Center Associates

Independent Auditor's Reports
Financial Statements and
Supplementary Information
June 30, 2008 and 2007

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Center Associates
Board of Directors
June 30, 2008

Name	Title	Term Expires
Dave Splett	President	July 2009
Jim Lowrance	Vice-President	July 2008
Susan Holm	Secretary-Treasurer	July 2008
Jim Johnson	Director	July 2009
Anita Ellingson	Director	July 2010
Ron Goecke	Director	July 2008
Marty Wymore	Director	July 2008
Elinor Hinders	Director	July 2008
Jonathan Hull	Director	July 2009
Mike Bergman, M.S. Licensed Psychologist	CEO	Indefinite
Diane Baker	Business Manager	Indefinite

Each member of the board may serve up to three, three year terms.

Independent Auditor's Report

To the Board of Directors of
Center Associates:

We have audited the accompanying statements of financial position of Center Associates as of June 30, 2008 and June 30, 2007 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. These financial statements do not include information regarding Associates Supported Housing or ILQ, Inc.

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 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 our audits provide 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, 2008 and 2007, 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 audits were 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 14, 2008 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 14, 2008

Center Associates
Statements of Financial Position
June 30, 2008 and 2007

Exhibit A

Assets

	2008 Current Fund	2007 Current Fund
Current Assets:		
Cash and cash equivalents	$ 236,177	$ 283,277
Investments (Note 10)	286,753	261,426
Receivables:		
Accounts receivable for patient services, less allowance for doubtful accounts of $47,062 for 2008 and $40,921 for 2007 (Note 4)	133,944	116,468
Associates Supported Housing	14,711	9,729
Prepaid expenses	7,831	10,376
Note receivable - employees	37,000	15,000
Total Current Assets	716,416	696,276
Property and Equipment: (Note 1)		
Buildings	562,347	562,347
Furniture and equipment	199,777	199,777
Computer equipment (Note 6)	404,251	404,251
	1,166,375	1,166,375
Less: Accumulated depreciation	(774,018)	(750,822)
Undepreciated Value of Property and Equipment	392,357	415,553
Total Assets	$ 1,108,773	$ 1,111,829

Liabilities and Net Assets

	2008	2007
Current Liabilities:		
Accrued wages	$ 34,292	$ 38,890
Accrued vacation	34,743	31,107
Total Current Liabilities	69,035	69,997
Total Liabilities	69,035	69,997

Net Assets - unrestricted	1,039,738	1,041,832
Total Liabilities and Net Assets	$ 1,108,773	$ 1,111,829

See notes to financial statements.

Center Associates

Statements of Activities

Years Ended June 30, 2008 and 2007

Exhibit B

	2008		2007	
	Current Fund Unrestricted		Current Fund Unrestricted	
	Amount	%	Amount	%
Unrestricted Net Assets:				
Public Support and Revenues:				
County funds	$ 106,944	9.1	$ 133,107	10.8
Program fees	1,246,106	85.3	1,256,008	83.7
United Way Funds	40,672	2.6	40,150	2.9
Other income	54,853	3.0	42,812	2.6
Total Unrestricted Revenues and Other Support	1,448,575	100.0	1,472,077	100.0
Expenses:				
Program Services:				
Mental Health Center Programs	1,450,669	102.8	1,512,455	100.1
Total Expenses from Operations	1,450,669	102.8	1,512,455	100.1
Change in Net Assets	(2,094)	(2.8)	(40,378)	(.1)
Net Assets Beginning of Year	1,041,832		1,082,210	
Net Assets End of Year	$ 1,039,738		$ 1,041,832	

See notes to financial statements.

Center Associates
Statements of Functional Expenses
Years Ended June 30, 2008 and 2007

Exhibit C

	2008		2007	
	Program Mental Health Center Services		Program Mental Health Center Services	
	Amount	%	Amount	%
Salaries and benefits	$ 1,209,847	83.4	$ 1,256,589	85.4
Retirement benefits	25,789	1.8	26,652	1.8
Insurance	19,325	1.3	24,277	1.7
Depreciation	23,196	1.6	35,868	2.4
Office supplies and expense	43,690	3.0	36,492	2.5
Telephone and utilities	36,753	2.5	38,661	2.6
Recruitment and advertising	3,732	.3	1,933	.1
Repairs and maintenance	32,875	2.3	25,398	1.7
Rent	3,244	.2	3,934	.8
Professional fees	16,432	1.1	13,899	.9
Travel and lodging	7,133	.5	7,356	.5
Education	4,740	.3	5,782	.4
Emergency expense	3,000	.2	3,000	.2
Postage and meter	11,145	.9	11,637	.8
Miscellaneous	9,129	.7	20,090	1.4
Board of Directors	639	- - -	887	.1
Total Expenses	$ 1,450,669	100.1	1,512,455	102.8

See notes to financial statements.

Center Associates

Statements of Cash Flows

Years Ended June 30, 2008 and 2007

Exhibit D

	2008	2007
Cash flows from operating activities:		
Cash received from Counties	$ 106,944	$ 133,107
Contributions received	40,672	40,150
Cash received from local and state funding	259,359	218,586
Cash received from patient fees and Title XIX	1,001,729	1,124,050
Interest received	22,395	21,515
Cash paid to employees and suppliers	(1,452,872)	(1,494,295)
Net cash provided by or used for operating activities	(21,773)	43,113
Cash flows from investing activities:		
Purchase of property and equipment	0	(13,762)
Purchase of certificate of deposit and investments	(25,327)	(28,991)
Net cash used by investing activities	(25,327)	(42,753)
Net increase or (decrease) in cash	(47,100)	360
Cash and cash equivalents beginning of year	283,277	282,917
Cash and cash equivalents end of year	$ 236,177	$ 283,277

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

Change in net assets	$ (2,094)	$ (40,378)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Decrease or (Increase) in receivables	(44,458)	40,602
Decrease or (increase) in prepaid expenses	2,545	(6,432)
Increase in accrued liabilities	(962)	13,453
Depreciation expense	23,196	35,868
Net cash provided by or used for operating activities	$ 21,773	$ 43,113

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

The Center paid no income taxes in 2008 or 2007.

See notes to financial statements.

The Center paid no interest in 2008 or 2007.

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 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 provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

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:

Cash and Cash Equivalents - The Center considers savings accounts and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalent.

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, 2008 and 2007 was $23,196 and $35,868 respectively. Equipment under $1,000 is carried directly to expense.

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 in effect at June 30, 2008 and June 30, 2007, respectively.

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, a building in Eldora. Rent expense for the years ending June 30, 2008 and 2007, was $3,225 and $3,522, 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 2008 was $25,789 and $26,652 for 2007.

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 2008 and 2007.

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, 2008 and 2007 was $14,472 and $20,661 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, 2008, uninsured balances amounted to $315,601.

Note 10: Investments

Investments as of June 30, 2008 and 2007 are summarized as follows:

		Cost	Fair Value	Carrying Value
Unrestricted				
Certificates of Deposit	6/30/08	$ 286,753	286,753	286,753
	6/30/07	$ 261,426	261,426	261,426

The following schedule summarizes the investment return for the years ended June 30, 2008 and 2007.

	June 30, 2008	June 30, 2007
Interest and Dividends	$ 13,694	$ 9,669

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.

Note 11: Related Parties

ILQ, Inc. and Associates Supported Housing are separate nonprofit corporations created to provide residential housing for elderly and handicapped persons. These entity's share a common board of directors with Center Associates. Center Associates advanced $23,781 for the benefit of Associates Supported Housing and received $18,799 in repayment during the year ended June 30, 2008. Associates Supported Housing owed Center Associates $14,711 as of June 30, 2008. There were no transactions between Center Associates and ILQ, Inc.

Center Associates

Schedules of Supporting Revenues

Years Ended June 30, 2008 and 2007

Schedule 1

	2007			2008	
	Amount	%	Diff.	Amount	%
County Funds:					
Marshall County CPC	$ 94,387	6.5	$ (5,634)	$ 100,021	6.8
Hardin County CPC	1,854	.1	(12,525)	14,379	1.0
Hardin County	10,703	.7	(8,004)	18,707	1.3
Total County Funds	106,944	7.3	(26,163)	133,107	9.1
Program Fees:					
Patient fees	135,160	9.3	(8,878)	144,038	9.8
Title XIX	367,998	25.4	(25,713)	393,711	26.8
Insurance	516,047	35.6	(4,923)	520,970	35.4
Drug Study	0	-	(3,600)	3,600	.2
MMSC	18,000	1.2	-	18,000	1.2
Contractual services-MICA	35,490	2.5	1,680	33,810	2.3
SBYS school	33,828	2.3	9,071	24,757	1.7
State Funding	74,208	5.1	16,198	58,010	3.9
Meskwaki	40,800	2.8	3,550	37,250	2.5
Woodward - Pass Through	24,575	1.7	2,713	21,862	1.5
Total Program Fees	1,246,106	85.9	(9,902)	1,256,008	85.3
United Way Funds	40,672	2.8	522	40,150	2.6
Other Income:					
Interest income	22,395	1.7	880	21,515	1.5
Miscellaneous	32,458	2.3	11,161	21,297	1.5
Total Other Income	54,853	4.0	12,041	42,812	3.0
Total Revenues	$ 1,448,575	100.0	$ (23,502)	$ 1,472,077	100.0

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, 2008 and 2007, and have issued our report thereon dated July 14, 2008. 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 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 our opinion on the effectiveness of Center Associates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center Associates' internal control over financial reporting.

Our consideration of the 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.

A control deficiency exists when the design or operation of the 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 Center Associates' ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Center Associates' financial statements that is more than inconsequential will not be presented or detected by Center Associates' internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

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 dot 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, 2008 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 14, 2008

Center Associates

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA