

**The Richmond Center
Financial Statements
Year Ended June 30, 2004**

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Independent Auditor's Report

Board of Directors
The Richmond Center
Ames, Iowa

We have audited the accompanying statement of financial position of The Richmond Center as of June 30, 2004, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2003 financial statements and, in our report dated August 9, 2003 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Richmond Center at June 30, 2004, and the changes in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 10, 2004, on our consideration of The Richmond Center's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Peterson & Houston, P.C.
Boone, Iowa

August 10, 2004

The Richmond Center
Statement of Financial Position
June 30, 2004
(With Comparative Totals for June 30, 2003)

| | 2004 | 2003 |
|--|---------------------|---------------------|
| Assets | | |
| Assets | | |
| Assets | | |
| Cash and cash equivalents | \$ 261,127 | \$ 183,592 |
| Accounts receivable | | |
| Trade, net of allowance for doubtful accounts of \$78,356 and \$54,521 | 367,689 | 320,608 |
| Other | 28,280 | 250 |
| Prepaid expenses | 5,672 | 5,389 |
| Other assets | 3,213 | - |
| Property and equipment, net of accumulated depreciation of \$262,450 and \$232,617 | 1,064,878 | 1,039,635 |
| Total assets | \$ 1,730,859 | \$ 1,549,474 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Liabilities | | |
| Accounts payable | \$ 15,514 | \$ 29,691 |
| Accrued liabilities | 137,033 | 76,328 |
| Unearned revenue | - | 5,000 |
| Capital lease obligations | 5,981 | 8,427 |
| Notes payable | 972,897 | 950,530 |
| Total liabilities | 1,131,425 | 1,069,976 |
| Net assets | | |
| Net assets | | |
| Unrestricted | | |
| Undesignated | 458,830 | 438,165 |
| Designated | 115,000 | 10,000 |
| Total unrestricted | 573,830 | 448,165 |
| Temporarily restricted | 25,604 | 31,333 |
| Total net assets | 599,434 | 479,498 |
| Total liabilities and net assets | \$ 1,730,859 | \$ 1,549,474 |

See accompanying notes.

The Richmond Center
Statement of Activities
Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

| | Unrestricted | Temporarily Restricted | 2004 Total | 2003 Total |
|--|-------------------|---------------------------|-------------------|-------------------|
| Changes in net assets | | | | |
| Revenues, gains and other support | | | | |
| Contributions | \$ 7,595 | \$ 2,006 | \$ 9,601 | \$ 12,300 |
| United Way | 14,000 | - | 14,000 | 11,551 |
| Carroll County | 33,914 | - | 33,914 | - |
| Story County | 192,699 | - | 192,699 | 192,618 |
| Boone County | 101,408 | - | 101,408 | 95,058 |
| Greene County | 66,000 | - | 66,000 | 66,000 |
| City of Ames | 19,500 | - | 19,500 | 19,300 |
| City of Boone | 1,250 | - | 1,250 | 1,575 |
| ISU Government Student Body | 4,684 | - | 4,684 | 4,684 |
| Youth & Shelter Services | 3,344 | - | 3,344 | 3,375 |
| Community Mental Health | | | | |
| Services Block Grant | 46,490 | - | 46,490 | 50,680 |
| Department of Correction Services | 13,459 | - | 13,459 | 13,085 |
| Patient fees | 1,207,823 | - | 1,207,823 | 1,212,938 |
| Rental income | 60,480 | - | 60,480 | 60,000 |
| Other income | 19,469 | - | 19,469 | 34,491 |
| Investment income | 925 | 247 | 1,172 | 2,945 |
| Gain on merger with CRCC (See Note 13) | 132,761 | - | 132,761 | - |
| Total revenues, gains and other support | 1,925,801 | 2,253 | 1,928,054 | 1,780,600 |
| Net assets released from restrictions | 7,982 | (7,982) | - | - |
| Total revenues, gains, support, and reclassifications | 1,933,783 | (5,729) | 1,928,054 | 1,780,600 |
| Expenses | | | | |
| Program services | | | | |
| Outpatient services | 1,226,120 | - | 1,226,120 | 1,214,060 |
| Outreach services | 222,059 | - | 222,059 | 188,541 |
| Batterers education services | 48,638 | - | 48,638 | 43,012 |
| Other program services | 11,626 | - | 11,626 | 18,356 |
| Total program services | 1,508,443 | - | 1,508,443 | 1,463,969 |
| Support activities | | | | |
| General and administrative | 299,675 | - | 299,675 | 308,592 |
| Total expenses | 1,808,118 | - | 1,808,118 | 1,772,561 |
| Increase (decrease) in net assets | 125,665 | (5,729) | 119,936 | 8,039 |
| Net assets, beginning of year | 448,165 | 31,333 | 479,498 | 471,459 |
| Net assets, end of year | \$ 573,830 | \$ 25,604 | \$ 599,434 | \$ 479,498 |

