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

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 and 2009



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

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

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

Board of Directors
June 30, 2010

Name	Title	Term Expires
Kristen Andre	Member	1/1/2011
Charles Bakker	Supervisor	1/1/2011
Stacey Bentley	Member	1/1/2011
Lori Byers	Vice-Chairperson	1/1/2012
Kyle Henderson	Member	1/1/2011
Laura Folkerts	Member	1/1/2013
Mary Ellen Warren	Member	1/1/2013
Frank Magsamen	Member	N/A
Debbie Patton	Member	1/1/2011
Beatrice Wilson	Member	1/1/2013
Lynn Smith	Chairperson	1/1/2011
Cora Turner	Member	1/1/2011
Cindy Wells	Secretary	1/1/2011
Sharon Samec	Treasurer	1/1/2013

Independent Auditors' Report

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

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Black Hawk - Grundy Mental Health Center, Inc., (a nonprofit organization) as of and for the years ended June 30, 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, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Black Hawk - Grundy Mental Health Center, Inc., at June 30, 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 November 1, 2010 on our consideration of Black Hawk - Grundy Mental Health Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Carey Alexander, Arnold & Co., L.L.P.

November 1, 2010

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

Exhibit A

Statements of Financial Position
As of June 30, 2010 and 2009

	2010	2009
- ASSETS -		
Cash and cash equivalents	\$ 63,424	\$ 64,623
Investments	633,701	902,158
Accounts receivable, patient services, less allowance for uncollectible accounts of \$81,206 for 2010 and \$55,741 for 2009	384,428	249,714
Accounts receivable-other	862,236	388,908
Grant income receivable	76,998	77,123
Deposits	2,934	1,225
Prepaid expense	53,918	48,240
Prepaid bond costs	2,232	3,125
Compensation deferral fund	489,841	469,237
	<u>2,569,712</u>	<u>2,204,353</u>
Property and Equipment:		
Building	1,266,767	1,164,897
Land	67,799	-
Land improvements	56,323	59,446
Equipment	542,169	473,093
	<u>1,933,058</u>	<u>1,697,436</u>
Less accumulated depreciation	825,334	760,835
	<u>1,107,724</u>	<u>936,601</u>
 Total Assets	 <u>\$ 3,677,436</u>	 <u>\$ 3,140,954</u>
 - LIABILITIES -		
Accounts payable	\$ 39,228	\$ 18,752
Payroll withholdings payable	10,475	20,253
Accrued compensated absences	220,568	184,286
Deferred revenue	21,855	28,891
Deferred compensation	649,450	642,140
Bonds payable	219,027	231,688
	<u>1,160,603</u>	<u>1,126,010</u>
 Total Liabilities	 <u>1,160,603</u>	 <u>1,126,010</u>
 - NET ASSETS -		
Unrestricted	2,433,562	1,919,222
Temporarily restricted	83,271	95,722
	<u>2,516,833</u>	<u>2,014,944</u>
 Total Net Assets	 <u>2,516,833</u>	 <u>2,014,944</u>
 Total Liabilities and Net Assets	 <u>\$ 3,677,436</u>	 <u>\$ 3,140,954</u>

The accompanying notes are an integral part of these statements.

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

Statements of Activities
For the Years Ended June 30, 2010 and 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Public Support:			
Black Hawk County	\$ 1,680,672	\$ -	\$ 1,680,672
Grundy County	65,037	-	65,037
Other county and state payments	215,228	-	215,228
Federal, State and other program grants	394,399	122,882	517,281
Gifts and bequests	31,715	-	31,715
	2,387,051	122,882	2,509,933
Revenues:			
Fees from patients	1,852,439	-	1,852,439
Loss on disposal of fixed assets	(1,271)	-	(1,271)
Interest and dividends on investments	24,343	-	24,343
Realized gain (loss) on sale of investments	19,067	-	19,067
Net unrealized gain (loss) on investments	48,747	-	48,747
Other income	2,372	-	2,372
	1,945,697	-	1,945,697
Net Assets Released From Restrictions:			
Satisfaction of program restrictions	135,333	(135,333)	-
	4,468,081	(12,451)	4,455,630
Total Public Support and Revenues			
Expenses:			
Program services	3,509,028	-	3,509,028
Support services	441,637	-	441,637
Fundraising	3,076	-	3,076
	3,953,741	-	3,953,741
Total Expenses			
Change in Net Assets	514,340	(12,451)	501,889
Net Assets, Beginning of Year	1,919,222	95,722	2,014,944
Net Assets, End of Year	\$ 2,433,562	\$ 83,271	\$ 2,516,833

The accompanying notes are an integral part of these statements.

2009

Unrestricted	Temporarily Restricted	Total
\$ 1,395,414	\$ -	\$ 1,395,414
54,428	-	54,428
144,757	-	144,757
321,813	192,022	513,835
9,757	-	9,757
<u>1,926,169</u>	<u>192,022</u>	<u>2,118,191</u>
1,571,235	-	1,571,235
-	-	-
21,015	-	21,015
(4,369)	-	(4,369)
(55,726)	-	(55,726)
2,721	-	2,721
<u>1,534,876</u>	<u>-</u>	<u>1,534,876</u>
243,910	(243,910)	-
<u>3,704,955</u>	<u>(51,888)</u>	<u>3,653,067</u>
2,917,566	-	2,917,566
436,723	-	436,723
4,277	-	4,277
<u>3,358,566</u>	<u>-</u>	<u>3,358,566</u>
346,389	(51,888)	294,501
<u>1,572,833</u>	<u>147,610</u>	<u>1,720,443</u>
<u>\$ 1,919,222</u>	<u>\$ 95,722</u>	<u>\$ 2,014,944</u>

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

Statements of Functional Expenses
For the Years Ended June 30, 2010 and 2009

	2010			
	Program Services	Support Services, Management and General	Fundraising	Total
Salaries	\$ 2,515,320	\$ 286,022	\$ 2,633	\$ 2,803,975
Payroll taxes	176,996	19,954	173	197,123
Annuity	87,658	13,781	129	101,568
Health insurance	138,900	18,357	111	157,368
Deferred compensation	(13,295)	-	-	(13,295)
Life insurance	12,894	1,713	14	14,621
Continuing education	16,014	918	11	16,943
Other personnel	22,111	390	5	22,506
Total Salaries and Related Expenses	2,956,598	341,135	3,076	3,300,809
Insurance	55,864	7,429	-	63,293
Medical consultants	116,147	-	-	116,147
Contract labor	47,039	5,045	-	52,084
Professional supplies	8,661	-	-	8,661
Medication	8,948	-	-	8,948
Dues	3,130	360	-	3,490
Program supplies	23,077	-	-	23,077
Office supplies	51,895	5,851	-	57,746
Equipment maintenance	52,702	9,917	-	62,619
Microfilming	845	-	-	845
Telephone	20,274	2,026	-	22,300
Equipment lease and rental	11,465	1,315	-	12,780
Building maintenance	12,391	2,418	-	14,809
Utilities	9,722	1,898	-	11,620
Lease of land and storage	18,952	73	-	19,025
Publicity and promotion	4,135	-	-	4,135
Travel expense	43,639	428	-	44,067
Attorney fees	-	7,300	-	7,300
Professional fees	-	5,583	-	5,583
Accounting fees	-	7,000	-	7,000
Bad debts	-	8,054	-	8,054
Interest expense	-	10,275	-	10,275
Investment fees	-	12,604	-	12,604
Other	-	520	-	520
Total Expenses Before Depreciation and Amortization	488,886	88,096	-	576,982
Depreciation and amortization	63,544	12,406	-	75,950
Total Expenses	\$ 3,509,028	\$ 441,637	\$ 3,076	\$ 3,953,741

The accompanying notes are an integral part of these statements.

2009				
	Program Services	Support Services, Management and General	Fundraising	Total
\$	2,088,728	\$ 276,860	\$ 3,947	\$ 2,369,535
	146,821	19,458	137	166,416
	79,874	15,522	84	95,480
	114,542	18,802	77	133,421
	(9,814)	-	-	(9,814)
	11,936	1,949	11	13,896
	11,132	1,652	20	12,804
	25,692	913	10	26,615
	<u>2,468,911</u>	<u>335,156</u>	<u>4,286</u>	<u>2,808,353</u>
	46,434	6,122	-	52,556
	102,048	-	-	102,048
	20,975	2,297	-	23,272
	4,198	-	-	4,198
	3,420	-	-	3,420
	3,698	497	-	4,195
	19,692	-	(81)	19,611
	39,799	5,039	72	44,910
	37,205	7,043	-	44,248
	1,785	-	-	1,785
	16,931	1,693	-	18,624
	11,509	1,547	-	13,056
	12,554	2,361	-	14,915
	9,031	1,763	-	10,794
	16,004	44	-	16,048
	4,666	-	-	4,666
	39,133	2,942	-	42,075
	-	7,220	-	7,220
	-	-	-	-
	-	7,495	-	7,495
	-	22,841	-	22,841
	-	10,836	-	10,836
	-	10,196	-	10,196
	-	-	-	-
	<u>389,082</u>	<u>89,936</u>	<u>(9)</u>	<u>479,009</u>
	2,857,993	425,092	4,277	3,287,362
	59,573	11,631	-	71,204
\$	<u>2,917,566</u>	<u>\$ 436,723</u>	<u>\$ 4,277</u>	<u>\$ 3,358,566</u>

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

Exhibit D

Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Change in net assets	\$ 501,889	\$ 294,501
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation of buildings and equipment	75,057	70,311
Amortization of prepaid bond costs	893	893
Net unrealized (gain) loss on investments	(48,747)	55,726
Realized (gain) loss on sale of investments and property	(17,796)	4,369
Non-cash contributions received	(30,869)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(609,751)	232,923
Grant income receivable	125	(34,650)
Prepaid expense	(5,678)	(3,498)
Increase (decrease) in:		
Accounts payable	20,476	3,654
Accrued withholdings	26,504	20,406
Deferred revenue	(7,036)	(22,387)
Compensation deferral fund	(13,294)	(9,814)
Net Cash Provided (Used) By Operating Activities	<u>(108,227)</u>	<u>612,434</u>
Cash Flows from Investing Activities:		
Purchase of investments	(964,866)	(613,710)
Proceeds from sale of investments	1,301,137	93,121
Purchase of fixed assets	<u>(216,582)</u>	<u>(29,095)</u>
Net Cash Provided (Used) By Investing Activities	<u>119,689</u>	<u>(549,684)</u>
Cash Flows from Financing Activities:		
Payments on bonds payable	<u>(12,661)</u>	<u>(12,099)</u>
Net Cash Used By Financing Activities	<u>(12,661)</u>	<u>(12,099)</u>
Net Change in Cash and Cash Equivalents	(1,199)	50,651
Cash and Cash Equivalents at Beginning of Year	<u>64,623</u>	<u>13,972</u>
Cash and Cash Equivalents at End of Year	<u>\$ 63,424</u>	<u>\$ 64,623</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 10,275	\$ 10,836
Income tax	-	-
Non-Cash Investing and Financing Activities:		
Contributions received - computer software	30,869	-

The accompanying notes are an integral part of these statements.

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Center is a non-profit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided primarily to residents of Black Hawk and Grundy Counties.

B. Basis of Accounting

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not for profit organizations. Revenues are recognized when earned and expenses are recorded when the liability is incurred, if measurable.

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

C. Basis of Presentation

The Center has adopted the Financial Accounting Standards Board (FASB) reporting requirements for not for profit organizations. Under those standards, 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 standards, the Center does not use fund accounting.

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

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

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

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of financial positions:

Cash and Cash Equivalents - The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables - Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances. Accounts are determined to be past due based on how recently payments have been received.

Property and Equipment - Property and equipment are stated at cost if purchased or fair market value at the date of the gift if donated. Depreciation is computed by the straight-line method over the estimated useful lives of 5 - 40 years. No interest costs were capitalized since there were no qualifying assets. Any property and equipment purchased with a cost of \$1,000 or higher will be capitalized and depreciated.

Compensated Absences - Center employees accumulate a limited amount of earned but unused vacation and sick leave benefits payable to employees. Amounts representing an estimate of the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2010 and 2009.

E. Net Patient Service Revenue

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

F. Contributions

Contributions to the Center which are received from the public are considered available for unrestricted use, unless specifically restricted by the donor. No restricted contributions were received for the years ended June 30, 2010 and 2009. No amounts are reflected in these financial statements for donated services rendered for the Center since no objective basis is available to measure the value of such services.

G. Estimates

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies (continued)

H. Income Taxes

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. Accordingly, no provision for income taxes is reflected in the financial statements.

On July 1, 2009, the Center adopted the provisions of FASB standards for "Accounting for Uncertainty in Income Taxes." Those standards require that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The adoption of these standards did not have an impact on the Center's 2010 or 2009 statements of financial position, statements of activities, statements of functional expenses and statements of cash flows. Income tax filings are subject to audit by various taxing authorities for fiscal years ended June 30, 2008-2010. The Center does not believe its financial statements include any uncertain tax positions.

(2) Fair Value Measurements

The Center's investments are reported at fair value as required by the fair value standards of the FASB as follows:

	Fair Value	Fair Value Measurements Using Quoted Markets for Identical Assets (Level 1)
June 30, 2010		
Cash and Equivalents	\$ 11,698	\$ 11,698
Mutual Funds	622,003	622,003
	\$ 633,701	\$ 633,701
June 30, 2009		
Cash and Equivalents	\$ 526,698	\$ 526,698
Mutual Funds	375,460	375,460
	\$ 902,158	\$ 902,158

The fair value standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority and Level 3 have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When applicable, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 and Level 3 inputs would only be used when Level 1 inputs are not available.

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

Notes to Financial Statements

(2) Fair Value Measurements (continued)

Level 1 Fair Value Measurements

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

(3) Investments

Unrestricted - The investments at June 30, 2010 and 2009 consist of mutual funds and high grade commercial notes carried at their published fair market value of \$633,701 and \$902,158, respectively. Realized and unrealized gains and losses on investments are reflected on the statements of activities. Values have not been adjusted for market fluctuations subsequent to June 30. Accounting principles generally accepted in the United States of America require adjustment of year end values only when the value has been permanently impaired. Management does not feel market fluctuations have caused permanent impairment to its investment portfolio. Following is a schedule showing the change in fair value for investments for 2010 and 2009.

	2010			2009		
	Cost	Market Value	Unrealized Appreciation (Depreciation)	Cost	Market Value	Unrealized Appreciation (Depreciation)
Unrestricted:						
Mutual Funds:						
Stock Funds	\$ 214,237	\$ 207,053	\$ (7,184)	\$ 144,942	\$ 108,270	\$ (36,672)
Bond Funds	414,965	414,950	(15)	288,708	267,190	(21,518)
Money Market Funds	11,698	11,698	-	526,698	526,698	-
	\$ 640,900	\$ 633,701	\$ (7,199)	\$ 960,348	\$ 902,158	\$ (58,190)

(4) Property and Equipment

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

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Buildings	\$ 1,164,897	\$ 101,870	\$ -	\$ 1,266,767
Land	-	67,799	-	67,799
Land improvements	59,446	-	3,123	56,323
Equipment	473,093	77,782	8,706	542,169
Total	1,697,436	247,451	11,829	1,933,058
Less: Accumulated Depreciation	760,835	75,057	10,558	825,334
Net Book Value	\$ 936,601	\$ 172,394	\$ 1,271	\$ 1,107,724

Depreciation expense for 2010 and 2009, respectively, was \$75,057 and \$70,311.

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

Notes to Financial Statements

(5) Leases

The Center rents office space from Grundy County Memorial Hospital for \$100 per day or \$50 per four hours. The lease began July 1, 2009 and expired June 30, 2010. The lease has and will automatically continue thereafter for each additional one year period at the same terms and conditions, unless terminated by either party upon sixty days written notice.

The Center rents office space in the Black's Building in Waterloo, Iowa for \$1,100 per month. The lease began February 1, 2010 and expires January 31, 2011. The lease does not have any automatic renewal provisions.

The Center is also obligated under three noncancelable operating leases for office equipment. The first is for a copier with monthly payments of \$1,005 per month ending September 30, 2010. The second is for a postage meter with monthly payments of \$137 ending March 31, 2011. The third, entered into during the current year on May 28, 2010, is for a phone system beginning September 15, 2010. Monthly payments are \$970 for the first 12 months and \$1,940 thereafter. The lease expires September 15, 2015 with an option to renew for an additional three year period.

Rent expense paid on all leases during the year ended June 30, 2010 and 2009, was \$31,806 and \$29,104, respectively. Included in expense are contingent rentals based on measured usage of some of the leased equipment.

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

Years ending June 30:	
2011	\$ 21,163
2012	20,858
2013	23,284
2014	23,284
2015	4,851

(6) Compensation Deferral

The Center had entered into agreements with its employees to remit portions of their earned compensation to an insurance carrier for the purpose of deferring personal income taxes until payment by the carrier to the employees. The fund must be in the name of the Center to prevent current taxation to the employees. Contributions to the fund ceased during April, 1994. In an effort to greatly reduce or eliminate the need for future contributions to the plan, the Center has invested a portion of the plan assets in a combination of single premium annuity and life insurance policies. The annuity proceeds were used to fund the insurance premiums through November, 2000. No additional premiums were contributed by the Center during the years ended June 30, 2010 and 2009.

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

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

Notes to Financial Statements

(6) Compensation Deferral (continued)

The cash value of the deferred compensation fund was \$489,841 and \$469,237 at June 30, 2010 and 2009, respectively. Deferred compensation payments made to employees for the years ended June 30, 2010 and 2009 were \$18,103 for both years. The deferred compensation liability of the Center to the employees was \$649,450 and \$642,140 at June 30, 2010 and 2009, respectively. The current portion of the deferred compensation liability at June 30, 2010 and 2009 was \$18,103 for both years.

(7) Annuities

The Center contributes 5.00 percent of each participant's base salary into a 403(b) Thrift Plan. A participant is defined as a full-time employee or an employee who works greater than one thousand hours in the preceding calendar year and has reached age twenty-one. The employee may elect also to contribute to the annuity plan within the limits prescribed by law. Upon termination of employment the Center's contributions are subject to the vesting schedule in the plan document based on the number of years of service. Employer contributions under the plan for the years ended June 30, 2010 and 2009 totaled \$101,568 and \$95,480, respectively.

(8) Bonds Payable

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

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

At June 30, 2010 and 2009, bonds payable were \$219,027 and \$231,688, respectively. Interest expense for the years ended June 30, 2010 and 2009 was \$10,275 and \$10,836, respectively.

As of June 30, 2010, the maturities of the bonds payable was as follows:

Years ending June 30:		
2011	\$	13,385
2012		13,998
2013		191,644

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

Notes to Financial Statements

(9) Financial Instruments and Credit Risk

The Center grants credit in the form of accounts receivable for services rendered. The accounts receivable are collectible from individuals receiving service and in many cases third party payors such as insurance carriers. The Center received 39% of its total public support and revenue for both years ended June 30, 2010 and 2009 from Black Hawk and Grundy Counties.

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

(10) Related Party Transactions

The Center is related to Friends of the Black Hawk - Grundy Mental Health Center, Inc. through common Board members. This organization was formed to promote the Center and solicit contributions from the public for the benefit of the Center. There were no material transactions between the two organizations during the years ended June 30, 2010 and 2009.

(11) Risk Management

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

(12) Reclassifications of Net Assets

Net assets were placed under temporary restrictions as follows:

	2010	2009
Funds placed under temporary restriction as required by grant stipulations	\$ 122,882	\$ 192,022
Funds released from temporary restriction due to satisfaction of program restrictions	<u>135,333</u>	<u>243,910</u>
Net assets placed under (released from) restriction	<u>\$ (12,451)</u>	<u>\$ (51,888)</u>

Temporarily restricted net assets at June 30, 2010 and 2009 consist of cash and cash equivalents and investments of \$83,271 and \$95,722, respectively.

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

(13) Construction Commitment

During the year ended June 30, 2010, the Center entered into a construction contract for a building addition totaling approximately \$1,500,000. The Center plans to finance the construction through a \$750,000 grant awarded by the Black Hawk Gaming Association, a \$1,297,500 construction loan from U.S Bank, and proceeds from the sale of investments. The construction loan dated June 29, 2010 will function as a line of credit. Draws on the line will be taken as needed to meet construction costs. Interest on the loan is payable monthly at .5% over the banks prime rate, but not less than 4.0%. Principal on the loan is due June 29, 2011. There were no borrowings against this loan as of June 30, 2010. The bank has also committed to long term financing upon completion of the construction.

(14) Subsequent Events

Management has evaluated subsequent events through November 1, 2010, the date on which the financial statements were available to be issued.

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

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

We have audited the financial statements of Black Hawk - Grundy Mental Health Center, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated November 1, 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 Black Hawk - Grundy Mental Health Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Black Hawk - Grundy Mental Health Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Black Hawk - Grundy Mental Health Center's internal control over financial reporting.

A deficiency in internal control 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 material weakness is a significant 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the Black Hawk - Grundy Mental Health Center, Inc. and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Black Hawk - Grundy Mental Health Center, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Corney, Alexander Harold & Co., L.L.P.

November 1, 2010

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

Schedule of Findings

Year Ended June 30, 2010

Findings Related to the Financial Statements:

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

Other Findings Related to Statutory Requirements and Other Matters:

No matters were noted.