

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

Financial Statements

June 30, 2014 and 2013

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), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 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, 2014 and 2013, 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 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 25, 2014 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.

TDE&T CPAs and Advisors, P.C.

Pella, Iowa
November 25, 2014

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Financial Position
June 30, 2014 and 2013

	<u>Assets</u>	
	2014	2013
Current assets:		
Cash and cash equivalents	\$ 427,379	541,602
Receivables:		
Client services, less allowance for doubtful accounts of \$55,000 in 2014 and 2013	419,445	422,067
State of Iowa Community Mental Health Services grants-		
Federal	51,157	43,186
State of Iowa Homeless grant-Federal	19,394	10,674
State and county governments	21,428	101,065
Iowa Health and Wellness Plan	9,816	-
Integrated Health Home	59,099	-
Other	25,896	43,036
Prepaid expenses	1,275	37,774
Total current assets	1,034,889	1,199,404
Property and equipment:		
Land	56,775	56,775
Buildings	1,098,162	1,097,554
Furniture and equipment	394,159	359,606
Total	1,549,096	1,513,935
Less accumulated depreciation	924,256	884,242
Net property and equipment	624,840	629,693
Total assets	\$ 1,659,729	1,829,097

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Financial Position
June 30, 2014 and 2013

<u>Liabilities and Net Assets</u>		
	<u>2014</u>	<u>2013</u>
Current liabilities:		
Accounts payable	\$ 13,470	66,549
Accrued expenses	<u>129,891</u>	<u>154,823</u>
Total current liabilities	<u>143,361</u>	<u>221,372</u>
Long term liabilities		
Forgivable Loan - CDBG	<u>125,000</u>	<u>125,000</u>
Total Liabilities	<u>268,361</u>	<u>346,372</u>
Net assets:		
Unrestricted:		
General operating	1,341,332	1,418,098
Temporarily restricted	<u>50,036</u>	<u>64,627</u>
Total net assets	<u>1,391,368</u>	<u>1,482,725</u>
Total liabilities and net assets	\$ <u><u>1,659,729</u></u>	<u><u>1,829,097</u></u>

See accompanying notes to financial statements.

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

Statements of Activities

For the Years Ended June 30, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Total		Unrestricted	Total
Support and revenue:						
Public support:						
Johnson County	\$ 541,223	-	541,223	867,864	-	867,864
Iowa County	30,092	-	30,092	61,330	-	61,330
Cedar County	39,536	-	39,536	69,370	-	69,370
Other counties	7,912	-	7,912	86,257	-	86,257
State payment program	-	-	-	155,312	-	155,312
Mental Health Block Grant	97,833	-	97,833	88,212	-	88,212
PATH Grant for Homeless Outreach						
Services	39,677	-	39,677	42,830	-	42,830
Other grants	42,219	-	42,219	5,000	-	5,000
Contributions	37,999	55,408	93,407	33,381	112,489	145,870
Net assets released from restrictions	69,999	(69,999)	-	112,816	(112,816)	-
Total public support	906,490	(14,591)	891,899	1,522,372	(327)	1,522,045
Revenue:						
Client fees	1,487,970	-	1,487,970	1,357,382	-	1,357,382
Investment income	886	-	886	908	-	908
Fundraising events, net of direct costs of \$6,086 and \$6,496 in 2014 and 2013	14,578	-	14,578	11,991	-	11,991
Integrated Health Home	131,276	-	131,276	-	-	-
Other	9,559	-	9,559	9,666	-	9,666
Total revenue	1,644,269	-	1,644,269	1,379,947	-	1,379,947
Total public support and revenue	2,550,759	(14,591)	2,536,168	2,902,319	(327)	2,901,992
Expenses:						
Program services	2,417,206	-	2,417,206	2,604,671	-	2,604,671
Supporting services:						
Fundraising	11,746	-	11,746	14,383	-	14,383
Administrative	198,573	-	198,573	188,049	-	188,049
Total expenses	2,627,525	-	2,627,525	2,807,103	-	2,807,103
Change in net assets	(76,766)	(14,591)	(91,357)	95,216	(327)	94,889
Net assets, beginning of year	1,418,098	64,627	1,482,725	1,322,882	64,954	1,387,836
Net assets, end of year	\$ 1,341,332	50,036	1,391,368	1,418,098	64,627	1,482,725

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities:		
Change in net assets	\$ (91,357)	94,889
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	55,949	51,023
Loss on disposal of property and equipment	66	-
Effects of changes in operating assets and liabilities:		
Receivables	13,793	(16,940)
Prepaid expenses	36,499	27,184
Accounts payable	(53,079)	(9,620)
Accrued expenses	(24,932)	(5,411)
	<u>(63,061)</u>	<u>141,125</u>
Investing activities:		
Purchases of property and equipment	<u>(51,162)</u>	<u>(147,399)</u>
	<u>(51,162)</u>	<u>(147,399)</u>
Net increase (decrease) in cash and cash equivalents	(114,223)	(6,274)
Cash and cash equivalents, beginning of year	<u>541,602</u>	<u>547,876</u>
Cash and cash equivalents, end of year	\$ <u><u>427,379</u></u>	<u><u>541,602</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>-</u></u>	<u><u>125,000</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, 2014**

	Program Services										Supporting Services			Total
	MHBG Adult & Child	Homeless	Compeer	CSP	Consultation	Education	Psychotherapy	Psychiatry	ARNP	Program Services	Fundraising	Administrative	Supporting Services	
Direct salaries and nonemployee compensation	\$ 92,688	39,860	25,203	139,803	2,969	102,193	537,530	550,048	207,170	1,697,464	9,766	124,736	134,502	1,831,966
Payroll taxes	6,658	2,772	1,868	9,943	215	7,414	36,823	28,464	11,537	105,694	747	9,542	10,289	115,983
Employee benefits	21,000	8,645	2,807	23,769	566	13,696	93,408	60,097	38,346	262,334	887	18,949	19,836	282,170
Total salaries and related expenses	120,346	51,277	29,878	173,515	3,750	123,303	667,761	638,609	257,053	2,065,492	11,400	153,227	164,627	2,230,119
Rent	161	84	44	314	7	-	4,204	1,835	-	6,649	-	-	-	6,649
Dues and subscriptions	57	44	524	105	-	-	533	829	42	2,134	-	4,372	4,372	6,506
Repairs and maintenance	2,222	1,052	695	3,265	49	1,452	13,489	15,838	3,585	41,647	-	5,346	5,346	46,993
Insurance	1,282	621	348	1,913	27	783	7,974	30,982	1,993	45,923	-	6,136	6,136	52,059
Professional fees	4,820	1,581	1,328	5,228	78	4,429	19,883	24,930	4,688	66,965	-	1,706	1,706	68,671
Travel	1,264	1,000	-	5,988	-	1,404	1,319	104	-	11,079	-	3,451	3,451	14,530
Staff development	-	7	45	52	-	-	4,004	3,327	3	7,438	-	10,508	10,508	17,946
Utilities and telephone	2,132	1,302	405	4,340	32	2,928	10,871	10,544	2,578	35,132	-	3,629	3,629	38,761
Advertising	264	126	70	418	8	135	2,094	2,121	323	5,559	-	-	-	5,559
Office supplies and postage	2,094	870	1,670	2,429	37	3,088	10,492	12,534	2,593	35,807	346	3,820	4,166	39,973
Emergency services	327	152	86	476	8	225	1,944	2,244	540	6,002	-	-	-	6,002
Program activities and supplies	895	2,596	541	541	2	61	2,685	599	39	7,959	-	-	-	7,959
Recruitment	22	11	6	37	1	1,507	295	22,432	18	24,329	-	-	-	24,329
Other	294	133	347	416	6	315	1,664	1,771	574	5,520	-	-	-	5,520
Total before depreciation	136,180	60,856	35,987	199,037	4,005	139,630	749,212	768,699	274,029	2,367,635	11,746	192,195	203,941	2,571,576
Depreciation	2,664	1,258	709	3,887	56	1,779	16,087	18,742	4,389	49,571	-	6,378	6,378	55,949
Total functional expenses	\$ 138,844	62,114	36,696	202,924	4,061	141,409	765,299	787,441	278,418	2,417,206	11,746	198,573	210,319	2,627,525

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		
	MHBG Adult & Child	Homeless	Compeer	CSP	Consultation	Education	Psychotherapy	Psychiatry	ARNP	Total Program Services	Fundraising	Administrative	Total Supporting Services	Total
Direct salaries and non-employee 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	12,250	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

Notes to Financial Statements June 30, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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, 2014 and 2013

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, 2011.

Date of Managements' Review

Management has evaluated subsequent events through November 25, 2014, the date which the financial statements were available to be issued.

Note 2 – 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 3 – Line of Credit

For the year ended June 30, 2014, 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, 2014. The line of credit is secured by the Community Development Block Grant Accessibility Project addition. The line of credit expires December 15, 2014.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 4 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Subsequent years' operations	\$ 28,165	33,303
Compeer program	<u>21,871</u>	<u>31,324</u>
	<u>\$ 50,036</u>	<u>64,627</u>

Note 5 – 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 6 – Contingent Liability

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

Note 7 – 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, 2014 and 2013 the Organization received 21% and 30% 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, 2014 were \$290,097.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2014 and 2013

Note 8 – Client Fees

Client fees for the years ended June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Gross client fees	\$ 2,023,975	1,882,089
Fee adjustments	<u>(536,005)</u>	<u>(524,707)</u>
Net fees	\$ <u>1,487,970</u>	<u>1,357,382</u>

Note 9 – 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 \$105,555 and \$134,569 for the years ended June 30, 2014 and 2013, respectively.

Note 10 – Depreciation

Depreciation expense for the years ended June 30, 2014 and 2013 was \$55,949 and \$51,023, respectively.

Note 11 – 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, 2014 and 2013 were \$3,288 and \$21,602, respectively.

Note 12 – Contingency

A complaint to the medical board was filed during the fiscal year ended June 30, 2014, regarding a Doctor whom was in the process of retiring, which the board has been investigating for several months. Management does not believe there is a significant risk associated with the incident.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Supplementary Information

June 30, 2014 and 2013

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Comparative Summary of Budgeted and Actual Functional
Expenses
For the Year Ended June 30, 2014

	(Unaudited) Budgeted Expenses	Actual Expenses
	<u> </u>	<u> </u>
Functional expenses:		
Salaries and nonemployee compensation	\$ 2,080,873	1,831,966
Payroll taxes and employee benefits	311,957	398,153
Total salaries and related expenses	<u>2,392,830</u>	<u>2,230,119</u>
Staff development	19,526	17,946
Professional fees	12,240	14,963
Computer support	61,871	53,708
Rent	6,781	6,649
Utilities	15,500	16,456
Insurance	44,409	52,059
Telephone and internet service	16,630	22,305
Supplies, postage and small equipment	59,500	47,932
Maintenance, buildings and grounds	39,418	46,993
Publicity	9,059	5,559
Travel reimbursement	19,194	14,530
Emergency service	6,120	6,002
Staff recruitment	378	24,329
Finance and service charges	461	-
Depreciation	52,698	55,949
PATH rent deposit fund	1,530	1,164
Other expenses	7,394	10,862
	<u>372,709</u>	<u>397,406</u>
Total functional expenses	\$ <u>2,765,539</u>	<u>2,627,525</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



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

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 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 November 25, 2014.

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.

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 organization'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 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*.

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.

T&T CPAs and Advisors, P.C.

Pella, Iowa
November 25, 2014