

Poweshiek County Mental Health Center

**Independent Auditor's Reports
Financial Statements and
Supplementary Information
June 30, 2010**

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Poweshiek County Mental Health Center
Board of Directors
June 30, 2010

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marilyn Kennett	President	2011
Frank Brownell	Director	2011
Doug Cameron	Director	2010
Laura Pinkerton	Director	2011
Patty Amador-Lacson	Director	2012
Maja Clayton	Director	2012
Dr. Patrick Cogley	Director	2012
Ellie Snook	Director	2010
Wendy Munyon	Director	2010
Howie Stein	Director	2012
Roma Stewart	Director	2011
Brandon Davis	Executive Director	Indefinite

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Roger D. Roland
Edwin L. Dieleman
Royal R. Roland

Independent Auditor's Report

To the Board of Directors of
Poweshiek County Mental Health Center:

We have audited the accompanying statement of financial position of Poweshiek County Mental Health Center as of June 30, 2010 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poweshiek County Mental Health Center at June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2010 on our consideration of Poweshiek County Mental Health Center'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.

ROLAND & DIELEMAN



Certified Public Accountants

September 22, 2010

Poweshiek County Mental Health Center
Statement of Financial Position
June 30, 2010

Exhibit A

Assets

Current Assets:		
Cash and cash equivalents (Note 1)		\$ 109,038
Accounts Receivable:		
Consumers	226,425	
Funding sources	<u>60,025</u>	
	286,450	
Less: Allowance for doubtful accounts	<u>(100,478)</u>	
Total Accounts Receivable		185,972
Prepaid Expense:		
Insurance	13,568	
Supplies	<u>2,890</u>	
Total Prepaid Expenses		<u>16,458</u>
Total Current Assets		311,468
Property and Equipment: (Note 2)		
Land and land improvements	9,344	
Leasehold improvements	25,638	
Building	476,514	
Office equipment and furniture	<u>148,470</u>	
	659,966	
Less: Accumulated depreciation - Equipment, furniture, and building (Note 2)	<u>(321,038)</u>	
Total Undepreciated Value of Property and Equipment		338,928
Other Asset:		
Reserve account (Note 3)		<u>23,811</u>
Total Assets		\$ <u>674,207</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Financial Position
June 30, 2010

Exhibit A

Liabilities and Net Assets

Current Liabilities:		
Deferred revenue	\$ 15,000	
Accounts payable	1,191	
Accrued vacation (Note 1)	81,131	
Current portion long-term liabilities	<u>10,852</u>	
Total Current Liabilities		108,174
Long-Term Liabilities:		
Note payable - Berkadia (Note 4)	83,795	
Note payable - USDA (Note 4)	266,201	
Less: Current portion shown above	<u>(10,852)</u>	
Total Long-Term Liabilities		<u>339,144</u>
Total Liabilities		447,318
Net Assets - temporarily restricted	23,811	
Net Assets - unrestricted	<u>203,078</u>	
Total Net Assets		<u>226,889</u>
Total Liabilities and Net Assets		<u>\$ 674,207</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Activities
Year Ended June 30, 2010

Exhibit B

	<u>Budget</u>	<u>Amount Current Fund</u>
Unrestricted:		
Public Support and Revenues:		
Public Support:		
Poweshiek County	\$ 110,000	\$ 108,665
City of Grinnell - Campbell Fund	11,000	11,100
Grinnell College	296,425	296,425
Grants	29,000	56,325
United Fund	13,000	13,000
Contract services	70,000	76,193
Supported community living	131,000	137,526
Out of county	<u>17,000</u>	<u>18,903</u>
	<u>677,425</u>	<u>718,137</u>
Revenue:		
Patient fees - net	819,297	662,072
Interest income	3,500	5,784
Miscellaneous	<u>11,200</u>	<u>16,534</u>
	<u>833,997</u>	<u>684,390</u>
Total Public Support and Revenue	<u>1,511,422</u>	<u>1,402,527</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Activities
Year Ended June 30, 2010

Exhibit B

	<u>Budget</u>	<u>Amount Current Fund</u>
Expenses:		
Program Services:		
Mental Health Center Programs	\$ <u>1,505,714</u>	\$ <u>1,491,464</u>
Total Expenses	<u>1,505,714</u>	<u>1,491,464</u>
Change in Net Assets from Operations	\$ <u>5,708</u>	(88,937)
Net Assets Required to be Temporarily Restricted		(<u>1,620</u>)
(Decrease) in Unrestricted Net Assets		(90,557)
Temporarily Restricted Net Assets:		
Increase in Temporarily Restricted Assets		<u>1,620</u>
(Decrease) in Net Assets		(88,937)
Net Assets Beginning of Year		<u>315,826</u>
Net Assets End of Year		\$ <u>226,889</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Functional Expenses
Year Ended June 30, 2010

Exhibit C

	Budget	Program Mental Health Center Services
Salaries	\$ 1,052,571	\$ 1,054,011
Retirement	97,095	92,729
Payroll taxes	74,807	73,792
Employee insurance	88,479	72,346
Travel and conferences	10,350	15,802
Professional fees	2,160	13,699
Data system	9,500	8,430
Telephone	8,200	9,673
Insurance - professional and director's liability	23,600	26,138
Repairs and occupancy	20,145	22,924
Interest	27,444	17,178
Subscriptions and reference publications	400	314
Dues	225	2,250
Audit and legal	7,000	12,156
General	5,686	10,164
Uncollectible accounts	1,000	0
Postage	3,000	2,948
Advertising	1,500	1,880
Office supplies	15,000	14,350
Medical and educational supplies	11,000	5,920
Clubhouse expense - phone, food, supplies, mileage, rent, manager	18,060	16,484
Depreciation	<u>28,492</u>	<u>18,276</u>
Total Expenses	\$ <u>1,505,714</u>	\$ <u>1,491,464</u>

See notes to financial statements.

Poweshiek County Mental Health Center
Statement of Cash Flows
Year Ended June 30, 2010

Exhibit D

Cash Flows from Operations:	
Change in Net Assets	\$ (88,937)
Adjustments to reconcile change in net assets to net cash used:	
Depreciation	18,276
Changes in Assets and Liabilities:	
Accounts receivable	(70,766)
Prepayments	3,571
Accounts payable, accruals, and deferred revenue	(18,948)
Accrued vacation	<u>14,392</u>
Net Cash Used for Operations	<u>(142,412)</u>
Cash Flows Used for Financing Activities:	
Payment on debt	(10,266)
Net Cash Used for Financing Activities	<u>(10,266)</u>
Net (Decrease) in Cash	(152,678)
Beginning Cash Balance	<u>285,527</u>
Ending Cash Balance	\$ <u><u>132,849</u></u>

The Center considers all short-term investments to be cash equivalents. The Center paid interest of \$17,178 for the year ended June 30, 2010.

See notes to financial statements.

Poweshiek County Mental Health Center
Notes to Financial Statements
June 30, 2010

Note (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 to residents of Poweshiek County and surrounding areas.

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 provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

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 funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Current Fund - The current fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitation of its charter and bylaws except for amounts invested in land, buildings and equipment that may be accounted for in a separate fund.

The Center's board may designate portions of the current fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for any designations within the current fund and segregates the designated and undesignated portions of the fund within the net assets section of the statement of financial position.

C. 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 U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are directly charged against the current fund balance.

D. Basis of Presentation

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 not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets set aside for specific 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.

E. Assets and Liabilities

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

Cash and Cash Equivalents - The Center considers savings accounts and all other highly liquid investments 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.

Property and Equipment - Property and equipment is stated at cost. Depreciation is computed by the straight-line method over the estimated useful lives of 3 to 40 years. No interest costs were capitalized since there were no qualifying assets. Assets purchased under \$1,000 are charged directly to expense.

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

F. Patient Services Revenue

Patient services revenue is reported at the estimated 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.

Note (2) Property and Equipment

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

	<u>Balance Beg.</u> <u>of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End</u> <u>of Year</u>
Land and land improvements	\$ 9,344	\$ 0	\$ 0	\$ 9,344
Leasehold improvements	25,638	0	0	25,638
Building	476,514	0	0	476,514
Furniture and fixtures	<u>148,470</u>	<u>0</u>	<u>0</u>	<u>148,470</u>
	<u>\$ 659,966</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 659,966</u>

Note (3) Reserve Account

A reserve is required to take care of one year's note payment.

Note (4) Long-Term Liabilities

The note payable with Berkadia in the original amount of \$135,082 is for the new office building. The interest rate is 5%. The payment is \$938 per month until the year 2020.

The note with the USDA is for a new building addition. Original amount is \$284,000. Payments are \$1,349.00 per month including interest at 4¾% until 2042.

Long-term liabilities maturing in the next five years consist of:

2011	\$ 10,852
2012	\$ 11,399
2013	\$ 11,971
2014	\$ 12,574
2015	\$ 13,005

Note (5) Pension and Retirement Plan

The Center maintains a 403(b) retirement plan as authorized by the Center's by-laws. The plan is available to all employees who have completed one year of service.

Under the terms of the plan, the Center contributes an amount equal to 9% of the annual salary for each employee participating in the plan. Amounts credited to individual participants are 100% vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended June 30, 2010, the Center's required and actual contributions amounted to \$96,393, which is 9% of its current year covered payroll of \$960,800. The Center's total current year payroll for all employees was \$1,039,617.

Note (6) Leases

The Center does lease the bottom floor of the Pearl Street Apartments which is used for the Clubhouse. The rent is \$583 per month. Rent paid for the year was \$6,992.

Note (7) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note (8) Risk Management

Poweshiek County 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. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note (9) Concentration of Credit Risk

The Center maintains cash balances at financial institutions located in Central Iowa. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2010, the Center had no uninsured cash balances.

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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 of
Poweshiek County Mental Health Center :

We have audited the financial statements of Poweshiek County Mental Health Center as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated September 22, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Poweshiek County Mental Health'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 our opinion on the effectiveness of Poweshiek County Mental Health's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Poweshiek County Mental Health's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Clinic's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of significant deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Poweshiek County Mental Health'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 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Clinic'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 Clinic. 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 solely for the information and use of the Poweshiek County Mental Health and other parties to whom the Clinic may report and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Poweshiek County Mental Health 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.

ROLAND & DIELEMAN



Certified Public Accountants

September 22, 2010

Poweshiek County Mental Health Center

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA