

**Center Associates**

**Independent Auditor's Reports  
Financial Statements and  
Supplementary Information  
June 30, 2011 and 2010**

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Center Associates  
Board of Directors  
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Lowrance	President	July 2011
Susan Holm	Vice-President	July 2014
Marty Wymore	Secretary-Treasurer	July 2014
Anita Ellingson	Director	July 2013
Jonathan Hull	Director	July 2012
Judith Andrews	Director	July 2012
Marc Riveland	Director	July 2013
David Splett	Director	July 2014
David Thompson	Director	July 2014

Staff

Mike Bergmann, M.S. Licensed Psychologist	CEO	Indefinite
Beverly Worden	Business Manager	Indefinite

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

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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, 2011 and June 30, 2010 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, 2011 and 2010, 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 25, 2011 on our consideration of Center Associates' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

ROLAND & DIELEMAN  
  
Certified Public Accountants

July 25, 2011

Center Associates  
 Statements of Financial Position  
 June 30, 2011 and 2010

Exhibit A

<b>Assets</b>	<u>2011</u>	<u>2010</u>
	<u>Current Fund</u> <u>Unrestricted</u>	<u>Current Fund</u> <u>Unrestricted</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 452,867	\$ 322,150
Investments (Note 9)	190,266	295,219
Receivables:		
Accounts receivable for patient services, less allowance for doubtful accounts of \$61,563 for 2011 and \$39,363 for 2010 (Note 3)	139,694	139,557
Government receivable	144,611	9,301
Grant receivable	16,547	8,515
ILQ	6,250	18,750
Prepaid expenses	5,270	4,497
Note receivable - employees	<u>22,000</u>	<u>36,000</u>
Total Current Assets	<u>977,505</u>	<u>833,989</u>
<b>Property and Equipment: (Note 1)</b>		
Buildings	562,347	562,347
Furniture and equipment	218,186	199,777
Computer equipment (Note 5)	<u>465,824</u>	<u>465,824</u>
	1,246,357	1,227,948
Less: Accumulated depreciation	( 857,681)	( 824,412)
Undepreciated Value of Property and Equipment	<u>388,676</u>	<u>403,536</u>
Total Assets	<u>\$ 1,366,181</u>	<u>\$ 1,237,525</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accrued wages	\$ 111,048	\$ 35,587
Accrued vacation	<u>39,675</u>	<u>47,499</u>
Total Current Liabilities	<u>150,723</u>	<u>83,086</u>
Total Liabilities	150,723	83,086
Net Assets - unrestricted	<u>1,215,458</u>	<u>1,154,439</u>
Total Liabilities and Net Assets	<u>\$ 1,366,181</u>	<u>\$ 1,237,525</u>

See notes to financial statements.

Center Associates  
 Statements of Activities  
 Years Ended June 30, 2011 and 2010

Exhibit B

	<u>2011</u>		<u>2010</u>	
	<u>Current Fund</u>		<u>Current Fund</u>	
	<u>Unrestricted</u>		<u>Unrestricted</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Unrestricted Net Assets:				
Public Support and Revenues:				
County funds	\$ 153,302	8.0	\$ 133,678	8.7
Program fees	1,690,260	88.2	1,339,033	86.1
United Way Funds	40,385	2.1	38,803	2.5
Other income	<u>32,071</u>	<u>1.7</u>	<u>41,107</u>	<u>2.7</u>
Total Unrestricted Revenues and Other Support	<u>1,916,018</u>	<u>100.0</u>	<u>1,552,621</u>	<u>100.0</u>
Expenses:				
Program Services:				
Mental Health Center Programs	<u>1,854,999</u>	<u>96.8</u>	<u>1,625,603</u>	<u>104.7</u>
Total Expenses from Operations	<u>1,854,999</u>	<u>96.8</u>	<u>1,625,603</u>	<u>104.7</u>
Change in Net Assets	<u>61,019</u>	<u>3.2</u>	( <u>72,982</u> )	( <u>4.7</u> )
Net Assets Beginning of Year	<u>1,154,439</u>		<u>1,227,421</u>	
Net Assets End of Year	\$ <u>1,215,458</u>		\$ <u>1,154,439</u>	

See notes to financial statements.

Center Associates  
 Statements of Functional Expenses  
 Years Ended June 30, 2011 and 2010

Exhibit C

	<u>2011</u>		<u>2010</u>	
	<u>Program</u> Mental Health Center Services		<u>Program</u> Mental Health Center Services	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Salaries and benefits	\$ 1,554,209	81.2	\$ 1,380,219	88.9
Retirement benefits	28,893	1.5	31,192	2.0
Insurance	17,518	0.9	14,673	1.0
Depreciation	33,229	1.7	27,822	1.8
Office supplies and expense	67,734	3.5	52,513	3.4
Telephone and utilities	40,831	2.1	34,280	2.2
Recruitment and advertising	23,965	1.3	2,905	0.2
Repairs and maintenance	31,581	1.7	25,443	1.6
Professional fees	19,432	1.0	23,168	1.5
Travel and lodging	14,068	0.7	6,218	0.4
Education	693	---	3,682	0.2
Emergency expense	3,000	0.2	3,000	0.2
Postage and meter	11,799	0.6	12,254	0.8
Miscellaneous	7,444	0.4	7,640	0.5
Board of Directors	<u>603</u>	---	<u>594</u>	---
 Total Expenses	 <u>\$ 1,854,999</u>	 <u>96.8</u>	 <u>1,625,603</u>	 <u>104.7</u>

See notes to financial statements.

Center Associates  
Statements of Cash Flows  
Years Ended June 30, 2011 and 2010

Exhibit D

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities:</b>		
Cash received from Counties	\$ 153,302	\$ 133,678
Contributions received	40,385	38,803
Cash received from local and state funding	213,542	248,512
Cash received from patient fees and Title XIX	1,385,669	1,281,532
Interest received	6,141	3,577
Cash paid to employees and suppliers	<u>(1,754,906)</u>	<u>(1,673,977)</u>
Net cash provided by operating activities	<u>44,133</u>	<u>32,125</u>
<b>Cash flows from investing activities:</b>		
Decrease or (Increase) in certificate of deposit and investments	104,993	( 1,841)
Purchase of equipment	<u>( 18,409)</u>	<u>( 61,573)</u>
Net cash provided by or used for investing activities	<u>86,584</u>	<u>( 63,414)</u>
Net increase or (decrease) in cash	130,717	( 31,289)
Cash and cash equivalents beginning of year	<u>322,150</u>	<u>353,439</u>
Cash and cash equivalents end of year	\$ <u>452,867</u>	\$ <u>322,150</u>
<b>Reconciliation of change in net assets to net cash used by operating activities:</b>		
Change in net assets	\$ 61,019	\$ ( 72,982)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Decrease or (Increase) in receivables	( 116,979)	127,731
Decrease or (Increase) in prepaid expenses	( 773)	( 3,282)
(Decrease) or Increase in accrued liabilities	67,637	( 47,164)
Depreciation expense	<u>33,229</u>	<u>27,822</u>
Net cash provided by operating activities	\$ <u>44,133</u>	\$ <u>32,125</u>

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

The Center paid no income taxes in 2011 or 2010.

The Center paid no interest in 2011 or 2010.

See notes to financial statements.

Center Associates  
Notes to the Financial Statements  
June 30, 2011 and 2010

**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 as 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 policies 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:

<u>Type</u>	<u>Estimated Useful Lives</u>	<u>Method</u>
Buildings	10-40	Straight-line
Furniture and equipment	5-10	Straight-line

Depreciation expense for the years ending June 30, 2011 and 2010 was \$33,229 and \$27,822 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, 2011 and June 30, 2010, 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 2011 was \$28,893 and \$31,192 for 2010.

**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 31% of accounts receivable for 2011 and 22% for 2010.

**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, 2011 and 2010 was \$44,254 and \$59,787 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, 2011.

**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, 2011, uninsured balances amounted to \$171,299.

**Note 9: Investments**

Investments as of June 30, 2011 and 2010 are summarized as follows:

		Cost	Fair Value	Carrying Value
Unrestricted				
Certificates of Deposit and	6/30/11	\$ 190,266	190,266	190,266
Sweep account	6/30/10	\$ 295,219	295,219	295,219

The following schedule summarizes the investment return for the years ended June 30, 2011 and 2010.

	June 30, 2011	June 30, 2010
Interest and Dividends	\$ <u>2,893</u>	\$ <u>1,841</u>

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 \$12,500 in repayment during the year ended June 30, 2011. The monthly payments are \$1,041.66 with no interest due.

Center Associates  
Schedules of Supporting Revenues  
Years Ended June 30, 2011 and 2010

Schedule 1

	<u>2011</u>		<u>2010</u>		<u>Diff.</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
<b>County Funds:</b>					
Marshall County CPC	\$ 140,737	7.4	\$ 128,118	8.3	12,619
Hardin County CPC	<u>12,565</u>	<u>0.6</u>	<u>5,560</u>	<u>0.4</u>	<u>7,005</u>
<b>Total County Funds</b>	<u><b>153,302</b></u>	<u><b>8.0</b></u>	<u><b>133,678</b></u>	<u><b>8.7</b></u>	<u><b>19,624</b></u>
<b>Program Fees:</b>					
Patient fees	119,844	6.2	130,860	8.4	( 11,016)
Title XIX	681,255	35.6	383,502	24.7	297,753
Insurance	632,649	33.0	618,576	39.8	14,073
MMSC	18,000	0.9	18,000	1.2	---
Contractual services-MICA	35,853	1.9	34,680	2.2	1,173
SBYS school	44,985	2.4	29,587	1.9	15,398
State Funding	114,674	6.0	93,828	6.0	20,846
Meskwaki	<u>43,000</u>	<u>2.2</u>	<u>30,000</u>	<u>1.9</u>	<u>13,000</u>
<b>Total Program Fees</b>	<u><b>1,690,260</b></u>	<u><b>88.2</b></u>	<u><b>1,339,033</b></u>	<u><b>86.1</b></u>	<u><b>351,227</b></u>
United Way Funds	<u>40,385</u>	<u>2.1</u>	<u>38,803</u>	<u>2.5</u>	<u>1,582</u>
<b>Other Income:</b>					
Interest income	6,141	0.3	3,577	0.3	2,564
Miscellaneous	<u>25,930</u>	<u>1.4</u>	<u>37,530</u>	<u>2.4</u>	<u>( 11,600)</u>
<b>Total Other Income</b>	<u><b>32,071</b></u>	<u><b>1.7</b></u>	<u><b>41,107</b></u>	<u><b>2.7</b></u>	<u><b>( 9,036)</b></u>
<b>Total Revenues</b>	<u><b>\$ 1,916,018</b></u>	<u><b>100.0</b></u>	<u><b>\$ 1,552,621</b></u>	<u><b>100.0</b></u>	<u><b>363,397</b></u>

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, 2011 and 2010, and have issued our report thereon dated July 25, 2011. 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, 2011 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



Certified Public Accountants

July 25, 2011

Center Associates

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA