

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2013

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PLAINS AREA MENTAL HEALTH, INC.
BOARD OF DIRECTORS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Patrick N. Murphy	President	2013
Jeffrey Hayes	Vice-President	2014
Paul Jacobson	Treasurer	2015
Maggie Martinez	Secretary	2013
Dennis Bennett	Member	2013
Doug Schmidt	Member	2014
Carol Wadsley	Member	2014
 Patrick Schmitz	 Executive Director	 Indefinite

COUNTY BOARD LIAISONS:

Terry Graybill/Dennis Bush	Cherokee County Supervisor
Jim Henrich	Plymouth County Supervisor
Allen Hilker	Ida County Supervisor
Rhonda Ringgenberg	Buena Vista County Supervisor

BURKHARDT & DAWSON

Certified Public Accountants

DONNA R. BURKHARDT, CPA
LAURA M. DAWSON, CPA

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Plains Area Mental Health, Inc.
Le Mars, Iowa

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of Plains Area Mental Health, Inc. (a nonprofit organization) as of June 30, 2013, and the related Statements of Activities, Functional Expenses and Cash Flows and the Notes to Financial Statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plain Area Mental Health, Inc. as of June 30, 2013, and the changes in its net assets and, where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in the Schedule of Fees and Grants from Governmental Agencies on page 17, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the aforementioned 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2013 on our consideration of Plain Area Mental Health, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing 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 in considering Plains Area Mental Health, Inc.'s internal control over financial reporting and compliance.

BURKHARDT & DAWSON, CPA's

Burkhardt & Dawson, CPA's
Certified Public Accountants

September 20, 2013

PLAINS AREA MENTAL HEALTH, INC.
 LE MARS, IOWA
 STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2013
 WITH COMPARATIVE TOTALS FOR 2012

	2013			2012
	UNRE- STRICATED FUND	FURNITURE, FIXTURES AND EQUIPMENT FUND	TOTAL	TOTAL
ASSETS				
CURRENT ASSETS:				
Cash on Hand	\$ 4,307	\$ 0	\$ 4,307	\$ 2,336
Cash in Savings and Money Market Funds	83,607	0	83,607	30,587
Accounts Receivable, Net of Allowance for Doubtful Accounts and Rate Adjustments of \$218,600 and \$208,800 at June 30, 2013 and 2012, Respectively	201,427	0	201,427	282,705
Other Receivables	24,348	0	24,348	37,010
Grant Receivables	4,534	0	4,534	8,084
Marketable Securities	0	0	0	38,993
 TOTAL CURRENT ASSETS	 \$318,223	 \$ 0	 \$318,223	 \$399,715
FURNITURE, FIXTURES AND EQUIPMENT:				
Leasehold Improvements	\$ 0	\$ 44,008	\$ 44,008	\$ 44,008
Office Furniture and Equipment	0	543,409	543,409	533,207
TOTAL	\$ 0	\$587,417	\$587,417	\$577,215
LESS - Accumulated Depreciation	0	279,851	279,851	245,171
NET FURNITURE, FIXTURES AND EQUIPMENT	\$ 0	\$307,566	\$307,566	\$332,044
 TOTAL ASSETS	 \$318,223	 \$307,566	 \$625,789	 \$731,759

See accompanying notes to financial statements

	<u>2013</u>			<u>2012</u>
	UNRE- STRICTED <u>FUND</u>	FURNITURE, FIXTURES AND EQUIPMENT <u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 60,795	\$ 0	\$ 60,795	\$ 47,631
Deferred Grant Revenue	0	0	0	61,165
Payroll Taxes Payable	26,995	0	26,995	21,696
Accrued Salaries	88,272	0	88,272	64,786
Accrued Pension Payable	22,698	0	22,698	32,297
Customer Deposits	12,196	0	12,196	13,970
Current Maturities of Long Term Debt	90,500	0	90,500	90,500
Insurance Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>126</u>
TOTAL CURRENT LIABILITIES	<u>\$301,456</u>	<u>\$ 0</u>	<u>\$301,456</u>	<u>\$332,171</u>
LONG TERM DEBT:				
Note Payable	\$ 90,500	\$ 0	\$ 90,500	\$ 90,500
LESS - Current Maturities	<u>(90,500)</u>	<u>0</u>	<u>(90,500)</u>	<u>(90,500)</u>
TOTAL LONG TERM DEBT	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES	<u>\$301,456</u>	<u>\$ 0</u>	<u>\$301,456</u>	<u>\$332,171</u>
NET ASSETS:				
Unrestricted: Undesignated	<u>\$ 16,767</u>	<u>\$307,566</u>	<u>\$324,333</u>	<u>\$399,588</u>
TOTAL NET ASSETS	<u>\$ 16,767</u>	<u>\$307,566</u>	<u>\$324,333</u>	<u>\$399,588</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$318,223</u>	<u>\$307,566</u>	<u>\$625,789</u>	<u>\$731,759</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012

	2013			2012
	UNRE- STRICTED <u>FUND</u>	FURNITURE, FIXTURES AND EQUIPMENT <u>FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
PUBLIC SUPPORT AND REVENUES:				
Public Support:				
Contributions	\$ 250	\$ 0	\$ 250	\$ 325
Fees and Grants				
From Governmental				
Agencies	714,211	0	714,211	519,610
Outpatient and				
Community				
Services	1,910,762	0	1,910,762	1,555,633
Investment/Dividend				
Income	12,659	2	12,659	28,859
Recovery of Bad				
Debts	6,320	0	6,320	11,910
Miscellaneous				
Income	65,584	0	65,584	42,844
(Loss) on Disposal				
of Equipment	0	(431)	(431)	(475)
Unrealized Gain (Loss)				
on Investments	1,268	0	1,268	(639)
Realized Gain on				
Investments	<u>422</u>	<u>0</u>	<u>422</u>	<u>0</u>
 TOTAL PUBLIC SUPPORT AND REVENUES	 <u>\$2,711,476</u>	 <u>\$ (431)</u>	 <u>\$2,711,045</u>	 <u>\$2,158,067</u>
EXPENSES:				
Program Services:				
Outpatient and				
Community				
Support				
Services	\$1,697,134	\$ 0	\$1,697,134	\$1,413,790
Supporting				
Services:				
Management and				
General	<u>1,043,810</u>	<u>45,356</u>	<u>1,089,166</u>	<u>958,168</u>
 TOTAL EXPENSES	 <u>\$2,740,944</u>	 <u>\$ 45,356</u>	 <u>\$2,786,300</u>	 <u>\$2,371,958</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012

	2013			<u>2012</u>
	<u>UNRE- STRICTED FUND</u>	<u>FURNITURE, FIXTURES AND EQUIPMENT FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
CHANGES IN NET ASSETS FROM OPERATIONS	\$ (29,468)	\$ (45,787)	\$ (75,255)	\$ (213,891)
OTHER CHANGES:				
Equipment Acquisitions (Net of Disposals) From Unrestricted Fund	(21,309)	21,309	0	0
NET ASSETS AT BEGINNING OF YEAR	<u>67,544</u>	<u>332,044</u>	<u>399,588</u>	<u>613,479</u>
NET ASSETS AT END OF YEAR	<u>\$ 16,767</u>	<u>\$307,566</u>	<u>\$ 324,333</u>	<u>\$ 399,588</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>2013</u>			<u>2012</u>
	<u>PROGRAM SERVICES OUTPATIENT AND COMMUNITY SUPPORT SERVICES</u>	<u>SUPPORTING SERVICES MANAGE- MENT AND GENERAL</u>	<u>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</u>	<u>TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES</u>
Salaries and Wages	\$ 995,175	\$ 527,773	\$1,522,948	\$1,127,707
Employee Benefits and Payroll Taxes	224,621	120,950	345,571	359,176
Employee Travel and Transportation	<u>48,343</u>	<u>17,379</u>	<u>65,722</u>	<u>45,643</u>
TOTAL SALARIES AND RELATED EXPENSES	\$1,268,139	\$ 666,102	\$1,934,241	\$1,532,526
Contracted Services	282,704	22,612	305,316	335,849
Professional Development	10,695	230	10,925	10,847
Supplies, Books and Literature	29,734	6,216	35,950	38,472
Telephone	34,810	1,579	36,389	27,993
Postage	11,672	0	11,672	6,591
Repairs and Maintenance	0	44,442	44,442	34,199
Rents	0	153,015	153,015	138,477
Conferences, Conventions and Meetings	0	5,435	5,435	7,454
Membership Dues and Subscriptions	1,815	9,932	11,747	6,915
Insurance	30,025	1,917	31,942	20,577
Miscellaneous	3,604	0	3,604	4,051
Advertising and Recruitment	16,294	0	16,294	13,129
Professional Services	7,642	46,946	54,588	62,302
Bad Debts	0	55,977	55,977	71,911
Utilities	0	22,496	22,496	15,817
Interest	<u>0</u>	<u>6,911</u>	<u>6,911</u>	<u>901</u>
TOTAL EXPENSES BEFORE DEPRECIATION	\$1,697,134	\$1,043,810	\$2,740,944	\$2,328,011
Depreciation	<u>0</u>	<u>45,356</u>	<u>45,356</u>	<u>43,947</u>
TOTAL EXPENSES	<u>\$1,697,134</u>	<u>\$1,089,166</u>	<u>\$2,786,300</u>	<u>\$2,371,958</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (75,255)	\$ (213,891)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Loss on Disposal of Equipment	431	475
Depreciation	45,356	43,947
Net Unrealized Loss on Investments	0	640
(Increase) Decrease in:		
Accounts Receivable	81,278	(99,785)
Other Receivables	12,662	(15,692)
Grant Receivables	3,550	14,469
Increase (Decrease) in:		
Accounts Payable	13,164	13,626
Deferred Grant Revenue	(61,165)	(74,595)
Payroll Taxes Payable	5,299	9,325
Insurance Payable	(126)	(841)
Accrued Salaries	23,486	(29,113)
Accrued Pension Payable	(9,599)	24,683
Customer Deposits	(1,774)	13,970
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 37,307</u>	<u>\$ (312,782)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	\$ (21,309)	\$ (20,575)
Sale of Marketable Securities	38,993	0
Proceeds of Investments	<u>0</u>	<u>11,000</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 17,684</u>	<u>\$ (9,575)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds From Long Term Debt	\$ 341,500	\$ 240,500
Principal Payments on Long Term Debt	<u>(341,500)</u>	<u>(150,000)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>\$ 0</u>	<u>\$ 90,500</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>\$ 54,991</u>	<u>\$ (231,857)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>32,923</u>	<u>264,780</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 87,914</u>	<u>\$ 32,923</u>

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>2013</u>	<u>2012</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS:		
Cash on Hand	\$ 4,307	\$ 2,336
Cash in Savings and Money Market Funds	<u>83,607</u>	<u>30,587</u>
	<u>\$ 87,914</u>	<u>\$ 32,923</u>
SUPPLEMENTAL DISCLOSURES:		
Interest Paid	<u>\$ 6,911</u>	<u>\$ 901</u>

See accompanying notes to financial statements

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY - The Center is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux, Buena Vista and Carroll Counties.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

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

UNRESTRICTED FUND - This fund is utilized to account for the daily transactions of the Center that are not properly recorded in another fund.

The Center's Board may designate portions of the current unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Center maintains separate accounts for such designations within the current unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the balance sheet.

FURNITURE, FIXTURES AND EQUIPMENT FUND - This fund is established to account for all furniture and equipment of the Center and provide funds for replacements.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

FURNITURE, FIXTURES AND EQUIPMENT - Furniture and equipment is stated at cost. Expenditures for additions and betterments are capitalized, while expenditures for maintenance and repairs are charged to expenses as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

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

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of fixed assets providing future benefits are directly charged against the unrestricted fund balance and capitalized in the furniture, fixtures and equipment fund.

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

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

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

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS - The Center considers cash on hand and demand deposits in banks as cash, and certificates of deposit with original maturities of three months or less as cash equivalents. There were no cash equivalents at June 30, 2013 and 2012.

RECEIVABLES - Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

MARKETABLE EQUITY SECURITIES - The Center's marketable securities are classified as available for sale and consist of equity securities that have a readily determinable fair market value. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determinations at each balance sheet date.

Realized gains and losses on all marketable securities are determined by specific identification and are charged or credited to current earnings.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

DONATED MATERIALS - Donated materials are recognized as contributions and valued at fair market value at receipt.

COMPENSATED ABSENCES - Center employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2013 and 2012.

PROMISES TO GIVE - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional.

DATE OF MANAGEMENT'S REVIEW - Management has evaluated subsequent events through September 20, 2013, the date which the financial statements were issued.

PLAINS AREA MENTAL HEALTH, INC.
 LE MARS, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

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

TOTAL COLUMN - The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - INVESTMENTS:

Cost and fair market value of marketable securities available for sale at June 30, 2013 and 2012 are as follows:

<u>YEAR</u>	<u>COST</u>	<u>GAIN</u>	<u>UNREALIZED LOSSES</u>	<u>SALE</u>	<u>FAIR VALUE</u>
2013	\$ 40,262	\$ 422	\$ 0	\$(40,684)	\$ -0-
2012	\$ 40,262	\$ 0	\$ 1,269	\$ 0	\$ 38,993

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS:

OPERATING LEASES:

The Center rents space for the Le Mars, Cherokee, Storm Lake and Carroll offices under noncancellable operating leases. The Center rents two copiers for the Le Mars and Cherokee offices under a noncancellable operating lease, which expires May 10, 2015. The Center rents a copier for the Storm Lake office under a noncancellable operating lease, which expires December 15, 2013. The Center rents a copier for the Carroll office under a noncancellable operating lease, which expires August 1, 2017. The operating lease expense under noncancellable operating leases was \$147,612 and \$135,559 for the years ended June 30, 2013 and 2012, respectively. The following schedule shows the minimum future rental payments due under the leases.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 - DESCRIPTION OF LEASING ARRANGEMENTS - CONTINUED:

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2014	\$ 77,454
2015	28,188
2016	2,688
2017	1,390
Thereafter	0
TOTAL	<u>\$109,720</u>

The Cherokee and LeMars offices sublease a portion of their office space. The Storm Lake office subleases a portion of their office space under a noncancellable operating lease. Total rent earned for the years ended June 30, 2013 and 2012 was \$19,300 and \$23,860, respectively.

The following schedule shows the minimum future rental revenue due under noncancellable subleases.

<u>YEAR ENDED</u>	<u>AMOUNT</u>
2014	\$ 12,150
2015	4,050
Thereafter	0
TOTAL	<u>\$ 16,200</u>

NOTE 4 - PENSION PLAN:

Effective June 1, 1996, the Center adopted a profit sharing pension plan covering substantially all of its full-time employees. The Center contributes 5% of covered employees salaries. Pension expense amounted to \$42,353 and \$41,369 for 2013 and 2012, respectively. Previously the Center had a defined contribution pension plan. Plan assets remain in this plan but no new contributions will be made.

NOTE 5 - OTHER ASSETS:

The Center joined with other similar agencies to form Tri-State Behavioral Health Association, Inc. This was a nonprofit group formed to benefit its members. The original investment was \$11,000 and it was carried at cost. The investment was liquidated in the June 30, 2012 fiscal year with a distribution of \$36,855. The Center also received another distribution of \$11,574 in August 2012. Some distributions may continue as Tri-State collects receivables.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 - RISK MANAGEMENT:

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

NOTE 7 - UNEARNED INCOME:

Plains Area Mental Health, Inc. received a grant for telehealth services and equipment. The Center has reported unearned income and recognized the revenue as they incur the corresponding expenses. The original grant included funds for equipment of \$53,690 and an award for providing services of \$158,700. The grant for equipment was recognized when the equipment was purchased. Cumulative service revenue recognized through June 30, 2013 and 2012 is \$158,700 and \$97,535, respectively. Revenue recognized for the years ending June 30, 2013 and 2012 was \$53,052 and \$74,595, respectively. The unearned income at June 30, 2013 and 2012 was \$-0- and \$61,165, respectively.

NOTE 8 - LONG TERM DEBT:

Plain Area Mental Health, Inc. had a line-of-credit of \$150,000, with a balance of \$90,500 at June 30, 2012. The interest rate was 5.5% per annum. Payments of interest only were due monthly. The original date of the loan is January 11, 2012, with a maturity date of February 1, 2013. The line-of-credit was secured by a security agreement dated January 1, 2012 which includes substantially all of the assets of the Center.

The line-of-credit was replaced with a \$100,000 loan dated February 27, 2013. The interest rate was 6% per annum and the maturity date was May 31, 2013.

The short-term loan was replaced with a long-term loan for \$93,000 dated June 3, 2013, with interest of 6.0% per annum and maturity date of June 30, 2014. Plains Area Mental Health, Inc. will make monthly payments of \$2,463 and one final payment of \$68,719 on June 30, 2014.

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
FOR THE YEAR ENDED JUNE 30, 2013
WITH COMPARATIVE TOTALS FOR 2012

	<u>2013</u>	<u>2012</u>
COUNTY ALLOTMENTS:		
Plymouth County, Iowa	\$112,274	\$154,080
Cherokee County, Iowa	91,644	81,204
Ida County, Iowa	40,930	44,595
Buena Vista County, Iowa	112,203	102,393
Carroll County, Iowa	222,526	0
Other Iowa Counties	<u>145</u>	<u>1,536</u>
	<u>\$579,722</u>	<u>\$383,808</u>
ADM GRANT:		
Department of MH/MR/DD	<u>\$ 67,518</u>	<u>\$ 50,273</u>
ELDERLY PEER GRANT:		
Siouxland Aging Services	<u>\$ 0</u>	<u>\$ 474</u>
HEAD START GRANT:		
Head Start Program	<u>\$ 9,280</u>	<u>\$ 9,000</u>
JAIL SERVICES	<u>\$ 3,450</u>	<u>\$ 1,460</u>
CHEROKEE FOUNDATION GRANT	<u>\$ 584</u>	<u>\$ 0</u>
COMMUNITY FOUNDATION OF GREATER PLAINS	<u>\$ 605</u>	<u>\$ 0</u>
TELEHEALTH GRANT	<u>\$ 53,052</u>	<u>\$ 74,595</u>
TOTAL FEES AND GRANTS FROM GOVERNMENTAL AGENCIES	<u>\$714,211</u>	<u>\$519,610</u>

See accompanying independent auditors' report

BURKHARDT & DAWSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Plains Area Mental Health, Inc.

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Plains Area Mental Health, Inc., LeMars, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, and have issued our report thereon dated September 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Plain Area Mental Health, Inc.'s internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item A to be a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health, Inc.'s Responses to Findings

Plains Area Mental Health Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Plains Area Mental Health, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

BURKHARDT & DAWSON, CPA's

Burkhardt & Dawson, CPA's
Certified Public Accountants

September 20, 2013

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties - During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Center's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the Center should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response - The Center segregates duties to the best of its ability with the limited number of staff employed.

Conclusion - Response accepted.

- (B) Bank Statements - Bank statements do not coincide with the Center's fiscal year end.

Recommendation - Bank statements should cut off on the same month and date as the Center's fiscal year end.

Response - United Bank of Iowa was contacted. If the Center moves to a month-end cut off on the statement, there will be a fee associated with this account. Discussion was held with the auditors regarding this. It was concluded in the best interest of the Center to leave the account as is with no charges.

Conclusion - Response accepted.