

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

Davenport, Iowa

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

June 30, 2015 and 2014

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.

June 30, 2015 and 2014

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement 1 – Statements of Financial Position	3
2 – Statements of Activities	4 - 5
3 – Statements of Cash Flows	6
4 – Statements of Functional Expenses	7 - 8
Notes to Financial Statements	9 - 15
SUPPLEMENTARY INFORMATION	
INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION	16
Exhibit 1 – Statement of Functional Support, Revenues, and Expenses	17
2 – Statement of Functional Support, Revenues, and Expenses - Center	18
3 – Statement of Functional Support, Revenues, and Expenses - State and Grant Programs	19
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 <i>GOVERNMENT AUDITING STANDARDS</i>	20 - 21



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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 statements of financial position as of June 30, 2015 and 2014, 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 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 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years 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 9, 2015, 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, LLC

Moline, Illinois
September 9, 2015

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and cash equivalents		
Unrestricted and undesignated	\$ 3,840,535	\$ 4,777,306
Restricted or board designated	5,200,000	-
Accounts receivable:		
Patient receivables, net of allowance	1,144,411	808,123
Grant receivables	54,581	85,340
Other receivables	31,180	19,154
Prepaid expenses	64,330	66,613
	<u>\$ 10,335,037</u>	<u>\$ 5,756,536</u>
PROPERTY AND EQUIPMENT		
Land	\$ 42,000	\$ 42,000
Furnishings and equipment	2,258,814	2,209,343
Buildings and improvements	3,689,915	3,670,482
	<u>\$ 5,990,729</u>	<u>\$ 5,921,825</u>
Property and equipment at cost		
Less: accumulated depreciation	<u>(4,163,985)</u>	<u>(3,933,116)</u>
	<u>\$ 1,826,744</u>	<u>\$ 1,988,709</u>
Total property and equipment		
	<u>\$ 12,161,781</u>	<u>\$ 7,745,245</u>
Total assets		

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT LIABILITIES		
Accounts payable	\$ 70,068	\$ 50,445
Accrued wages and payroll taxes	619,744	622,272
Other accrued liabilities	83,016	49,978
Current portion of notes payable	-	18,167
	<hr/>	<hr/>
Total current liabilities	\$ 772,828	\$ 740,862
LONG TERM LIABILITIES		
Notes payable, less current portion	\$ -	\$ 147,423
	<hr/>	<hr/>
Total liabilities	\$ 772,828	\$ 888,285
NET ASSETS		
Unrestricted net assets		
Undesignated	\$ 6,188,953	\$ 6,831,670
Board Designated	3,200,000	-
Temporarily restricted net assets	2,000,000	25,290
	<hr/>	<hr/>
Total net assets	\$ 11,388,953	\$ 6,856,960
Total liabilities and net assets	<u>\$ 12,161,781</u>	<u>\$ 7,745,245</u>

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

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Scott County	\$ 2,823,677	\$ -	\$ 2,823,677
Service fees	1,914,138	-	1,914,138
Habilitation	1,937,160	-	1,937,160
Contributions	239,220	-	239,220
Title XIX	5,985,387	-	5,985,387
SSI, SSDI, SSA	549,722	-	549,722
Grants	188,665	-	188,665
Other	73,446	2,000,000	2,073,446
Net assets released from restriction	25,290	(25,290)	-
	<u>\$ 13,736,705</u>	<u>\$ 1,974,710</u>	<u>\$ 15,711,415</u>
EXPENSES			
Outpatient	\$ 4,493,680	\$ -	\$ 4,493,680
Community support	499,730	-	499,730
Supported community living	934,069	-	934,069
Integrated health program	1,211,911	-	1,211,911
Grant programs	114,328	-	114,328
Residential programs	2,935,499	-	2,935,499
	<u>\$ 10,189,217</u>	<u>\$ -</u>	<u>\$ 10,189,217</u>
SUPPORTING SERVICES			
General and administrative	\$ 990,205	\$ -	\$ 990,205
	<u>\$ 990,205</u>	<u>\$ -</u>	<u>\$ 990,205</u>
Total expenses			
	<u>\$ 11,179,422</u>	<u>\$ -</u>	<u>\$ 11,179,422</u>
Change in net assets	\$ 2,557,283	\$ 1,974,710	\$ 4,531,993
Net assets, beginning of year	6,831,670	25,290	6,856,960
Net assets, end of year	<u>\$ 9,388,953</u>	<u>\$ 2,000,000</u>	<u>\$ 11,388,953</u>

(Continued)

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS 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.
STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 4,531,993	\$ 340,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	306,324	278,381
(Increase) decrease in:		
Accounts receivable	(317,555)	250,046
Prepaid expenses	2,283	2,583
Increase (decrease) in:		
Accounts payable	19,623	(19,895)
Accrued and other liabilities	30,510	(110,512)
	<u>\$ 4,573,178</u>	<u>\$ 741,138</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	\$ (144,359)	\$ (450,801)
	<u>\$ (144,359)</u>	<u>\$ (450,801)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of notes payable	\$ (165,590)	\$ (17,632)
	<u>\$ (165,590)</u>	<u>\$ (17,632)</u>
Net increase in cash	\$ 4,263,229	\$ 272,705
Cash at beginning of year	4,777,306	4,504,601
Cash at end of year	<u>\$ 9,040,535</u>	<u>\$ 4,777,306</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	<u>\$ 4,420</u>	<u>\$ 5,256</u>

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, 2015

	<u>Vera French Community Mental Health Programs</u>	<u>Pine Knoll Residential Programs</u>	<u>Grant Programs</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 5,164,358	\$ 1,871,253	\$ 74,897	\$ 636,785	\$ 7,747,293
Benefits	1,078,309	525,446	18,063	190,803	1,812,621
Occupancy	219,006	142,611	-	717	362,334
Communications	87,490	16,301	761	11,976	116,528
Supplies	104,437	206,051	10,555	5,466	326,509
Equipment costs	71,610	28,295	-	36,481	136,386
Other expenses	184,402	64,576	10,052	107,977	367,007
Interest	4,420	-	-	-	4,420
Depreciation	225,358	80,966	-	-	306,324
Total	<u>\$ 7,139,390</u>	<u>\$ 2,935,499</u>	<u>\$ 114,328</u>	<u>\$ 990,205</u>	<u>\$ 11,179,422</u>

(Continued)

VERA FRENCH COMMUNITY MENTAL HEALTH CENTER, INC.
STATEMENTS 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, 2015 and 2014

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Vera French Community Mental Health Center, Inc. (the “Center”) was formed in 1949, 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.
- *Rick's House of Hope* which offers hope and guidance to children experiencing grief, loss, or trauma issues.

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 \$2,000,000 and \$25,290 of temporarily restricted net assets as of June 30, 2015 and 2014, respectively.
- *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 as of June 30, 2015 and 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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – (Continued)

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 years ended June 30, 2015 and 2014 was \$306,324 and \$278,381, respectively.

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. Less than 10% of revenue for the year ended June 30, 2015 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 52% and 54% of gross patient revenue for the years ended June 30, 2015 and 2014, respectively. Amounts of patient revenue considered uncollectible and written off totaled approximately \$144,000 and \$183,000 for the years ended June 30, 2015 and 2014, respectively.

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, 2015 and 2014, the allowance was \$238,375 and \$411,890, respectively.

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 years ended June 30, 2015 and 2014 is \$239,494 and \$231,876, respectively.

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 are summarized as follows. The note was paid in full in 2015.

	<u>2015</u>	<u>2014</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 at June 30, 2014.	\$ - - -	\$ 165,590
 	<hr/>	<hr/>
Total	<u>\$ - - -</u>	<u>\$ 165,590</u>
Total current portion	\$ - - -	\$ 18,167
Total long-term portion	<u>- - -</u>	<u>147,423</u>
Total	<u>\$ - - -</u>	<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.

NOTE 9 – NET ASSETS

Temporarily restricted net assets of \$2,000,000 at June 30, 2015 are restricted by the donor to be used for the acquisition of additional residential facilities. In addition, the Board of Directors has designated \$2,000,000 of its unrestricted net assets for spending on additional residential facilities and \$1,200,000 for cash flow reserves for ICD-10 implementation in fiscal year 2016.

Temporarily restricted net assets of \$25,290 at June 30, 2014 were time and use-restricted for State grant programs. The entire amount was released from restriction in fiscal year 2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – 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, 2015 and 2014. The consolidated financial statements are considered the general-purpose financial statements of the Center.

NOTE 11 – RELATED ORGANIZATIONS

Vera French Housing Corporation – The Housing 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. There was a balance due to the Center from the Housing Corporation of \$21,268 and \$1,292 in other receivables at June 30, 2015 and 2014, respectively, for payroll and insurance related expenditures.

Vera French Foundation – The Foundation supports the Center and related organizations. During the years ended June 30, 2015 and 2014, the Vera French Foundation made grants 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 \$115 to \$3,587 per month and terms ending in fiscal years 2015 through 2017. Approximate future lease obligations are summarized as follows:

Year Ending June 30,	Amount
2016	\$ 73,800
2017	69,000
2018	54,000
2019	49,900
2020	26,600
Total	<u>\$ 273,300</u>

Lease expense for the years ended June 30, 2015 and 2014 was \$94,847 and \$86,974, respectively.

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, 2015 financial statements for subsequent events through September 9, 2015, the date the financial statements were available to be issued. Subsequent to year end, the Center entered into an agreement to purchase land for a residential care facility for \$385,000, conditioned upon site inspections and feasibility studies.

CARPENTIER
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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, 2015, and have issued our report thereon dated September 9, 2015, which contained an unmodified opinion on those financial statements. 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, LLC

Moline, Illinois
September 9, 2015

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

For the Year Ended June 30, 2015

	Vera French Community Mental Health Center (Exhibit 2)	State and Grant Programs (Exhibit 3)	Subtotal
Support and revenue:			
Scott County	\$ 424,193	\$ -	\$ 424,193
Service fees	1,809,168	-	1,809,168
Habilitation	1,049,640	-	1,049,640
Contributions	204,929	-	204,929
Title XIX	5,985,387	-	5,985,387
SSI, SSDI, SSA	-	-	-
Grants	74,337	114,328	188,665
State cases	-	-	-
Other income	62,538	-	62,538
	<u>\$ 9,610,192</u>	<u>\$ 114,328</u>	<u>\$ 9,724,520</u>
Total support and revenue			
Expenses:			
Salaries	\$ 5,801,143	\$ 74,897	\$ 5,876,040
Benefits	1,269,112	18,063	1,287,175
Occupancy	219,723	-	219,723
Communications	99,466	761	100,227
Supplies	109,903	10,555	120,458
Equipment	108,091	-	108,091
Other expenses	292,379	10,052	302,431
Interest	4,420	-	4,420
Depreciation	225,358	-	225,358
	<u>\$ 8,129,595</u>	<u>\$ 114,328</u>	<u>\$ 8,243,923</u>
Total expenses			
Change in net assets	<u>\$ 1,480,597</u>	<u>\$ -</u>	<u>\$ 1,480,597</u>

Pine Knoll Residential Programs	Total
\$ 2,399,484	\$ 2,823,677
104,970	1,914,138
887,520	1,937,160
34,291	239,220
-	5,985,387
549,722	549,722
-	188,665
-	-
2,010,908	2,073,446
<u>\$ 5,986,895</u>	<u>\$ 15,711,415</u>
\$ 1,871,253	\$ 7,747,293
525,446	1,812,621
142,611	362,334
16,301	116,528
206,051	326,509
28,295	136,386
64,576	367,007
-	4,420
80,966	306,324
<u>\$ 2,935,499</u>	<u>\$ 11,179,422</u>
<u>\$ 3,051,396</u>	<u>\$ 4,531,993</u>

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

For the Year Ended June 30, 2015

	Outpatient	Community Support
Support and revenue:		
Unrestricted:		
Scott County	\$ 152,543	\$ 118,024
Service fees	1,785,299	23,235
Habilitation	-	112,784
Contributions	193,950	3,366
Title XIX	4,081,598	237,919
Grants	57,401	100
Other	61,928	(255)
	<u>\$ 6,332,719</u>	<u>\$ 495,173</u>
Total support and revenue		
Expenses:		
Salaries	\$ 3,985,867	\$ 312,637
Benefits	874,222	81,516
Occupancy	139,485	31,825
Communications	52,739	8,657
Supplies	61,246	18,314
Equipment costs	45,385	10,760
Other expenses	203,218	15,899
Interest	29	4,347
Depreciation	121,694	15,775
	<u>\$ 5,483,885</u>	<u>\$ 499,730</u>
Total expenses		
Change in net assets	<u>\$ 848,834</u>	<u>\$ (4,557)</u>

<u>Supported Community Living</u>	<u>Integrated Health Program</u>	<u>Total</u>
\$ 153,626	\$ -	\$ 424,193
649	(15)	1,809,168
936,471	385	1,049,640
3,123	4,490	204,929
94,103	1,571,767	5,985,387
16,836	-	74,337
355	510	62,538
<u>\$ 1,205,163</u>	<u>\$ 1,577,137</u>	<u>\$ 9,610,192</u>
\$ 651,845	\$ 850,794	\$ 5,801,143
136,213	177,161	1,269,112
19,862	28,551	219,723
16,709	21,361	99,466
19,359	10,984	109,903
21,341	30,605	108,091
32,664	40,598	292,379
19	25	4,420
36,057	51,832	225,358
<u>\$ 934,069</u>	<u>\$ 1,211,911</u>	<u>\$ 8,129,595</u>
<u>\$ 271,094</u>	<u>\$ 365,226</u>	<u>\$ 1,480,597</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, 2015

	DHS CHILD/Adol/ADM	PATH Program	Total
Support and revenue:			
Unrestricted:			
Scott County	\$ -	\$ -	\$ -
Service Fees	-	-	-
Habilitation	-	-	-
Contributions	-	-	-
Title XIX	-	-	-
Grants	52,929	61,399	114,328
Other	-	-	-
	<u>52,929</u>	<u>61,399</u>	<u>114,328</u>
Total support and revenue	<u>\$ 52,929</u>	<u>\$ 61,399</u>	<u>\$ 114,328</u>
Expenses:			
Salaries	\$ 33,987	\$ 40,910	\$ 74,897
Benefits	8,335	9,728	18,063
Occupancy	-	-	-
Communications	-	761	761
Supplies	1,555	9,000	10,555
Equipment costs	-	-	-
Other expenses	9,052	1,000	10,052
Depreciation	-	-	-
	<u>52,929</u>	<u>61,399</u>	<u>114,328</u>
Total expenses	<u>\$ 52,929</u>	<u>\$ 61,399</u>	<u>\$ 114,328</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, 2015, 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 9, 2015.

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 Center'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 Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carpentier, Mitchell, Goddard & Company, LLC

Moline, Illinois
September 9, 2015