

Vera French
Community Mental Health Center, Inc.

Auditor's Report
Consolidated Financial Statements and
Supplemental Information

Year Ending June 30, 2011

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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
James Anderson	Member	2013
Mary Dubert	Member	2011
Debrah Kirby	Member	2013
Jeff Lockwood	Member	2013
Karen Ott	Member	2013
Ethel Reynolds	Member	2011
Marie Rolling-Tarbox	Member	2012
Kimball Thompson, MD	Member	2012
Bill Wallace	Member	2012
Rory Washburn	Member	2011



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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, 2011, 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 20, 2010, 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, 2011, 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 8, 2011, 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 8, 2011

Vera French Community Mental Health Center, Inc.
Consolidated Statement of Financial Position
June 30, 2011 and 2010

Assets:	6/30/11	6/30/10
Current Assets:		
Cash on hand and in bank	\$ 3,468,092	\$ 3,191,023
Accounts receivable	902,107	928,321
Grants receivable	393,608	186,514
Prepaid expenses	143,295	116,268
Investments	<u>137,454</u>	<u>130,232</u>
Total Current Assets	<u>5,044,556</u>	<u>4,552,358</u>
Property and Equipment:		
Land	193,795	218,995
Furnishings and equipment	1,412,247	1,450,329
Buildings and improvements	<u>4,913,152</u>	<u>4,873,923</u>
Property and Equipment at Cost	6,519,194	6,543,247
Less: accumulated depreciation	<u>(3,864,188)</u>	<u>(3,740,844)</u>
Total Property and Equipment	<u>2,655,006</u>	<u>2,802,403</u>
Other Assets:		
Notes receivable	151,600	77,534
Investments	<u>300</u>	<u>300</u>
Total Assets	<u>\$ 7,851,462</u>	<u>\$ 7,432,595</u>
Current Liabilities:		
Accounts payable	\$ 56,710	\$ 131,307
Accrued wages and payroll taxes	322,397	430,092
Notes Payable	<u>36,492</u>	<u>438,599</u>
Total Current Liabilities	<u>786,417</u>	<u>1,115,212</u>
Long Term Liabilities:		
Notes Payable	<u>133,081</u>	<u>169,508</u>
Total Liabilities	<u>919,498</u>	<u>1,284,720</u>
Net Assets:		
Unrestricted	6,558,644	6,081,005
Temporarily Restricted	123,320	66,870
Permanently Restricted	<u>250,000</u>	<u>-</u>
Total Net Assets	<u>6,931,964</u>	<u>6,147,875</u>
Total Liabilities and Net Assets	<u>\$ 7,851,462</u>	<u>\$ 7,432,595</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, 2011 and 2010

	2011			Total	2010
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
Support and Revenue:					
Scott County	\$ 3,382,343	\$ -	\$ -	\$ 3,382,343	\$ 3,557,303
Service Fees	1,893,073	-	-	1,893,073	3,121,597
Habitation	1,754,301	-	-	1,754,301	1,563,613
Contributions	124,927	160,627	250,000	535,554	384,601
Title XIX	1,512,451	-	-	1,512,451	747,180
SSI, SSDI, SSA	536,977	-	-	536,977	691,336
Grants	493,100	23,560	-	516,660	401,516
State Cases	417,886	-	-	417,886	466,093
Rents	269,599	-	-	269,599	273,030
Other	513,846	-	-	513,846	292,865
Restrictions released	127,737	(127,737)	-	-	-
Total Support	11,026,240	56,450	250,000	11,332,690	11,499,134
Expenses:					
Outpatient	3,913,043	-	-	3,913,043	3,797,647
Community Support	729,581	-	-	729,581	629,019
Inpatient	136,000	-	-	136,000	262,276
Partial Hospital	418,243	-	-	418,243	399,421
Supportive Employment	100,064	-	-	100,064	188,048
Supportive Living	241,056	-	-	241,056	90,995
Case Management	471,891	-	-	471,891	590,389
Case Monitoring	-	-	-	-	100,621
Grant Programs	230,041	-	-	230,041	153,847
Residential Programs	2,831,370	-	-	2,831,370	2,971,722
Housing Programs	467,869	-	-	467,869	477,529
Total Program Services	9,539,158	-	-	9,539,158	9,844,700
Supporting Services:					
General Administrative	898,600	-	-	898,600	937,630
Fundraising	110,843	-	-	110,843	121,400
Total Expenses	10,548,601	-	-	10,548,601	10,903,730
Change in Net Assets	477,639	56,450	250,000	784,089	595,404
Net Assets, Beginning of Year	6,081,005	66,870	-	6,147,875	5,552,471
Net Assets, End of Year	\$ 6,558,644	\$ 123,320	\$ 250,000	\$ 6,931,964	\$ 6,147,875

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, 2011 and 2010

	6/30/11	6/30/10
Cash Flows From Operating Activities:		
Change in net assets	\$ 784,089	\$ 595,404
Revenues and expense items not requiring cash:		
Depreciation	292,868	288,825
Change in market value of investments	(25,251)	(10,123)
 (Increase) Decrease In:		
Accounts receivable	(180,881)	(196,977)
Prepaid expenses	(27,027)	75,200
Increase (Decrease) In:		
Accounts payable	(74,597)	33,951
Accrued and other liabilities	147,909	65,096
Unrealized gain on assets	-	-
Net cash provided by operating activities	917,110	851,376
 Cash Flows From Investing Activities:		
Purchases of fixed assets	(145,471)	(11,781)
Repayment of note receivable	(74,066)	(5,695)
Purchase of investments	(8,000)	(69,615)
Sale of investments	26,030	50,735
Net cash flows used by investing activities	(201,507)	(36,356)
 Cash Flows From Financing Activities:		
Repayment on notes payable	(438,534)	(215,921)
Net cash provide by financing activities	(438,534)	(215,921)
Net increase in cash	277,069	599,099
Cash at beginning of year	3,191,023	2,591,924
Cash at end of year	\$ 3,468,092	\$ 3,191,023
 Supplemental Cash Flow Disclosure		
Interest paid	\$ 10,288	\$ 38,735

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, 2011

	Vera French Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Housing Programs	Management and General	Foundation Fundraising	2010 Total
Salaries	\$ 4,123,805	\$ 1,878,230	\$ 171,478	\$ 162,660	\$ 583,163	\$ 64,388	\$ 7,226,997
Benefits	965,865	544,006	37,424	42,098	201,173	13,943	1,802,330
Occupancy	233,025	151,006	-	166,032	21,867	-	566,150
Communications	89,326	12,172	480	-	5,991	3,207	130,276
Supplies	132,816	163,867	2,120	-	16,434	2,912	318,113
Equipment Costs	51,860	22,997	-	-	3,381	7,425	83,057
Other Expenses	227,181	44,956	18,539	19,059	38,766	18,968	449,247
Interest	-	-	-	1,725	8,562	-	38,735
Depreciation	186,000	14,136	-	76,295	19,263	-	288,825
Total	<u>\$ 6,009,878</u>	<u>\$ 2,831,370</u>	<u>\$ 230,041</u>	<u>\$ 467,869</u>	<u>\$ 898,600</u>	<u>\$ 110,843</u>	<u>\$ 10,903,730</u>

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, 2011

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 8, 2011, which is the date the financial statements were available to be issued.

Financial Statement Presentation - The Center's Financial Statements are prepared in accordance with Accounting Standards Codification (ASC) 958-205, "Not-For-Profit Entities – Presentation of Financial Statements". 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, 2010, from which the summarized information was derived.

Contributions - In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under ASC 958-605, 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, 2011

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 payers, 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, 2011

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, 2011 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Community Foundation Funds	\$ 33,079	\$ 33,079	\$ -
Mutual Funds	<u>88,654</u>	<u>104,375</u>	<u>15,721</u>
	<u>\$ 121,733</u>	<u>\$ 137,454</u>	<u>\$ 15,721</u>

Note 3 - Accounts Receivable:

Accounts receivable of the Center at June 30, 2011 totaled \$1,208,368. Based on past collection experience, management has provided for an allowance for doubtful accounts of \$306,261 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	39,332
Vera French Court - Developer Fee	76,186
Vera French Manor – Developer Fee with no interest	<u>18,922</u>
Total	202,440
Discount for less than market interest rate and collectability	<u>(50,840)</u>
Net receivable	<u>\$ 151,600</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, 2011 is approximately \$340,351.

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

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>Vera French Housing:</u>	<u>Rate</u>	<u>Amount</u>
City of Davenport	0.00%	49,000
City of Davenport	1.50%	90,573
LHAP	1.00%	<u>30,000</u>
		<u>\$ 169,573</u>

The notes are due as follows:

	Total
2012	\$ 36,492
2013	6,554
2014	6,617
2015	6,682
2016	6,747
Thereafter	<u>106,481</u>
Total	<u>\$ 169,573</u>

Vera French Community Mental Health Center, Inc.
Notes to Consolidated Financial Statements
For the Year Ended June 30, 2011

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 maintenance inside the building, on personal property and 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 30 percent of 2011 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 – Restricted Net Assets

Temporarily Restricted Net Assets consist of:

Restricted use for:

Building remodeling	\$ 21,560
Foundation programs	<u>101,760</u>
	<u>\$ 123,320</u>

Permanently Restricted Net Assets consist of:

Restricted for School Based Programs	<u>\$ 250,000</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, 2011, 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, and Consolidating Statement of Cash Flows are presented for the purpose of additional analysis and are 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 8, 2011

Vera French Community Mental Health Center, Inc.
Consolidating Statement of Financial Position
For the Year Ended June 30, 2011

Assets:	<u>Vera French CMHC</u>	<u>Vera French Housing</u>	<u>Vera French Foundation</u>	<u>Consolidated</u>
Current Assets:				
Cash on hand and in bank	\$ 3,044,619	\$ 313,875	\$ 109,598	\$ 3,468,092
Accounts receivable	899,708	2,399		902,107
Grants receivable	48,851	44,395	300,362	393,608
Prepaid expenses	143,044	251	-	143,295
Investments	-	-	137,454	137,454
Total Current Assets	<u>4,136,222</u>	<u>360,920</u>	<u>547,414</u>	<u>5,044,556</u>
Property and Equipment:				
Land	-	193,795	-	193,795
Furnishings and equipment	1,382,438	29,809	-	1,412,247
Buildings and improvements	<u>3,202,382</u>	<u>1,710,770</u>	-	<u>4,913,152</u>
Property and Equipment at Cost	4,584,820	1,934,374	-	6,519,194
Less: accumulated depreciation	<u>(3,093,084)</u>	<u>(771,104)</u>	-	<u>(3,864,188)</u>
Total Property and Equipment	<u>1,491,736</u>	<u>1,163,270</u>	<u>-</u>	<u>2,655,006</u>
Other Assets:				
Notes receivable	-	151,600	-	151,600
Investments	-	300	-	300
Total Assets	<u>\$ 5,627,958</u>	<u>\$ 1,676,090</u>	<u>\$ 547,414</u>	<u>\$ 7,851,462</u>
Liabilities and Net Assets:				
Current Liabilities:				
Accounts payable	\$ 47,391	\$ 9,319	\$ -	\$ 56,710
Accrued wages and payroll taxes	298,563	23,834	-	322,397
Other accrued liabilities	348,334	22,484	-	370,818
Notes Payable	-	36,492	-	36,492
Total Current Liabilities	<u>694,288</u>	<u>92,129</u>	<u>-</u>	<u>786,417</u>
Long Term Liabilities:				
Notes Payable	-	133,081	-	133,081
Total Liabilities	<u>694,288</u>	<u>225,210</u>	<u>-</u>	<u>919,498</u>
Net Assets:				
Unrestricted	4,933,670	1,429,320	195,654	6,558,644
Temporarily Restricted	-	21,560	101,760	123,320
Permanently Restricted	-	-	250,000	250,000
Total Net Assets	<u>4,933,670</u>	<u>1,450,880</u>	<u>547,414</u>	<u>6,931,964</u>
Total Liabilities and Net Assets	<u>\$ 5,627,958</u>	<u>\$ 1,676,090</u>	<u>\$ 547,414</u>	<u>\$ 7,851,462</u>

Vera French Community Mental Health Center, Inc.

Consolidating Statement of Activities

For the Year Ended June 30, 2011

	<u>Vera French CMHC</u>	<u>Vera French Housing</u>	<u>Vera French Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
Support and Revenue:					
Scott County	\$3,382,343	\$ -	\$ -	\$ -	\$ 3,382,343
Service Fees	1,893,073	-	-	-	1,893,073
Habilitation	1,754,301	-	-	-	1,754,301
Contributions	218,994	8,160	537,633	(229,233)	535,554
Title XIX	1,512,451	-	-	-	1,512,451
SSI, SSDI, SSA	536,977	-	-	-	536,977
Grants	361,976	152,684	2,000	-	516,660
State Cases	417,886	-	-	-	417,886
Rents	-	269,599	-	-	269,599
Other	<u>79,063</u>	<u>406,635</u>	<u>28,148</u>	<u>-</u>	<u>513,846</u>
Total Support	<u>10,157,064</u>	<u>837,078</u>	<u>567,781</u>	<u>(229,233)</u>	<u>11,332,690</u>
Expenses:					
Outpatient	3,913,043	-	-	-	3,913,043
Community Support	729,581	-	-	-	729,581
Inpatient	136,000	-	-	-	136,000
Partial Hospital	418,243	-	-	-	418,243
Supportive Employment	100,064	-	-	-	100,064
Supportive Living	241,056	-	-	-	241,056
Case Management	471,891	-	-	-	471,891
Grant Programs	230,041	-	-	-	230,041
Residential Programs	2,831,370	-	-	-	2,831,370
Housing Programs	-	467,869	-	-	467,869
Foundation Programs	<u>-</u>	<u>-</u>	<u>229,233</u>	<u>(229,233)</u>	<u>-</u>
Total Program Services	9,071,289	467,869	229,233	(229,233)	9,539,158
Supporting Services:					
General Administrative	807,645	90,955	-	-	898,600
Fundraising	<u>-</u>	<u>-</u>	<u>110,843</u>	<u>-</u>	<u>110,843</u>
Total Expenses	<u>9,878,934</u>	<u>558,824</u>	<u>340,076</u>	<u>(229,233)</u>	<u>10,548,601</u>
Change in Net Assets	278,130	278,254	227,705	-	784,089
Net Assets, Beginning of Year	<u>4,655,540</u>	<u>1,172,626</u>	<u>319,709</u>	<u>-</u>	<u>6,147,875</u>
Net Assets, End of Year	<u>\$4,933,670</u>	<u>\$1,450,880</u>	<u>\$ 547,414</u>	<u>\$ -</u>	<u>\$ 6,931,964</u>

Vera French Community Mental Health Center, Inc.
Consolidating Statement of Cash Flows
For the Year Ended June 30, 2011

	<u>Vera French CMHC</u>	<u>Vera French Housing</u>	<u>Vera French Foundation</u>	<u>Consolidated</u>
Cash Flows From Operating Activities:				
Change in net assets	\$ 278,130	\$ 278,254	\$ 227,705	\$ 784,089
Revenues and expense items not requiring cash:				
Depreciation	216,573	76,295	-	292,868
Change in market value of investments			(25,251)	(25,251)
 (Increase) Decrease In:				
Accounts receivable	19,668	(24,856)	(175,693)	(180,881)
Prepaid expenses	(26,776)	(251)	-	(27,027)
Increase (Decrease) In:				
Accounts payable	(57,598)	(16,999)	-	(74,597)
Accrued and other liabilities	<u>144,519</u>	<u>3,390</u>	<u>-</u>	<u>147,909</u>
Net cash provided by operating activities	<u>574,516</u>	<u>315,833</u>	<u>26,761</u>	<u>917,110</u>
 Cash Flows From Investing Activities:				
Purchases of fixed assets	(100,792)	(44,679)	-	(145,471)
Repayment of note receivable	-	(74,066)	-	(74,066)
Purchase of investments	-	-	(8,000)	(8,000)
Sale of investments	<u>-</u>	<u>-</u>	<u>26,030</u>	<u>26,030</u>
Net cash flows used by investing activities	<u>(100,792)</u>	<u>(118,745)</u>	<u>18,030</u>	<u>(201,507)</u>
 Cash Flows From Financing Activities:				
Repayment on notes payable	<u>(432,108)</u>	<u>(6,426)</u>	<u>-</u>	<u>(438,534)</u>
Net cash provide by financing activities	<u>(432,108)</u>	<u>(6,426)</u>	<u>-</u>	<u>(438,534)</u>
			(229,233)	
Net increase (decrease) in cash	41,616	190,662	44,791	277,069
Cash at beginning of year	<u>3,003,003</u>	<u>123,213</u>	<u>64,807</u>	<u>3,191,023</u>
Cash at end of year	<u>\$ 3,044,619</u>	<u>\$ 313,875</u>	<u>\$ 109,598</u>	<u>\$ 3,468,092</u>



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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, 2011, and have issued our report thereon dated September 8, 2011. 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 8, 2011.

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 8, 2011

Vera French Community Mental Health Center, Inc.
Schedule of Findings
For the Year Ended June 30, 2011

There were no audit findings.



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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, 2011 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 8, 2011 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 8, 2011
Bettendorf, Iowa

Vera French Community Mental Health Center
June 30, 2011

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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 new systems was made during the year. The staff should continue working toward implementing an updated solution for billing and receivable reporting at Pine Knoll.

The billing and accounts receivable systems are currently being updated at the Center. The past system did 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. We recommend that staff look into linking the new billing and accounts receivable system with general ledger system to save time and increase accounting controls.