See accompanying notes.

The Richmond Center
Statement of Functional Expenses
Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

| | Program Services | | | | Support Activities | | | |
|-------------------------------------|---------------------|-------------------|------------------------------|------------------------|------------------------|----------------------------|--------------|--------------|
| | Outpatient Services | Outreach Services | Batterers Education Services | Other Program Services | Total Program Services | General and Administrative | 2004 Total | 2003 Total |
| Salaries and wages | \$ 886,758 | \$ 148,269 | \$ 42,215 | \$ - | \$ 1,077,242 | \$ 153,578 | \$ 1,230,820 | \$ 1,176,817 |
| Employee benefits | 75,477 | 16,630 | 139 | - | 92,246 | 17,069 | 109,315 | 126,968 |
| Payroll taxes | 64,575 | 11,059 | 3,228 | - | 78,862 | 11,531 | 90,393 | 88,169 |
| Total salaries and related expenses | 1,026,810 | 175,958 | 45,582 | - | 1,248,350 | 182,178 | 1,430,528 | 1,391,954 |
| Contract services | 21,406 | 76 | - | 9,700 | 31,182 | 1,460 | 32,642 | 49,764 |
| Contracted physician services | 16,650 | - | - | - | 16,650 | - | 16,650 | 14,220 |
| Community support services | - | 2,548 | - | - | 2,548 | - | 2,548 | 1,954 |
| Advertising | - | - | - | - | - | 11,192 | 11,192 | 10,548 |
| Professional fees | - | - | - | - | - | 9,872 | 9,872 | 4,975 |
| Office supplies | 25,470 | 4,165 | 1,136 | - | 30,771 | - | 30,771 | 28,656 |
| Postage | 5,395 | 1,382 | - | - | 6,777 | 4,556 | 11,333 | 10,368 |
| Continuing education | 7,910 | 571 | 449 | - | 8,930 | 1,971 | 10,901 | 16,877 |
| Dues and subscriptions | 566 | 93 | 25 | - | 684 | 3,442 | 4,126 | 4,658 |
| Data systems | 8,481 | 1,394 | 380 | - | 10,255 | 327 | 10,582 | 11,682 |
| Occupancy | 22,233 | 2,919 | - | - | 25,152 | 2,455 | 27,607 | 18,573 |
| Utilities | 10,752 | 1,210 | - | - | 11,962 | 1,677 | 13,639 | 12,160 |
| Insurance | 19,923 | 3,256 | 892 | - | 24,071 | 3,560 | 27,631 | 34,238 |
| Repairs and maintenance | 6,921 | 730 | - | - | 7,651 | 1,283 | 8,934 | 6,154 |
| Telephone | 7,956 | 2,828 | - | - | 10,784 | 1,522 | 12,306 | 12,269 |
| Travel | 5,452 | 7,901 | 21 | - | 13,374 | 2,560 | 15,934 | 13,499 |
| Miscellaneous | 2,574 | 496 | 114 | 1,926 | 5,110 | 359 | 5,469 | 9,594 |
| Interest expense | 11,260 | 2,302 | 39 | - | 13,601 | 63,144 | 76,745 | 78,443 |
| Depreciation | 26,361 | 14,230 | - | - | 40,591 | 8,117 | 48,708 | 41,975 |
| Total functional expenses | \$ 1,226,120 | \$ 222,059 | \$ 48,638 | \$ 11,626 | \$ 1,508,443 | \$ 299,675 | \$ 1,808,118 | \$ 1,772,561 |

See accompanying notes.

The Richmond Center
Statement of Cash Flows
Year Ended June 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

| | 2004 | 2003 |
|---|-------------|------------|
| Cash flows from operating activities | | |
| Increase in net assets | \$ 119,936 | \$ 8,039 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities | | |
| Depreciation | 48,708 | 41,975 |
| Noncash contributions | - | (4,200) |
| Noncash gain on merger with CRCC | (18,015) | - |
| (Increase) decrease in operating assets | | |
| Accounts receivable | (75,111) | (35,173) |
| Prepaid expenses | (283) | 1,868 |
| Increase (decrease) in operating liabilities | | |
| Accounts payable | (14,177) | (33,441) |
| Accrued liabilities | 60,705 | 14,315 |
| Unearned revenue | (5,000) | 5,000 |
| Net cash provided (used) by operating activities | 116,763 | (1,617) |
| Cash flows from investing activities | | |
| Purchase of investments | - | (2,127) |
| Maturity of investment | - | 36,291 |
| Purchase of property and equipment | (6,704) | - |
| Net cash provided (used) by investing activities | (6,704) | 34,164 |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | - | 15,000 |
| Repayment on short-term borrowings | - | (15,000) |
| Repayment on capital lease obligations | (2,446) | (2,075) |
| Repayment on notes payable | (30,078) | (25,207) |
| Net cash used by financing activities | (32,524) | (27,282) |
| Net increase in cash and cash equivalents | 77,535 | 5,265 |
| Cash and cash equivalents, beginning of year | 183,592 | 178,327 |
| Cash and cash equivalents, end of year | \$ 261,127 | \$ 183,592 |
| Supplemental disclosures: | | |
| Interest paid during year | \$ 76,745 | \$ 78,443 |
| Gifts of building improvements | \$ - | \$ 4,200 |
| Noncash investing and financing transaction: | | |
| Value of assets obtained through merger with Carroll Regional Counseling Center | \$ 132,761 | \$ - |
| Acquisition of vehicle | | |
| Cost of vehicle | \$ 52,444 | \$ 8,000 |
| Vehicle loan | \$ (52,444) | \$ (8,000) |

See accompanying notes.

The Richmond Center
Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

a. Nature of Activities

The Richmond Center, located in Ames, Iowa, is a nonprofit organization providing mental health services which include outpatient mental health, community support, consultation, education, and psychiatric services for the residents of Story, Boone, Greene and Carroll Counties.

The Organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

b. Basis of Accounting

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

c. Basis of Presentation

The Organization follows Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations, and 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. The Organization has no permanently restricted net assets.

d. 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.

e. Cash and Cash Equivalent

For purposes of the statement of cash flows, the Organization considers all highly liquid investments and certificates of deposit with maturities of three months or less when purchased to be cash equivalents.

The Richmond Center
Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

f. Property and Equipment

Property and equipment is carried at cost, or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation of buildings and equipment is provided during the straight-line method for financial reporting purposes at rates based on the following useful lives:

| | |
|-------------------------|--------|
| Building & improvements | 5 – 39 |
| Equipment & furnishings | 3 – 7 |

Expenditures for major renewals and betterments in excess of \$3,000 that extend the useful lives of buildings and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

g. Contributions

Contributions 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. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets as net assets released from restrictions.

h. Expenses Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based upon distribution of salaries and wages and usage of facilities and equipment.

i. Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by individual program. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2003, from which the summarized information was derived.

**The Richmond Center
Notes to Financial Statements**

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

j. Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

2. Property and Equipment

Property and equipment are summarized by major classifications as follows:

| | <u>2004</u> | <u>2003</u> |
|--------------------------|--------------------|--------------------|
| Land | \$ 169,000 | \$ 169,000 |
| Building | 841,000 | 841,000 |
| Building Improvements | 76,368 | 76,368 |
| Vehicles | 85,029 | 55,787 |
| Furniture and fixtures | <u>155,931</u> | <u>130,097</u> |
| | 1,327,328 | 1,272,252 |
| Accumulated depreciation | <u>(262,450)</u> | <u>(232,617)</u> |
| | <u>\$1,064,878</u> | <u>\$1,039,635</u> |

Depreciation expense was \$48,708 and \$41,975 for the years ended June 30, 2004 and 2003, respectively.

3. Capital Leases

Included in furniture and fixtures is a capital lease with a total cost of \$12,567 and accumulated amortization of \$7,853 for the year ended June 30, 2004. Amortization of the asset held under a capital lease was \$2,513 for the year ended June 30, 2004 and is included in depreciation expense.

The Capital lease obligation of \$5,981 consists of a capital lease with an office supply store with monthly installments of \$305, maturing in May, 2006.

The following is a schedule by year of future minimum payments required under the lease together with their present value as of June 30, 2003:

| | |
|---|----------------|
| June 30, 2005 | \$3,664 |
| June 30, 2006 | <u>3,359</u> |
| Total minimum lease payments | 7,023 |
| Amount representing interest | <u>(1,042)</u> |
| Present value of minimum lease payments | <u>\$5,981</u> |

**The Richmond Center
Notes to Financial Statements**

4. Notes Payable

| | |
|---|----------------------------------|
| Contract to an Iowa general partnership dated June 27, 2000, due in monthly installments of \$8,440, including interest at 8%, with a balloon payment due July 1, 2005. Real estate is pledged as collateral. | \$916,179 |
| Note payable to Boone Bank and Trust Co. dated January 31, 2003, due February 15, 2008. Payments of \$158, including interest at 6.75%, are due monthly. A vehicle is pledged as collateral. | 6,116 |
| Note payable to Boone Bank and Trust Co. dated February 10, 2004, due February 10, 2009. Payments of \$203, including interest at 6.50% are due monthly. A vehicle is pledged as collateral. | 9,776 |
| Note payable to Boone Bank and Trust Co. dated April 27, 2004, due April 15, 2009. Payments of \$332, including interest at 5.90% are due monthly. A vehicle is pledged as collateral. | 16,719 |
| Note payable to Boone Bank and Trust Co. dated April 27, 2004, due April 15, 2009. Payments of \$293, including interest at 5.90% are due monthly. A vehicle is pledged as collateral. | 14,772 |
| Note payable to Boone Bank and Trust Co. dated April 27, 2004, due April 15, 2009. Payments of \$185, including interest at 5.90% are due monthly. A vehicle is pledged as collateral. | <u>9,335</u> <u>\$972,897</u> |

As of June 30, 2004, the aggregate maturities of the notes payable are as follows:

| | |
|---------------|-----------------------------------|
| June 30, 2005 | \$ 39,333 |
| June 30, 2006 | 898,736 |
| June 30, 2007 | 12,318 |
| June 30, 2008 | 12,429 |
| June 30, 2009 | <u>10,081</u> <u>\$972,897</u> |

**The Richmond Center
Notes to Financial Statements**

5. Revolving Line of Credit

The Organization has a \$65,000 revolving line of credit, of which \$65,000 was unused at June 30, 2004. Bank advances on the credit line are payable on demand and carry an interest rate at the bank's prime rate (6.00% at June 30, 2004.) The credit line is secured by substantially all assets of the Organization.

6. Operating Leases

The Organization is the lessee of various office spaces under operating leases expiring in various years. Total rent expense was \$18,820 and \$9,817 for the years ended June 30, 2004 and 2003, respectively.

7. Restrictions/Limitations on Net Assets

The Organization's board of directors has chosen to place the following limitations on unrestricted net assets:

| | <u>2004</u> | <u>2003</u> |
|--------------------------------------|------------------|------------------|
| Designated for future operations | \$105,000 | \$ - |
| Designated for building improvements | 10,000 | 10,000 |
| Undesignated | 458,830 | 438,165 |
| Unrestricted net assets | <u>\$573,830</u> | <u>\$448,165</u> |

Temporarily restricted net assets were available for the following purposes:

| | | |
|-----------------------|------------------|------------------|
| Special needs program | \$ <u>25,604</u> | \$ <u>31,333</u> |
|-----------------------|------------------|------------------|

8. Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$11,192 and \$10,548 for the years ended June 30, 2004 and 2003, respectively.

9. Retirement Plans

The Organization sponsors a revenue sharing plan that allows all salaried employees working over 1,000 hours, having at least one year of service, and that are employed on the last day of the plan year to participate. Annual contributions to the plan are made at the discretion of the Board of Directors. Plan expenses were \$47,919 and \$36,326 for the years ended June 30, 2004 and 2003, respectively.

The Organization also has a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees classified as full-time or part-time with benefits who work more than 25 hours per week. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The Organization makes no contributions to the plan.

**The Richmond Center
Notes to Financial Statements**

10. Concentration of Credit Risk

The Organization maintains its cash balances at four financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2004, the Organization's uninsured cash balances totaled \$13,348.

Credit risk for accounts receivable is concentrated as well because substantially all of the balances are receivable from entities or individuals within the same geographic region.

11. Unemployment Tax Liability

The Organization has elected to pay unemployment compensation upon the filing of an actual claim rather than pay state unemployment taxes to provide insurance against such claims. Claims were \$0 for the year ended June 30, 2004 and \$3,328 for the year ended June 30, 2003. Included in accrued liabilities is an accrued state unemployment liability of \$25,884 at June 30, 2004 and 2003 respectively.

12. Professional Service Agreements

The Organization has entered into an agreement to provide Employee Assistance services to Iowa State University and Mary Greeley Medical Center. The Organization maintains separate bank accounts as required by the agreements.

13. Merger with Carroll Regional Counseling Center

On April 30, 2004 the Organization entered into an agreement with Carroll Regional Counseling Center (CRCC) to accept the assets of CRCC and to begin providing service in Carroll County. The assets acquired by the Organization are as follows:

| | |
|-------------|------------------|
| Cash | \$ 59,249 |
| Receivables | 58,710 |
| Equipment | <u>14,802</u> |
| | <u>\$132,761</u> |

In the event the Organization ceases operations in Carroll County before June 30, 2005, some of the equipment would be returned to Carroll County.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
The Richmond Center
Ames, Iowa

We have audited the financial statements of The Richmond Center as of and for the year ended June 30, 2004 and have issued our report thereon dated August 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether The Richmond Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Richmond Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect The Richmond Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described as follows:

The Richmond Center

The Richmond Center

Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Organization's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the patient accounts receivable.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Organization should review the operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review control procedures to determine the most effective utilization of personnel to maximize those controls.

Conclusion – Response accepted.

Uninsured Cash Balances – As shown in the footnotes to the financial statements, the Organization at June 30, 2004, had uninsured cash balances in a financial institution of \$13,348. The result of this condition would be if the financial institution would fail, the Organization would lose the uninsured funds, although the financial institution the Organization uses is in excellent financial condition.

Recommendation – The Organization should continue to review ways in which to maximize the Federal Deposit Insurance Corporation thresholds.

Response – We will continue to review ways in which to maximize the FDIC thresholds to minimize the risk of losing the funds if the financial institution should fail.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

The Richmond Center

This report is intended solely for the information and use of the Board of Directors, management and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Peterson & Houston, P.C.

Peterson & Houston, P.C.
Boone, IA

August 10, 2004