

SOUTHERN IOWA MENTAL HEALTH CENTER  
OTTUMWA, IOWA

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS  
SCHEDULE OF FINDINGS

JUNE 30, 2013 AND 2012

SOUTHERN IOWA MENTAL HEALTH CENTER

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SOUTHERN IOWA MENTAL HEALTH CENTER

BOARD OF DIRECTORS  
JUNE 30, 2013

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dusty Stewart	President	October 31, 2015
Jane Cardenzana	Vice President	October 31, 2014
Jan Erhardt	Secretary/Treasurer	October 31, 2014
Jeff Logan	Director	October 31, 2016
Steve Siegel	Director	October 31, 2013
Dale Taylor	Director	October 31, 2013
Jay Allison	Director	October 31, 2018
Bev VerSteegh	Director	October 31, 2015
Curt Campbell	Director	October 31, 2013
Brianne Stuchel	Director	October 31, 2018
Susan Howard	Director	October 31, 2017
Andrew Davis	Director	October 31, 2018
Christina Schark	Executive Director	Indefinite



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
April D. Crosser, CPA  
Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Southern Iowa Mental Health Center

### Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of Southern Iowa Mental Health Center as of June 30, 2013, the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended and the Notes to Financial Statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Center'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 Center'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 Southern Iowa Mental Health Center as of June 30, 2013 and the changes in its net position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2013 on our consideration of Southern Iowa Mental Health Center'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 in considering Southern Iowa Mental Health Center's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Southern Iowa Mental Health Center's June 30, 2012 financial statements, and our report dated November 30, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

ANDERSON, LARKIN & CO. P.C.

*Anderson, Larkin + Co. P.C.*

Ottumwa, Iowa  
October 2, 2013

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 WITH COMPARATIVE TOTALS AS OF JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents	\$ 339,221	\$ 141,434
Investments	330,917	129,450
Receivables:		
Accounts receivable; patient services, less allowance for doubtful accounts \$53,057	179,567	154,894
Accrued interest	4,883	5,506
Other receivable	273	23,773
Unconditional promises to give:		
United Way services funding	-	18,750
Prepaid expenses	13,562	9,668
Total current assets	<u>868,423</u>	<u>483,475</u>
<u>FIXED ASSETS:</u>		
Furniture, fixtures and equipment	374,287	364,989
Less accumulated depreciation	<u>295,059</u>	<u>247,825</u>
Book value of furniture, fixtures and equipment	<u>79,228</u>	<u>117,164</u>
<u>OTHER ASSETS:</u>		
Investments	<u>100,035</u>	<u>400,004</u>
TOTAL ASSETS	\$ <u>1,047,686</u>	\$ <u>1,000,643</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 17,244	\$ 41,250
Accrued liabilities:		
Payroll	26,319	8,023
Payroll taxes	5,711	9,582
Vacation	35,887	19,388
Current maturities of capital lease obligations	2,162	1,978
TOTAL CURRENT LIABILITIES	<u>87,323</u>	<u>80,221</u>
<u>LONG - TERM LIABILITIES:</u>		
Capital lease obligation- less current maturities	<u>5,866</u>	<u>8,028</u>
TOTAL LIABILITIES	<u>93,189</u>	<u>88,249</u>
<u>NET POSITION:</u>		
Unrestricted	954,497	893,644
Temporarily restricted	-	18,750
TOTAL NET POSITION	<u>954,497</u>	<u>912,394</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>1,047,686</u>	\$ <u>1,000,643</u>

See Accompanying Notes to Financial Statements

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	<u>Unrestricted</u>	<u>Temporality Restricted</u>	<u>Total</u>	<u>Total</u>
<b><u>PUBLIC SUPPORT AND REVENUES:</u></b>				
Public support:				
County funds and grants	\$ 400,353	\$ -	\$ 400,353	\$ 460,431
Federal funds and grants	56,421	-	56,421	102,736
United Way grant	-	12,287	12,287	35,244
Legacy Foundation grant	-	13,725	13,725	-
Total public support	456,774	26,012	482,786	598,411
Revenues:				
Private fees, Title XIX and other	1,033,329	-	1,033,329	578,700
Promise Center	85,646	-	85,646	74,797
Miscellaneous	6,260	-	6,260	5,140
Total revenues	1,125,235	-	1,125,235	658,637
Net position released from restrictions:				
Satisfaction of purpose restrictions	44,762	(44,762)	-	-
TOTAL PUBLIC SUPPORT AND REVENUES	1,626,771	(18,750)	1,608,021	1,257,048
<b><u>EXPENSES:</u></b>				
Program services	1,187,665	-	1,187,665	1,344,938
Support services	382,798	-	382,798	81,380
TOTAL EXPENSES	1,570,463	-	1,570,463	1,426,318
CHANGE IN NET POSITION FROM OPERATIONS	56,308	(18,750)	37,558	(169,270)
<b><u>OTHER CHANGES IN NET POSITION:</u></b>				
Investment income	4,545	-	4,545	9,071
CHANGE IN NET POSITION	60,853	(18,750)	42,103	(160,199)
<b><u>NET POSITION</u></b> - Beginning of year	893,644	18,750	912,394	1,072,593
<b><u>NET POSITION</u></b> - End of year	\$ 954,497	\$ -	\$ 954,497	\$ 912,394

See Accompanying Notes to Financial Statements

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	2013			2012
	Program Services Mental Health Center Programs	Support Services Management and General	Total	Total
<u>EXPENSES:</u>				
Salaries	\$ 508,840	\$ 262,891	\$ 771,731	\$ 704,884
Payroll taxes	36,888	19,002	55,890	53,753
Group health insurance and employee benefits	48,806	25,142	73,948	73,905
Pension	<u>17,692</u>	<u>9,114</u>	<u>26,806</u>	<u>17,372</u>
Total salaries and related expenses	612,226	316,149	928,375	849,914
Professional fees	373,013	-	373,013	267,086
Provision for doubtful accounts	35,644	-	35,644	3,260
Accounting/Audit	-	18,026	18,026	15,429
Promise Center	23,999	-	23,999	21,229
Advertising	4,685	521	5,206	2,153
Office supplies	12,786	3,197	15,983	17,343
Telephone	5,643	1,411	7,054	22,366
Travel	1,096	2,226	3,322	2,652
Repairs and maintenance	27,465	6,866	34,331	106,238
Dues	3,821	424	4,245	3,716
Staff development	6,313	701	7,014	20,043
Insurance	16,507	1,834	18,341	14,421
Cleaning	3,724	931	4,655	4,748
Rent	20,550	5,138	25,688	25,688
Miscellaneous	1,751	15,763	17,514	2,972
Interest	<u>655</u>	<u>164</u>	<u>819</u>	<u>643</u>
Total expenses before depreciation	1,149,878	373,351	1,523,229	1,379,901
Depreciation	<u>37,787</u>	<u>9,447</u>	<u>47,234</u>	<u>46,417</u>
TOTAL EXPENSES	\$ <u>1,187,665</u>	\$ <u>382,798</u>	\$ <u>1,570,463</u>	<u>1,426,318</u>

SOUTHERN IOWA MENTAL HEALTH CENTER

STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE  
TOTALS FOR THE YEAR ENDED JUNE 30, 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from Counties	\$ 400,353	\$ 460,431
Cash received from grants	101,183	134,280
Cash received from patient services and Title XIX	1,094,302	606,632
Cash received from other operations	29,760	5,140
Cash paid to employees and suppliers	<u>(1,520,205)</u>	<u>(1,372,768)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>105,393</u>	<u>(166,285)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Principal payments on capital lease obligation	(1,977)	(2,256)
Purchase of fixed assets	<u>(9,298)</u>	<u>(22,739)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(11,275)</u>	<u>(24,995)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of certificates of deposit	(301,503)	(300,000)
Proceeds from certificates of deposit	400,004	428,045
Interest received	<u>5,168</u>	<u>6,320</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>103,669</u>	<u>134,365</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	197,787	(56,915)
<u>CASH AND CASH EQUIVALENTS - Beginning of year</u>	<u>141,434</u>	<u>198,349</u>
<u>CASH AND CASH EQUIVALENTS - End of year</u>	<u>\$ 339,221</u>	<u>\$ 141,434</u>
<u>RECONCILIATION OF CHANGES IN NET POSITION FROM OPERATIONS TO NET CASH PROVIDED</u>		
<u>(USED) BY OPERATING ACTIVITIES:</u>		
Changes in net assets from operations	\$ 37,558	\$ (169,270)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	47,234	46,417
Decrease in allowance for doubtful accounts	13,326	20,085
Increase in accounts receivable	(37,999)	(66,950)
Decrease (increase) in other receivable	23,500	(17,600)
Decrease (increase) in unconditional promises to give	18,750	(3,700)
Increase in prepaid expenses	(3,894)	(1,851)
Increase (decrease) in accounts payable	(24,006)	9,836
Increase in accrued liabilities	<u>30,924</u>	<u>16,748</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 105,393</u>	<u>\$ (166,285)</u>
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for interest	\$ <u>819</u>	\$ <u>668</u>
<u>NONCASH INVESTING AND FINANCING ACTIVITIES:</u>		
Fixed assets purchased by issuance of capital lease	\$ <u>-</u>	\$ <u>11,229</u>

See Accompanying Notes to Financial Statements

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Southern Iowa Mental Health Center is a nonprofit organization 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 Southeastern Iowa.

The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of Iowa income tax law, which provides tax exemption for Centers organized and operated exclusively for religious, charitable, or educational purposes. The Center is classified as other than a private foundation.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit organizations.

B. Basis of Accounting

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

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Center is required to report information regarding its financial position and activities according to three classes of net position: unrestricted net position, temporarily restricted net position, and permanently restricted net position. At June 30, 2013, the Center had no temporarily or permanently restricted net position.

D. Cash and Cash Equivalents

The Center considers savings accounts and all other highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

E. Receivables

The Center grants credit to clients, most of whom are located in the Southeast Iowa area. Also, the Center has grant and contract receivables from the federal, state, and county governments. The risk of loss on these receivables is the balance owed at the time of default. Accounts receivable are considered past due after 30 days and are charged off when management determines the account is uncollectible. The Center has provided an allowance for the year ended June 30, 2013, based on historical collections and management's estimate of the collectability of accounts receivable.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Valuation of Investments

In determining fair value, the Center uses various valuation approaches. FASB establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Center. Unobservable inputs reflect the Center's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access. Valuation adjustments and block discounts are not applied to level 1 securities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Center only holds Level 1 securities.

G. Contributions

The Center accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board. In accordance with FASB, contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long the long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

H. Patient Services Revenue

Patient services revenue is reported at the estimated realizable amounts from patients, third-party payers and others for services rendered.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are stated at cost. Purchases of fixed assets in excess of \$500 that provide future benefits are capitalized and depreciation is computed on the straight-line basis over the estimated useful lives of 3-10 years. No interest costs were capitalized since there were no qualifying assets. Depreciation expense for the year ended June 30, 2013, totaled \$47,234.

J. Compensated Absences

Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2013.

K. Employee Benefits

The Center has adopted a defined contribution pension plan covering substantially all employees who have completed one year of service and are at least 21 years of age. The Center contributes 4% of eligible employees' salaries into the pension plan. Employees become fully vested after one year of service. Years of service for purposes of defining plan years are those in which the employee completes at least 1000 hours of service. Pension expense for the year ended June 30, 2013, totaled \$26,806.

L. Advertising

The Center expenses advertising production costs as they are incurred and advertising communication costs the first time advertising takes place. Advertising expense was \$5,206 for the year ended June 30, 2013.

M. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

N. Allocated Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Comparative Financial Information

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 Center's financial statements for the year ended June 30, 2012 from which summarized information was derived.

NOTE 2: INSURED DEPOSITS

The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center had \$123,105 in excess of federally insured limits as of June 30, 2013.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 3: CAPITAL LEASE OBLIGATIONS

The Center leases a copier with terms through October 1, 2016. The obligations under the capital lease have been recorded in the accompanying financial statements at the present value of future minimum lease payments, discounted at an interest rate of 9.00%. The capitalized cost of \$11,229 is included in furniture, fixtures and equipment in the accompanying financial statements. Amortization expense on the lease totaled \$2,246 for the year ended June 30, 2013, and is included with depreciation expense.

The future minimum lease payments required under capital leases at June 30, 2013, are as follows:

<u>Year Ended June 30,</u>		
2014	\$	2,797
2015		2,797
2016		2,797
2017		<u>932</u>
Total		9,323
Less amounts representing interest		<u>1,295</u>
Present value of future minimum lease payments		8,028
Less current portion		<u>2,162</u>
Long-term portion		\$ <u>5,866</u>

NOTE 4: MAJOR REVENUE SOURCE

The Center receives an annual grant from Wapello County, in return they provide treatment to residents of the County. Revenue from Wapello County totaled \$156,900 for the year ended June 30, 2013.

NOTE 5: LEASE AGREEMENT

The Center leases office space under a month to month operating lease at a monthly rental amount of \$2,141. Rent expense on this lease for the year ended June 30, 2013, totaled \$25,688. The Center leases office space for the Promise Center under a month to month operating lease at a monthly rental amount of \$700. Included in Promise Center expenses is rent expense of \$8,400 for the year ended June 30, 2013.

NOTE 6: TEMPORARILY RESTRICTED NET POSITION

Temporarily restricted net position consist of contributions received whose use has been limited by donor imposed purpose restrictions. The following is a summary of net position released from restrictions by the satisfaction of the donor restrictions for the year ended June 30, 2013:

United Way sponsored programs	\$	31,037
Legacy Foundation		<u>13,725</u>
	\$	<u>44,762</u>

NOTE 7: RISK MANAGEMENT

Southern Iowa Mental Health Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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 any of the past three years.

SOUTHERN IOWA MENTAL HEALTH CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 8: FAIR VALUE MEASUREMENTS

The Center's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB. See Note 1 for a discussion of the Center's policies.

The Center's assets measured at fair value as of June 30, 2013 are as follows:

	<u>Level 1</u>
Certificates of deposit	\$ <u>430,952</u>

NOTE 9: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2012 have been reclassified to conform with June 30, 2013 presentation.

NOTE 10: OPEN TAX YEARS

The Center has open tax years for the years ended June 30, 2013, 2012, 2011 and 2010 and are subject to examination by the IRS, generally for three years after they were filed.

NOTE 11: EVALUATION OF SUBSEQUENT EVENTS

The Center has evaluated subsequent events through October 2, 2013, the date which the financial statements were available to be issued.



ANDERSON, LARKIN & CO. P.C.  
Certified Public Accountants  
*"Achieving your goals with our knowledge."*

Kenneth E. Crosser, CPA  
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Michael J. Podliska, CPA

David W. Goodman, CPA (Former Principal)  
Robert E. Wells, CPA (Retired)

C. Kenneth Anderson, CPA (1952-1977)  
Joseph C. Larkin, CPA (1960-1990)

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

Board of Directors  
Southern Iowa Mental Health Center

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 Southern Iowa Mental Health Center, Ottumwa, 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 October 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Iowa Mental Health Center'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 Southern Iowa Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Iowa Mental Health Center's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the 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 a certain deficiency in internal control we consider to be a material weakness.

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 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Iowa Mental Health Center'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 which 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. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Southern Iowa Mental Health Center's Responses to Findings

Southern Iowa Mental Health Center's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Southern Iowa Mental Health Center'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 Southern Iowa Mental Health Center 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.

ANDERSON, LARKIN & CO. P.C.

*Anderson, Larkin & Co. P.C.*

Ottumwa, Iowa  
October 2, 2013

SOUTHERN IOWA MENTAL HEALTH CENTER

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2013

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- (A) Segregation of Duties - Due to the small size of your organization, one employee performs many bookkeeping duties which are incompatible. This is a lack of segregation of duties, a problem commonly associated with small businesses and organizations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Center should be aware of the lack of segregation of duties and periodically review its internal policies.

Response - The internal policies will be reviewed on a regular basis.

Conclusion - Response accepted.

Other Findings Related to Required Statutory Reporting:

No matters were noted.