The Richmond Center
Financial Statements
Year Ended June 30, 2005

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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, 2005, 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 2004 financial statements and, in our report dated August 10, 2004 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 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 as of June 30, 2005, and the changes in its net assets and its cash flows 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 3, 2005, on our consideration of The Richmond Center'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 and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Peterson & Houston, P.C.

Peterson & Houston, P.C.
Boone, Iowa

August 3, 2005

The Richmond Center
Statement of Financial Position
June 30, 2005
(With Comparative Totals for June 30, 2004)

	2005	2004
Assets		
Assets		
Cash and cash equivalents	$ 185,722	$ 261,127
Accounts receivable		
Trade, net of allowance for doubtful accounts of $44,056 and $78,356	209,065	367,689
Other	15,617	28,280
Prepaid expenses	13,948	5,672
Other assets	2,610	3,213
Property and equipment, net of accumulated depreciation of $307,898 and $262,450	1,013,118	1,064,878
Total assets	$ 1,440,080	$ 1,730,859
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 16,667	$ 15,514
Accrued liabilities	113,029	137,033
Capital lease obligations	3,096	5,981
Notes payable	932,964	972,897
Total liabilities	1,065,756	1,131,425
Net assets		
Unrestricted		
Undesignated	352,817	458,830
Designated	-	115,000
Total unrestricted	352,817	573,830
Temporarily restricted	21,507	25,604
Total net assets	374,324	599,434
Total liabilities and net assets	$ 1,440,080	$ 1,730,859

See accompanying notes.

The Richmond Center
Statement of Activities
Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	Unrestricted	Temporarily Restricted	2005 Total	2004 Total
Changes in net assets				
Revenues, gains and other support				
Contributions	$ 15,541	$ 50	$ 15,591	$ 9,601
United Way	14,500	-	14,500	14,000
Carroll County	75,088	-	75,088	33,914
Story County	173,011	-	173,011	192,699
Boone County	86,979	-	86,979	101,408
Greene County	68,004	-	68,004	66,000
City of Ames	19,875	-	19,875	19,500
City of Boone	1,500	-	1,500	1,250
ISU Government Student Body	4,684	-	4,684	4,684
Youth & Shelter Services	1,900	-	1,900	3,344
Community Mental Health Services Block Grant	64,940	-	64,940	46,490
Department of Correction Services	-	-	-	13,459
Patient fees	1,378,458	-	1,378,458	1,207,823
Rental income	-	-	-	60,480
Other income	29,602	-	29,602	19,469
Investment income	1,611	230	1,841	1,172
Gain on merger with CRCC	-	-	-	132,761
Total revenues, gains and other support	1,935,693	280	1,935,973	1,928,054
Net assets released from restrictions	4,377	(4,377)	-	-
Total revenues, gains, support, and reclassifications	1,940,070	(4,097)	1,935,973	1,928,054
Expenses				
Program services				
Outpatient services	1,414,099	-	1,414,099	1,226,120
Outreach services	311,765	-	311,765	222,059
Batterers education services	-	-	-	48,638
Other program services	5,597	-	5,597	11,626
Total program services	1,731,461	-	1,731,461	1,508,443
Support activities				
General and administrative	251,050	-	251,050	299,675
Total expenses	1,982,511	-	1,982,511	1,808,118
Loss on disposal of fixed asset	11,032	-	11,032	-
Write-off of trade receivables (See Note 15)	167,540	-	167,540	-
Total losses	178,572	-	178,572	-
Total expenses and losses	2,161,083	-	2,161,083	1,808,118
Increase (decrease) in net assets	(221,013)	(4,097)	(225,110)	119,936
Net assets, beginning of year	573,830	25,604	599,434	479,498
Net assets, end of year	$ 352,817	$ 21,507	$ 374,324	$ 599,434

See accompanying notes.

The Richmond Center
Statement of Functional Expenses
Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	Program Services				Support Activities		
	Outpatient Services	Outreach Services	Other Program Services	Total Program Services	General and Administrative	2005 Total	2004 Total
Salaries and wages	$ 969,865	$ 191,405	$ -	$ 1,161,270	$ 162,682	$ 1,323,952	$ 1,230,820
Employee benefits	77,815	21,722	-	99,537	16,613	116,150	109,315
Payroll taxes	71,197	14,486	-	85,683	12,471	98,154	90,393
Total salaries and related expenses	1,118,877	227,613	-	1,346,490	191,766	1,538,256	1,430,528
Contract services	23,053	95	5,025	28,173	4,087	32,260	32,642
Contracted physician services	32,590	-	-	32,590	-	32,590	16,650
Community support services	-	3,483	-	3,483	-	3,483	2,548
Advertising	778	436	-	1,214	12,324	13,538	11,192
Professional fees	-	-	-	-	4,584	4,584	9,872
Office supplies	16,521	4,207	-	20,728	3,427	24,155	30,771
Postage	5,051	1,653	-	6,704	4,438	11,142	11,333
Continuing education	4,810	284	-	5,094	606	5,700	10,901
Dues and subscriptions	391	231	-	622	3,683	4,305	4,126
Data systems	22,552	4,117	-	26,669	3,742	30,411	10,582
Occupancy	43,266	11,125	-	54,391	857	55,248	27,607
Utilities	15,174	3,640	-	18,814	1,093	19,906	13,639
Insurance	25,014	4,561	-	29,575	4,112	33,687	27,631
Repairs and maintenance	4,626	760	-	5,386	489	5,875	8,934
Telephone	9,745	4,663	-	14,408	1,137	15,545	12,306
Travel	5,581	13,889	-	19,470	1,154	20,624	15,934
Miscellaneous	3,221	528	572	4,321	483	4,804	5,469
Interest expense	56,577	9,168	-	65,745	10,474	76,219	76,745
Depreciation	26,273	21,311	-	47,584	2,594	50,178	48,708
Total functional expenses	$ 1,414,099	$ 311,765	$ 5,597	$ 1,731,461	$ 251,050	$ 1,982,511	$ 1,808,118

See accompanying notes.

The Richmond Center
Statement of Cash Flows
Year Ended June 30, 2005
(With Comparative Totals for the Year Ended June 30, 2004)

	2005	2004
Cash flows from operating activities		
Increase (decrease) in net assets	$ (225,110)	$ 119,936
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Depreciation	50,178	48,708
Loss on disposal of fixed asset	11,032	-
Noncash gain on merger with CRCC	-	(18,015)
(Increase) decrease in operating assets		
Accounts receivable	171,287	(75,111)
Prepaid expenses	(8,276)	(283)
Other assets	603	-
Increase (decrease) in operating liabilities		
Accounts payable	1,153	(14,177)
Accrued liabilities	(24,004)	60,705
Unearned revenue	-	(5,000)
Net cash provided (used) by operating activities	(23,137)	116,763
Cash flows from investing activities		
Purchase of property and equipment	(9,450)	(6,704)
Net cash provided (used) by investing activities	(9,450)	(6,704)
Cash flows from financing activities		
Repayment on capital lease obligations	(2,885)	(2,446)
Repayment on notes payable	(39,933)	(30,078)
Net cash used by financing activities	(42,818)	(32,524)
Net increase (decrease) in cash and cash equivalents	(75,405)	77,535
Cash and cash equivalents, beginning of year	261,127	183,592
Cash and cash equivalents, end of year	$ 185,722	$ 261,127
Supplemental disclosures:		
Interest paid during year	$ 76,219	$ 76,745
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
Vehicle loan	$ -	$ (52,444)

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.

f. Client Receivables
Client receivables are shown at the amount expected to be collected from clients and other third-party payors. The allowance for doubtful accounts is based on an aging of all the individual client balances. The provision for bad debts totaled approximately $44,000 ($78,000 in 2004).

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

g. 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.

h. 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.

i. 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.

j. 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, 2004, from which the summarized information was derived.

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

k. 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:

	2005	2004
Land	$ 169,000	$ 169,000
Building	841,000	841,000
Building Improvements	76,368	76,368
Vehicles	85,029	85,029
Furniture and fixtures	149,619	155,931
	1,321,016	1,327,328
Accumulated depreciation	(307,898)	(262,450)
	$1,013,118	$1,064,878

Depreciation expense was $50,178 and $48,708 for the years ended June 30, 2005 and 2004, respectively.

3. Capital Leases

Included in furniture and fixtures is a capital lease with a total cost of $12,567 and accumulated amortization of $9,471 for the year ended June 30, 2005. Amortization of the asset held under a capital lease was $2,885 for the year ended June 30, 2005 and is included in depreciation expense.

The Capital lease obligation of $3,096 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, 2005:

June 30, 2006	$3,359
Total minimum lease payments	3,359
Amount representing interest	(263)
Present value of minimum lease payments	$3,096

4. Notes Payable

Contract to an Iowa general partnership dated July 1, 2005, due in monthly installments of $6,394, including interest at 7.25%, with a balloon payment due July 1, 2009. Real estate is pledged as collateral.	$887,149
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.	4,588
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.	7,923
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.	13,639
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.	12,050
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.	7,615
	$932,964

As of June 30, 2005, the aggregate maturities of the notes payable are as follows:

June 30, 2006	$ 26,014
June 30, 2007	26,232
June 30, 2008	26,757
June 30, 2009	27,578
June 30, 2010	826,383
	$932,964

5. Revolving Line of Credit

The Organization has a $65,000 revolving line of credit, of which $65,000 was unused at June 30, 2005. Bank advances on the credit line are payable on demand and carry an interest rate at the bank's prime rate (8.25% at June 30, 2005.) 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 $43,090 and $18,820 for the years ended June 30, 2005 and 2004, respectively.

7. Restrictions/Limitations on Net Assets

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

	2005	2004
Designated for future operations	$ -	$ 105,000
Designated for building improvements	-	10,000
Undesignated	352,817	458,830
Unrestricted net assets	$352,817	$573,830

Temporarily restricted net assets were available for the following purposes:

Special needs program	$ 21,507	$ 25,604

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 $13,538 and $11,192 for the years ended June 30, 2005 and 2004, respectively.

9. Retirement Plans

The Organization sponsored 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 were made at the discretion of the Board of Directors. Plan expenses were $47,919 for the year ended June 30, 2004.

Effective July 1, 2004, the Organization participated in a tax-deferred retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers all employees who have worked more than 1,000 hours for the Organization. Annual discretionary contributions are determined by the Board of Directors. The Organization contributed 3% of gross salaries for qualified employees to the plan for the year ended June 30, 2005. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were $25,131 for the year ended June 30, 2005.

10. Concentration of Credit Risk

The Organization maintains its cash balances at three financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2005, the Organization's uninsured cash balances totaled $34,128.

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, 2005 and $0 for the year ended June 30, 2004. Included in accrued liabilities is an accrued state unemployment liability of $25,884 at June 30, 2005 and 2004 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. Risk Management

The Richmond Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

14. Net Patient Service Revenue

Patient service revenue is reported at the estimated realizable amounts from patients, third party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

15. Write-Off of Trade Receivables

The Organization determined that $167,540 of accrued patient receivables were uncollectible. The receivables were deemed uncollectible after a detailed review of the receivables showed that patients could not pay or third-party maximums were paid. Management determined all collection efforts were made and further efforts would not be cost effective.

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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 of
The Richmond Center
Ames, Iowa

We have audited the financial statements of The Richmond Center as of and for the year ended June 30, 2005 and have issued our report thereon dated August 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 in the accompanying Schedule of Findings.

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 caused by error or fraud 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 in the accompanying Schedule of Findings is a material weakness.

Compliance and Other Matters

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 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.*

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 3, 2005

The Richmond Center
Schedule of Findings
Year ended June 30, 2005

Findings related to the Financial Statements:

REPORTABLE CONDITIONS:

A. 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.

B. Uninsured Cash Balances – As shown in the footnotes to the financial statements, the Organization at June 30, 2005, had uninsured cash balances in a financial institution of $34,128. 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.

Conclusion – Response accepted.