Center Associates

Independent Auditor's Reports
Financial Statements and
Supplemental Information
June 30, 2006 and 2005

TABLE OF CONTENTS

Center Associates
Board of Directors
June 30, 2006

Name	Title	Term Expires
Dave Splett	President	July 2006
Jim Lowrance	Vice-President	July 2008
Elinor Hinders	Secretary-Treasurer	July 2008
Jim Johnson	Member	July 2006
Earl Fredrickson	Member	July 2007
Ron Goecke	Member	July 2008
Marty Wymore	Member	July 2008
Susan Wears	Member	July 2008
Jonathan Hull	Member	July 2009
Mike Bergman	Executive Director	Indefinite
Diane Baker	Project Director	Indefinite

Independent Auditor's Report

To the Board of Directors of
Center Associates:

We have audited the accompanying statement of financial position of Center Associates as of June 30, 2006 and the related statements of activities and functional expenses, net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 Center Associates at June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The accompanying information on page 12 is presented for purposes of additional analysis and is not a required part of the above financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above; and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2006 on our consideration of Center Associates' internal control over financial reporting and 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 the internal control over financial reporting or 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.

ROLAND & DIELEMAN

Certified Public Accountants

July 25, 2006

Exhibit A

Center Associates
Statements of Financial Position
June 30, 2006 and 2005

Assets

	2006	2005
Current Assets:		
Cash	$ 282,917	$ 426,788
Investments (Note 10)	232,435	103,241
Receivables:		
Accounts receivable for patient services, less allowance for doubtful accounts of $63,875 for 2006 and $52,837 for 2005 (Note 4)	181,799	150,382
Prepaid expenses	3,944	10,577
Total Current Assets	701,095	690,988
Property and Equipment: (Note 1)		
Buildings	554,347	538,343
Furniture and equipment	199,777	199,777
Computer equipment (Note 6)	398,489	377,832
	1,152,613	1,115,952
Less: Accumulated depreciation	(714,954)	(680,209)
Undepreciated Value of Property and Equipment	437,659	435,743
Total Assets	$ 1,138,754	$ 1,126,731

Liabilities and Net Assets

	2006	2005
Current Liabilities:		
Accrued wages	$ 29,187	$ 27,190
Accrued vacation	27,357	17,280
Total Current Liabilities	56,544	44,470
Total Liabilities	56,544	44,470
Net Assets - unrestricted	1,082,210	1,082,261
Total Liabilities and Net Assets	$ 1,138,754	$ 1,126,731

See notes to financial statements.

Center Associates
Statements of Activities and Functional Expenses
Years Ended June 30, 2006 and 2005

Exhibit B

	2006		2005	
	Current Fund		Current Fund	
	Amount	%	Amount	%
Unrestricted Net Assets:				
Public Support and Revenues:				
County funds	$ 155,737	10.8	$ 184,417	12.0
Program fees	1,206,472	83.7	1,277,965	83.1
United Way Funds	41,265	2.9	40,235	2.6
Other income	37,580	2.6	36,005	2.3
Total Unrestricted Revenues and Other Support	1,441,054	100.0	1,538,622	100.0
Expenses:				
Program Services: Mental Health Center Programs				
Salaries and benefits	1,178,155	81.9	1,233,366	80.2
Retirement benefits (Note 3)	17,425	1.2	20,079	1.3
Insurance	25,281	1.8	24,713	1.6
Depreciation	34,745	2.4	42,934	2.8
Office supplies and expense	38,107	2.6	40,518	2.6
Telephone and utilities	39,506	2.7	36,138	2.4
Recruitment and advertising	8,874	.6	4,537	.3
Repairs and maintenance	23,893	1.7	36,119	2.4
Rent (Note 2)	5,560	.4	4,938	.3
Professional fees	12,038	.8	29,443	1.9
Travel and lodging	10,392	.7	7,953	.5
Education	7,112	.5	6,253	.4
Emergency expense	2,750	.2	3,588	.3
Postage and meter	13,850	1.0	13,128	.9
Miscellaneous	22,922	1.6	19,152	1.2
Board of Directors	495	—	854	—
Total Expenses from Operations	1,441,105	100.1	1,523,713	99.1
Change in Net Assets from Operations	(51)	(.1)	14,909	.9
Net Assets - Beginning of Year	1,082,261		1,067,352	
Net Assets - End of Year	$ 1,082,210		$ 1,082,261	

See notes to financial statements.

Exhibit C

Center Associates
Statements of Net Assets
Years Ended June 30, 2006 and 2005

	2006	2005
Net assets, beginning of year	$ 1,082,261	$ 1,067,352
Change in net assets	(51)	14,909
Net assets, end of year	$ 1,082,210	$ 1,082,261

See notes to financial statements.

Exhibit D

Center Associates
Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from Counties	$ 155,737	$ 184,417
Contributions received	41,265	40,235
Cash received from local and state funding	201,465	199,516
Cash received from patient fees and Title XIX	999,451	1,105,165
Interest received	11,719	8,650
Cash paid to employees and suppliers	(1,387,653)	(1,500,496)
Net cash provided by operating activities	21,984	37,487
Cash flows from investing activities:		
Purchase of property and equipment	(36,661)	(23,812)
Purchase of certificate of deposit and investments	(129,194)	(2,466)
Net cash used by investing activities	(165,855)	(26,278)
Net increase or (decrease) in cash	(143,871)	11,209
Cash and cash equivalents beginning of year	426,788	415,579
Cash and cash equivalents end of year	$ 282,917	$ 426,788

Reconciliation of change in net assets to net cash used by operating activities:

	2006	2005
Change in net assets	$ (51)	$ 14,909
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) in receivables	(31,417)	(639)
Decrease or (increase) in prepaid expenses	6,633	(59)
(Decrease) or increase in accrued liabilities	12,074	(19,658)
Depreciation expense	34,745	42,934
Net cash used by operating activities	$ 21,984	$ 37,487

The Center considers all short term investments and certificates of deposit to be investments.

The Center paid no income taxes in 2006 or 2005.

See notes to financial statements.

The Center paid no interest in 2006 or 2005.

See notes to financial statements.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Center Associates (the Center) is a non-profit organization established to provide a community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. The Center has been accredited by the Division of Mental Health/Developmental Disabilities, State of Iowa.

The Center's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Center are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues, and expenses. The fund is summarized is follows in the financial statements:

Current Fund - The current fund accounts for all resources over which the Center has discretionary control to use in carrying on the operations of the organization in accordance with the limitation of its charter and bylaws except for amounts invested in land, buildings and equipment that may be accounted for in a separate fund.

The Center's board may designate portions of the current fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchase of property and equipment providing future benefits are capitalized in the land, building, and equipment accounts.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

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. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets and Liabilities

The following accounting polices are followed in preparing the statement of financial position:

Investments - Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income is reported as an increase in unrestricted net assets.

Property and Equipment - Property and equipment are carried at cost with depreciation computed under the methods and over the useful lives as follows:

Type	Estimated Useful Lives	Method
Buildings	10-40	Straight-line
Furniture and equipment	5-10	Straight-line

Depreciation expense for the years ending June 30, 2006 and 2005 was $34,745 and $42,934 respectively. Equipment under $1,000 is carried directly to expense.

Income Taxes - The Center is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provides tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

Compensated Absences - Eligible Center employees accumulate a limited amount of earned but unused vacation benefits payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities and have been computed based on current rates of pay.

Receivables - Receivables are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

F. Patient Services Revenue

Patient services 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.

Note 2: Operating Lease

The Center leases, on a monthly basis, buildings in Eldora and Iowa Falls. Rent expense for the years ending June 30, 2006 and 2005, was $5,560 and $4,938 respectively.

Note 3: Retirement Benefits

The Center sponsors a 401(K) retirement program as allowed under the Internal Revenue Code. Eligible employees and employer contributions are limited to the maximum allowable under the Internal Revenue Code. Employees must work at least 20 hours per week to participate. The Center matches dollar for dollar for the first 3% an employee contributes and half of the next 2%. The Center's contribution for 2006 was $17,425 and $20,079 for 2005.

Note 4: Allowance for Doubtful Accounts

The Center operates under a sliding fee schedule which allows patients to pay for services based on their household size and income level. When a person receives a service, the charge is entered at full fee and is not written down to their sliding fee until a response from the insurance company is received. Since insurance monies are not always received on a timely basis, this account denotes the monies that will potentially be written off in the future. It also reflects the difference between the patient's sliding fee and the Center's full fee. The allowance for doubtful accounts is 26% of accounts receivable for 2006 and 2005.

Note 5: Employee Benefits

The Center sponsors a Flexible Spending Program under Section 125 of the Internal Revenue Code. All full time employees are eligible to participate in this program. The employer pays for the administration fees.

Note 6: Computer Equipment

The initial purchase of computer equipment is being depreciated over ten years and all subsequent purchases are being depreciated over five years. The actual value of the computers is probably less than the undepreciated value reflected on the books due to technological advances and price reductions in equipment. The book value of the computer equipment as of June 30, 2006 and 2005 was $33,381 and $30,615 respectively.

Note 7: 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 8: Center Risk Management

Center Associates 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. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 9: Concentrations of Credit Risk

The Center maintains cash balances at three financial institutions located in Central Iowa. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. As of June 30, 2006, uninsured balances amounted to $320,940.

Note 10: Investments

Investments as of June 30, 2006 and 2005 are summarized as follows:

		Cost	Fair Value	Carrying Value
Unrestricted				
Dreyfus Investment Grade Bond Fund	6/30/05	$ 100,000	103,241	103,241
Certificate of Deposits	6/30/06	$ 232,435	232,435	232,435

The following schedule summarizes the investment return for the years ended June 30, 2006 and 2005.

	June 30, 2006	June 30, 2005

Interest and Dividends	$ 3,884	$ 2,466

Investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1	Investments that are insured, registered or held by the entity or by its agent in the Center's name.
Category 2	Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the Center's name.
Category 3	Uninsured and unregistered investments held by the counterparty, its trust or its agent, but not in the Center's name.

The Center's investment is classified by risk level as Category 1.

Center Associates
Schedules of Supporting Revenues
Years Ended June 30, 2006 and 2005

Schedule 1

	2006 Amount	2006 %	2005 Amount	2005 %	Diff.
County Funds:					
Marshall County CPC	$ 84,337	5.9	$ 94,665	6.2	$ (10,328)
Hardin County CPC	11,301	.7	9,682	.6	1,619
Marshall County	30,000	2.1	40,000	2.6	(10,000)
Hardin County	30,099	2.1	40,070	2.6	(9,971)
Total County Funds	155,737	10.8	184,417	12.0	(28,680)
Program Fees:					
Patient fees	135,223	9.4	135,800	8.8	(577)
Title XIX	354,724	24.6	388,247	25.2	(33,523)
Insurance	515,060	35.7	554,402	36.0	(39,342)
Drug Study	4,338	.3	5,850	.4	(1,512)
MMSC	14,283	1.0	18,005	1.2	(3,722)
Contractual services-MICA	31,223	2.2	32,383	2.1	(1,160)
SBYS school	30,321	2.1	23,127	1.5	7,194
State Funding	53,484	3.7	41,166	2.7	12,318
Meskwaki	31,780	2.2	34,789	2.3	(3,009)
Woodward - Pass Through	36,036	2.5	44,196	2.9	(8,160)
Total Program Fees	1,206,472	83.7	1,277,965	83.1	(71,493)
United Way Funds	41,265	2.9	40,235	2.6	1,030
Other Income:					
Interest income	11,719	.8	8,650	.5	3,069
Miscellaneous	25,861	1.8	27,355	1.8	(1,494)
Total Other Income	37,580	2.6	36,005	2.3	1,575
Total Revenues	$ 1,441,054	100.0	$ 1,538,622	100.0	$ (97,568)

See accompanying independent auditor's report.

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 of Center Associates:

We have audited the financial statements of Center Associates, Marshalltown, Iowa, as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated July 25, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Center Associates' 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. 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 Center Associates' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. There were no reportable conditions.

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.

Compliance

As part of obtaining reasonable assurance about whether Center Associates' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Center's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of Center Associates and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Center Associates during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ROLAND & DIELEMAN

Certified Public Accountants

July 25, 2006

Center Associates

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA