

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER

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

YEARS ENDED JUNE 30, 2005 AND 2004

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
CONTENTS

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS:	
Balance Sheets	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	6
Notes to Financial Statements	8
ACCOMPANYING INFORMATION:	
Schedule of Expenditures by Activity	12
COMMENTS AND RECOMMENDATIONS:	
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	13
Schedule of Findings	15

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

ROGER A. BELL
MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

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, 2005 and 2004, 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 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, 2005 and 2004, 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.

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2005 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, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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.

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

Atlantic, Iowa
August 30, 2005

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

ASSETS

	2005	2004
Current Assets:		
Cash	\$ 81,154	\$ 80,684
Certificates of deposit	175,009	171,129
Client receivable, less allowance for doubtful accounts (\$6,447 in 2005 and \$4,031 in 2004)	--	2,208
Contract and grant receivables	55,072	47,115
Prepaid expense	4,486	3,650
Accrued interest receivable	694	591
Total current assets	316,415	305,377
Property and Equipment, Net	25,355	31,286
Investment	3,000	3,000
Total assets	\$ 344,770	\$ 339,663

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable	\$ 15,423	\$ 14,413
Payroll taxes withheld and accrued	1,198	7,327
Accrued employee compensation	26,255	21,505
Total current liabilities	42,876	43,245
Net Assets:		
Unrestricted	301,894	296,418
Total liabilities and net assets	\$ 344,770	\$ 339,663

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,

	2005	2004
Support and Revenue:		
Support:		
Iowa Department of Public Health:		
Treatment and prevention program	\$ 349,476	\$ 343,882
Tobacco use prevention program	51,859	50,178
Youth mentoring program	44,750	37,825
Iowa Department of Correctional Services:		
TASC program	5,500	9,167
Other grant funding	3,851	25,656
Prevention training and contracted services	43,934	21,662
Counties and cities	79,012	79,912
Donations	10,687	8,225
Total support	589,069	576,507
Revenue:		
Client fees, net	137,412	127,725
Other revenues	151	3,497
Total revenue	137,563	131,222
Total Support and Revenue	726,632	707,729
Expenses:		
Salaries and wages	379,900	382,863
Employee benefits	122,650	112,520
Advertising and promotion	2,420	1,961
Provision for depreciation	11,527	11,536
Insurance	10,582	10,585
Miscellaneous	4,102	2,936
Professional services	56,056	47,866
Rent	27,150	25,273
Repairs and maintenance	24,471	11,840
Supplies and other expense	44,590	55,291
Telephone	10,134	10,145
Training costs	5,918	5,687
Travel	20,550	20,644
Utilities	8,010	6,848
Total expenses	728,060	705,995
Operating Income (Loss)	(1,428)	1,734

(continued next page)

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

	<u>2005</u>	<u>2004</u>
Other Support and Gains (Losses):		
Investment income	\$ 7,108	\$ 6,595
Loss on disposal of assets	(204)	(206)
	<u>6,904</u>	<u>6,389</u>
Excess of Revenues Over Expenses	5,476	8,123
Net Assets Released from Restrictions	<u>--</u>	<u>6,168</u>
Increase in Unrestricted Net Assets	5,476	14,291
<u>Temporarily Restricted Net Assets</u>		
Net Assets Released from Restrictions	<u>--</u>	<u>(6,168)</u>
Decrease in Temporarily Restricted Net Assets	<u>--</u>	<u>(6,168)</u>
Increase in Net Assets	5,476	8,123
Net Assets Beginning of Year	<u>296,418</u>	<u>288,295</u>
Net Assets End of Year	<u>\$ 301,894</u>	<u>\$ 296,418</u>

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,

	2005	2004
Cash flows from operating activities:		
Cash received from clients fees	\$ 139,620	\$ 133,237
Cash paid to suppliers and employees	(717,738)	(693,172)
Funding received from state agencies	443,295	456,393
County and city funding received	83,196	73,995
Other operating revenues	44,085	25,159
Donations received	10,687	8,225
Investment income received	7,005	6,880
Net cash provided by operating activities	10,150	10,717
Cash flows from investing activities:		
Capital expenditures	(5,800)	(4,984)
Purchase of certificates of deposit	(3,880)	(4,224)
Net cash used in investing activities	(9,680)	(9,208)
Net increase in cash and cash equivalents	470	1,509
Cash and cash equivalents at beginning of year	80,684	79,175
Cash and cash equivalents at end of year	\$ 81,154	\$ 80,684

(continued next page)

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

	2005	2004
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 5,476	\$ 8,123
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for depreciation	11,527	11,536
Loss on disposal of assets	204	206
Changes in assets and liabilities		
Accounts receivable	(5,749)	(10,720)
Prepaid expense	(836)	(2,762)
Accrued interest receivable	(103)	285
Accounts payable	1,010	156
Payroll taxes withheld and accrued	(6,129)	3,580
Accrued employee compensation	4,750	313
Total adjustments	4,674	2,594
Net cash provided by operating activities	\$ 10,150	\$ 10,717

The accompanying notes are an integral part of these statements.

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Notes to Financial Statements
June 30, 2005 and 2004

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.

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Notes to Financial Statements
June 30, 2005 and 2004

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, 2005 (48% for 2004). The Center's managed care contract for its current five county service area has been renewed for fiscal year ending June 30, 2006.

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:

	2005	2004
Equipment	\$ 83,070	\$ 84,945
Leasehold Improvements	30,869	30,869
	113,939	115,814
Less Accumulated Depreciation	(88,584)	(84,528)
	\$ 25,355	\$ 31,286

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

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Notes to Financial Statements
June 30, 2005 and 2004

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, 2005, 2004, and 2003 were approximately \$20,500, \$21,900, and \$22,100, respectively, equal to the required contributions for the year.

NOTE E - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

	2005	2004
Program Services	\$ 607,315	\$ 583,273
Management and General	120,745	122,722
	\$ 728,060	\$ 705,995

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.

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Notes to Financial Statements
June 30, 2005 and 2004

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, 2005 and 2004.

* * *

ACCOMPANYING INFORMATION

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Schedule of Expenditures by Activity
Year ended June 30, 2005

	<u>Treatment Services</u>	<u>Prevention Services</u>	<u>Support Services</u>	<u>Total</u>
Salaries and wages	\$ 202,222	\$ 103,262	\$ 74,416	\$ 379,900
Employee benefits	65,287	33,338	24,025	122,650
Advertising and promotion	1,694	726	--	2,420
Provision for depreciation	7,493	2,882	1,152	11,527
Insurance	6,878	2,646	1,058	10,582
Miscellaneous	2,666	1,026	410	4,102
Professional services	36,436	14,014	5,606	56,056
Rent	17,648	6,788	2,714	27,150
Repairs and maintenance	15,906	6,118	2,447	24,471
Supplies and other expense	11,148	28,984	4,458	44,590
Telephone	6,587	2,534	1,013	10,134
Training costs	3,847	1,480	591	5,918
Travel	12,330	6,165	2,055	20,550
Utilities	5,207	2,003	800	8,010
	<u>\$ 395,349</u>	<u>\$ 211,966</u>	<u>\$ 120,745</u>	<u>\$ 728,060</u>

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

ROGER A. BELL
MARK D. KYHNN
DAVID L. HANNASCH
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

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
New View Substance Abuse Treatment
and Prevention Center
Carroll, Iowa

We have audited the accompanying financial statements of New View Substance Abuse Treatment and Prevention Center as of and for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 an opinion 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 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. 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 above, we believe item 05-I-A is a material weakness.

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

Compliance and Other Matters

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, 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, 2005 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of New View Substance Abuse Treatment and Prevention Center and other parties to whom the Center 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.

Granovold, Bell, Kyhan + Co. P.C.

Atlantic, Iowa
August 30, 2005

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Schedule of Findings
Year ended June 30, 2005

PART I - REPORTABLE CONDITIONS

05-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.

* * *