

**Vera French  
Community Mental Health Center, Inc.**

Auditor's Report  
Consolidated Financial Statements and  
Supplemental Information

Year Ending June 30, 2012

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**Vera French Community Mental Health Center, Inc.**

**Board Members**

<b>Name</b>	<b>Title</b>	<b>Term Expires</b>
Robert Anderson, M.D.	President	2015
Jeff Lockwood	Vice President	2014
Jeff Bert	Treasurer	2012
Ethel Reynolds	Secretary	2014
James Anderson	Member	2014
Mary Dubert	Member	2012
Dennis Hittle	Member	2014
Bob Karll	Member	2013
Mary Kellenberger	Member	2014
Karen Ott	Member	2012
Greg Smith	Member	2014
Marie Rolling-Tarbox	Member	2015
Kimball Thompson, MD	Member	2015



**Sitrick & Associates, LLC** *Certified Public Accountants*

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, 2012, 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 8, 2011, 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, 2012, 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 August 31, 2012, 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  
August 31, 2012

**Vera French Community Mental Health Center, Inc.**  
Consolidated Statement of Financial Position  
June 30, 2012 and 2011

	6/30/12	6/30/11
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash on hand and in bank	\$ 2,938,116	\$ 3,468,092
Accounts receivable	656,145	902,107
Grants receivable	313,687	393,608
Prepaid expenses	121,073	143,295
Investments	<u>264,159</u>	<u>137,454</u>
Total Current Assets	<u>4,293,180</u>	<u>5,044,556</u>
<b>Property and Equipment:</b>		
Land	193,795	193,795
Furnishings and equipment	1,742,433	1,412,247
Buildings and improvements	<u>4,953,951</u>	<u>4,913,152</u>
Property and Equipment at Cost	6,890,179	6,519,194
Less: accumulated depreciation	<u>(4,235,697)</u>	<u>(3,864,188)</u>
Total Property and Equipment	<u>2,654,482</u>	<u>2,655,006</u>
<b>Other Assets:</b>		
Notes receivable	95,429	151,600
Investments and other	<u>11,470</u>	<u>300</u>
Total Assets	<u>\$ 7,054,561</u>	<u>\$ 7,851,462</u>
 <b>Current Liabilities:</b>		
Accounts payable	\$ 95,977	\$ 56,710
Accrued wages and payroll taxes	297,588	322,397
Other accrued liabilities	258,749	370,818
Notes Payable	<u>6,553</u>	<u>36,492</u>
Total Current Liabilities	<u>658,867</u>	<u>786,417</u>
 <b>Long Term Liabilities:</b>		
Notes Payable	<u>156,512</u>	<u>133,081</u>
Total Liabilities	<u>815,379</u>	<u>919,498</u>
 <b>Net Assets:</b>		
Unrestricted	5,831,993	6,558,644
Temporarily Restricted	147,189	123,320
Permanently Restricted	<u>260,000</u>	<u>250,000</u>
Total Net Assets	<u>6,239,182</u>	<u>6,931,964</u>
Total Liabilities and Net Assets	<u>\$ 7,054,561</u>	<u>\$ 7,851,462</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, 2012 and 2011

	2012			Total	2011
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<b>Support and Revenue:</b>					
Scott County	\$ 2,485,107	\$ -	\$ -	\$ 2,485,107	\$ 3,382,343
Service Fees	1,584,537	-	-	1,584,537	1,893,073
Habitation	1,753,215	-	-	1,753,215	1,754,301
Contributions	136,863	94,765	10,000	241,628	535,554
Title XIX	2,219,793	-	-	2,219,793	1,512,451
SSI, SSDI, SSA	506,057	-	-	506,057	536,977
Grants	436,237	237,974	-	674,211	516,660
State Cases	449,129	-	-	449,129	417,886
Rents	278,172	-	-	278,172	269,599
Other	379,511	-	-	379,511	513,846
Restrictions released	308,870	(308,870)	-	-	-
<b>Total Support</b>	<b>10,537,491</b>	<b>23,869</b>	<b>10,000</b>	<b>10,571,360</b>	<b>11,332,690</b>
<b>Expenses:</b>					
Outpatient	4,469,616	-	-	4,469,616	3,913,043
Community Support	599,924	-	-	599,924	729,581
Inpatient	-	-	-	-	136,000
Partial Hospital	271,922	-	-	271,922	418,243
Supportive Employment	88,292	-	-	88,292	100,064
Supportive Living	348,961	-	-	348,961	241,056
Case Management	539,961	-	-	539,961	471,891
Grant Programs	180,752	-	-	180,752	230,041
Residential Programs	3,265,305	-	-	3,265,305	2,831,370
Housing Programs	462,922	-	-	462,922	467,869
<b>Total Program Services</b>	<b>10,227,655</b>	<b>-</b>	<b>-</b>	<b>10,227,655</b>	<b>9,539,158</b>
<b>Supporting Services:</b>					
General Administrative	924,342	-	-	924,342	898,600
Fundraising	112,145	-	-	112,145	110,843
<b>Total Expenses</b>	<b>11,264,142</b>	<b>-</b>	<b>-</b>	<b>11,264,142</b>	<b>10,548,601</b>
<b>Change in Net Assets</b>	<b>(726,651)</b>	<b>23,869</b>	<b>10,000</b>	<b>(692,782)</b>	<b>784,089</b>
<b>Net Assets, Beginning of Year</b>	<b>6,558,644</b>	<b>123,320</b>	<b>250,000</b>	<b>6,931,964</b>	<b>6,147,875</b>
<b>Net Assets, End of Year</b>	<b>\$ 5,831,993</b>	<b>\$ 147,189</b>	<b>\$ 260,000</b>	<b>\$ 6,239,182</b>	<b>\$ 6,931,964</b>

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, 2012 and 2011

	6/30/12	6/30/11
Cash Flows From Operating Activities:		
Change in net assets	\$ (692,782)	\$ 784,089
Revenues and expense items not requiring cash:		
Depreciation	371,509	292,868
Change in market value of investments	(1,803)	(25,251)
 (Increase) Decrease In:		
Accounts receivable	347,933	(180,881)
Prepaid expenses	22,222	(27,027)
Increase (Decrease) In:		
Accounts payable	39,267	(74,597)
Accrued and other liabilities	(136,878)	147,909
Unrealized gain on assets	-	-
Net cash provided by operating activities	(50,532)	917,110
 Cash Flows From Investing Activities:		
Purchases of fixed assets	(370,985)	(145,471)
Repayment of note receivable	56,171	(74,066)
Purchase of investments	(162,400)	(8,000)
Sale of investments	4,278	26,030
Net cash flows used by investing activities	(472,936)	(201,507)
 Cash Flows From Financing Activities:		
Repayment on notes payable	(6,508)	(438,534)
Net cash provide by financing activities	(6,508)	(438,534)
 Net increase in cash	(529,976)	277,069
 Cash at beginning of year	3,468,092	3,191,023
 Cash at end of year	\$ 2,938,116	\$ 3,468,092
 Supplemental Cash Flow Disclosure		
Interest paid	\$ 1,256	\$ 10,288

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, 2012

	Vera French Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Housing Programs	Management and General	Foundation Fundraising	2011 Total	
Salaries	\$ 4,544,438	\$ 1,953,446	\$ 116,945	\$ 152,597	\$ 634,920	\$ 63,995	\$ 7,466,341	\$ 6,983,724
Benefits	969,123	680,831	39,964	40,564	179,027	17,011	1,926,520	1,804,509
Occupancy	198,406	157,043	-	109,505	20,904	-	485,858	571,930
Communications	105,393	15,652	953	-	6,577	3,398	131,973	111,176
Supplies	84,516	160,377	16,652	-	19,019	2,150	282,714	318,149
Equipment Costs	63,641	18,967	-	-	4,879	695	88,182	85,663
Other Expenses	140,968	212,457	6,238	81,994	44,491	24,896	511,044	367,469
Interest	-	-	-	-	-	-	-	10,287
Depreciation	212,191	66,532	-	78,262	14,525	-	371,510	295,694
Total	<u>\$ 6,318,676</u>	<u>\$ 3,265,305</u>	<u>\$ 180,752</u>	<u>\$ 462,922</u>	<u>\$ 924,342</u>	<u>\$ 112,145</u>	<u>\$ 11,264,142</u>	<u>\$ 10,548,601</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, 2012

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 August 31, 2012, 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, 2011, 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, 2012

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, 2012

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, 2012 are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation
Mutual Funds	<u>\$ 248,732</u>	<u>\$ 264,159</u>	<u>\$ 15,427</u>

Note 3 - Accounts Receivable:

Accounts receivable of the Center at June 30, 2012 totaled \$845,435. Based on past collection experience, management has provided for an allowance for doubtful accounts of \$189,290 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	30,244
Vera French Manor – Developer Fee with no interest	9,822
Total	147,398
Discount for less than market interest rate and collectability	(51,969)
Net receivable	\$ 95,429

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, 2012 is approximately \$316,647.

**Vera French Community Mental Health Center, Inc.**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2012

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:

	Rate	Amount
<u>Vera French Housing:</u>		
City of Davenport	0.00%	46,550
City of Davenport	1.50%	86,515
LHAP	1.00%	30,000
		<u>\$ 163,065</u>

The notes are due as follows:

	Total
2012	\$ 6,553
2013	6,617
2014	6,681
2015	6,746
2016	6,812
Thereafter	129,656
Total	<u>\$ 163,065</u>

**Vera French Community Mental Health Center, Inc.**  
Notes to Consolidated Financial Statements  
For the Year Ended June 30, 2012

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 36 percent of 2012 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	\$ 68,974
Foundation programs	<u>78,215</u>
	<u>\$ 147,189</u>

Permanently Restricted Net Assets consist of:

Restricted for School Based Programs	<u>\$ 260,000</u>
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**Sitrick & Associates, LLC** *Certified Public Accountants*

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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, 2012, 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  
August 31, 2012

**Vera French Community Mental Health Center, Inc.**  
**Consolidating Statement of Financial Position**  
For the Year Ended June 30, 2012

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
<b>Assets:</b>				
Current Assets:				
Cash on hand and in bank	\$ 2,478,818	\$ 287,967	\$ 171,331	\$ 2,938,116
Accounts receivable	654,309	1,836	-	656,145
Grants receivable	26,993	70,444	216,250	313,687
Prepaid expenses	117,098	3,975	-	121,073
Investments	-	-	264,159	264,159
Total Current Assets	<u>3,277,218</u>	<u>364,222</u>	<u>651,740</u>	<u>4,293,180</u>
Property and Equipment:				
Land	-	193,795	-	193,795
Furnishings and equipment	1,711,713	30,720	-	1,742,433
Buildings and improvements	<u>3,202,382</u>	<u>1,751,569</u>	<u>-</u>	<u>4,953,951</u>
Property and Equipment at Cost	4,914,095	1,976,084	-	6,890,179
Less: accumulated depreciation	<u>(3,386,331)</u>	<u>(849,366)</u>	<u>-</u>	<u>(4,235,697)</u>
Total Property and Equipment	<u>1,527,764</u>	<u>1,126,718</u>	<u>-</u>	<u>2,654,482</u>
Other Assets:				
Notes receivable	-	95,429	-	95,429
Investments and other	<u>-</u>	<u>300</u>	<u>11,170</u>	<u>11,470</u>
Total Assets	<u>\$ 4,804,982</u>	<u>\$ 1,586,669</u>	<u>\$ 662,910</u>	<u>\$ 7,054,561</u>
<b>Liabilities and Net Assets:</b>				
Current Liabilities:				
Accounts payable	\$ 70,089	\$ 9,558	\$ 16,330	\$ 95,977
Accrued wages and payroll taxes	279,580	18,008	-	297,588
Other accrued liabilities	234,241	24,508	-	258,749
Notes Payable	<u>-</u>	<u>6,553</u>	<u>-</u>	<u>6,553</u>
Total Current Liabilities	<u>583,910</u>	<u>58,627</u>	<u>16,330</u>	<u>658,867</u>
Long Term Liabilities:				
Notes Payable	<u>-</u>	<u>156,512</u>	<u>-</u>	<u>156,512</u>
Total Liabilities	<u>583,910</u>	<u>215,139</u>	<u>16,330</u>	<u>815,379</u>
Net Assets:				
Unrestricted	4,221,072	1,302,556	308,365	5,831,993
Temporarily Restricted	-	68,974	78,215	147,189
Permanently Restricted	<u>-</u>	<u>-</u>	<u>260,000</u>	<u>260,000</u>
Total Net Assets	<u>4,221,072</u>	<u>1,371,530</u>	<u>646,580</u>	<u>6,239,182</u>
Total Liabilities and Net Assets	<u>\$ 4,804,982</u>	<u>\$ 1,586,669</u>	<u>\$ 662,910</u>	<u>\$ 7,054,561</u>

**Vera French Community Mental Health Center, Inc.**  
**Consolidating Statement of Activities**  
**For the Year Ended June 30, 2012**

	<u>Vera French CMHC</u>	<u>Vera French Housing</u>	<u>Vera French Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Support and Revenue:</b>					
Scott County	\$2,485,107	\$ -	\$ -	\$ -	\$ 2,485,107
Service Fees	1,584,537	-	-	-	1,584,537
Habilitation	1,753,215	-	-	-	1,753,215
Contributions	205,673	59	258,802	(222,906)	241,628
Title XIX	2,219,793	-	-	-	2,219,793
SSI, SSDI, SSA	506,057	-	-	-	506,057
Grants	350,630	154,581	169,000	-	674,211
State Cases	449,129	-	-	-	449,129
Rents	-	278,172	-	-	278,172
Other	348,833	24,263	6,415	-	379,511
	<u>9,902,974</u>	<u>457,075</u>	<u>434,217</u>	<u>(222,906)</u>	<u>10,571,360</u>
<b>Total Support</b>					
<b>Expenses:</b>					
Outpatient	4,469,616	-	-	-	4,469,616
Community Support	599,924	-	-	-	599,924
Partial Hospital	271,922	-	-	-	271,922
Supportive Employment	88,292	-	-	-	88,292
Supportive Living	348,961	-	-	-	348,961
Case Management	539,961	-	-	-	539,961
Grant Programs	180,752	-	-	-	180,752
Residential Programs	3,265,305	-	-	-	3,265,305
Housing Programs	-	462,922	-	-	462,922
Foundation Programs	-	-	222,906	(222,906)	-
	<u>9,764,733</u>	<u>462,922</u>	<u>222,906</u>	<u>(222,906)</u>	<u>10,227,655</u>
<b>Total Program Services</b>					
<b>Supporting Services:</b>					
General Administrative	850,839	73,503	-	-	924,342
Fundraising	-	-	112,145	-	112,145
	<u>10,615,572</u>	<u>536,425</u>	<u>335,051</u>	<u>(222,906)</u>	<u>11,264,142</u>
<b>Total Expenses</b>					
Change in Net Assets	(712,598)	(79,350)	99,166	-	(692,782)
Net Assets, Beginning of Year	<u>4,933,670</u>	<u>1,450,880</u>	<u>547,414</u>	<u>-</u>	<u>6,931,964</u>
Net Assets, End of Year	<u>\$4,221,072</u>	<u>\$1,371,530</u>	<u>\$ 646,580</u>	<u>\$ -</u>	<u>\$ 6,239,182</u>

**Vera French Community Mental Health Center, Inc.**  
**Consolidating Statement of Cash Flows**  
For the Year Ended June 30, 2012

	Vera French CMHC	Vera French Housing	Vera French Foundation	Consolidated
<b>Cash Flows From Operating Activities:</b>				
Change in net assets	\$ (712,598)	\$ (79,350)	\$ 99,166	\$ (692,782)
Revenues and expense items not requiring cash:				
Depreciation	293,247	78,262	-	371,509
Change in market value of investments			(1,803)	(1,803)
 (Increase) Decrease In:				
Accounts receivable	267,257	(25,486)	106,162	347,933
Prepaid expenses	25,946	(3,724)	-	22,222
Increase (Decrease) In:				
Accounts payable	22,698	239	16,330	39,267
Accrued and other liabilities	<u>(133,076)</u>	<u>(3,802)</u>	<u>-</u>	<u>(136,878)</u>
Net cash provided by operating activities	<u>(236,526)</u>	<u>(33,861)</u>	<u>219,855</u>	<u>(50,532)</u>
 <b>Cash Flows From Investing Activities:</b>				
Purchases of fixed assets	(329,275)	(41,710)	-	(370,985)
Repayment of note receivable	-	56,171	-	56,171
Purchase of investments	-	-	(162,400)	(162,400)
Sale of investments	<u>-</u>	<u>-</u>	<u>4,278</u>	<u>4,278</u>
Net cash flows used by investing activities	<u>(329,275)</u>	<u>14,461</u>	<u>(158,122)</u>	<u>(472,936)</u>
 <b>Cash Flows From Financing Activities:</b>				
Repayment on notes payable	<u>-</u>	<u>(6,508)</u>	<u>-</u>	<u>(6,508)</u>
Net cash provide by financing activities	<u>-</u>	<u>(6,508)</u>	<u>-</u>	<u>(6,508)</u>
 Net increase (decrease) in cash	 (565,801)	 (25,908)	 61,733	 (529,976)
Cash at beginning of year	<u>3,044,619</u>	<u>313,875</u>	<u>109,598</u>	<u>3,468,092</u>
Cash at end of year	<u>\$ 2,478,818</u>	<u>\$ 287,967</u>	<u>\$ 171,331</u>	<u>\$ 2,938,116</u>



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John N. Sherrick, CPA  
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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, 2012, and have issued our report thereon dated August 31, 2012. 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 August 31, 2012.

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  
August 31, 2012

**Vera French Community Mental Health Center, Inc.**  
Schedule of Findings  
For the Year Ended June 30, 2012

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, 2012 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 August 31, 2012 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

August 31, 2012  
Bettendorf, Iowa

Accounts Receivable

A new billing and receivable system was implemented during the year but the software vendor has not completed the customization work for Pine Knoll's billing requirements. The staff should continue working toward implementing the new billing and receivable reporting system at Pine Knoll. The current 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.