

***VERA FRENCH
COMMUNITY MENTAL HEALTH CENTER, INC.***

Davenport, Iowa

***FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT***

June 30, 2014

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vera French Community
Mental Health Center, Inc.
Davenport, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Vera French Community Mental Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 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.

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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 entity'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 Vera French Community Mental Health Center, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014, on our consideration of Vera French Community Mental Health Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Vera French Community Mental Health Center, Inc.'s internal control over financial reporting and compliance.

Carpentier, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
September 10, 2014

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014

ASSETS**CURRENT ASSETS**

Cash and cash equivalents	\$ 4,777,306
Accounts receivable:	
Patient receivables, net of allowance	808,123
Grant receivables	85,340
Other receivables	19,154
Prepaid expenses	<u>66,613</u>
Total Current Assets	<u>\$ 5,756,536</u>

PROPERTY AND EQUIPMENT

Land	\$ 42,000
Furnishings and equipment	2,209,343
Buildings and improvements	<u>3,670,482</u>
Property and equipment at cost	\$ 5,921,825
Less: accumulated depreciation	<u>(3,933,116)</u>
Total property and equipment	<u>\$ 1,988,709</u>
Total Assets	<u><u>\$ 7,745,245</u></u>

LIABILITIES AND NET ASSETS**CURRENT LIABILITIES**

Accounts payable	\$ 50,445
Accrued wages and payroll taxes	622,272
Other accrued liabilities	49,978
Current portion of notes payable	<u>18,167</u>
Total Current Liabilities	<u>\$ 740,862</u>

LONG TERM LIABILITIES

Notes payable, less current portion	<u>\$ 147,423</u>
Total Liabilities	<u>\$ 888,285</u>

NET ASSETS

Unrestricted net assets	\$ 6,831,670
Temporarily restricted net assets	<u>25,290</u>
Total Net Assets	<u>\$ 6,856,960</u>
Total Liabilities and Net Assets	<u><u>\$ 7,745,245</u></u>

The accompanying notes are an integral part of these financial statements.

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Scott County	\$ 2,108,528	\$ -	\$ 2,108,528
Service fees	2,231,787	-	2,231,787
Habilitation	2,116,569	-	2,116,569
Contributions	208,395	-	208,395
Title XIX	2,931,753	-	2,931,753
SSI, SSDI, SSA	479,955	-	479,955
Grants	485,974	25,290	511,264
State cases	321,984	-	321,984
Other	150,233	-	150,233
	<u>\$ 11,035,178</u>	<u>\$ 25,290</u>	<u>\$ 11,060,468</u>
EXPENSES			
Outpatient	\$ 4,878,225	\$ -	\$ 4,878,225
Community support	546,262	-	546,262
Partial hospital	95,836	-	95,836
Supported community living	760,024	-	760,024
Case management	340,118	-	340,118
Integrated health program	187,690	-	187,690
Grant programs	160,206	-	160,206
Residential programs	2,908,330	-	2,908,330
	<u>\$ 9,876,691</u>	<u>\$ -</u>	<u>\$ 9,876,691</u>
SUPPORTING SERVICES			
General and administrative	\$ 843,242	\$ -	\$ 843,242
	<u>\$ 843,242</u>	<u>\$ -</u>	<u>\$ 843,242</u>
Total expenses			
	<u>\$ 10,719,933</u>	<u>\$ -</u>	<u>\$ 10,719,933</u>
Change in net assets	\$ 315,245	\$ 25,290	\$ 340,535
Net assets, beginning of year	6,516,425	-	6,516,425
Net assets, end of year	<u>\$ 6,831,670</u>	<u>\$ 25,290</u>	<u>\$ 6,856,960</u>

The accompanying notes are an integral part of these financial statements.

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 340,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	278,381
(Increase) decrease in:	
Accounts receivable	250,046
Prepaid expenses	2,583
Increase (decrease) in:	
Accounts payable	(19,895)
Accrued and other liabilities	(110,512)
	\$ 741,138
Net cash provided by operating activities	\$ 741,138

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of fixed assets	\$ (450,801)
	\$ (450,801)
Net cash flows used by investing activities	\$ (450,801)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of notes payable	\$ (17,632)
	\$ (17,632)
Net cash used by financing activities	\$ (17,632)

Net increase in cash	\$ 272,705
Cash at beginning of year	4,504,601
	\$ 4,777,306
Cash at end of year	\$ 4,777,306

SUPPLEMENTAL CASH FLOW DISCLOSURE

Interest paid	\$ 5,256
	\$ 5,256

The accompanying notes are an integral part of these financial statements.

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Vera French Community Mental Health Programs	Pine Knoll Residential Programs	Grant Programs	Management and General	Total
Salaries	\$ 4,894,847	\$ 1,905,299	\$ 97,424	\$ 604,016	\$ 7,501,586
Benefits	979,951	513,289	27,016	175,581	1,695,837
Occupancy	229,260	150,330	-	1,618	381,208
Communications	76,334	16,862	533	12,376	106,105
Supplies	92,547	179,875	11,295	3,638	287,355
Equipment costs	70,867	28,404	-	7,636	106,907
Other expenses	259,071	35,912	23,938	38,377	357,298
Interest	5,256	-	-	-	5,256
Depreciation	200,022	78,359	-	-	278,381
Total	<u>\$ 6,808,155</u>	<u>\$ 2,908,330</u>	<u>\$ 160,206</u>	<u>\$ 843,242</u>	<u>\$ 10,719,933</u>

The accompanying notes are an integral part of these financial statements.

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Vera French Community Mental Health Center, Inc. (the “Center”) was formed in 1950, and works to enhance the mental health of all in the community by providing quality, accessible, and comprehensive care.

The Center serves over 10,000 adults and children each year through a variety of programs at numerous community locations. These programs include:

- *Outpatient Services* which are available for all age groups including group, individual and family therapy, psychiatric services and medication management.
- *School-Based Therapy Program* which provides access to comprehensive mental health care to children in 20 Scott County Schools.
- *Homeless Outreach Services* which assist the homeless in finding necessary mental health support and services, housing, and basic needs.
- *Carol Center Outreach Program* which provides a safe and supportive place for the most vulnerable, chronically mentally ill people to seek refuge and get assistance with education and support, money management, problem solving, meal preparation, socialization, and medicine and crisis management.
- *Supported Community Living Program* which promotes independence and maximizes an individual’s ability to function in the community by offering hourly services in the home or community location and Home-Based Habilitation services at designated sites in the Quad Cities.
- *Integrated Health Program* which offers a team of professionals working with adults and children suffering from a serious mental illness to integrate their physical and mental health along with their lifestyle choices.
- *Peer-to-Peer Counseling* which is a unique program where individuals who have suffered from mental illness themselves help others in their recovery.
- *Pine Knoll Residential Program* which provides residential treatment for adults with severe and persistent mental illness.

Basis of Presentation –

The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Use of Estimates –

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

Financial Statement Presentation –

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- *Unrestricted* - Net assets which are free of donor-imposed restrictions.
- *Temporarily restricted* - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Center pursuant to those restrictions or that expire by the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or a 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 had \$25,290 of temporarily restricted net assets at June 30, 2014.
- *Permanently restricted* - Net assets subject to donor-imposed restrictions that they be maintained permanently. Generally, the donors of these assets permit the Center to use all or part of the income from these assets. The Center has no permanently restricted net assets at June 30, 2014.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

Contributions –

Contributions and grants received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Center reports the contribution as unrestricted.

Net Patient Revenue –

Patient service revenue is reported at estimated net realizable amounts from patients, third party payors, and others for services rendered. See Note 2.

Cash and Cash Equivalents –

For purposes of the statements of cash flows, the Center considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

Income Taxes –

The Center is exempt from income taxes as a non-profit organization under section 501(c)(3) of the Internal Revenue Code. The Center is also exempt from state income taxes.

Fixed Assets –

Fixed assets are stated at cost and being depreciated over their estimated useful life using the straight-line method of depreciation. Fixed assets under \$1,000 are expensed in the current period. The following lives are currently used:

<u>Classification</u>	<u>Lives</u>
Furnishings and equipment	5 or 7 years
Buildings and improvements	5 – 30 years

Depreciation expense for the year ended June 30, 2014 was \$278,381.

Restricted Grants –

Fixed assets acquired through restricted grant contributions are considered to be owned by the Center. Some funding sources may have a reversionary interest in the property as well as the determination of use of any proceeds from the sale of these assets.

Program Expense Classification –

Program expense classifications consist of both expenses directly identifiable to a specific program and indirect expenses allocated among the programs and supporting services benefitted.

NOTE 2 – NET PATIENT REVENUE

The Center has agreements with federal and state third-party payors that provide for payments to the Center at amounts different from its established rates. The agreements also include cost reimbursements that are subject to audit and retroactive adjustment by the respective third-party payors. Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Approximately 23% of revenue for the year ended June 30, 2014 is from participation in cost-based reimbursement programs.

The Center also has entered into payment agreements with certain commercial insurance carriers under which the basis for payment to the Center includes discounts from established charges. For uninsured patients, the Center recognizes revenue on the basis of its standard rates for service provided.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – (Continued)

The Center's provision for doubtful accounts against revenue reflects both amounts considered uncollectible due to a patient's inability to pay and amounts not collectible due to contractual adjustments and discounts by third-party payors. Contractual adjustments and discounts by third party payors represent approximately 54% of gross patient revenue for the year ended June 30, 2014. Amounts of patient revenue considered uncollectible totaled approximately \$285,000 for the year ended June 30, 2014.

NOTE 3 – ACCOUNTS RECEIVABLE

The Center states its accounts receivable related to service fees at an amount management expects to collect from outstanding balances. The Center does not accrue interest on past due accounts receivable. Receivables are written off only after collection attempts have failed and the balance is sent to collections. The allowance for doubtful accounts represents an estimate of amounts considered uncollectible, both due to contractual adjustments and due to bad debts, and is determined based on the Center's historical collection experience. At June 30, 2014, the allowance was \$411,890.

NOTE 4 – RETIREMENT PLAN

The Center has a defined contribution retirement plan for substantially all full time employees. The Center contributes a safe harbor contribution of 3% of wages for all eligible employees and an additional matching contribution for employees contributing to the plan. The Center's contribution amount included in the expenses for the year ended June 30, 2014 is \$231,876.

NOTE 5 – LEASED LAND

The Center leases approximately four acres of land, upon which the Center's building is located, for an annual rental of \$1 plus the payment of any taxes and insurance. The lease agreement expires in May 2020 and provides that the Center will have the right to first refusal in the event of any sale of land by the lessor.

NOTE 6 – CONTINGENT LIABILITIES

According to the Center's employment policies, sick leave pay is forfeited upon termination and therefore has not been accrued.

Malpractice claims may be asserted arising from past service provided. Management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – NOTES PAYABLE

The Center's notes payable at June 30, 2014 are summarized as follows:

	<u>Amount</u>
Note payable to Humility of Mary Housing, Inc., due in monthly installments of \$1,907, including interest at 3%; due August 1, 2022; secured by real estate with a net book value of approximately \$478,000.	\$ 165,590
Total	<u>\$ 165,590</u>
Total current portion	\$ 18,167
Total long-term portion	<u>147,423</u>
Total	<u>\$ 165,590</u>

The note is due as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 18,167
2016	18,720
2017	19,289
2018	19,876
2019	20,481
Thereafter	<u>69,057</u>
Total	<u>\$ 165,590</u>

NOTE 8 – PINE KNOLL RESIDENTIAL CENTER

Vera French Community Mental Health Center, Inc. entered into a leasehold agreement with Scott County, Iowa as of July 1, 1987. Under the terms of the lease, all administrative, programmatic and fiscal control of the operation known as "The Pine Knoll Health Care Facility" was given to Vera French Community Health Center, Inc. for the consideration of \$1 per year. The property under lease is to remain a residential care facility, primarily for the care and treatment of the chronically mentally ill. The County remains responsible for insurance and maintenance of structural and mechanical features of the building. The Center is responsible for routine inside building and personal property, insurance and maintenance, as well as outside grounds maintenance. However, Scott County maintains a landlord's lien and security interest on all personal property and substitutions. Therefore, no assets relating to the building at Pine Knoll are included in this report as property of Vera French Community Mental Health Center, Inc.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – CONSOLIDATED FINANCIAL STATEMENTS

These financial statements for the Center are prepared as a supplement to the consolidated financial statements of the Center and its affiliates. The consolidated financial statements reflect the combined operations and accounts of the Center and its related activities as of and for the year ended June 30, 2014. The consolidated financial statements are considered the general-purpose financial statements of the Center.

NOTE 10 – RELATED ORGANIZATIONS

Vera French Housing Corporation – The Corporation works closely with Vera French Community Mental Health Center to provide affordable housing to its patients. The Board of the Housing Corporation is approved and may be removed by the Center's Board.

Vera French Foundation – The Foundation supports the Center and various other organizations. During the year ended June 30, 2014, the Vera French Foundation made a grant to Vera French Community Mental Health Center, Inc. for several programs. The Center's Board approves and can remove the Foundation's Board.

NOTE 11 – LEASES

The Center leases office equipment and vehicles under operating lease agreements with monthly payments ranging from \$289 to \$1,271 per month and terms ending in fiscal years 2015 through 2017. Approximate future lease obligations are summarized as follows:

Year Ending June 30,	Amount
2015	\$ 66,200
2016	29,900
2017	24,700
2018	9,100
2019	4,600
Total	<u>\$ 134,500</u>

Lease expense for the year ended June 30, 2014 was \$86,974.

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Center maintains cash balances at a local bank that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash balances may at times exceed federally insured limits, but the Center does not believe it is exposed to any significant credit risk on cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – SUBSEQUENT EVENTS

The Center evaluated its June 30, 2014 financial statements for subsequent events through September 10, 2014, the date the financial statements were available to be issued. The Center is not aware of any material subsequent events which would require recognition or disclosure in the financial statements.

CARPENTIER
MITCHELL · GODDARD
& COMPANY · LLC
CERTIFIED PUBLIC
ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
Vera French Community
Mental Health Center, Inc.
Davenport, Iowa

We have audited the financial statements of Vera French Community Mental Health Center, Inc. as of and for the year ended June 30, 2014, and our report thereon dated September 10, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information (Exhibits 1, 2 and 3) is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carpentier, Mitchell, Goddard & Company, L.L.C.

Moline, Illinois
September 10, 2014

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL SUPPORT, REVENUES, AND EXPENSES
For the Year Ended June 30, 2014

	Vera French Community Mental Health Center	State and Grant Programs (Exhibit 3)	Subtotal (Exhibit 2)
Support and Revenue:			
Scott County	\$ 1,026,228	\$ -	\$ 1,026,228
Service fees	2,025,389	-	2,025,389
Habilitation	1,047,981	-	1,047,981
Contributions	182,684	-	182,684
Title XIX	2,931,753	-	2,931,753
SSI, SSDI, SSA	-	-	-
Grants	351,058	160,206	511,264
State cases	-	-	-
Other income	146,051	-	146,051
	<u>\$ 7,711,144</u>	<u>\$ 160,206</u>	<u>\$ 7,871,350</u>
Total Support and Revenue			
Expenses:			
Salaries	\$ 5,498,863	\$ 97,424	\$ 5,596,287
Benefits	1,155,532	27,016	1,182,548
Occupancy	230,878	-	230,878
Communications	88,710	533	89,243
Supplies	96,185	11,295	107,480
Equipment	78,503	-	78,503
Other expenses	297,448	23,938	321,386
Interest	5,256	-	5,256
Depreciation	200,022	-	200,022
	<u>\$ 7,651,397</u>	<u>\$ 160,206</u>	<u>\$ 7,811,603</u>
Total Expenses			
Change in Net Assets	<u>\$ 59,747</u>	<u>\$ -</u>	<u>\$ 59,747</u>

<u>Pine Knoll Residential Programs</u>	<u>Total</u>
\$ 1,082,300	\$ 2,108,528
206,398	2,231,787
1,068,588	2,116,569
25,711	208,395
-	2,931,753
479,955	479,955
-	511,264
321,984	321,984
4,182	150,233
<u>\$ 3,189,118</u>	<u>\$ 11,060,468</u>
\$ 1,905,299	\$ 7,501,586
513,289	1,695,837
150,330	381,208
16,862	106,105
179,875	287,355
28,404	106,907
35,912	357,298
-	5,256
78,359	278,381
<u>\$ 2,908,330</u>	<u>\$ 10,719,933</u>
<u>\$ 280,788</u>	<u>\$ 340,535</u>

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL SUPPORT, REVENUES, AND EXPENSES -
CENTER

For the Year Ended June 30, 2014

	<u>Outpatient</u>	<u>Community Support</u>	<u>Case Management</u>
Support and Revenue:			
Unrestricted:			
Scott County	\$ 752,673	\$ 114,161	\$ -
Service fees	1,987,345	17,197	-
Habilitation	-	154,209	144,637
Contributions	182,651	8	8
Title XIX	2,029,039	185,129	160,935
Grants	313,041	75,045	45
Other	143,605	543	966
	<u>\$ 5,408,354</u>	<u>\$ 546,292</u>	<u>\$ 306,591</u>
Total Support and Revenue			
Expenses:			
Salaries	\$ 4,308,698	\$ 325,203	\$ 245,217
Benefits	904,272	102,257	42,456
Occupancy	158,723	33,627	9,916
Communications	55,121	8,685	6,304
Supplies	74,009	17,782	2,987
Equipment costs	42,715	9,516	3,258
Other expenses	214,991	25,934	18,245
Interest	-	5,256	-
Depreciation	123,144	18,002	11,735
	<u>\$ 5,881,673</u>	<u>\$ 546,262</u>	<u>\$ 340,118</u>
Total Expenses			
Change in Net Assets	<u>\$ (473,319)</u>	<u>\$ 30</u>	<u>\$ (33,527)</u>

<u>Partial Hospital</u>	<u>Supported Community Living</u>	<u>Integrated Health Program</u>	<u>Total</u>
\$ 159,394	\$ -	\$ -	\$ 1,026,228
9,533	11,314	-	2,025,389
-	749,135	-	1,047,981
-	17	-	182,684
21,431	105,238	429,981	2,931,753
5	17,482	105,646	511,264
105	832	-	146,051
<u>\$ 190,468</u>	<u>\$ 884,018</u>	<u>\$ 535,627</u>	<u>\$ 7,871,350</u>
\$ 66,241	\$ 522,763	\$ 128,165	\$ 5,596,287
20,497	83,996	29,070	1,182,548
1,347	24,079	3,186	230,878
460	14,835	3,838	89,243
278	10,393	2,031	107,480
522	16,397	6,095	78,503
5,622	47,556	9,038	321,386
-	-	-	5,256
869	40,005	6,267	200,022
<u>\$ 95,836</u>	<u>\$ 760,024</u>	<u>\$ 187,690</u>	<u>\$ 7,811,603</u>
<u>\$ 94,632</u>	<u>\$ 123,994</u>	<u>\$ 347,937</u>	<u>\$ 59,747</u>

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENT OF FUNCTIONAL SUPPORT, REVENUE, AND EXPENSE -
STATE AND GRANT PROGRAMS
For the Year Ended June 30, 2014

	<u>DHS CHILD/Adol/ADM</u>	<u>PATH Program</u>	<u>Total</u>
Support and Revenue:			
Unrestricted:			
Scott County	\$ -	\$ -	\$ -
Service Fees	-	-	-
Habilitation	-	-	-
Contributions	-	-	-
Title XIX	-	-	-
Grants	101,451	58,755	160,206
Other	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Support and Revenue	<u>\$ 101,451</u>	<u>\$ 58,755</u>	<u>\$ 160,206</u>
Expenses:			
Salaries	\$ 59,647	\$ 37,777	\$ 97,424
Benefits	17,571	9,445	27,016
Occupancy	-	-	-
Communications	-	533	533
Supplies	1,295	10,000	11,295
Equipment costs	-	-	-
Other expenses	22,938	1,000	23,938
Depreciation	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenses	<u>\$ 101,451</u>	<u>\$ 58,755</u>	<u>\$ 160,206</u>
Change in Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



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**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***

To the Board of Directors
Vera French Community
Mental Health Center, Inc.
Davenport, 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 Vera French Community Mental Health Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 10, 2014.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vera French Community Mental Health Center, Inc.'s financial statements are free from 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*.

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.

Carpenter, Mitchell, Hoelclard & Company, L.L.C.

Moline, Illinois
September 10, 2014