Center Associates

Independent Auditor's Reports
Financial Statements and
Supplementary Information
June 30, 2013 and 2012

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

		Page
Board of Directors		1
Independent Auditor's Report		2-3
Financial Statements:	Exhibit	
Statements of Financial Position	A	4
Statements of Activities	B	5
Statements of Functional Expenses	C	6
Statements of Cash Flows	D	7
Notes to Financial Statements		8-12
Supplementary Information:	Schedule	
Schedules of Supporting Revenues	1	13
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		14-15
Staff		16

Center Associates
Board of Directors
June 30, 2013

Name	Title	Term Expires
Susan Holm	President	July 2014
Marty Wymore	Vice-President	July 2014
Marc Riveland	Secretary-Treasurer	July 2013
Anita Ellingson	Director	July 2013
Jonathan Hull	Director	July 2015
David Splett	Director	July 2014
David Thompson	Director	July 2014
Joe Latham	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.

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS
808 4th Avenue • P.O. Box 107
Grinnell, IA 50112

Roger D. Roland
Edwin L. Dieleman
Royal R. Roland

Telephone:
Grinnell - 641-236-6558
Tama - 641-484-2970
Sully - 641-594-4286
FAX - 641-236-7237
randdcpa@iowatelecom.net

Independent Auditor's Report

To the Board of Directors of
Center Associates:

Report on the Financial Statements

We have audited the accompanying Statements of Financial Position of Center Associates as of June 30, 2013 and June 30, 2012 and the related statements of Activities, Functional Expenses, and Cash Flows for the years then ended and the Notes to Financial Statements. These Financial Statements do not include information regarding Associates Supported Housing or ILQ, Inc.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for out audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center Associates as of June 30, 2013 and June 30, 2012 and the changes in its net assets and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued out report dated July 30, 2013 on our consideration of Center Associate's internal control over financial reporting and on our tests of its compliance with certain provision 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 audit performed in accordance with Government Auditing Standards in considering Center Associate's internal control over financial reporting and compliance.

ROLAND & DIELEMAN
Roland & Dieleman
Certified Public Accountants

July 30, 2013

Center Associates
Statements of Financial Position
June 30, 2013 and 2012

Exhibit A

Assets

	2013	2012
	General Fund Unrestricted	General Fund Unrestricted
Cash and cash equivalents	$ 674,150	$ 381,567
Investments (Note 9)	165,521	342,069
Receivables:		
Accounts receivable for patient services, less allowance for doubtful accounts of $79,879 for 2013 and $48,002 for 2012 (Note 3)	215,969	170,188
Government receivable	0	186,141
Grant receivable	13,151	12,980
Prepaid expenses	6,859	6,388
Note receivable - employees	6,000	14,000
Buildings	670,655	562,347
Furniture and equipment	219,694	219,694
Computer equipment (Note 5)	486,349	486,349
Less: Accumulated depreciation	(930,849)	(892,322)
Total Assets	$ 1,527,499	$ 1,489,401

Liabilities and Net Position

	2013	2012
Liabilities:		
Accrued wages	$ 174,007	$ 133,224
Accrued vacation	42,684	45,854
Total Liabilities	216,691	179,078
Net Assets - unrestricted	1,310,808	1,310,323
Total Liabilities and Net Position	$ 1,527,499	$ 1,489,401

See notes to financial statements.

Exhibit B

Center Associates
Statements of Activities
Years Ended June 30, 2013 and 2012

	2013		2012	
	General Fund Unrestricted		General Fund Unrestricted	
	Amount	%	Amount	%
Public Support and Revenues:				
County funds	$ 185,962	8.9	$ 172,958	8.8
Program fees	1,845,151	88.0	1,735,437	88.3
United Way Funds	26,699	1.3	34,191	1.7
Other income	40,453	1.8	23,897	1.2
Total Public Support and Revenues	2,098,265	100.0	1,966,483	100.0
Expenses:				
Program Services:				
Mental Health Center Programs	2,097,780	99.9	1,871,618	95.2
Total Expenses	2,097,780	99.9	1,871,618	95.2
Change in Net Assets from Operations	485	0.1	94,865	4.8
Net Assets Beginning of Year	1,310,323		1,215,458	
Net Assets End of Year	$ 1,310,808		$ 1,310,323	

See notes to financial statements.

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS

Center Associates
Statements of Functional Expenses
Years Ended June 30, 2013 and 2012

Exhibit C

	2013 Program Mental Health Center Services		2012 Program Mental Health Center Services	
	Amount	%	Amount	%
Salaries and benefits	$ 1,741,412	83.0	$ 1,538,124	78.1
Retirement benefits	33,864	1.6	29,366	1.5
Insurance	20,764	1.0	18,088	0.9
Depreciation	38,527	1.8	34,641	1.8
Office supplies and computer	101,164	4.8	88,878	4.5
Telephone and utilities	50,599	2.4	36,158	1.8
Recruitment and advertising	2,750	0.1	13,684	0.7
Repairs and maintenance	47,775	2.3	48,493	2.5
Professional fees	14,232	0.7	16,234	0.8
Travel and lodging	14,323	0.7	16,813	0.9
Education	3,284	0.2	5,289	0.3
Emergency expense	3,000	0.1	3,000	0.2
Postage and meter	13,912	0.7	13,638	0.7
Miscellaneous	11,770	0.5	8,854	0.5
Board of Directors	404	---	358	---
Total Expenses	$ 2,097,780	99.9	$ 1,871,618	95.2

See notes to financial statements.

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS

Center Associates
Statements of Cash Flows
Years Ended June 30, 2013 and 2012

Exhibit D

	2013	2012
Cash flows from operating activities:		
Cash received from Counties	$ 185,962	$ 172,958
Contributions received	26,699	34,191
Cash received from local and state funding	432,331	401,376
Cash received from patient fees and Title XIX	1,636,962	1,301,483
Interest received	2,281	2,268
Cash paid to employees and suppliers	(2,059,892)	(1,809,739)
Net cash provided by operating activities	224,343	102,537
Cash flows from investing activities:		
Decrease or (Increase) in certificate of deposit and investments	176,548	(151,804)
Purchase of equipment and improvements	(108,308)	(22,033)
Net cash provided by or used for investing activities	68,240	(173,837)
Net increase or (decrease) in cash and cash equivalents	292,583	(71,300)
Cash and cash equivalents beginning of year	381,567	452,867
Cash and cash equivalents end of year	$ 674,150	$ 381,567

Reconciliation of change in net assets from operations to net cash provided by operating activities:

	2013	2012
Change in net assets from operations	$ 485	$ 94,865
Adjustments to reconcile change in net assets from operations to net cash provided by operating activities:		
Decrease or (Increase) in receivables	148,189	(54,207)
(Increase) in prepaid expenses	(471)	(1,118)
Increase in accrued liabilities	37,613	28,356
Depreciation expense	38,527	34,641
Net cash provided by operating activities	$ 224,343	$ 102,537

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

The Center paid no income taxes in 2013 or 2012.

The Center paid no interest in 2013 or 2012.

See notes to financial statements.

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS

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 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, 2013 and 2012 was $38,527 and $34,641 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, 2013 and June 30, 2012, 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 2013 was $33,864 and $29,366 for 2012.

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 27% of accounts receivable for 2013 and 22% for 2012.

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, 2013 and 2012 was $32,839 and $62,726 respectively.

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, 2013, uninsured balances amounted to $281,766.

Note 9: **Investments**

Investments as of June 30, 2013 and 2012 are summarized as follows:

		Cost	Fair Value	Carrying Value
Unrestricted				
Certificates of Deposit and	6/30/13	$ 160,000	165,521	165,521
Sweep account	6/30/12	$ 340,665	342,069	342,069

The following schedule summarizes the investment return for the years ended June 30, 2013 and 2012.

	June 30, 2013	June 30, 2012
Interest and Dividends	$ 1,873	$ 1,913

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.

Note 11: Evaluation of Subsequent Events

The Center has evaluated subsequent events through July 30, 2013, the date which the financial statements were available to be issued. As of August 1, 2013, Center Associates will acquire the assets of the Mental Health Clinic of Tama County, Iowa, Inc. and begin providing mental health services to Tama County.

Center Associates
Schedules of Supporting Revenues
Years Ended June 30, 2013 and 2012

Schedule 1

	2013 Amount	2013 %	2012 Amount	2012 %	Diff.
County Funds:					
Marshall County CPC	$ 171,556	8.2	$ 165,269	8.4	6,287
Hardin County CPC	14,406	0.7	7,689	0.4	6,717
Total County Funds	185,962	8.9	172,958	8.8	13,004
Program Fees:					
Patient fees	141,920	6.8	120,653	6.2	21,267
Title XIX	510,378	24.3	541,570	27.5	(31,192)
Insurance	798,523	38.1	711,284	36.2	87,239
MMSC	18,000	0.9	18,000	0.9	- - -
Contractual services-MICA	24,817	1.2	31,538	1.6	(6,721)
SBYS school	149,805	7.1	121,700	6.2	28,105
State Funding	80,243	3.8	134,322	6.8	(54,079)
Meskwaki	121,465	5.8	56,370	2.9	65,095
Total Program Fees	1,845,151	88.0	1,735,437	88.3	109,714
United Way Funds	26,699	1.3	34,191	1.7	(7,492)
Other Income:					
Interest income	2,281	0.1	2,268	0.1	13
Miscellaneous	38,172	1.7	21,629	1.1	16,543
Total Other Income	40,453	1.8	23,897	1.2	16,556
Total Public Support and Revenues	$ 2,098,265	100.0	$ 1,966,483	100.0	131,782

See accompanying independent auditor's report.

ROLAND & DIELEMAN
CERTIFIED PUBLIC ACCOUNTANTS
808 4th Avenue • P.O. Box 107
Grinnell, IA 50112

Roger D. Roland
Edwin L. Dieleman
Royal R. Roland

Telephone:
Grinnell - 641-236-6558
Tama - 641-484-2970
Sully - 641-594-4286
FAX - 641-236-7237
randdcpa@iowatelecom.net

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 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, the financial statements of Center Associates, Marshalltown, Iowa, as of and for the year ended June 30, 2013 and 2012, and the related Notes to Financial Statements, and have issued our reports thereon dated July 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center Associate's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center Associate's internal control. Accordingly, we do not express an opinion on the effectiveness of Center Associate's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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, 2013 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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 30, 2013

Center Associates

Audit Staff

This audit was performed by:

Royal R. Roland, CPA

Edwin L. Dieleman, CPA