

**COMMUNITY MENTAL HEALTH
CENTER FOR MID-EASTERN IOWA**

Financial Statements

June 30, 2013 and 2012

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

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Independent Auditors' Report

Board of Directors
Community Mental Health Center
for Mid-Eastern Iowa
Iowa City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Community Mental Health Center for Mid-Eastern Iowa (a non-profit organization) as of and for the years ended June 30, 2013 and 2012, which comprise the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Organization'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 Organization'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 that 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 Community Mental Health Center for Mid-Eastern Iowa, as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Community Mental Health Center for Mid-Eastern Iowa taken as a whole. The accompanying schedule of comparative summary of budgeted and actual functional expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked “unaudited,” 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. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of Community Mental Health Center for Mid-Eastern Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Community Mental Health Center for Mid-Eastern Iowa's internal control over financial reporting and compliance.

T&T Financial Group, P.C.

Sigourney, Iowa
November 22, 2013

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Financial Position
June 30, 2013 and 2012

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 541,602	547,876
Receivables:		
Client services, less allowance for doubtful accounts of \$55,000 in 2013 and 2012	422,067	448,804
State of Iowa Community Mental Health Services grants-		
Federal	43,186	23,474
State of Iowa Homeless grant-Federal	10,674	7,566
State and county governments	101,065	92,395
Other	43,036	30,849
Prepaid expenses	37,774	64,958
Total current assets	<u>1,199,404</u>	<u>1,215,922</u>
Property and equipment:		
Land	56,775	56,775
Buildings	923,294	883,959
Furniture and equipment	533,866	323,371
Total	<u>1,513,935</u>	<u>1,264,105</u>
Less accumulated depreciation	884,242	855,788
Net property and equipment	<u>629,693</u>	<u>408,317</u>
Total assets	<u>\$ 1,829,097</u>	<u>1,624,239</u>

See accompanying notes to financial statements.

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current liabilities:		
Accounts payable	\$ 66,549	76,169
Accrued expenses	<u>154,823</u>	<u>160,234</u>
Total current liabilities	<u>221,372</u>	<u>236,403</u>
Long term liabilities		
Forgivable Loan - CDBG	<u>125,000</u>	-
Total Liabilities	<u>346,372</u>	<u>236,403</u>
Net assets:		
Unrestricted:		
General operating	1,418,098	1,322,882
Temporarily restricted	<u>64,627</u>	<u>64,954</u>
Total net assets	<u>1,482,725</u>	<u>1,387,836</u>
Total liabilities and net assets	\$ <u><u>1,829,097</u></u>	<u><u>1,624,239</u></u>

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Activities
For the Years Ended June 30, 2013 and 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Public support:						
Johnson County	\$ 867,864	-	867,864	741,405	-	741,405
Iowa County	61,330	-	61,330	43,200	-	43,200
Cedar County	69,370	-	69,370	54,302	-	54,302
Other counties	86,257	-	86,257	89,958	-	89,958
State payment program	155,312	-	155,312	151,826	-	151,826
Mental Health Block Grant	88,212	-	88,212	68,184	-	68,184
PATH Grant for Homeless Outreach						
Services	42,830	-	42,830	43,000	-	43,000
Other grants	5,000	-	5,000	149,083	-	149,083
Contributions	33,381	112,489	145,870	42,205	59,236	101,441
Net assets released from restrictions	112,816	(112,816)	-	66,970	(66,970)	-
Total public support	<u>1,522,372</u>	<u>(327)</u>	<u>1,522,045</u>	<u>1,450,133</u>	<u>(7,734)</u>	<u>1,442,399</u>
Revenue:						
Client fees	1,357,382	-	1,357,382	1,272,301	-	1,272,301
Investment income	908	-	908	1,880	-	1,880
Fundraising events, net of direct costs of \$6,496 and \$6,170 in 2013 and 2012	11,991	-	11,991	15,811	-	15,811
Other	9,666	-	9,666	11,522	-	11,522
Total revenue	<u>1,379,947</u>	<u>-</u>	<u>1,379,947</u>	<u>1,301,514</u>	<u>-</u>	<u>1,301,514</u>
Total public support and revenue	<u>2,902,319</u>	<u>(327)</u>	<u>2,901,992</u>	<u>2,751,647</u>	<u>(7,734)</u>	<u>2,743,913</u>
Expenses:						
Program services	2,604,671	-	2,604,671	2,608,351	-	2,608,351
Supporting services:						
Fundraising	14,383	-	14,383	11,330	-	11,330
Administrative	188,049	-	188,049	139,712	-	139,712
Total expenses	<u>2,807,103</u>	<u>-</u>	<u>2,807,103</u>	<u>2,759,393</u>	<u>-</u>	<u>2,759,393</u>
Change in net assets	95,216	(327)	94,889	(7,746)	(7,734)	(15,480)
Net assets, beginning of year	<u>1,322,882</u>	<u>64,954</u>	<u>1,387,836</u>	<u>1,330,628</u>	<u>72,688</u>	<u>1,403,316</u>
Net assets, end of year	<u>\$ 1,418,098</u>	<u>64,627</u>	<u>1,482,725</u>	<u>1,322,882</u>	<u>64,954</u>	<u>1,387,836</u>

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Cash Flows
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Change in net assets	\$ 94,889	(15,480)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	51,023	40,686
Effects of changes in operating assets and liabilities:		
Receivables	(16,940)	27,451
Prepaid expenses	27,184	(28,051)
Accounts payable	(9,620)	4,724
Accrued expenses	<u>(5,411)</u>	<u>(145,114)</u>
Net cash provided (used) by operating activities	<u>141,125</u>	<u>(115,784)</u>
Investing activities:		
Purchases of property and equipment	<u>(147,399)</u>	<u>(27,202)</u>
Net cash provided (used) by investing activities	<u>(147,399)</u>	<u>(27,202)</u>
Net increase (decrease) in cash and cash equivalents	(6,274)	(142,986)
Cash and cash equivalents, beginning of year	<u>547,876</u>	<u>690,862</u>
Cash and cash equivalents, end of year	\$ <u><u>541,602</u></u>	<u><u>547,876</u></u>
Supplemental disclosures of cash flow information:		
Noncash investing and financing activities:		
Purchase of property and equipment through issuance of a forgivable loan	\$ <u><u>125,000</u></u>	<u><u>-</u></u>

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statement of Functional Expenses
For the Year Ended June 30, 2013

	Program Services									Supporting Services			Total	
	MHBG Adult & Child	Homeless	Compeer	CSP	Consultation	Education	Psychotherapy	Psychiatry	ARNP	Total Program Services	Fundraising	Administrative		Total Supporting Services
Direct salaries and nonemployee compensation	\$ 80,284	39,737	22,494	159,012	1,875	5,378	623,910	812,751	131,943	1,877,384	9,255	121,868	131,123	2,008,507
Payroll taxes	5,712	2,870	1,696	11,604	136	393	44,323	42,625	9,276	118,635	708	9,324	10,032	128,667
Employee benefits	19,468	9,926	2,555	36,873	332	936	107,199	92,804	21,780	291,873	1,496	21,250	22,746	314,619
Total salaries and related expenses	105,464	52,533	26,745	207,489	2,343	6,707	775,432	948,180	162,999	2,287,892	11,459	152,442	163,901	2,451,793
Rent	161	84	44	314	4	4	4,204	1,833	-	6,648	-	-	-	6,648
Dues and subscriptions	24	56	509	45	1	5	203	210	187	1,240	-	3,212	3,212	4,452
Repairs and maintenance	1,393	733	383	2,719	37	134	10,472	11,934	4,040	31,845	-	4,097	4,097	35,942
Insurance	1,004	532	279	1,958	29	92	7,569	27,186	2,845	41,494	-	6,024	6,024	47,518
Professional fees	3,762	1,397	1,309	5,742	62	198	22,144	27,317	5,518	67,449	-	1,390	1,390	68,839
Travel	1,570	1,866	1	10,247	2	1	3,092	-	36	16,815	-	2,543	2,543	19,358
Staff development	1,966	-	2	35	-	12	7,389	2,034	386	11,824	-	5,551	5,551	17,375
Utilities and telephone	1,515	970	282	4,228	27	91	9,028	9,053	2,699	27,893	-	3,013	3,013	30,906
Advertising	339	177	92	661	8	24	2,535	3,208	639	7,683	-	-	-	7,683
Office supplies and postage	3,451	968	1,805	3,487	47	144	13,031	17,420	4,415	44,768	2,924	3,887	6,811	51,579
Emergency services	264	138	72	516	7	23	1,980	2,325	675	6,000	-	-	-	6,000
Program activities and supplies	453	1,867	256	234	-	-	1,064	80	-	3,954	-	73	73	4,027
Recruitment	10	5	3	317	-	-	203	153	34	725	-	-	-	725
Other	148	70	141	305	5	13	1,027	1,113	413	3,235	-	-	-	3,235
Total before depreciation	121,524	61,396	31,923	238,297	2,572	7,448	859,373	1,052,046	184,886	2,559,465	14,383	182,232	196,615	2,756,080
Depreciation	1,977	1,040	545	3,859	67	173	14,865	17,084	5,596	45,206	-	5,817	5,817	51,023
Total functional expenses	\$ 123,501	62,436	32,468	242,156	2,639	7,621	874,238	1,069,130	190,482	2,604,671	14,383	188,049	202,432	2,807,103

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services								Supporting Services			Total
	SFY, FFY & Mini Mental Health	Homeless	Compeer	CSP	Consultation and Education	Psychotherapy	Psychiatry	Total Program Services	Fundraising	Administrative	Total Supporting Services	
Direct salaries and nonemployee compensation	\$ 108,537	40,867	23,191	152,770	2,525	637,899	924,544	1,890,333	8,537	70,709	79,246	1,969,579
Payroll taxes	8,312	2,982	1,749	11,077	178	45,820	50,740	120,858	469	5,594	6,063	126,921
Employee benefits	16,064	10,171	2,794	32,049	504	115,556	114,992	292,130	1,591	14,028	15,619	307,749
Total salaries and related expenses	132,913	54,020	27,734	195,896	3,207	799,275	1,090,276	2,303,321	10,597	90,331	100,928	2,404,249
Rent	303	91	40	326	55	4,294	1,539	6,648	-	-	-	6,648
Dues and subscriptions	18	26	546	89	93	221	167	1,160	-	6,106	6,106	7,266
Repairs and maintenance	2,094	847	618	4,126	369	14,157	12,456	34,667	-	4,460	4,460	39,127
Insurance	1,422	606	441	2,444	398	8,815	27,825	41,951	-	6,577	6,577	48,528
Professional fees	3,617	1,443	1,858	5,567	908	22,229	26,879	62,501	-	8,055	8,055	70,556
Travel	844	1,934	19	10,869	45	4,389	-	18,100	-	3,324	3,324	21,424
Staff development	6,059	420	84	429	78	6,801	2,763	16,634	-	5,755	5,755	22,389
Utilities and telephone	1,781	948	373	4,389	290	10,090	8,373	26,244	-	3,376	3,376	29,620
Advertising	480	168	92	602	101	2,359	2,917	6,719	-	-	-	6,719
Office supplies and postage	2,321	796	1,718	2,740	501	12,807	14,754	35,637	733	7,097	7,830	43,467
Emergency services	345	150	102	539	90	2,080	2,694	6,000	-	-	-	6,000
Program activities and supplies	92	2,559	462	509	5	2,662	878	7,167	-	-	-	7,167
Recruitment	129	-	-	-	-	-	138	267	-	-	-	267
Other	285	123	177	473	74	1,778	2,370	5,280	-	-	-	5,280
Total before depreciation	152,703	64,131	34,264	228,998	6,214	891,957	1,194,029	2,572,296	11,330	135,081	146,411	2,718,707
Depreciation	2,166	896	641	3,958	462	13,832	14,100	36,055	-	4,631	4,631	40,686
Total functional expenses	\$ 154,869	65,027	34,905	232,956	6,676	905,789	1,208,129	2,608,351	11,330	139,712	151,042	2,759,393

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Notes to Financial Statements June 30, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies

Community Mental Health Center for Mid-Eastern Iowa (Organization) was incorporated in September 1969 in the State of Iowa. The Organization's fiscal year ends June 30. Significant accounting policies followed by the Organization are presented below.

Nature of Activities

The Organization provides outpatient psychiatry and psychotherapy for a wide range of clientele. It also provides outpatient community support for the chronically mentally ill to help them function more independently in the community and to prevent further hospitalization. The Organization is primarily supported by Johnson County and the surrounding counties.

The Organization's mission statement is: Community Mental Health Center for Mid-Eastern Iowa is dedicated to improving lives through high quality, accessible mental health services and promoting awareness of mental health issues in the community.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables and other liabilities.

Basis of Presentation

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

- Unrestricted net assets – net assets not subject to donor-imposed restrictions
- Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met by actions of the Organization and/or the passage of time.
- Permanently restricted net assets – net assets subject to donor-imposed restrictions that are neither fulfilled nor otherwise removed by actions of the Organization nor expire with the passage of time.

Management has determined that the Organization has no permanently restricted net assets.

(continued)

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued) June 30, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions with donor-imposed restrictions that are met within the same reporting period are reported as temporarily restricted revenues, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor restrictions concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with an original maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash in excess of daily requirements is invested in interest bearing accounts and money market funds of qualified financial institutions in amounts that may exceed federal insured limits. The Organization believes the credit risk related to these deposits is minimal.

(continued)

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued) June 30, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Receivables

Client service receivables are uncollateralized customer obligations, which generally require payment within thirty days from the invoice date.

Account balances with invoices over ninety days old are considered delinquent. Delinquent accounts of \$100 or more are set up on a payment plan, with minimum monthly payments of \$5. Payments of client service receivables are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of client service receivables are reduced by a valuation of allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibles of specific patient's accounts and the aging of the client service receivables. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts.

Grants Receivable

Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenditures as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenditures over cash basis reimbursements at year end and unconditional contributions receivable that will be collected in the following fiscal year.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which range from 3 to 39 years.

(continued)

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2013 and 2012

Note 1 – Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenue from client service grants and contracts are recognized in the period the services are performed.

Functional Expenses

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

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to the year ended June 30, 2010.

Date of Managements' Review

Management has evaluated subsequent events through November 22, 2013, the date which the financial statements were available to be issued.

Note 2 – Client Fees

Client fees for the years ended June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Gross client fees	\$ 1,882,089	1,561,905
Fee adjustments	<u>(524,707)</u>	<u>(289,604)</u>
Net fees	\$ <u>1,357,382</u>	<u>1,272,301</u>

Note 3 – Economic Dependency

The Organization is dependent upon federal, state, and county monies to maintain its operations. In the event that monies are not available from such sources Community Mental Health Center for Mid-Eastern Iowa may not continue as a going concern.

Note 4 – Contingent Liability

The Organization is contingently liable to grantors for monies received until each grant has been closed by the grantor.

**COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA**

**Notes to Financial Statements (Continued)
June 30, 2013 and 2012**

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Subsequent years' operations	\$ 33,303	31,836
Compeer program	<u>31,324</u>	<u>33,118</u>
	\$ <u>64,627</u>	<u>64,954</u>

Note 6 – Note Payable

During the year ended June 30, 2013, the Organization received a forgivable loan from CDBG in the amount of \$125,000. The loan will not have to be repaid as long as the Organization provides mental health services to at least 2,200 low to moderate income individuals annually through July 15, 2022. If the requirement is not met, the entire amount comes due immediately. The Organization anticipates it will meet the requirement.

Note 7 – Depreciation

Depreciation expense for the years ended June 30, 2013 and 2012 was \$51,023 and \$40,686, respectively.

Note 8 – Pension Plan

The Organization has a defined-contribution 403(b) pension plan covering all permanent employees who work 20 or more hours per week. The Organization contributes an amount equal to 8% of the annual compensation of these employees. Pension expense totaled \$134,569 and \$132,923 for the years ended June 30, 2013 and 2012, respectively.

Note 9 – Concentrations of Credit Risk

Accounting principles generally accepted in the United States of America require disclosure of information about certain significant estimates and current vulnerabilities due to certain concentrations. These matters include the following:

During each of the years ended June 30, 2013 and 2012 the Organization received 30% and 27% of its total public support and revenue from Johnson County, respectively. Significant reductions in the County's funding of social programs could materially affect the Organization's operations.

The Organization maintains a security repurchase agreement with MidWestOne Bank. The investments purchased through the agreement are considered cash equivalents. The transactions entered into under the security repurchase agreement are not insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund. Uninsured cash balances as of June 30, 2013 were \$242,045.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2013 and 2012

Note 10 – Related Party Transactions

The Organization contracted with one board member for services related to repairs and renovations and purchased furniture from another board member. Total related party transactions for the year ended June 30, 2013 were \$21,602. There were no significant related party transactions for the year ended June 30, 2012.

Note 11 – Line of Credit

For the year ended June 30, 2013, the Organization has a line of credit with a local bank of \$60,000. The interest rate is 5.75%. There was no balance on the line of credit at June 30, 2013. The line of credit is secured by remodeling expenses. The line of credit expires December 15, 2014.

Note 12 – Reclassifications

Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Supplementary Information

June 30, 2013 and 2012

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Comparative Summary of Budgeted and Actual Functional
Expenses

For the Year Ended June 30, 2013

	(Unaudited) Budgeted <u>Expenditures</u>	Actual <u>Expenditures</u>
Functional expenses:		
Salaries and nonemployee compensation	\$ 2,042,982	2,008,507
Payroll taxes and employee benefits	484,889	443,286
Total salaries and related expenses	<u>2,527,871</u>	<u>2,451,793</u>
Staff development	18,265	17,375
Professional fees	12,113	12,195
Computer support	64,555	56,644
Rent	6,780	6,648
Utilities	13,656	14,663
Insurance	47,900	47,518
Telephone and internet service	16,557	16,243
Supplies, postage and small equipment	59,318	55,606
Maintenance, buildings and grounds	39,910	35,942
Publicity	6,854	7,683
Travel reimbursement	15,500	19,358
Emergency service	6,000	6,000
Staff recruitment	272	725
Depreciation	43,925	51,023
PATH rent deposit fund	1,500	1,164
Other expenses	20,571	6,523
	<u>373,676</u>	<u>355,310</u>
Total functional expenses	\$ <u>2,901,547</u>	<u>2,807,103</u>

Offices located in:
Burlington
(319) 753-9877
Cedar Rapids
(319) 393-2374
Centerville
(641) 437-4296
Fairfield
(641) 472-6171
Mt. Pleasant
(319) 385-3026



Offices located in:
Muscatine
(563) 264-2727
Oskaloosa
(641) 672-2523
Ottumwa
(641) 683-1823
Pella
(641) 628-9411
Sigourney
(641) 622-1013

TD&T Financial Group, P.C.

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*

Board of Directors
Community Mental Health Center
for Mid-Eastern Iowa
Iowa City, Iowa

We have audited, in accordance with the 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, the financial statements of Community Mental Health Center for Mid-Eastern Iowa, which comprise the financial statements as listed in the table of contents as of and for the year ended June 30, 2013, and have issued our report thereon dated November 22, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Mental Health Center for Mid-Eastern Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are 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 the Community Mental Health Center for Mid-Eastern Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of 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 and response, we identified a certain deficiency in internal control that 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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 finding and response as 2013-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that 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 Community Mental Health Center for Mid-Eastern Iowa'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*.

Community Mental Health Center for Mid-Eastern Iowa's Response to Findings

Community Mental Health Center for Mid-Eastern Iowa's response to the finding identified in our audit is described in the accompanying schedule of finding and response. Community Mental Health Center for Mid-Eastern Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

TDE&T Financial Group, P.C.

November 22, 2013

COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

Schedule of Finding and Response For the Year Ended June 30, 2013

Finding related to the financial statements:

Material Weakness:

Finding 2013-1: Material Audit Adjustment

Condition: A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. A material audit adjustment was necessary in order for the financial statements to be in accordance with accounting principles generally accepted in the United States of America. The adjustment was to reclassify a forgivable loan from grant revenues to long-term liabilities until it is forgiven.

Criteria: Internal controls should be in place that provide reasonable assurance that the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Cause: Personnel in charge of accounting possess adequate knowledge and training in order to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America, however, there was a misunderstanding about the proper accounting treatment of the forgivable loan.

Effect: The financial statements did not accurately report the liabilities, revenues, and net assets of the Organization.

Recommendation: Accounting personnel should consult with the auditors regarding the proper accounting treatment of non-routine transactions.

Response: Accounting personnel will consult with the auditors regarding the proper accounting treatment of non-routine transactions.