

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

Financial Statements

June 30, 2015 and 2014

**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, 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 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, 2015 and 2014, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2015 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
October 13, 2015

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Financial Position
June 30, 2015 and 2014

	<u>Assets</u>	
	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ -	427,379
Receivables:		
Client services, less allowance for doubtful accounts of \$114,990 and \$55,000 in 2015 and 2014, respectively	-	419,445
State of Iowa Community Mental Health Services grants- Federal	-	51,157
State of Iowa Homeless grant-Federal	-	19,394
State and county governments	-	21,428
Iowa Health and Wellness Plan	-	9,816
Integrated Health Home	-	59,099
Other	-	25,896
Prepaid expenses	-	1,275
Total current assets	<u>-</u>	<u>1,034,889</u>
Property and equipment:		
Land	-	56,775
Buildings	-	1,098,162
Furniture and equipment	-	394,159
Total	<u>-</u>	<u>1,549,096</u>
Less accumulated depreciation	-	924,256
Net property and equipment	<u>-</u>	<u>624,840</u>
Total assets	<u>\$ -</u>	<u>1,659,729</u>

See accompanying notes to financial statements.

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Statements of Financial Position
June 30, 2015 and 2014

<u>Liabilities and Net Assets</u>		
	<u>2015</u>	<u>2014</u>
Current liabilities:		
Accounts payable	\$ -	13,470
Accrued expenses	-	129,891
Total current liabilities	<u>-</u>	<u>143,361</u>
Long term liabilities		
Forgivable Loan - CDBG	-	125,000
Total Liabilities	<u>-</u>	<u>268,361</u>
Net assets:		
Unrestricted:		
General operating	-	1,341,332
Temporarily restricted	-	50,036
Total net assets	<u>-</u>	<u>1,391,368</u>
Total liabilities and net assets	\$ <u><u>-</u></u>	<u><u>1,659,729</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, 2015 and 2014

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and revenue:				
Public support:				
Johnson County	-	-	541,223	-
Iowa County	-	-	30,092	-
Cedar County	23,877	-	39,536	-
Other counties	-	-	7,912	-
State payment program	-	-	-	-
Mental Health Block Grant	88,612	-	97,833	-
PATH Grant for Homeless Outreach				
Services	41,832	-	39,677	-
Other grants	-	-	42,219	-
Contributions	44,236	21,788	37,999	55,408
Net assets released from restrictions	40,908	(40,908)	69,999	(69,999)
Total public support	239,465	(19,120)	906,490	(14,591)
Revenue:				
Client fees	1,374,557	-	1,487,970	-
Investment income	580	-	886	-
Fundraising events, net of direct costs of \$24 and \$6,086 in 2015 and 2014	5,956	-	14,578	-
Integrated Health Home	771,124	-	131,276	-
Gain on disposal of assets	1,378,792	-	-	-
Other	11,273	-	9,559	-
Total revenue	3,542,282	-	1,644,269	-
Total public support and revenue	3,781,747	(19,120)	2,550,759	(14,591)
Expenses:				
Program services	2,465,114	-	2,417,206	-
Supporting services:				
Fundraising	9,845	-	11,746	-
Administrative	305,168	-	198,573	-
Total expenses	2,780,127	-	2,627,525	-
Change in net assets from continuing operations	1,001,620	(19,120)	(76,766)	(14,591)
Contribution of net assets to Abbe, Inc.	(2,342,952)	(30,916)	-	-
Net assets, beginning of year	1,341,332	50,036	1,418,098	64,627
Net assets, end of year	-	-	1,341,332	50,036

See accompanying notes to financial statements.

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

**Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Operating activities:		
Change in net assets from continuing operations	\$ 982,500	(91,357)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	53,441	55,949
(Gain) loss on disposal of property and equipment	(1,378,792)	66
Effects of changes in operating assets and liabilities:		
Receivables	315,201	13,793
Prepaid expenses	(20,974)	36,499
Accounts payable	(5,535)	(53,079)
Accrued expenses	(7,680)	(24,932)
Net cash provided (used) by continuing operations	(61,839)	(63,061)
Discontinued operations:		
Change in net assets	\$ (2,373,868)	-
Adjustments to reconcile change in net assets to net cash used by discontinued operations:		
Loss on disposal of property and equipment	477,388	-
(Increase) decrease in:		
Receivables	291,034	-
Prepaid expenses	22,249	-
Increase (decrease) in:		
Accounts payable	(7,935)	-
Accrued liabilities	(122,211)	-
Net cash contributed to Abbe, Inc.	(1,713,343)	-
Investing activities:		
Purchases of property and equipment	(427,197)	(51,162)
Proceeds from sale of property and equipment	1,900,000	-
Net cash provided (used) by investing activities	1,472,803	(51,162)
Financing activities:		
Principal payments on long-term debt	(125,000)	-
Net cash (used) by financing activities	(125,000)	-
Net increase (decrease) in cash and cash equivalents	(427,379)	(114,223)
Cash and cash equivalents, beginning of year	427,379	541,602
Cash and cash equivalents, end of year	\$ -	427,379

See accompanying notes to financial statements.

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

**Statement of Functional Expenses
For the Year Ended June 30, 2015**

	Program Services										Supporting Services			Total
	MHBG Adult & Child	Homeless	Compeer	CSP	Consultation	Education	Psycho-therapy	Psychiatry	ARNP	Program Services	Fundraising	Administrative	Total Supporting Services	
Direct salaries and nonemployee compensation	\$ 98,090	41,129	25,111	122,531	1,973	462,209	446,551	421,027	209,035	1,827,656	6,351	113,409	119,760	1,947,416
Payroll taxes	5,180	2,946	1,895	9,058	150	32,831	31,558	13,340	14,954	111,912	486	8,676	9,162	121,074
Employee benefits	9,382	6,685	571	21,155	139	43,712	44,853	23,966	21,293	171,756	662	11,127	11,789	183,545
Total salaries and related expenses	112,652	50,760	27,577	152,744	2,262	538,752	522,962	458,333	245,282	2,111,324	7,499	133,212	140,711	2,252,035
Rent	-	-	-	-	-	-	3,550	-	-	3,550	-	-	-	3,550
Dues and subscriptions	39	18	10	53	1	186	183	160	86	736	-	4,417	4,417	5,153
Repairs and maintenance	1,194	538	292	1,622	24	5,704	5,613	4,915	2,644	22,546	-	2,898	2,898	25,444
Insurance	2,573	1,159	630	3,496	52	12,296	12,101	10,594	5,700	48,601	-	10,060	10,060	58,661
Professional fees	2,324	1,046	569	3,157	47	11,103	10,926	9,566	5,147	43,885	-	138,329	138,329	182,214
Travel	1,890	751	28	6,253	-	10,492	-	136	1	19,551	-	2,802	2,802	22,353
Staff development	106	48	26	144	2	507	499	437	235	2,004	-	368	368	2,372
Utilities and telephone	1,748	1,218	373	3,113	14	17,804	8,939	8,124	3,283	44,616	-	3,594	3,594	48,210
Advertising	236	106	58	321	5	1,129	1,111	973	525	4,464	-	-	-	4,464
Office supplies and postage	1,763	792	430	2,385	35	8,359	8,135	7,064	3,778	32,741	2,346	3,396	5,742	38,483
Emergency services	318	154	80	464	4	778	1,823	1,674	705	6,000	-	-	-	6,000
Program activities and supplies	277	1,573	422	87	-	5	1,029	1,775	74	5,242	-	-	-	5,242
Recruitment	-	-	-	-	-	28	-	-	-	28	-	-	-	28
Other	3,836	1,727	939	5,211	76	18,332	18,041	15,806	8,509	72,477	-	-	-	72,477
Total before depreciation	128,956	59,890	31,434	179,050	2,522	625,475	594,912	519,557	275,969	2,417,765	9,845	299,076	308,921	2,726,686
Depreciation	2,216	1,214	611	3,686	19	6,516	14,450	13,101	5,536	47,349	-	6,092	6,092	53,441
Total functional expenses	\$ 131,172	61,104	32,045	182,736	2,541	631,991	609,362	532,658	281,505	2,465,114	9,845	305,168	315,013	2,780,127

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			
	MHBG Adult & Child	Homeless	Compete	CSP	Consultation	Education	Psycho-therapy	Psychiatry	ARNP	Total Program Services	Fundraising	Administrative	Total Supporting Services	Total
Direct salaries and non-employee 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

Notes to Financial Statements June 30, 2015 and 2014

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 Medicaid, Medicare and private insurance fees.

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, 2015 and 2014

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. Uninsured cash balances as of June 30, 2015 were \$1,552,027.

(continued)

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2015 and 2014

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, 2015 and 2014

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, 2012.

Note 2 – Acquisition by Abbe, Inc.

Due to the rising cost and changing structure of health care and to better serve and sustain the mission of the Organization, the board of directors of Community Mental Health Center for Mid-Eastern Iowa unanimously approved acquisition of Community Mental Health Center for Mid-Eastern Iowa by Abbe, Inc. Effective June 30, 2015 Community Mental Health Center for Mid-Eastern Iowa contributed all net assets to Abbe, Inc. The following table summarizes the amounts of the assets contributed and liabilities assumed by Abbe, Inc. at the acquisition date.

At June 30, 2015:

Cash and cash equivalents	\$ 1,713,343
Receivables	291,034
Prepaid expenses	22,249
Property and equipment, net	477,388
Accounts payable	(7,935)
Accrued expenses	<u>(122,211)</u>
Total identifiable net assets contributed	\$ <u>2,373,868</u>

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

**Notes to Financial Statements (Continued)
June 30, 2015 and 2014**

Note 3 – 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 does not have to be repaid as long as the Organization provided mental health services to at least 2,200 low to moderate income individuals annually through July 15, 2022. If the requirement was not met, the entire amount was due immediately. During the year ended June 30, 2015, the Organization sold its facilities and repaid the loan in anticipation of failing the requirement due to acquisition by Abbe, Inc. effective June 30, 2015.

Note 4 – Line of Credit

For the year ended June 30, 2015, the Organization has a line of credit with a local bank of \$250,000. The interest rate is 5.75%. There was no balance on the line of credit at June 30, 2015 and 2014. The line of credit is secured by the Community Development Block Grant Accessibility Project addition.

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Subsequent years' operations	\$ -	28,165
Compeer program	-	<u>21,871</u>
	\$ <u>-</u>	<u>50,036</u>

Note 6 – Client Fees

Client fees for the years ended June 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Gross client fees	\$ 1,933,357	2,023,975
Fee adjustments	<u>(558,800)</u>	<u>(536,005)</u>
Net fees	\$ <u>1,374,557</u>	<u>1,487,970</u>

COMMUNITY MENTAL HEALTH CENTER
FOR MID-EASTERN IOWA

Notes to Financial Statements (Continued)
June 30, 2015 and 2014

Note 7 – 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. Effective August 1, 2014 and February 1, 2015 the Organization reduced employer contributions to 4% and suspended employer contributions, respectively. Pension expense totaled \$25,131 and \$105,555 for the years ended June 30, 2015 and 2014, respectively. On the date of acquisition by Abbe, Inc. the pension plan was terminated and employees became 100% vested in their contributions.

Note 8 – Depreciation

Depreciation expense for the years ended June 30, 2015 and 2014 was \$53,441 and \$55,949, respectively.

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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, 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 October 13, 2015.

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
October 13, 2015