NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION
COMMENTS AND RECOMMENDATIONS

YEARS ENDED JUNE 30, 2004 AND 2003

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
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NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Officials
June 30, 2004

Board of Directors:	Address
Audubon County	
Sally Alt, Member	Audubon, Iowa
Todd Johnson, Member	Audubon, Iowa
Carroll County	
Marty Danzer, President	Carroll, Iowa
Rhonda Mart, Member	Carroll, Iowa
Guthrie County	
Jerry Caraher, Member	Bayard, Iowa
Larry Sleister, Member	Guthrie Center, Iowa
Greene County	
Bill Raney, Member	Jefferson, Iowa
Cindy Wise, Member	Jefferson, Iowa
Sac County	
Rick Hecht, Secretary-Treasurer	Sac City, Iowa
Cynthia Emery, Vice-President	Sac City, Iowa
Executive Director:	
Chad Jensen	Carroll, Iowa

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New View Substance Abuse Treatment
and Prevention Center
Carroll, Iowa

We have audited the accompanying balance sheets of New View Substance Abuse Treatment and Prevention Center as of June 30, 2004 and 2003, and the related statements of activities and changes in net assets, 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.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 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 New View Substance Abuse Treatment and Prevention Center as of June 30, 2004 and 2003, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information (shown on page 12) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2004 on our consideration of New View Substance Abuse Treatment and Prevention Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Gronewold, Bell, Kyhnn & Co. P.C.

Atlantic, Iowa
September 16, 2004

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Balance Sheets
June 30,

ASSETS

	2004	2003
Current Assets:		
Cash	$ 80,684	$ 79,175
Certificates of deposit	171,129	166,905
Client receivable, less allowance for doubtful accounts ($4,031 in 2004 and $1,000 in 2003)	2,208	7,720
Contract and grant receivables	47,115	30,883
Prepaid expense	3,650	888
Accrued interest receivable	591	876
Total current assets	305,377	286,447
Property and Equipment, Net	31,286	38,044
Investment	3,000	3,000
Total assets	$ 339,663	$ 327,491

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	$ 14,413	$ 14,257
Payroll taxes withheld and accrued	7,327	3,747
Accrued employee compensation	21,505	21,192
Total current liabilities	43,245	39,196
Net Assets:		
Unrestricted	296,418	282,127
Restricted	--	6,168
Total net assets	296,418	288,295
Total liabilities and net assets	$ 339,663	$ 327,491

The accompanying notes are an integral part of these statements.

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Activities and Changes in Net Assets
Year ended June 30,

	2004	2003
Support and Revenue:		
Support:		
Iowa Department of Public Health:		
Treatment and prevention program	$ 343,882	$ 329,839
Tobacco use prevention program	50,178	51,719
Youth mentoring program	37,825	41,165
Iowa Department of Correctional Services:		
TASC program	9,167	11,000
Other grant funding	25,656	--
Prevention training and contracted services	21,662	25,416
Counties and cities	79,912	79,002
Donations	8,225	9,036
Total support	576,507	547,177
Revenue:		
Client fees, net	127,725	119,084
Other revenues	3,497	4,086
Total revenue	131,222	123,170
Total Support and Revenue	707,729	670,347
Expenses:		
Salaries and wages	382,863	388,606
Employee benefits	112,520	107,970
Advertising and promotion	1,961	1,786
Provision for depreciation	11,536	9,377
Insurance	10,585	4,040
Miscellaneous	2,936	2,339
Professional services	47,866	26,667
Rent	25,273	26,235
Repairs and maintenance	11,840	13,729
Supplies and other expense	55,291	50,249
Telephone	10,145	9,968
Training costs	5,687	4,499
Travel	20,644	18,985
Utilities	6,848	6,290
Total expenses	705,995	670,740
Operating Income (Loss)	1,734	(393)

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NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Activities and Changes in Net Assets - Continued
Year ended June 30,

	2004	2003
Other Support and Gains (Losses):		
Investment income	$ 6,595	$ 8,051
Loss on disposal of assets	(206)	--
	6,389	8,051
Increase in Unrestricted Net Assets Before Unusual Item	8,123	7,658
Unusual Item (Note H)		
Insurance settlement	--	10,047
Net Assets Released from Restrictions	6,168	5,534
Increase in Unrestricted Net Assets	14,291	23,239
Temporarily Restricted Net Assets		
Restricted Contribution	--	3,029
Net Assets Released from Restrictions	(6,168)	(5,534)
Decrease in Temporarily Restricted Net Assets	(6,168)	(2,505)
Increase in Net Assets	8,123	20,734
Net Assets Beginning of Year	288,295	267,561
Net Assets End of Year	$ 296,418	$ 288,295

The accompanying notes are an integral part of these statements.

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Cash Flows
Year ended June 30,

	2004	2003
Cash flows from operating activities:		
Cash received from clients fees	$ 133,237	$ 117,499
Cash paid to suppliers and employees	(693,172)	(645,037)
Funding received from state agencies	456,393	435,570
County and city funding received	73,995	80,032
Other operating revenues	25,159	29,502
Donations received	8,225	9,036
Investment income received	6,880	8,344
Insurance settlement	--	10,047
Net cash provided by operating activities	10,717	44,993
Cash flows from investing activities:		
Capital expenditures	(4,984)	(13,715)
Purchase of certificates of deposit	(4,224)	(6,230)
Net cash used in investing activities	(9,208)	(19,945)
Cash flows from financing activities:		
Restricted contribution received	--	3,029
Net increase in cash and cash equivalents	1,509	28,077
Cash and cash equivalents at beginning of year	79,175	51,098
Cash and cash equivalents at end of year	$ 80,684	$ 79,175

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NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Cash Flows - Continued
Year ended June 30,

	2004	2003
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 8,123	$ 20,734
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation	11,536	9,377
Restricted contribution	--	(3,029)
Loss on disposal of assets	206	--
Changes in assets and liabilities		
Accounts receivable	(10,720)	1,292
Prepaid expense	(2,762)	497
Accrued interest receivable	285	293
Accounts payable	156	13,194
Payroll taxes withheld and accrued	3,580	(411)
Accrued employee compensation	313	3,046
Total adjustments	2,594	24,259
Net cash provided by operating activities	$ 10,717	$ 44,993

The accompanying notes are an integral part of these statements.

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The Center was created in 1976 as a non-profit corporation under the provisions of the Iowa Non-Profit Corporation Act, Chapter 504A of the Code of Iowa. The Center is a not for profit corporation and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The purpose of the Center is to provide for the care, maintenance, education and treatment of the substance abuser. The Center presently serves the five-county area of Audubon, Carroll, Greene, Guthrie and Sac Counties. The Center's Board includes two representatives from each of the five counties in the service area. One of these representatives is from the County Board of Supervisors of each county, serving an annual term. The five remaining members of the Board of Directors serve three year terms and are appointed by the existing Board.

2. Basis of Accounting and Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred. 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.

3. 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.

4. Investment

Investment in Tri-State Behavioral Health Association, Inc. (an Iowa corporation that arranges for the provision of managed mental health services) is stated at acquisition cost. Fair value of the investment is not readily determinable.

5. Property and Equipment

Property and equipment is stated at cost. Property and equipment donated for Center operations are recorded at fair value. The Center computes depreciation using the straight-line method. Useful lives of equipment range from three to seven years. The useful lives of the building and improvements range from five to fifteen years.

NOTE A - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

6. Unrestricted Revenues and Support

   a. Client fees are recorded net of adjustments for uncollectible accounts.

   b. Grant revenues are recognized as income when grant requirements have been satisfied.

7. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

NOTE B - MANAGED CARE CONTRACT

The Center's substance abuse treatment and rehabilitation services are being reimbursed under a managed care contract administered by Magellan Behavioral Health, Inc. The Center received approximately 48% of its total support and revenue through this contract for the year ended June 30, 2004 (49% for 2003). The Center's managed care contract for its current five county service area has been renewed for fiscal year ending June 30, 2005.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment is stated at acquisition cost. The cost by major category and accumulated depreciation at June 30 are as follows:

	2004	2003
Equipment	$ 84,945	$ 126,613
Leasehold Improvements	30,869	30,869
	115,814	157,482
Less Accumulated Depreciation	(84,528)	(119,438)
	$ 31,286	$ 38,044

Equipment includes items purchased with state funds. In the event of dissolution of the corporation, these assets would belong to the State of Iowa.

NOTE D - PENSION AND RETIREMENT BENEFITS

The Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Center is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Center's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were approximately $21,900, $22,100, and $22,200, respectively, equal to the required contributions for the year.

NOTE E - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

	2004	2003
Outpatient and Residential Services	$ 583,273	$ 534,900
Management and General	122,722	135,840
	$ 705,995	$ 670,740

NOTE F - CONTINGENCY

Risk Management

The Center is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. New View Substance Abuse Treatment and Prevention Center is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years.

NOTE G - CONCENTRATION OF CREDIT RISK

The Center grants credit without collateral to its clients, most of whom are area residents and are insured under third-party payor agreements. The mix of receivables are 100% from clients and third-party payors at June 30, 2004 and 2003.

NOTE H - UNUSUAL ITEM

Insurance Settlement

The Center received an insurance settlement as recovery for irregularities performed by a former employee during the three years ended June 30, 2000. The insurance settlement of $10,047 was received during the year ended June 30, 2003.

* * *

ACCOMPANYING INFORMATION

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Schedule of Expenditures by Activity
Year ended June 30, 2004

	Treatment Services	Prevention Services	Support Services	Total
Salaries and wages	$ 230,192	$ 73,951	$ 78,720	$ 382,863
Employee benefits	67,651	21,734	23,135	112,520
Advertising and promotion	1,373	588	--	1,961
Provision for depreciation	7,498	2,884	1,154	11,536
Insurance	6,880	2,646	1,059	10,585
Miscellaneous	1,908	734	294	2,936
Professional services	31,112	11,967	4,787	47,866
Rent	16,428	6,318	2,527	25,273
Repairs and maintenance	7,696	2,960	1,184	11,840
Supplies and other expense	13,823	35,939	5,529	55,291
Telephone	6,594	2,536	1,015	10,145
Training costs	3,696	1,422	569	5,687
Travel	12,387	6,193	2,064	20,644
Utilities	4,451	1,712	685	6,848
	$ 411,689	$ 171,584	$ 122,722	$ 705,995

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
New View Substance Abuse Treatment
and Prevention Center
Carroll, Iowa

We have audited the financial statements of New View Substance Abuse Treatment and Prevention Center as of and for the year ended June 30, 2004, and have issued our report thereon dated September 16, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New View Substance Abuse Treatment and Prevention Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 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, 2004 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. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

To the Board of Directors
New View Substance Abuse Treatment
and Prevention Center

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New View Substance Abuse Treatment and Prevention Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect New View Substance Abuse Treatment and Prevention Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the Schedule of Findings, we believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of New View Substance Abuse Treatment and Prevention Center and other parties to whom the Center may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Grossnickle, Bell, Kyhnn & Co. P.C.

Atlantic, Iowa
September 16, 2004

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Schedule of Findings
Year ended June 30, 2004

PART I - REPORTABLE CONDITIONS

04-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Center.

Recommendation: We recognize that it may not be economically feasible for the Center to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Center to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *