

Vera French
Community Mental Health Center, Inc.

Auditor's Report
Consolidated Financial Statements and
Supplemental Information

Year Ending June 30, 2010

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Vera French Community Mental Health Center, Inc.

Board Members

Name	Title	Term Expires
Ted Rogalski	President	2011
Robert Anderson, M.D.	Vice President	2012
Jeff Bert	Treasurer	2012
Mary Dubert	Member	2010
Debrah Kirby	Member	2010
Jeff Lockwood	Member	2010
Ross Paustian	Member	2010
Ethel Reynolds	Member	2011
Phillip Trissel	Member	2010
Bill Wallace	Member	2010
Rory Washburn	Member	2011
Steve Wright	Member	2011
Marie Rolling-Tarbox	Member	2012
Kimball Thompson, MD	Member	2012



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2543 Tech Drive ♦ Bettendorf, Iowa 52722 ♦ Telephone 563-332-8288 FAX 563-332-8456

Sheldon S. Sitrick, CPA (1954 - 1988)
John N. Sherrick, CPA
James K. Blake, CPA

Independent Auditor's Report

To The Board of Directors
Vera French Community Mental Health Center, Inc.
Davenport, Iowa

We have audited the accompanying consolidated statement of financial position of Vera French Community Mental Health Center, Inc. (a nonprofit organization) as of June 30, 2010, the related consolidated 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. The prior year summarized comparative information has been derived from Vera French Community Mental Health Center, Inc. financial statements and, in our report dated September 2, 2009, we expressed an unqualified opinion on those financial statements.

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. 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 Vera French Community Mental Health Center, Inc. as of June 30, 2010, and the results of its operations and its cash flows for the year 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 September 20, 2010, on our consideration of Vera French Community Mental Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

Bettendorf, Iowa
September 20, 2010

Vera French Community Mental Health Center, Inc.
Consolidated Statement of Financial Position
June 30, 2010 and 2009

Assets:	6/30/10	6/30/09
Current Assets:		
Cash on hand and in bank	\$ 3,191,023	\$ 2,591,924
Accounts receivable	928,321	788,662
Grants receivable	186,514	129,196
Prepaid expenses	116,268	191,468
Investments	<u>130,232</u>	<u>84,744</u>
Total Current Assets	<u>4,552,358</u>	<u>3,785,994</u>
Property and Equipment:		
Land	218,995	415,013
Furnishings and equipment	1,450,329	1,308,389
Buildings and improvements	<u>4,873,923</u>	<u>4,808,064</u>
Property and Equipment at Cost	6,543,247	6,531,466
Less: accumulated depreciation	<u>(3,740,844)</u>	<u>(3,452,019)</u>
Total Property and Equipment	<u>2,802,403</u>	<u>3,079,447</u>
Other Assets:		
Notes receivable	77,534	71,839
Investments	<u>300</u>	<u>16,785</u>
Total Assets	<u>\$ 7,432,595</u>	<u>\$ 6,954,065</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 131,307	\$ 97,356
Accrued wages and payroll taxes	430,092	381,371
Other accrued liabilities	115,214	98,839
Notes Payable	<u>438,599</u>	<u>72,546</u>
Total Current Liabilities	<u>1,115,212</u>	<u>650,112</u>
Long Term Liabilities:		
Notes Payable	<u>169,508</u>	<u>751,482</u>
Total Liabilities	<u>1,284,720</u>	<u>1,401,594</u>
Net Assets:		
Unrestricted Net Assets:		
Designated by Board	337,875	237,453
Undesignated	<u>5,743,130</u>	<u>5,288,471</u>
Total Unrestricted Net Assets	6,081,005	5,525,924
Temporarily Restricted Net Assets	<u>66,870</u>	<u>26,547</u>
Total Net Assets	<u>6,147,875</u>	<u>5,552,471</u>
Total Liabilities & Net Assets	<u>\$ 7,432,595</u>	<u>\$ 6,954,065</u>

The Notes to Financial Statements are an integral part of this financial statement

Vera French Community Mental Health Center, Inc.
Consolidated Statement of Activities
For the Year Ended June 30, 2010 and 2009

	2010			2009
	Unrestricted	Restricted	Total	Total
Support and Revenue:				
Scott County	\$ 3,557,303	\$ -	\$ 3,557,303	\$ 3,778,478
Service Fees	3,121,597	-	3,121,597	3,145,924
Habilitation	1,563,613	-	1,563,613	1,501,025
Contributions	384,601	-	384,601	319,877
Titla XIX	747,180	-	747,180	801,059
SSI, SSDI, SSA	691,336	-	691,336	490,933
Grants	334,646	66,870	401,516	345,206
State Cases	466,093	-	466,093	213,480
Rents	273,030	-	273,030	253,557
Other	292,865	-	292,865	78,915
Restrictions released	26,547	(26,547)	-	-
Total Support	<u>11,458,811</u>	<u>40,323</u>	<u>11,499,134</u>	<u>10,928,454</u>
Expenses:				
Outpatient	3,797,647	-	3,797,647	3,571,939
Community Support	629,019	-	629,019	638,332
Community Service	74,316	-	74,316	68,418
Inpatient	262,276	-	262,276	78,651
Day Treatment	399,421	-	399,421	455,587
Supportive Employment	188,048	-	188,048	173,327
Jail Diversion	108,870	-	108,870	141,025
Supportive Living	90,995	-	90,995	66,323
Case Management	590,389	-	590,389	565,588
Case Monitoring	100,621	-	100,621	143,767
Grant Programs	153,847	-	153,847	149,237
Residential Programs	2,971,722	-	2,971,722	2,566,818
Housing Programs	477,529	-	477,529	415,079
Foundation Programs	-	-	-	60,990
Total Program Services	<u>9,844,700</u>	<u>-</u>	<u>9,844,700</u>	<u>9,095,081</u>
Supporting Services:				
General Administrative	937,630	-	937,630	839,763
Fundraising	121,400	-	121,400	128,661
Total Expenses	<u>10,903,730</u>	<u>-</u>	<u>10,903,730</u>	<u>10,063,505</u>
Change in Net Assets	555,081	40,323	595,404	864,949
Net Assets, Beginning of Year	<u>5,525,924</u>	<u>26,547</u>	<u>5,552,471</u>	<u>4,687,522</u>
Net Assets, End of Year	<u>\$ 6,081,005</u>	<u>\$ 66,870</u>	<u>\$ 6,147,875</u>	<u>\$ 5,552,471</u>

The Notes to Financial Statements are an integral part of this financial statement

Vera French Community Mental Health Center, Inc.
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2010 and 2009

	6/30/10	6/30/09
Cash Flows From Operating Activities:		
Change in net assets	\$ 595,404	\$ 864,949
Revenues and expense items not requiring cash:		
Depreciation	288,825	275,849
Change in market value of investments	(10,123)	52,144
Discount on loan receivable	-	(3,451)
(Increase) Decrease In:		
Accounts receivable	(196,977)	206,981
Prepaid expenses	75,200	(81,322)
Increase (Decrease) In:		
Accounts payable	33,951	(66,896)
Accrued and other liabilities	65,096	(37,892)
Unrealized gain on assets	-	-
Net cash provided by operating activities	<u>851,376</u>	<u>1,210,362</u>
Cash Flows From Investing Activities:		
Purchases of fixed assets	(11,781)	(294,213)
Repayment of note receivable	(5,695)	3,294
Purchase of investments	(69,615)	(8,211)
Sale of investments	<u>50,735</u>	<u>213,985</u>
Net cash flows used by investing activities	<u>(36,356)</u>	<u>(85,145)</u>
Cash Flows From Financing Activities:		
Repayment on notes payable	(215,921)	(75,821)
Issuance of notes payable	-	150,000
Repayment on line of credit	<u>-</u>	<u>-</u>
Net cash provide by financing activities	<u>(215,921)</u>	<u>74,179</u>
Net increase in cash	599,099	1,199,396
Cash at beginning of year	<u>2,591,924</u>	<u>1,392,528</u>
Cash at end of year	<u>\$ 3,191,023</u>	<u>\$ 2,591,924</u>
Supplemental Cash flow Disclosure		
Interest paid	<u>\$ 38,735</u>	<u>\$ 38,282</u>

The Notes to Financial Statements are an integral part of this financial statement

Vera French Community Mental Health Center, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2010

	Vera French Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Housing Programs	Management and General	Fundraising	Total	2009 Total
Salaries	\$ 4,379,285	\$ 1,931,560	\$ 107,726	\$ 159,187	\$ 581,587	\$ 67,652	\$ 7,226,997	\$ 6,857,106
Benefits	1,031,035	498,356	31,890	39,301	185,982	15,766	1,802,330	1,477,655
Occupancy	226,590	173,024	-	146,244	20,292	-	566,150	601,588
Communications	99,559	13,072	-	-	14,877	2,768	130,276	100,433
Supplies	131,153	157,525	193	-	25,580	3,662	318,113	258,373
Equipment Costs	28,951	14,370	1,500	-	6,684	31,552	83,057	92,447
Other Expenses	155,491	175,526	12,538	58,820	46,872	-	449,247	359,520
Interest	-	-	-	1,725	37,010	-	38,735	38,282
Depreciation	189,538	8,289	-	72,252	18,746	-	288,825	278,101
Total	\$ 6,241,602	\$ 2,971,722	\$ 153,847	\$ 477,529	\$ 937,630	\$ 121,400	\$ 10,903,730	\$ 10,063,505

The Notes to Financial Statements are an integral part of this financial statement

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2010

Note 1 - Nature of Organization and Significant Accounting Policies:

The consolidated financial statement includes Vera French Community Mental Health Center (Center), Vera French Housing Corporation and Vera French Foundation.

The Vera French Community Mental Health Center, Inc. was formed in 1950 for the purpose of providing facilities and a complex of community mental health services offering professional consultation and care in coordination with other agencies of the community.

Vera French Housing Corporation provides housing and support services for mentally ill and low income people in Scott County, Iowa.

Vera French Foundation raises funds and community awareness to support the mission of the Vera French Community Mental Health Center.

Estimates - The preparation of financial statements in conformity with 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.

Date of Management's Review – Subsequent events were evaluated through September 20, 2010, which is the date the financial statements were available to be issued.

Financial Statement Presentation - The Center elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-Profit Organizations". 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. In addition, the Center is required to present a statement of cash flows.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

Contributions - In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2010

Note 1 - Nature of Organization and Significant Accounting Policies:

Net Patient Revenue – Patient service revenue is reported at estimated net realizable amounts from patients, third party payors, and others for services rendered.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income Taxes - The Center is exempt from income taxes as a non-profit organization under section 501(c)(3) of the Internal Revenue Code. The Center is also exempt from state income taxes.

Fixed Assets - Fixed assets are stated at cost and being depreciated over their estimated useful life using the straight-line method of depreciation. Fixed assets under \$ 1,000 are expensed in the current period. The following lives are currently used:

<u>Classification</u>	<u>Lives</u>
Furnishings and equipment	5 or 7 years
Buildings and improvements	5 - 30 years

Restricted Grants - Fixed assets acquired through restricted grant contributions are considered to be owned by the Center. Some funding sources may have a reversionary interest in the property as well as the determination of use of any proceeds from the sale of these assets.

Leased Assets - Equipment under capital leases are recorded as assets and obligations at amounts equal to the fair market values of the equipment at the beginning of the lease terms. Each lease payment is allocated between a reduction of the lease obligation and interest expense. The assets are being amortized using the straight-line method of depreciation.

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2010

Note 2 – Investments:

Long-term investments are stated at fair market value and consist of common stocks. Fair values and unrealized appreciation at June 30, 2010 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
U.S. Government Agency Bonds	\$ 20,031	\$ 20,522	\$ 491
Mutal Funds	<u>113,288</u>	<u>109,710</u>	<u>(3,578.00)</u>
	<u>\$ 133,319</u>	<u>\$ 130,232</u>	<u>\$ (3,087)</u>

Note 3 - Accounts Receivable:

Accounts receivable of the Center at June 30, 2010 totaled \$1,507,282. Based on past collection experience, management has provided for an allowance for doubtful accounts of \$578,961 of the receivable balance.

Note 4 – Notes Receivable:

The Organization's notes receivable are summarized as follows:

Vera French Manor – 1% interest	\$ 68,000
Vera French Terrace – 1% interest	44,464
Vera French Manor – Developer Fee with no interest	<u>26,322</u>
Total	138,786
Discount for less than market interest rate and collectability	<u>(61,252)</u>
Net receivable	<u>\$ 77,534</u>

Note 5 - Retirement Plan:

The Center has a defined contribution retirement plan for substantially all full time employees. The annual contribution to the plan equals approximately 4.5% of gross salary. The amount included in the expenses for the year ended June 30, 2010 is approximately \$331,457.

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2010

Note 6 - Leased Land:

The Center leases approximately four acres of land, upon which the Center's building is located, for an annual rental of \$1 plus the payment of any taxes and insurance. The lease agreement expires in May 2020 and provides that the Center will have the right of first refusal in the event of any sale of land by the lessor.

Note 7 - Contingent Liabilities:

According to the Center's employment policies, sick leave pay is forfeited upon termination and therefore has not been accrued.

Malpractice claims may be asserted arising from past service provided. Management believes that these claims, if asserted would be settled within the limits of insurance coverage.

Note 8 – Notes Payable:

The Center's notes payable are secured by real estate and summarized as follows:

	<u>Rate</u>	<u>Amount</u>
<u>Vera French Community Mental Health Center:</u>		
Quad City Bank and Trust	6.65%	\$ 432,108
 <u>Vera French Housing:</u>		
City of Davenport	0.00%	51,333
City of Davenport	1.50%	94,666
LHAP	1.00%	<u>30,000</u>
		<u>\$ 608,107</u>

The notes and are due as follows:

	Center	Housing	Total
2010	\$ 432,108	\$ 6,491	\$ 438,599
2011	-	6,617	6,617
2012	-	6,681	6,681
2013	-	6,746	6,746
2014	-	6,812	6,812
Thereafter	-	<u>142,652</u>	<u>142,652</u>
Total	<u>\$ 432,108</u>	<u>\$ 175,999</u>	<u>\$ 608,107</u>

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2010

Note 9 - Pine Knoll Residential Center:

Vera French Community Mental Health Center entered into a leasehold agreement with Scott County, Iowa as of July 1, 1987. Under the terms of the lease, all administrative, programmatic and fiscal control of the operation known as "The Pine Knoll Health Care Facility" was given to Vera French Community Health Center for the consideration of \$1 per year. The property under lease is to remain a residential care facility, primarily for the care and treatment of the chronically mentally ill. The county remains responsible for insurance and maintenance of structural and mechanical features of the building. The Community Mental Health Center is responsible for routine inside building and personal property, insurance and maintenance, as well as outside grounds maintenance. However, Scott County maintains a landlord's lien and security interest on all personal property and substitutions. Therefore, no assets relating to the building at Pine Knoll are included in this report as property of Vera French Community Mental Health Center, Inc.

Note 10 – Revenue

Approximately 25 percent of 2010 revenue was derived under federal and state third-party reimbursement programs. These revenues are based in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 11 – Concentration of Credit Risk:

The agency maintains cash balances at a local bank in excess insured amounts. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Note 12 – Temporarily Restricted Net Assets

Temporarily Restricted Net Assets consist of:

Restricted use for:

Building remodeling	\$ 21,377
Foundation programs	45,493
	<hr/>
	\$ <u>66,870</u>



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Sheldon S. Sitrick, CPA (1954 - 1988)
John N. Sherrick, CPA
James K. Blake, CPA

To the Board of Directors
Vera French Community Mental Health Center, Inc.
Davenport, Iowa

We have audited the financial statements of Vera French Community Mental Health Center, Inc. as of and for the year ended June 30, 2010, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The Consolidating Statement of Financial Position, Consolidating Statement of Activities, Consolidating Statement of Cash Flows, are presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

Bettendorf, Iowa
September 20, 2010

Vera French Community Mental Health Center, Inc.
Consolidating Statement of Financial Position
For the Year Ended June 30, 2010

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
Assets:				
Current Assets:				
Cash on hand and in bank	\$ 3,003,003	\$ 123,213	\$ 64,807	\$ 3,191,023
Accounts receivable	927,760	561		928,321
Grants receivable	40,467	21,377	124,670	186,514
Prepaid expenses	116,268	-	-	116,268
Investments	-	-	130,232	130,232
Total Current Assets	<u>4,087,498</u>	<u>145,151</u>	<u>319,709</u>	<u>4,552,358</u>
Property and Equipment:				
Land	25,200	193,795	-	218,995
Furnishings and equipment	1,425,970	24,359	-	1,450,329
Buildings and improvements	<u>3,202,382</u>	<u>1,671,541</u>	<u>-</u>	<u>4,873,923</u>
Property and Equipment at Cost	4,653,552	1,889,695	-	6,543,247
Less: accumulated depreciation	<u>(3,046,035)</u>	<u>(694,809)</u>	<u>-</u>	<u>(3,740,844)</u>
Total Property and Equipment	<u>1,607,517</u>	<u>1,194,886</u>	<u>-</u>	<u>2,802,403</u>
Other Assets:				
Notes receivable	-	77,534	-	77,534
Investments	<u>-</u>	<u>300</u>	<u>-</u>	<u>300</u>
Total Assets	<u>\$ 5,695,015</u>	<u>\$ 1,417,871</u>	<u>\$ 319,709</u>	<u>\$ 7,432,595</u>
Liabilities and Net Assets:				
Current Liabilities:				
Accounts payable	\$ 104,989	\$ 26,318	\$ -	\$ 131,307
Accrued wages and payroll taxes	408,640	21,452	-	430,092
Other accrued liabilities	93,738	21,476	-	115,214
Notes Payable	<u>432,108</u>	<u>6,491</u>	<u>-</u>	<u>438,599</u>
Total Current Liabilities	<u>1,039,475</u>	<u>75,737</u>	<u>-</u>	<u>1,115,212</u>
Long Term Liabilities:				
Notes Payable	<u>-</u>	<u>169,508</u>	<u>-</u>	<u>169,508</u>
Total Liabilities	<u>1,039,475</u>	<u>245,245</u>	<u>-</u>	<u>1,284,720</u>
Net Assets:				
Unrestricted Net Assets:				
Designated by Board	-	63,659	274,216	337,875
Undesignated	<u>4,655,540</u>	<u>1,087,590</u>	<u>-</u>	<u>5,743,130</u>
Total Unrestricted Net Assets	4,655,540	1,151,249	274,216	6,081,005
Temporarily Restricted Net Assets	<u>-</u>	<u>21,377</u>	<u>45,493</u>	<u>66,870</u>
Total Net Assets	<u>4,655,540</u>	<u>1,172,626</u>	<u>319,709</u>	<u>6,147,875</u>
Total Liabilities & Net Assets	<u>\$ 5,695,015</u>	<u>\$ 1,417,871</u>	<u>\$ 319,709</u>	<u>\$ 7,432,595</u>

The Notes to Financial Statements are an integral part of this statement.

Vera French Community Mental Health Center, Inc.
Consolidating Statement of Activities
For the Year Ended June 30, 2010

	Vera French CMHC	Vera French Housing	Vera French Foundation	Eliminations	Consolidated
Support and Revenue:					
Scott County	\$3,557,303	\$ -	\$ -	\$ -	\$ 3,557,303
Service Fees	3,121,597	-	-	-	3,121,597
Habilitation	1,563,613	-	-	-	1,563,613
Contributions	168,334	3,250	398,342	(185,325)	384,601
Titla XIX	747,180	-	-	-	747,180
SSI, SSDI, SSA	691,336	-	-	-	691,336
Grants	205,817	144,794	50,905	-	401,516
State Cases	466,093	-	-	-	466,093
Rents	-	273,030	-	-	273,030
Other	214,372	65,982	12,511	-	292,865
Total Support	<u>10,735,645</u>	<u>487,056</u>	<u>461,758</u>	<u>(185,325)</u>	<u>11,499,134</u>
Expenses:					
Outpatient	3,797,647	-	-	-	3,797,647
Community Support	629,019	-	-	-	629,019
Community Service	74,316	-	-	-	74,316
Inpatient	262,276	-	-	-	262,276
Day Treatment	399,421	-	-	-	399,421
Supportive Employment	188,048	-	-	-	188,048
Jail Diversion	108,870	-	-	-	108,870
Supportive Living	90,995	-	-	-	90,995
Case Management	590,389	-	-	-	590,389
Case Monitoring	100,621	-	-	-	100,621
Grant Programs	153,847	-	-	-	153,847
Residential Programs	2,971,722	-	-	-	2,971,722
Housing Programs	-	477,529	-	-	477,529
Foundation Programs	-	-	185,325	(185,325)	-
Total Program Services	<u>9,367,171</u>	<u>477,529</u>	<u>185,325</u>	<u>(185,325)</u>	<u>9,844,700</u>
Supporting Services:					
General Administrative	860,991	76,639	-	-	937,630
Fundraising	-	-	121,400	-	121,400
Total Expenses	<u>10,228,162</u>	<u>554,168</u>	<u>306,725</u>	<u>(185,325)</u>	<u>10,903,730</u>
Change in Net Assets	507,483	(67,112)	155,033	-	595,404
Net Assets, Beginning of Year	<u>4,148,057</u>	<u>1,239,738</u>	<u>164,676</u>	<u>-</u>	<u>5,552,471</u>
Net Assets, End of Year	<u>\$4,655,540</u>	<u>\$1,172,626</u>	<u>\$ 319,709</u>	<u>\$ -</u>	<u>\$ 6,147,875</u>

The Notes to Financial Statements are an integral part of this statement.

Vera French Community Mental Health Center, Inc.
Consolidating Statement of Cash Flows
For the Year Ended June 30, 2010

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
Cash Flows From Operating Activities:				
Change in net assets	\$ 507,483	\$ (67,112)	\$ 155,033	\$ 595,404
Revenues and expense items not requiring cash:				
Depreciation	216,573	72,252	-	288,825
Change in market value of investments			(10,123)	(10,123)
Discount on loan receivable		-		-
(Increase) Decrease In:				
Accounts receivable	(104,588)	6,963	(99,352)	(196,977)
Prepaid expenses	72,944		2,256	75,200
Increase (Decrease) In:				
Accounts payable	8,500	25,451	-	33,951
Accrued and other liabilities	69,257	(4,161)	-	65,096
Net cash provided by operating activities	<u>770,169</u>	<u>33,393</u>	<u>47,814</u>	<u>851,376</u>
Cash Flows From Investing Activities:				
Purchases of fixed assets	(141,940)	130,159	-	(11,781)
Repayment of note receivable	-	(5,695)	-	(5,695)
Purchase of investments	16,485	-	(86,100)	(69,615)
Sale of investments	-	-	50,735	50,735
Net cash flows used by investing activities	<u>(125,455)</u>	<u>124,464</u>	<u>(35,365)</u>	<u>(36,356)</u>
Cash Flows From Financing Activities:				
Repayment on notes payable	(59,495)	(156,426)	-	(215,921)
Repayment on Line of credit	-	-	-	-
Net cash provide by financing activities	<u>(59,495)</u>	<u>(156,426)</u>	<u>-</u>	<u>(215,921)</u>
Net increase (decrease) in cash	585,219	1,431	12,449	599,099
Cash at beginning of year	<u>2,417,784</u>	<u>121,782</u>	<u>52,358</u>	<u>2,591,924</u>
Cash at end of year	<u>\$ 3,003,003</u>	<u>\$ 123,213</u>	<u>\$ 64,807</u>	<u>\$ 3,191,023</u>

The Notes to Financial Statements are an integral part of this statement.



Sitrick & Associates, LLC *Certified Public Accountants*
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Sheldon S. Sitrick, CPA (1954 - 1988)
John N. Sherrick, CPA
James K. Blake, CPA

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
Vera French Community Mental Health Center, Inc.
Davenport, Iowa

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

A 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 and correct 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 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 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 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 Vera French Community 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*.

We noted certain matters that we reported to management of Vera French Community Mental Health Center, Inc. in a separate letter dated September 20, 2010.

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

Bettendorf, Iowa
September 20, 2010

The Notes to Financial Statements are an integral part of this statement.

Vera French Community Mental Health Center, Inc.
Schedule of Findings
For the Year Ended June 30, 2010

There were no audit findings.

The Notes to Financial Statements are an integral part of this statement.



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Board of Directors
Vera French Community Mental Health Center
Davenport, Iowa

In planning and performing our audit of the consolidated financial statements of Vera French Community Mental Health Center for the year ended June 30, 2010 we considered the Center's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are an opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 20, 2010 on the financial statements of Vera French Community Mental Health Center.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestion with various Center personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sitrick & Associates
SITRICK & ASSOCIATES, LLC
Certified Public Accountants

September 20, 2010
Bettendorf, Iowa

Vera French Community Mental Health Center
June 30, 2010

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Accounts Receivable

The billing and accounts receivable system at Pine Knoll does not provide an aging report to manage outstanding balances due. Staff manually maintains listing of accounts receivable for use in past collections and financial statement preparation. A review of possible options was made during the year. The staff should continue to seek an updated solution for billing and receivable reporting at Pine Knoll.

The billing and accounts receivable systems do not integrate directly with the general ledger system. The accounting staff makes monthly entries to post the billing and receipts from the separate system to the general ledger system each month. Time savings and increase accounting controls can be achieved by bridging the two systems together.