

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
Cedar Rapids, Iowa

**INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**  
June 30, 2004 and 2003

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**AREA SUBSTANCE ABUSE COUNCIL, INC.  
BOARD OF DIRECTORS AND MANAGEMENT  
June 30, 2004**

**BOARD OF DIRECTORS**

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<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires December</u></b>
Jim Sauter	President	2004
Joanne Stevens	Vice President	2004
Meinard Wright	Secretary	2005
David Romont	Treasurer	2006
Joe Cruise	Member	2004
James Sines	Member	2005
Harvey Evers	Member	2006
Tom Bubenyak	Member	2006
JC Engel	Member	2005
Curtis Nelson	Member	2004
Shelly Strellner	Member	2005
Gail Juvik	Member	2006
Becky DeWald	Member	2004
Linda Langston	Member	2005
Jason Sanders	Member	2004

**MANAGEMENT**

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<b><u>Name</u></b>	<b><u>Title</u></b>
John Garringer	Executive Director

## Independent Auditor's Report

Board of Directors  
Area Substance Abuse Council, Inc.  
Cedar Rapids, Iowa

We have audited the accompanying statements of financial position of the Area Substance Abuse Council, Inc. (the Council) as of June 30, 2004 and 2003 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Council'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 the Area Substance Abuse Council, Inc. as of June 30, 2004 and 2003, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004 on our consideration of the Area Substance Abuse Council, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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.

Cedar Rapids, Iowa  
October 7, 2004

## **FINANCIAL STATEMENTS**

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2004 and 2003**

**ASSETS**

	<u><b>2004</b></u>	<u><b>2003</b></u>
<b>CURRENT ASSETS</b>		
Cash	\$ 743,431	\$ 754,973
Accounts receivable	726,606	522,936
Unconditional promises to give - United Way - temporarily restricted	175,111	159,204
Prepaid expenses	10,193	8,268
Deposits	<u>1,667</u>	<u>6,667</u>
Total current assets	<u>1,657,008</u>	<u>1,452,048</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	542,745	542,745
Buildings and improvements	4,866,111	2,985,783
Furniture, fixtures and equipment	<u>799,203</u>	<u>740,224</u>
Total	<u>6,208,059</u>	<u>4,268,752</u>
Less accumulated depreciation	<u>1,411,935</u>	<u>1,265,533</u>
Net property and equipment	<u>4,796,124</u>	<u>3,003,219</u>
 <b>LOAN ORIGINATION FEES</b> , less accumulated amortization of \$8,173 in 2004 and \$7,140 in 2003	 <u>4,692</u>	 <u>5,725</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 6,457,824</u></u>	 <u><u>\$ 4,460,992</u></u>

## LIABILITIES AND NET ASSETS

	<u>2004</u>	<u>2003</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 146,984	\$ 207,313
Accrued vacation pay	158,612	151,787
Accrued expenses	6,687	16,473
Current maturities of long-term debt	<u>118,190</u>	<u>74,082</u>
Total current liabilities	430,473	449,655
 <b>LONG-TERM LIABILITIES</b>		
Long-term debt, less current maturities above	<u>2,102,303</u>	<u>725,868</u>
Total liabilities	<u>2,532,776</u>	<u>1,175,523</u>
 <b>NET ASSETS</b>		
Temporarily restricted		
Subsequent year's operations	157,903	155,036
Purpose restricted	<u>-</u>	<u>60,456</u>
	157,903	215,492
Unrestricted	<u>3,767,145</u>	<u>3,069,977</u>
Total net assets	<u>3,925,048</u>	<u>3,285,469</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 6,457,824</u></u>	 <u><u>\$ 4,460,992</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2004 and 2003**

	<b>2004</b>		
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Total</u></b>
<b>Public support and revenue</b>			
Iowa Department of Public Health:			
Prevention programs	\$ 673,630	\$ -	\$ 673,630
Other government fees and grants	1,195,872	-	1,195,872
Medicaid	2,072,247	-	2,072,247
Non-medicaid	2,338,201	-	2,338,201
United Way	162,701	157,903	320,604
Donations	406,631	-	406,631
Donated goods and services	715	-	715
Client and resident fees	658,195	-	658,195
Contract services	235,771	-	235,771
Interest	5,917	-	5,917
Other revenue	<u>5,517</u>	<u>-</u>	<u>5,517</u>
Total public support and revenue	7,755,397	157,903	7,913,300
<b>Net assets released from restrictions</b>			
Expiration of time restrictions	155,036	(155,036)	-
Satisfaction of purpose restrictions	<u>60,456</u>	<u>(60,456)</u>	<u>-</u>
Total public support, revenue and net assets released from restrictions	<u>7,970,889</u>	<u>(57,589)</u>	<u>7,913,300</u>
<b>Expenses</b>			
Program services	<u>6,655,364</u>	<u>-</u>	<u>6,655,364</u>
Supporting services:			
Management and general	597,924	-	597,924
Fund raising	<u>20,433</u>	<u>-</u>	<u>20,433</u>
Total supporting services	<u>618,357</u>	<u>-</u>	<u>618,357</u>
Total expenses	<u>7,273,721</u>	<u>-</u>	<u>7,273,721</u>
<b>Change in net assets</b>	697,168	(57,589)	639,579
<b>Net assets, beginning of year</b>	<u>3,069,977</u>	<u>215,492</u>	<u>3,285,469</u>
<b>Net assets, end of year</b>	<u>\$ 3,767,145</u>	<u>\$ 157,903</u>	<u>\$ 3,925,048</u>

<b>2003</b>		
<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
\$ 595,810	\$ -	\$ 595,810
910,372	-	910,372
1,861,391	-	1,861,391
2,662,145	-	2,662,145
169,424	155,036	324,460
147,765	60,456	208,221
4,415	-	4,415
550,139	-	550,139
184,108	-	184,108
11,584	-	11,584
<u>22,128</u>	<u>-</u>	<u>22,128</u>
7,119,281	215,492	7,334,773
160,848	(160,848)	-
<u>142,300</u>	<u>(142,300)</u>	<u>-</u>
<u>7,422,429</u>	<u>(87,656)</u>	<u>7,334,773</u>
<u>6,059,209</u>	<u>-</u>	<u>6,059,209</u>
566,979	-	566,979
<u>19,168</u>	<u>-</u>	<u>19,168</u>
<u>586,147</u>	<u>-</u>	<u>586,147</u>
<u>6,645,356</u>	<u>-</u>	<u>6,645,356</u>
777,073	(87,656)	689,417
<u>2,292,904</u>	<u>303,148</u>	<u>2,596,052</u>
<u><u>\$3,069,977</u></u>	<u><u>\$ 215,492</u></u>	<u><u>\$3,285,469</u></u>

These financial statements should be read only in connection with  
the accompanying summary of significant accounting policies  
and notes to financial statements.

**AREA SUBSTANCE ABUSE COUNCIL, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2004 and 2003**

	<b>2004</b>				
	<b>SUPPORTING SERVICES</b>				
	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>	<b>Total Expenses</b>
Salaries	\$ 3,853,625	\$ 408,009	\$ 14,962	\$ 422,971	\$ 4,276,596
Fringe benefits	876,353	111,001	4,071	115,072	991,425
Contracted services	694,117	11,800	-	11,800	705,917
Supplies and office expenses	441,580	21,262	1,400	22,662	464,242
Telephone	46,754	4,328	-	4,328	51,082
Occupancy	380,851	13,067	-	13,067	393,918
Staff training and education	37,726	105	-	105	37,831
Travel	68,103	3,446	-	3,446	71,549
Equipment maintenance and rental	19,073	1,740	-	1,740	20,813
Insurance	47,400	2,032	-	2,032	49,432
Loss on disposal of assets	-	5,680	-	5,680	5,680
Other	15,190	379	-	379	15,569
Total expenses before depreciation	6,480,772	582,849	20,433	603,282	7,084,054
Depreciation	174,592	15,075	-	15,075	189,667
<b>Total expenses</b>	<b>\$ 6,655,364</b>	<b>\$ 597,924</b>	<b>\$ 20,433</b>	<b>\$ 618,357</b>	<b>\$ 7,273,721</b>

**2003**

**SUPPORTING SERVICES**

<b><u>Program Services</u></b>	<b><u>Management and General</u></b>	<b><u>Fund Raising</u></b>	<b><u>Total</u></b>	<b><u>Total Expenses</u></b>
\$3,513,073	\$ 405,206	\$ 14,300	\$ 419,506	\$3,932,579
706,294	90,435	3,718	94,153	800,447
733,233	11,716	-	11,716	744,949
357,795	18,641	1,150	19,791	377,586
45,988	5,114	-	5,114	51,102
401,715	7,396	-	7,396	409,111
29,013	832	-	832	29,845
74,765	3,960	-	3,960	78,725
18,584	2,371	-	2,371	20,955
39,116	3,733	-	3,733	42,849
-	986	-	986	986
7,771	3,044	-	3,044	10,815
5,927,347	553,434	19,168	572,602	6,499,949
131,862	13,545	-	13,545	145,407
<b>\$6,059,209</b>	<b>\$ 566,979</b>	<b>\$ 19,168</b>	<b>\$ 586,147</b>	<b>\$6,645,356</b>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 639,579	\$ 689,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	189,667	145,407
Donated property and equipment	(715)	(575)
Amortization	1,033	1,034
Loss on sale of equipment	5,680	986
Effects of changes in operating assets and liabilities:		
Receivables	(219,577)	112,868
Prepaid expenses	(1,925)	(1,011)
Deposits	5,000	-
Accounts payable	27,918	(12,786)
Accrued vacation pay	6,825	8,749
Accrued expenses	<u>(9,786)</u>	<u>4,671</u>
Net cash provided by operating activities	<u>643,699</u>	<u>948,760</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	<u>(2,075,785)</u>	<u>(359,000)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(96,456)	(72,292)
Proceeds from long-term debt	<u>1,517,000</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>1,420,544</u>	<u>(72,292)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 (11,542)	 517,468
 <b>CASH, BEGINNING OF YEAR</b>	 <u>754,973</u>	 <u>237,505</u>
 <b>CASH, END OF YEAR</b>	 <u>\$ 743,431</u>	 <u>\$ 754,973</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2004 and 2003**

The Area Substance Abuse Council, Inc. is a non-profit corporation created in 1978 to provide services for the identification, screening, treatment, education and prevention for the individual substance abuser and the community at large. The Council serves Benton, Jackson, Jones and Linn County from offices in Vinton, Maquoketa, Anamosa, and Cedar Rapids. Effective July 1, 2000, the activities of New Directions, Inc., a substance abuse treatment center, were merged into the Council. New Directions, Inc. was created in 1967 and provides services to citizens of Clinton County. The Council's fiscal year ends on June 30. Significant accounting policies followed by the Council are presented below.

**USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with generally accepted accounting principles 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**NET ASSETS**

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

**Unrestricted**

Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

**Temporarily Restricted**

Temporarily restricted net assets includes contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

**ACCOUNTS RECEIVABLE**

Accounts receivable represents uncollateralized obligations due from clients, insurance companies, funding agencies and other providers. Accounts receivable are stated at the invoice amount. Payments of accounts receivable are applied to specific invoices or to the earliest unpaid invoice.

The carrying amount of accounts receivable is reduced to reflect management's best estimate of amounts that will ultimately be collected. Revenue is reduced for accounts or portions thereof deemed to be uncollectible.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2004 and 2003**

**PROPERTY AND EQUIPMENT**

Property and equipment which were purchased are stated at their original cost and donated furniture and equipment are recorded at fair market value at the date of receipt. All fixed assets are depreciated over their estimated useful lives of five to forty years, generally using the straight-line method of depreciation. The Council follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$150 and a useful life greater than one year.

**LOAN ORIGINATION FEES**

Loan origination fees are being amortized using the straight-line method over the terms of two loans of ten and fifteen years, respectively.

**COMPENSATED ABSENCES**

Council employees accumulate vacation and sick leave hours for subsequent use or, in the case of vacation leave, for payment upon retirement, death or termination. The Council has accrued a liability for compensated absences from accrued vacation at June 30, 2004 and 2003, based on rates of pay on those dates.

**RECOGNITION OF CONTRIBUTION REVENUE**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**CONTRIBUTED GOODS AND SERVICES**

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment are recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**June 30, 2004 and 2003**

**INCOME TAXES**

The Council is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

**FUNCTIONAL EXPENSES**

The costs of providing various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

This information is an integral part of the accompanying financial statements.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>NOTE 1 - LONG-TERM DEBT</b>		
Long-term debt consists of the following:		
Industrial Revenue Bond issued by Linn County, Iowa, payable to US Bank. Principal and interest payments are required to be made on a monthly basis, with the principal payments based on a twenty-year amortization. Interest is computed at 80% of the Bank's prime rate (5.75% at June 30, 2004). Final payment is due September 1, 2006. The bond is secured by a first mortgage on the Council's land and building.	\$ 429,149	\$ 468,635
Industrial Revenue Bond issued by Linn County, Iowa, payable to US Bank, requiring monthly installments of \$4,335 including interest at 5.45% per year, with final payment due April 25, 2011. The bond is secured by the Bowling Street land and building.	296,777	331,315
Industrial Revenue Bond issued by Linn County, Iowa, payable to US Bank. A monthly principal and interest payment totaling \$7,473 is required to be made. The principal amount is based on a twenty-five year amortization. Interest is charged at 3.35% per year and a final balloon payment is due December 1, 2008. The bond is secured by a first mortgage on property located on Bowling Street.	<u>1,494,567</u>	<u>-</u>
Total	2,220,493	799,950
Less current portion	<u>118,190</u>	<u>74,082</u>
<b>Long-term portion</b>	<u><b>\$2,102,303</b></u>	<u><b>\$ 725,868</b></u>
Future maturities of long-term debt for the years ending June 30, are as follows:		
2005	\$ 118,190	
2006	123,831	
2007	426,639	
2008	86,906	
2009	1,373,957	
Later years	<u>90,970</u>	
<b>Total</b>	<u><b>\$2,220,493</b></u>	

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004 and 2003**

**NOTE 2 - COMMITMENTS AND CONTINGENCIES**

The Council leases office space at various locations under noncancelable operating leases. Two of these leases extend beyond a one-year period, expiring in June and September 2005, respectively. Future minimum lease payments under these leases for the years ending June 30 are as follows:

2005	\$ 15,120
2006	<u>2,280</u>
<b>Total</b>	<u><u>\$ 17,400</u></u>

A substantial portion of the Council's accounts receivable and revenue is from governmental entities under reimbursement and purchase-of-service type contracts.

In conjunction with the purchase of a new facility (Hightower Place) in the year ended June 30, 2002, the Council is contingently liable to the U.S. Department of Housing and Urban Development (HUD) and the Iowa Finance Authority under loan and grant agreements. The HUD grant agreement requires that the facility be used for low income housing through April 2019 or the portion of the grant which was used for the original acquisition and rehabilitation of the property, which was \$100,000, will be refunded to HUD. Agreements with the Iowa Finance Authority included both a \$50,000 forgivable loan and a \$25,000 grant. The loan and grant agreements require that the Council continue to use the new facility for low income housing through December 7, 2009 and November 10, 2009, respectively. The \$50,000 forgivable loan is secured by a mortgage on the new facility. A liability has not been recorded for these amounts as it is anticipated that the facility will be used for the required purpose and time period.

**NOTE 3 - DONATED GOODS AND SERVICES**

The Council receives a significant amount of donated services from unpaid volunteers who assist with various projects. No amounts have been recognized in the statements of activities for these donated services because the criteria for recognition under SFAS No. 116 have not been satisfied. The Council maintains a record of volunteer hours and calculates an estimated fair value based on the number of hours worked by each individual. For the years ended June 30, 2004 and 2003, the Council received volunteer services as follows:

<u>Program/Project</u>	<u>Estimated Fair Value</u>	
	<u>2004</u>	<u>2003</u>
Tobacco Coalition (Linn, Benton, Jones counties)	\$ 92,027	\$ 134,928
Tobacco Coalition (Clinton, Jackson counties)	44,921	52,657

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004 and 2003**

**NOTE 4 - RENT AND INTEREST EXPENSE**

Total rental expense was \$81,690 and \$148,034 for the years ended June 30, 2004 and 2003, respectively.

Total interest cost incurred and charged to expense was \$81,098 and \$48,457 and the interest amount actually paid was \$81,045 and \$50,544 for the years ended June 30, 2004 and 2003, respectively.

**NOTE 5 - RETIREMENT PLAN**

Effective March 1, 1998, the Council implemented a defined contribution retirement plan for its full- and part-time employees. An employee is eligible to participate upon hire but is not eligible to receive the Council's match until six months after hire. Participation is voluntary, and the Council contributes 50% of the employees' contribution, up to a maximum of 3% of their pay. The contribution charged to expense for the years ended June 30, 2004 and 2003, was \$60,327 and \$58,414, respectively.

**NOTE 6 - COUNCIL RISK MANAGEMENT**

The Area Substance Abuse Council, Inc. 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. The Council assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

This information is an integral part of the accompanying financial statements.

**SUPPLEMENTAL INFORMATION**

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2004**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>Indirect:</b>			
<b>U.S. Department of Health and Human Services</b>			
Passed through Iowa Department of Public Health:			
Substance Abuse Prevention and Treatment			
Block Grant Program:			
Comprehensive Prevention	93.959	5884CP06	\$231,928
Comprehensive Prevention	93.959	5884CP08	44,694
			<u>276,622</u>
Consolidated Knowledge Development and			
Application (KD&A) Program:			
State Incentive Grant	93.230	5883IP17	54,910
State Incentive Grant	93.230	5884IP17	84,175
			<u>139,085</u>
Substance Abuse and Mental Health Services:			
Methamphetamine Prevention	93.243	5884MA01	<u>30,173</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>445,880</u>
<b>U.S. Department of Justice</b>			
Passed through Linn County Board of Supervisors:			
Byrne Formula Grant Program	16.579	03B-1362	34,911
Passed through Clinton County Board of Supervisors:			
Byrne Formula Grant Program	16.579	03B-1354	30,054
Passed through Jackson County Board of Supervisors:			
Byrne Formula Grant Program	16.579	03D-1353	19,581
			<u>84,546</u>
Passed through Benton County Board of Supervisors:			
Juvenile Justice and Delinquency Prevention	16.540	JJYD-S03-05	907
Juvenile Justice and Delinquency Prevention	16.540	CJJP-04-C2-002	2,808
Passed through Linn County Board of Supervisors:			
Juvenile Justice and Delinquency Prevention	16.540	JJYD-S03-31	5,752
Juvenile Justice and Delinquency Prevention	16.540	JJYD-S04-31	12,096
Passed through Jones County Board of Supervisors:			
Juvenile Justice and Delinquency Prevention	16.540	N/A	1,228
			<u>22,791</u>
Passed through Benton County Board of Supervisors:			
Title V Delinquency Prevention Program	16.548	JJYD-S03-05	<u>574</u>
Enforcing Underage Drinking Laws Program			
Enforcing Underage Drinking Laws Program	16.727	JJYD-S03-05	1,032
Enforcing Underage Drinking Laws Program	16.727	CJJP-04-C2-002	2,890
			<u>3,922</u>
Juvenile Accountability Incentive Block Grant			
Juvenile Accountability Incentive Block Grant	16.523	JJYD-S03-05	4,045
Juvenile Accountability Incentive Block Grant	16.523	CJJP-04-C2-002	19,468
			<u>23,513</u>

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Justice (continued)</b>			
Passed through Office of Probation and Pretrial Services, Administrative Office of U.S. Courts	N/A	N/A	<u>9,561</u>
<b>Total U.S. Department of Justice</b>			<u>144,907</u>
<b>U.S. Department of Agriculture</b>			
Passed through Iowa Department of Education: National School Lunch Program	10.555	N/A	16,745
Snack Program	10.555	N/A	<u>2,451</u>
			19,196
School Breakfast Program	10.553	N/A	10,430
Food Distribution Program (Commodities)	10.550	N/A	<u>4,859</u>
<b>Total U.S. Department of Agriculture</b>			<u>34,485</u>
<b>Direct:</b>			
<b>U.S. Department of Housing and Urban Development</b>			
Supportive Housing Program	14.235	IA26B801006	3,224
Supportive Housing Program	14.235	IA26B201011	81,413
Supportive Housing Program	14.235	IA26B301008	<u>24,473</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>109,110</u>
<b>Total</b>			<u><u>\$734,382</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Area Substance Abuse Council, Inc. and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES - I.D.P.H. CONTRACTS**  
**Year Ended June 30, 2004**

	<b>Comprehensive Prevention <u>5884CP06</u></b>	<b>Clinton Comprehensive Prevention <u>5884CP08</u></b>	<b>Clinton Meth Prevention <u>5884MA01</u></b>
<b>REVENUE</b>			
Iowa Department of Public Health	\$ 252,778	\$ 49,979	\$ 30,173
Other government fees and grants	19,630	83,259	-
Client and resident fees	12,817	71,068	-
United Way	72,162	5,958	-
Donations	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>357,387</u>	<u>210,264</u>	<u>30,173</u>
<b>EXPENSES</b>			
Salaries	222,142	120,054	18,564
Fringe benefits	58,843	24,216	3,101
Contracted services	633	144	34
Supplies and office expenses	5,552	6,355	1,079
Telephone	3,744	519	266
Occupancy	16,968	4,461	-
Staff training and education	3,417	898	4,290
Travel	12,257	8,779	62
Equipment maintenance and rental	2,616	442	-
Insurance	1,517	375	50
Depreciation	7,866	-	-
Other	<u>96</u>	<u>43</u>	<u>-</u>
Total expenses	<u>335,651</u>	<u>166,286</u>	<u>27,446</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>			
	21,736	43,978	2,727
Indirect expense allocation	<u>30,063</u>	<u>14,894</u>	<u>2,458</u>
<b>NET</b>	<u>\$ (8,327)</u>	<u>\$ 29,084</u>	<u>\$ 269</u>

Donated Services - The amounts above do not include the fair value of donated services from unpaid volunteers.

<b><u>State Incentive Grant 5883IP17</u></b>	<b><u>State Incentive Grant 5884IP17</u></b>	<b><u>Tobacco- Community Partnerships 5884TS02</u></b>	<b><u>Tobacco- Community Partnerships 5884TS38</u></b>
\$ 54,910	\$ 84,174	\$ 142,242	\$ 59,374
-	-	-	-
-	-	-	-
4,000	-	-	-
<u>3,936</u>	<u>8,105</u>	<u>-</u>	<u>-</u>
<u>62,846</u>	<u>92,279</u>	<u>142,242</u>	<u>59,374</u>
46,975	68,026	93,551	37,518
5,549	11,570	23,132	9,422
-	520	5,829	2,644
4,291	2,056	2,920	1,697
80	848	1,742	1,023
324	162	4,200	2,041
135	136	539	850
318	1,347	2,788	1,787
-	-	-	-
-	173	597	253
-	-	-	-
-	-	-	-
<u>57,672</u>	<u>84,838</u>	<u>135,298</u>	<u>57,235</u>
5,174	7,441	6,944	2,139
<u>5,165</u>	<u>7,598</u>	<u>12,118</u>	<u>5,126</u>
<u>\$ 9</u>	<u>\$ (157)</u>	<u>\$ (5,174)</u>	<u>\$ (2,987)</u>

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES - OTHER CONTRACTS**  
**Year Ended June 30, 2004**

	<b>Linn County ODCP Grant <u>03B-1362</u></b>	<b>Clinton County ODCP Grant <u>03B-1354</u></b>	<b>Jackson County ODCP Grant</b>	<b>Halfway House</b>
<b>REVENUE</b>				
Non-medicaid	\$ -	\$ -	\$ -	\$ 94,998
Other government fees and grants	34,911	30,054	19,581	39,099
Client and resident fees	5,223	-	-	8,078
United Way	-	-	-	7,335
Medicaid	4,957	-	492	18,378
Donations	<u>11,300</u>	<u>20,800</u>	<u>13,600</u>	<u>20,000</u>
Total revenue	<u>56,391</u>	<u>50,854</u>	<u>33,673</u>	<u>187,888</u>
<b>EXPENSES</b>				
Salaries	40,942	38,593	25,204	98,096
Fringe benefits	9,602	7,393	4,930	25,784
Contracted services	75	37	22	1,722
Supplies and office expenses	829	204	99	26,820
Telephone	-	409	-	1,331
Occupancy	-	-	600	10,819
Staff training and education	177	-	6	179
Travel	21	-	30	838
Equipment maintenance and rental	7	-	-	403
Insurance	129	105	32	1,539
Depreciation	-	-	-	5,058
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>76</u>
Total expenses	<u>51,782</u>	<u>46,741</u>	<u>30,923</u>	<u>172,665</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>				
	4,609	4,113	2,750	15,223
Indirect expense allocation	<u>4,638</u>	<u>4,186</u>	<u>2,769</u>	<u>15,465</u>
<b>NET</b>	<u>\$ (29)</u>	<u>\$ (73)</u>	<u>\$ (19)</u>	<u>\$ (242)</u>

**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Directors  
Area Substance Abuse Council, Inc.  
Cedar Rapids, Iowa

We have audited the financial statements of the Area Substance Abuse Council, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated October 7, 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council'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 or other matters that are required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of the Area Substance Abuse Council, Inc. and other parties to whom the Council may report. This report 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 the Area Substance Abuse Council, Inc. 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.

Cedar Rapids, Iowa  
October 7, 2004

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Area Substance Abuse Council, Inc.  
Cedar Rapids, Iowa

**Compliance**

We have audited the compliance of the Area Substance Abuse Council, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The Council's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements.

In our opinion, the Area Substance Abuse Council, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of the Area Substance Abuse Council, Inc. and other parties to whom the Council may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Cedar Rapids, Iowa  
October 7, 2004

**AREA SUBSTANCE ABUSE COUNCIL, INC.**  
**SCHEDULE OF FINDINGS**  
**Year Ended June 30, 2004**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

1. An unqualified opinion was issued on the financial statements.
2. There were no material weaknesses in internal control over financial reporting identified.
3. There were no reportable conditions over internal control over financial reporting reported.
4. There were no noncompliance matters material to the financial statements noted.

**Federal Awards**

1. There were no material weaknesses in internal control over the major program identified.
2. There were no reportable conditions over internal control over the major program reported.
3. An unqualified opinion was issued on compliance with requirements applicable to the major program.
4. There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.
5. The major program was Block Grants for Prevention and Treatment of Substance Abuse, CFDA Number 93.959.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
7. The Area Substance Abuse Council, Inc. qualified as a low-risk auditee.