Center Associates

Independent Auditor's Reports
Financial Statements and
Supplementary Information
June 30, 2010 and 2009

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS

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Center Associates
Board of Directors
June 30, 2010

Name	Title	Term Expires
Jim Lowrance	President	July 2011
Susan Holm	Vice-President	July 2011
Marty Wymore	Secretary-Treasurer	July 2011
Anita Ellingson	Director	July 2010
Pat Brooks	Director	July 2011
Jonathan Hull	Director	July 2012
Judith Andrews	Director	July 2012
Marc Riveland	Director	July 2013

Staff

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.

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS
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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, 2010 and June 30, 2009 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, 2010 and 2009, 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 26, 2010 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
Roland & Dieleman
Certified Public Accountants

July 26, 2010

Exhibit A

Center Associates
Statements of Financial Position
June 30, 2010 and 2009

Assets

	2010 Current Fund Unrestricted	2009 Current Fund Unrestricted
Current Assets:		
Cash and cash equivalents	$ 322,150	$ 353,439
Investments (Note 9)	295,219	293,378
Receivables:		
Accounts receivable for patient services, less allowance for doubtful accounts of $39,363 for 2010 and $43,315 for 2009 (Note 3)	139,557	123,280
Government receivable	9,301	177,802
Grant receivable	8,515	9,772
ILQ	18,750	0
Prepaid expenses	4,497	1,215
Note receivable - employees	36,000	29,000
Total Current Assets	833,989	987,886
Property and Equipment: (Note 1)		
Buildings	562,347	562,347
Furniture and equipment	199,777	199,777
Computer equipment (Note 5)	465,824	404,251
	1,227,948	1,166,375
Less: Accumulated depreciation	(824,412)	(796,590)
Undepreciated Value of Property and Equipment	403,536	369,785
Total Assets	$ 1,237,525	$ 1,357,671

Liabilities and Net Assets

	2010	2009
Current Liabilities:		
Accrued wages	$ 35,587	$ 101,331
Accrued vacation	47,499	28,919
Total Current Liabilities	83,086	130,250
Total Liabilities	83,086	130,250
Net Assets - unrestricted	1,154,439	1,227,421
Total Liabilities and Net Assets	$ 1,237,525	$ 1,357,671

See notes to financial statements.

Exhibit B

Center Associates
Statements of Activities
Years Ended June 30, 2010 and 2009

	2010		2009	
	Current Fund Unrestricted		Current Fund Unrestricted	
	Amount	%	Amount	%
Unrestricted Net Assets:				
Public Support and Revenues:				
County funds	$ 133,678	8.7	$ 139,571	7.6
Program fees	1,339,033	86.1	1,644,010	88.4
United Way Funds	38,803	2.5	39,432	2.0
Other income	41,107	2.7	37,035	2.0
Total Unrestricted Revenues and Other Support	1,552,621	100.0	1,860,048	100.0
Expenses:				
Program Services:				
Mental Health Center Programs	1,625,603	104.7	1,672,365	89.9
Total Expenses from Operations	1,625,603	104.7	1,672,365	89.9
Change in Net Assets	(72,982)	(4.7)	187,683	(10.1)
Net Assets Beginning of Year	1,227,421		1,039,738	
Net Assets End of Year	$ 1,154,439		$ 1,227,421	

See notes to financial statements.

Center Associates
Statements of Functional Expenses
Years Ended June 30, 2010 and 2009

Exhibit C

	2010 Program Mental Health Center Services		2009 Program Mental Health Center Services	
	Amount	%	Amount	%
Salaries and benefits	$ 1,380,219	88.9	$ 1,405,172	75.5
Retirement benefits	31,192	2.0	28,743	1.6
Insurance	14,673	1.0	22,604	1.2
Depreciation	27,822	1.8	22,572	1.2
Office supplies and expense	52,513	3.4	45,861	2.5
Telephone and utilities	34,280	2.2	35,167	1.9
Recruitment and advertising	2,905	.2	25,831	1.4
Repairs and maintenance	25,443	1.6	40,591	2.1
Professional fees	23,168	1.5	15,135	.8
Travel and lodging	6,218	.4	5,771	.3
Education	3,682	.2	1,302	.1
Emergency expense	3,000	.2	3,000	.2
Postage and meter	12,254	.8	11,369	.6
Miscellaneous	7,640	.5	8,740	.5
Board of Directors	594	- - -	507	- - -
Total Expenses	$ 1,625,603	104.7	1,672,365	89.9

See notes to financial statements.

Center Associates
Statements of Cash Flows
Years Ended June 30, 2010 and 2009

Exhibit D

	2010	2009
Cash flows from operating activities:		
Cash received from Counties	$ 133,678	$ 129,799
Contributions received	38,803	39,432
Cash received from local and state funding	248,512	246,116
Cash received from patient fees and Title XIX	1,281,532	1,279,399
Interest received	3,577	11,103
Cash paid to employees and suppliers	(1,673,977)	(1,581,962)
Net cash provided by or used for operating activities	32,125	123,887
Cash flows from investing activities:		
Increase in certificate of deposit and investments	(1,841)	(6,625)
Purchase of equipment	(61,573)	0
Net cash used for investing activities	(63,414)	(6,625)
Net increase or (decrease) in cash	(31,289)	117,262
Cash and cash equivalents beginning of year	353,439	236,177
Cash and cash equivalents end of year	$ 322,150	$ 353,439

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

	2010	2009
Change in net assets	$ (72,982)	$ 187,683
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Decrease or (Increase) in receivables	127,731	(154,199)
Decrease or (Increase) in prepaid expenses	(3,282)	6,616
(Decrease) or Increase in accrued liabilities	(47,164)	61,215
Depreciation expense	27,822	22,572
Net cash provided by operating activities	$ 32,125	$ 123,887

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

The Center paid no income taxes in 2010 or 2009.

The Center paid no interest in 2010 or 2009.

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 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, 2010 and 2009 was $27,822 and $22,572 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, 2010 and June 30, 2009, 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: 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 2010 was $31,192 and $28,743 for 2009.

Note 3: 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 22% of accounts receivable for 2010 and 26% for 2009.

Note 4: 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 5: 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, 2010 and 2009 was $59,787 and $9,654 respectively.

An agreement to purchase new computer software and hardware from Sage Software Healthcare, Inc. was signed in December 2009. The contract was for $82,098 of which $20,525 is due as of June 30, 2010.

Note 6: **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 7: **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 8: **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 $250,000. As of June 30, 2010, uninsured balances amounted to $232,329.

Note 9: **Investments**

Investments as of June 30, 2010 and 2009 are summarized as follows:

		Cost	Fair Value	Carrying Value
Unrestricted				
Certificates of Deposit	6/30/10	$ 295,219	295,219	295,219
	6/30/09	$ 293,378	293,378	293,379

The following schedule summarizes the investment return for the years ended June 30, 2010 and 2009.

	June 30, 2010	June 30, 2009
Interest and Dividends	$ 1,841	$ 8,486

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 10: 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 $25,000 for the benefit of Associates Supported Housing and received $6,250 in repayment during the year ended June 30, 2010. The monthly payments are $1,041.66 with no interest due.

Center Associates
Schedules of Supporting Revenues
Years Ended June 30, 2010 and 2009

Schedule 1

	2010		2009		Diff.
	Amount	%	Amount	%	
County Funds:					
Marshall County CPC	$ 128,118	8.3	$ 138,532	7.5	(10,414)
Hardin County CPC	5,560	.4	1,039	.1	4,521
Total County Funds	133,678	8.7	139,571	7.6	(5,893)
Program Fees:					
Patient fees	130,860	8.4	127,951	6.9	2,909
Title XIX	383,502	24.7	712,315	38.3	(328,813)
Insurance	618,576	39.8	606,271	32.6	12,305
MMSC	18,000	1.2	18,000	1.0	0
Contractual services-MICA	34,680	2.2	37,332	2.0	(2,652)
SBYS school	29,587	1.9	32,185	1.7	(2,598)
State Funding	93,828	6.0	74,131	4.0	19,697
Meskwaki	30,000	1.9	35,250	1.8	(5,250)
Woodward - Pass Through	0	---	575	.1	(575)
Total Program Fees	1,339,033	86.1	1,644,010	88.4	(304,977)
United Way Funds	38,803	2.5	39,432	2.0	(629)
Other Income:					
Interest income	3,577	.3	11,103	.6	(7,526)
Miscellaneous	37,530	2.4	25,932	1.4	11,598
Total Other Income	41,107	2.7	37,035	2.0	4,072
Total Revenues	$ 1,552,621	100.0	$ 1,860,048	100.0	(307,427)

See accompanying independent auditor's report.

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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 of Marshalltown, Iowa, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated July 26, 2010. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control 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 material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Center's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of significant deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 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, 2010 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 and 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

Roland & Dieleman

Certified Public Accountants

July 26, 2010

Center Associates

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA