882,627</u>	<u>920,516</u>
Changes in net unrestricted net assets	(<u>10,390</u>)	(<u>28,783</u>)
Total net changes in net assets	(10,390)	(28,783)
Net assets at beginning of year	<u>287,516</u>	<u>316,299</u>
Net assets at end of year	<u>\$ 277,126</u>	<u>\$ 287,516</u>

See notes to financial statements.

West Iowa Community Mental Health Center
 Statements of Functional Expenses
 Years Ended June 30, 2010 and 2009

Exhibit C

	Program Services Mental Health Center Programs		Support Services Management, and General		Totals	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Salaries	\$ 10,446	\$ 131,141	\$ 311,447	\$ 260,854	\$ 321,893	\$ 391,995
Payroll taxes	1,072	12,603	32,789	25,811	33,861	38,414
Employee group insurance	5,215	57,446	113,640	89,176	118,855	146,622
Term life insurance	13	195	431	21	444	216
Retirement	190	5,870	16,076	13,226	16,266	19,096
Total salaries and related expenses	<u>16,936</u>	<u>207,255</u>	<u>474,383</u>	<u>389,088</u>	<u>491,319</u>	<u>596,343</u>
Consultants	0	0	304,200	206,772	304,200	206,772
Rent	0	1,100	0	0	0	1,100
Dues and subscriptions	0	0	1,710	2,100	1,710	2,100
Insurance	0	0	17,359	16,369	17,359	16,369
Professional fees	4,046	10,200	7,872	5,773	11,918	15,973
Professional books/tests	0	0	103	309	103	309
Conferences & workshops	259	713	2,979	672	3,238	1,385
Utilities & telephone	287	4,259	9,276	9,674	9,563	13,933
Advertising	0	6,547	2,438	1,476	2,438	8,023
Office operations expense	367	929	16,703	15,033	17,070	15,962
Provision for doubtful accounts	0	0	0	0	0	0
Mileage	1,043	19,474	9,672	3,388	10,715	22,862
Programs - Activities	3,893	10,878	0	0	3,893	10,878
Property Taxes	0	0	0	0	0	0
Total expenses before depreciation	<u>26,831</u>	<u>261,355</u>	<u>846,695</u>	<u>650,654</u>	<u>873,526</u>	<u>912,009</u>
Depreciation	0	0	9,101	8,507	9,101	8,507
Total expenses	<u>\$ 26,831</u>	<u>\$ 261,355</u>	<u>\$ 855,796</u>	<u>\$ 659,161</u>	<u>\$ 882,627</u>	<u>\$ 920,516</u>

West Iowa Community Mental Health Center

Exhibit D

Statements of Cash Flow

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Changes in net assets	\$(10,390)	\$(28,783)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,101	8,507
Realized loss on investments	9,073	0
Unrealized loss (gain) on investments	(10,830)	5,981
(Increase) decrease in:		
Receivables	(5,735)	(7,054)
Grant receivable	(14,018)	31,310
Prepaid expenses	5,326	(726)
Increase (decrease) in:		
Accounts payable	(1,749)	11,610
Deferred liability	(40,889)	<u>40,889</u>
Total adjustments	<u>(49,721)</u>	<u>90,517</u>
Net cash provided (used) by operating activities	<u>(60,111)</u>	<u>61,734</u>
Cash flows from investing activities:		
Proceeds from sale of investments	25,928	0
(Purchase) of equipment	<u>0</u>	<u>(6,972)</u>
Net cash provided (used) by investing activities	<u>25,928</u>	<u>(6,972)</u>
Cash flows from financing activities:		
None	<u>0</u>	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(34,183)	54,762
Cash and cash equivalents at beginning of year	<u>108,527</u>	<u>53,765</u>
Cash and cash equivalents at end of year	<u>\$ 74,344</u>	<u>\$ 108,527</u>

See notes to financial statements.

West Iowa Community Mental Health Center

Notes to Financial Statements

June 30, 2010 and 2009

(1) Summary of Significant Accounting Policies

A. Reporting Entity

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

The Center is exempt from income tax under Section 501©(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. There was no unrelated business income for the fiscal years ended in 2010 or 2009.

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

B. Fund Accounting

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

C. Basis of Accounting

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

D. Financial Statement Presentation

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

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

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

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

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

E. Assets and Liabilities

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

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

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

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

Compensated Absences – Center employees accumulate a limited amount of earned but unused sick pay benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and are computed based on rates of pay in effect at June 30, 2010. This amount was determined to be immaterial for the fiscal years ended June 30, 2010 and June 30, 2009.

F. Investments

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

G. Patient Services Revenue

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

H. Estimates

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

I. Functional Allocation of Expenses

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

(2) Grants Receivable

Grants receivable are deemed to be fully collectible by management and are composed of the following amounts due at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
State Department of Human Services	\$ <u>54,855</u>	\$ <u>40,837</u>

(3) Investments

Unrestricted – The investments at June 30, 2009 consisted of certificates of deposit and corporate bonds carried at fair market value of \$24,171. During the fiscal year ended June 30, 2010 the Center liquidated the certificates of deposit and corporate bonds. The result was a net gain on sale of investments of \$1,757 which is shown an unrealized gain of \$10,830 and a realized loss of \$9,073 on the statement of activities. Following is a schedule showing the change in fair value for investments for 2010 and 2009.

	<u>2010</u>		<u>2009</u>		
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Unrestricted:					
Certificates					
Of Deposit	0	0	20,000	20,530	\$ 530
Corporate					
Bonds	<u>0</u>	<u>0</u>	<u>15,000</u>	<u>3,641</u>	<u>(11,359)</u>
TOTALS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 35,000</u>	<u>\$ 24,171</u>	<u>\$(10,829)</u>

(4) Plant Assets and Depreciation

A summary of plant assets follows:

	<u>2010</u>	<u>2009</u>
Furniture and Fixtures	\$ 177,167	\$ 177,167
Land and Buildings	95,659	95,659
Vehicles	<u>20,747</u>	<u>20,747</u>
	293,573	293,573
Less: accumulated depreciation	<u>(204,134)</u>	<u>(195,033)</u>
Net Book Value	<u>\$ 89,439</u>	<u>\$ 98,540</u>

Depreciation expense for 2010 and 2009, respectively, was \$9,101 and \$8,507.

(5) Deferred Liability

West Iowa Community Mental Health Center and Crawford County entered into an agreement providing that the Center would furnish a school based therapist to the residents of Crawford County, Iowa on an outpatient and need basis. The County paid the Center a block grant in the sum of \$60,000 in a one-time installment on December 1, 2008. The term of the agreement was from December 1, 2008 through June 30, 2009. The remaining balance of \$40,889 of the block grant was recorded as a deferred liability as of June 30, 2009. During the fiscal year ended June 30, 2010 these funds were released to the Center to be used for a school based therapist.

(6) Pension and Retirement Plan

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

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

For the years ended June 30, 2010 and 2009, the Center's required and actual contributions amounted to \$15,703 and \$19,096 respectively, which is 5% of each year's covered payroll of \$314,060 and \$381,920 respectively. The Center's total fiscal year payroll for all employees was \$321,893 for June 30, 2010 and \$391,995 for June 30, 2009.

(7) Center Risk Management

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

(8) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for professional services. The accounts receivable are collectible from private pay individuals as well as third party payors including Medicare, Title XIX and various insurance companies. Also, the Center received nineteen and twenty-three percent of its total public support and revenues for the years ended June 30, 2010 and 2009 from Crawford County.