The Richmond Center
Financial Statements
Year Ended June 30, 2010

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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, 2010, and the related statements of activities 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.

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, 2010, 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.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 11 to the financial statements, the Organization has incurred a $50,350 decrease in net assets during the year ended June 30, 2010. In addition, the Organization has incurred similar decreases in recent years. Those factors, among others raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2010, 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.

Houston & Seeman, P.C.

Houston & Seeman, P.C.
Boone, Iowa

October 25, 2010

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The Richmond Center
Statement of Financial Position
June 30, 2010

Assets		
Assets		
Cash and cash equivalents	$	99,931
Accounts receivable		
Trade, net of allowance for doubtful accounts of $63,410		95,158
Other		61,396
Prepaid expenses		7,205
Property and equipment, net of accumulated depreciation of $217,189		226,539
Total assets	$	490,229

Liabilities and Net Assets		
Liabilities		
Accounts payable	$	4,903
Accrued liabilities		61,075
Deferred revenue		30,822
Due to Community and Family Resources		101,622
City of Ames forgivable loan		25,000
Total liabilities		223,422
Net assets		
Unrestricted, Undesignated		252,798
Temporarily restricted		14,009
Total net assets		266,807
Total liabilities and net assets	$	490,229

See accompanying notes.

The Richmond Center
Statement of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Changes in net assets			
Revenues, gains and other support			
Program service fees	$ 1,372,145	$ -	$ 1,372,145
In-kind management fee	198,000	-	198,000
Grants	141,363	-	141,363
Contributions	38,251	5,380	43,631
Other income	20,907	-	20,907
Rent	3,300	-	3,300
Investment income	420	31	451
Gain on disposal of vehicle	4,539	-	4,539
Total revenues, gains and other support	1,778,925	5,411	1,784,336
Net assets released from restrictions	6,408	(6,408)	-
Total revenues, gains, support, and reclassifications	1,785,333	(997)	1,784,336
Expenses			
Salaries and wages	1,006,412	-	1,006,412
Employee benefits	96,895	-	96,895
Payroll taxes	80,445	-	80,445
In-kind management services	198,000	-	198,000
Contracted physician services	126,649	-	126,649
Professional fees	72,570	-	72,570
Community support services	2,765	-	2,765
Advertising	7,772	-	7,772
Office supplies	18,254	-	18,254
Postage	5,565	-	5,565
Continuing education	3,060	-	3,060
Dues and subscriptions	3,414	-	3,414
Data systems	31,900	-	31,900
Occupancy	61,057	-	61,057
Insurance	37,499	-	37,499
Repairs and maintenance	12,513	-	12,513
Vehicle	17,176		17,176
Telephone	22,390	-	22,390
Travel	4,221	-	4,221
Miscellaneous	13,273	-	13,273
Depreciation	12,856	-	12,856
Total expenses	1,834,686	-	1,834,686
Increase (decrease) in net assets	(49,353)	(997)	(50,350)
Net assets, beginning of year	302,151	15,006	317,157
Net assets, end of year	$ 252,798	$ 14,009	$ 266,807

See accompanying notes.

The Richmond Center
Statement of Cash Flows
Year Ended June 30, 2010

Cash flows from operating activities	
(Decrease) in net assets	$ (50,350)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Gain on disposal of vehicle	(4,539)
Depreciation	12,856
(Increase) decrease in operating assets	
Accounts receivable	(9,910)
Prepaid expenses	14,109
Increase (decrease) in operating liabilities	
Accounts payable	(14,452)
Accrued liabilities	(21,970)
Deferred revenue	(16,169)
Due to Community and Family Resources	101,622
Net cash provided by operating activities	11,197
Cash flows from investing activities	
Proceeds from the disposal of vehicle	4,539
Purchase of property and equipment	(218,999)
Net cash (used) by investing activities	(214,460)
Cash flows from financing activities	
Proceeds from debt	13,734
Net cash provided by financing activities	13,734
Net (decrease) in cash and cash equivalents	(189,529)
Cash and cash equivalents, beginning of year	289,460
Cash and cash equivalents, end of year	$ 99,931

See accompanying notes.

The Richmond Center
Notes to Financial Statements

1. Nature of Activities and Summary of Significant Accounting Policies

a. Nature of Activities

The Richmond Center, located in Ames, Iowa, is a nonprofit organization providing mental health services which include outpatient mental health, community support, consultation, education, and psychiatric services for the residents of Story, Boone, Greene and Carroll Counties.

The Organization is dependent on continued funding by Federal, State and local governmental bodies to provide the programs necessary to support the services and objectives set out above.

b. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

c. Basis of Presentation

The Organization 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. Trade Receivables and Program Service Fees

Trade 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 $63,410 at June 30, 2010.

Program service fee 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.

g. 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.

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

h. 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.

i. Expenses Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the notes to the financial statements. 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. 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:

Leasehold Improvements	$ 163,323
Vehicles	79,252
Furniture and fixtures	201,153
	443,728
Accumulated depreciation	(217,189)
	$ 226,539

Depreciation expense was $12,856 for the year ended June 30, 2010.

3. City of Ames Forgivable Loan

The Organization has a noninterest bearing forgivable loan with the City of Ames. The Organization has borrowed the maximum of $25,000 as of June 30, 2010.

4. Operating Leases

The Organization is the lessee of various office spaces under monthly operating leases. Total rent expense was $39,638 for the year ended June 30, 2010.

5. Restrictions/Limitations on Net Assets

Temporarily restricted net assets of $14,009 were available for the special needs program for clients with financial needs.

6. 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 $7,772 for the year ended June 30, 2010.

7. 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.

8. 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 $20,330 for the year ended June 30, 2010.

9. Functional Classification of Expenses

Expenses by function for the years ended June 30 were as follows:

Program services	
Outreach Services	$ 282,974
Psychiatry Services	591,250
Therapy Services	722,753
Supporting services	
General and Administrative	237,709
Total Expenses	$1,834,686

9. Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not believe it has any income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for 2007, 2008 and 2009 are subject to examination by the IRS, generally for three years after they were filed.

10. Related Party

The Richmond Center has an agreement with Community and Family Resources (CFR) to provide management services to the The Richmond Center at no cost. The value of the services were $198,000 for the year ended June 30, 2010. Also effective October 1, 2009, all of The Richmond Center's employees became employees of CFR, with The Richmond Center reimbursing CFR for all payroll, related taxes and employee benefits. The Richmond Center also reimburses CFR for other expenses as they arise.

As of June 30, 2010, the Organization owed CFR $101,622 for various reimbursements.

11. Going Concern

As indicated in the accompanying financial statements, the Organization showed a decrease in net assets of $50,350 during the year ended June 30, 2010. The Organization has showed decreases in net assets in recent years, significant staff turnover, as well as difficulty in maintaining positive cash flows. Those factors create an uncertainty about the Organization's ability to continue as a going concern.

The Organization has developed a business plan which has it entered into a management agreement with Community and Family Resources (CFR) to provide ongoing management of the Organization, with the plan to merge the organizations at some point in the future. CFR has provided the management services at no charge to the Organization. The ability of the Organization to continue is dependent upon the continued in-kind management support and continued financial support from CFR. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

12. Subsequent Event

Effective August 26, 2010, the Organization's Board elected to merge its Board of Directors with the Community and Family Resources Board of Directors, while still keeping the entities legally separate from each other.

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2010, the date the financial statements were available to be issued.

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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, 2010 and have issued our report thereon dated October 25, 2010. 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.

A *deficiency in internal control* 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 and correct 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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that 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 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.

Houston & Seeman, P.C.

Houston & Seeman, P.C.
Boone, Iowa

October 25, 2010

The Richmond Center
Schedule of Findings
Year ended June 30, 2010

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.

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'll continue to explore option of segregating duties. With a potential merger in sight, the number of employees that are available to split duties should be increasing.

Conclusion – Response accepted.

B. Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP) – As is the case with similar non-profit entities, the Organization has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Organization's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Recommendation – The Organization should evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interest of the Organization to continue to outsource this task to its external auditors.

Response – We are aware of the outsourcing option and will continue considering it.

Conclusion – Response accepted.