The Richmond Center
Financial Statements
Year Ended June 30, 2007

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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, 2007, 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 2006 financial statements and, in our report dated August 14, 2006 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, 2007, 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 October 19, 2007, 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 an 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.
Boone, Iowa

October 19, 2007

The Richmond Center
Statement of Financial Position
June 30, 2007
(With Comparative Totals for June 30, 2006)

	2007	2006
Assets		
Assets		
Cash and cash equivalents	$ 63,237	$ 134,160
Accounts receivable		
Trade, net of allowance for doubtful accounts of $45,150 and $45,082	199,320	181,566
Other	10,316	22,170
Prepaid expenses	7,150	13,118
Other assets	154	889
Property and equipment, net of accumulated depreciation of $381,746 and $341,567	931,981	966,884
Total assets	$ 1,212,158	$ 1,318,787
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 5,502	$ 15,507
Accrued liabilities	90,170	122,151
Short-term note	63,000	65,000
Notes payable	880,718	906,949
Total liabilities	1,039,390	1,109,607
Net assets		
Unrestricted		
Undesignated	154,256	189,777
Temporarily restricted	18,512	19,403
Total net assets	172,768	209,180
Total liabilities and net assets	$ 1,212,158	$ 1,318,787

See accompanying notes.

The Richmond Center
Statement of Activities
Year Ended June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

	Unrestricted	Temporarily Restricted	2007 Total	2006 Total
Changes in net assets				
Revenues, gains and other support				
Contributions	$ 18,872	$ 1,000	$ 19,872	$ 7,845
United Way	15,747	-	15,747	13,000
Carroll County	64,156	-	64,156	59,840
Story County	187,344	-	187,344	133,953
Boone County	81,254	-	81,254	63,118
Greene County	29,082	-	29,082	16,520
City of Ames	15,000	-	15,000	15,000
City of Boone	1,500	-	1,500	1,500
ISU Government Student Body	500	-	500	1,000
Youth & Shelter Services	-	-	-	2,500
Community Mental Health Services Block Grant	91,358	-	91,358	90,640
Patient fees	1,026,866	-	1,026,866	1,083,856
Rent	29,967	-	29,967	-
Other income	10,498	-	10,498	10,898
Investment income	872	302	1,174	2,078
Total revenues, gains and other support	1,573,016	1,302	1,574,318	1,501,748
Net assets released from restrictions	2,193	(2,193)	-	-
Total revenues, gains, support, and reclassifications	1,575,209	(891)	1,574,318	1,501,748
Expenses				
Program services				
Outpatient services	1,129,050	-	1,129,050	1,113,968
Outreach services	301,817	-	301,817	357,813
Total program services	1,430,867	-	1,430,867	1,471,781
Support activities				
General and administrative	178,076	-	178,076	195,111
Fundraising	1,787	-	1,787	-
Total support activities	179,863	-	179,863	195,111
Total expenses	1,610,730	-	1,610,730	1,666,892
Increase (decrease) in net assets	(35,521)	(891)	(36,412)	(165,144)
Net assets, beginning of year	189,777	19,403	209,180	374,324
Net assets, end of year	$ 154,256	$ 18,512	$ 172,768	$ 209,180

See accompanying notes.

The Richmond Center
Statement of Functional Expenses
Year Ended June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

	Program Services			Support Activities				
	Outpatient Services	Outreach Services	Total Program Services	General and Administrative	Fundraising	Total Support Activities	2007 Total	2006 Total
Salaries and wages	$ 781,610	$ 187,443	$ 969,053	$ 115,752	$ -	$ 115,752	$ 1,084,805	$ 1,104,656
Employee benefits	57,156	27,929	85,085	10,726	-	10,726	95,811	125,661
Payroll taxes	57,411	14,080	71,491	8,876	-	8,876	80,367	81,307
Total salaries and related expenses	896,177	229,452	1,125,629	135,354	-	135,354	1,260,983	1,311,624
Contract services	20,091	-	20,091	-	-	-	20,091	19,841
Contracted physician services	29,550	-	29,550	-	-	-	29,550	26,050
Community support services	-	2,132	2,132	-	-	-	2,132	3,386
Advertising	-	-	-	9,309	-	9,309	9,309	10,949
Professional fees	-	-	-	5,798	-	5,798	5,798	5,263
Office supplies	12,834	3,342	16,176	1,788	1,787	3,575	19,751	18,845
Postage	2,052	1,492	3,544	4,130	-	4,130	7,674	8,437
Continuing education	4,343	480	4,823	205	-	205	5,028	5,281
Dues and subscriptions	89	333	422	3,497	-	3,497	3,919	3,519
Data systems	1,033	268	1,301	146	-	146	1,447	10,545
Occupancy	21,419	7,699	29,118	644	-	644	29,762	26,351
Utilities	11,912	3,804	15,716	958	-	958	16,674	22,709
Insurance	33,350	13,369	46,719	4,549	-	4,549	51,268	40,683
Repairs and maintenance	5,950	1,206	7,156	629	-	629	7,785	2,748
Telephone	7,734	4,325	12,059	2,323	-	2,323	14,382	15,643
Travel	2,742	6,991	9,733	626	-	626	10,359	15,120
Miscellaneous	2,320	238	2,558	137	-	137	2,695	2,628
Interest expense	53,746	12,378	66,124	5,820	-	5,820	71,944	71,036
Depreciation	23,708	14,308	38,016	2,163	-	2,163	40,179	46,234
Total functional expenses	$ 1,129,050	$ 301,817	$ 1,430,867	$ 178,076	$ 1,787	$ 179,863	$ 1,610,730	$ 1,666,892

See accompanying notes.

The Richmond Center
Statement of Cash Flows
Year Ended June 30, 2007
(With Comparative Totals for the Year Ended June 30, 2006)

	2007	2006
Cash flows from operating activities		
Decrease in net assets	$ (36,412)	$ (165,144)
Adjustments to reconcile increase in net assets		
to net cash provided by operating activities		
Depreciation	40,179	46,234
(Increase) decrease in operating assets		
Accounts receivable	(5,900)	20,946
Prepaid expenses	5,968	830
Other assets	735	1,721
Increase (decrease) in operating liabilities		
Accounts payable	(10,005)	(1,160)
Accrued liabilities	(31,981)	9,122
Net cash (used) by operating activities	(37,416)	(87,451)
Cash flows from investing activities		
Purchase of property and equipment	(5,276)	-
Net cash (used) by investing activities	(5,276)	-
Cash flows from financing activities		
Repayment on capital lease obligations	-	(3,096)
Proceeds from short-term debt	-	65,000
Repayment on notes payable	(28,231)	(26,015)
Net cash provided (used) by financing activities	(28,231)	35,889
Net decrease in cash and cash equivalents	(70,923)	(51,562)
Cash and cash equivalents, beginning of year	134,160	185,722
Cash and cash equivalents, end of year	$ 63,237	$ 134,160
Supplemental disclosures:		
Interest paid during year	$ 71,944	$ 71,036

See accompanying notes.

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 allowance for doubtful accounts totaled $45,150 and $45,082 at June 30, 2007 and 2006, respectively.

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 computed using 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, 2006, 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:

	2007	2006
Land	$ 169,000	$ 169,000
Building	841,000	841,000
Building Improvements	81,644	76,368
Vehicles	85,029	85,029
Furniture and fixtures	137,054	137,054
	1,313,727	1,308,451
Accumulated depreciation	(381,746)	(341,567)
	$ 931,981	$ 966,884

Depreciation expense was $40,179 and $46,234 for the years ended June 30, 2007 and 2006, respectively.

3. Notes Payable

Contract to an Iowa general partnership dated July 1, 2006, 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.	$858,810
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.	1,206
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.	3,835
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.	6,908

3. Notes Payable (continued)

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.	6,103
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.	3,856
	$880,718

As of June 30, 2007, the aggregate maturities of the notes payable are as follows:

June 30, 2008	$ 26,757
June 30, 2009	27,578
June 30, 2010	826,383
	$880,718

4. Revolving Line of Credit

The Organization has a $65,000 revolving line of credit, of which $2,000 was unused at June 30, 2007. Bank advances on the credit line are payable on demand and carry an interest rate of 10.25% at June 30, 2007. The credit line is secured by substantially all assets of the Organization.

5. Operating Leases

The Organization is the lessee of various office spaces under monthly operating leases. Total rent expense was $21,540 and $21,820 for the years ended June 30, 2007 and 2006, respectively.

6. Restrictions/Limitations on Net Assets

The Organization has no limitations on unrestricted net assets:

	2007	2006
Unrestricted net assets	$154,256	$189,777

Temporarily restricted net assets were available for the following purposes:

Special needs program	$ 18,512	$ 19,403

7. 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 $9,309 and $10,949 for the years ended June 30, 2007 and 2006, respectively.

8. Retirement Plans

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, 2006. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. Plan expenses were $26,996 for the year ended June 30, 2006.

Effective July 1, 2006, 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 $2,610 for the year ended June 30, 2007.

9. Concentration of Credit Risk

The Organization's credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from entities or individuals within the same geographic region.

10. 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 $11,080 for the year ended June 30, 2007 and $0 for the year ended June 30, 2006. Included in accrued liabilities is an accrued state unemployment liability of $25,884 at June 30, 2007 and 2006 respectively.

11. 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.

12. 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.

13. 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.

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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, 2007 and have issued our report thereon dated October 19, 2007. 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 as a basis for designing our auditing procedures 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 Richmond Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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 that are required to be reported under *Government Auditing Standards.*

The Richmond Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Richmond Center's responses and accordingly, we express no opinion on them.

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

October 19, 2007

The Richmond Center
Schedule of Findings
Year ended June 30, 2007

Findings related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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. Billings and Collections – It was noted while reviewing procedures for the billings and accounts receivable that there is no formal policy being followed when billings are changed nor is there a policy for specific write-offs.

Recommendation – In addition to segregating the duties for the patient accounts receivable functions, the organization should develop formal procedures addressing billings and collections.

Response – We will review our procedures and update them to make our billing and collection process more efficient and effective.

Conclusion – Response accepted.