# NEW VIEW SUBSTANCE ABUSE TREATMENT AND PREVENTION CENTER

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

FIFTEEN MONTHS ENDED SEPTEMBER 30, 2006
AND YEAR ENDED JUNE 30, 2005

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
CONTENTS

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Officials
September 30, 2006

| Board of Directors: | Address |
| --- | --- |
| Audubon County | |
| Todd Nelsen, Member | Audubon, Iowa |
| Todd Johnson, Member | Audubon, Iowa |
| Carroll County | |
| Marty Danzer, Secretary-Treasurer | Carroll, Iowa |
| Rhonda Mart, Member | Carroll, Iowa |
| Guthrie County | |
| Jerry Caraher, Member | Bayard, Iowa |
| Greene County | |
| Mary Jane Fields, Member | Paton, Iowa |
| Sac County | |
| Rick Hecht, President | Sac City, Iowa |
| Mary Dowling, Vice-President | Sac City, Iowa |

As of the date of this report, the Board is looking to fill one open director position from Guthrie County and Greene County.

| Executive Director: | |
| --- | --- |
| Chad Jensen | Carroll, Iowa |

# Gronewold, Bell, Kyhnn & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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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 sheet of New View Substance Abuse Treatment and Prevention Center as of June 30, 2005, and the related statements of activities and changes in net assets, and cash flows for the year then ended. We have also audited the balance sheet in preparation for dissolution and merger of New View Substance Abuse Treatment and Prevention Center as of September 30, 2006, and the related statements of activities and changes in net assets, and cash flows for the fifteen months 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.

As described in Note A to the financial statements, New View Substance Abuse Treatment and Prevention Center was dissolved and merged with New Opportunities, Inc. as of October 1, 2006. As a result, New View Substance Abuse Treatment and Prevention Center changed its basis of accounting for the period of July 1, 2005 to September 30, 2006 from the going concern basis to the dissolution basis of accounting.

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 the results of its operations, changes in net assets, and cash flows for the year then ended, and the financial position of New View Substance Abuse Treatment and Prevention Center as of September 30, 2006, and the results of its operations, changes in net assets, and cash flows for the fifteen months then ended in preparation for dissolution and merger, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2006 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 13) 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
December 15, 2006

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Balance Sheets

## ASSETS

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Current Assets: | | |
| Cash | $ 211,870 | $ 81,154 |
| Certificates of deposit | 254,244 | 175,009 |
| Client receivable, less allowance for doubtful accounts ($ - 0 - in 2006 and $6,447 in 2005) | -- | -- |
| Contract and grant receivables | 63,580 | 55,072 |
| Prepaid expense | 66 | 4,486 |
| Accrued interest receivable | 3,106 | 694 |
| Total current assets | 532,866 | 316,415 |
| Property and Equipment, Net | 13,216 | 25,355 |
| Investment | 3,000 | 3,000 |
| Total assets | $ 549,082 | $ 344,770 |

## LIABILITIES AND NET ASSETS

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Current Liabilities: | | |
| Accounts payable | $ 67,043 | $ 15,423 |
| Payroll taxes withheld and accrued | 2,712 | 1,198 |
| Accrued employee compensation | 80,065 | 26,255 |
| Deferred revenue | 112,583 | -- |
| Total current liabilities | 262,403 | 42,876 |
| Net Assets: | | |
| Unrestricted | 286,679 | 301,894 |
| Total liabilities and net assets | $ 549,082 | $ 344,770 |

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
Fifteen months and year ended

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Support and Revenue: | | |
| Support: | | |
| Iowa Department of Public Health: | | |
| Treatment and prevention program | $ 419,628 | $ 349,476 |
| Tobacco use prevention program | 61,480 | 51,859 |
| Youth mentoring program | 62,011 | 44,750 |
| Iowa Department of Correctional Services: | | |
| TASC program | 7,250 | 5,500 |
| Iowa Department of Human Services: | | |
| Empowerment/DCAT | 772,907 | -- |
| DCAT Mentoring | 46,194 | -- |
| Other grant funding | 10,434 | 3,851 |
| Prevention training and contracted services | 123,334 | 43,934 |
| Counties and cities | 103,029 | 79,012 |
| Donations | 10,045 | 10,687 |
| Total support | 1,616,312 | 589,069 |
| Revenue: | | |
| Client fees, net | 163,657 | 137,412 |
| Other revenues | 2,140 | 151 |
| Total revenue | 165,797 | 137,563 |
| Total Support and Revenue | 1,782,109 | 726,632 |
| Expenses: | | |
| Salaries and wages | 615,500 | 379,900 |
| Employee benefits | 162,512 | 122,650 |
| Contracted services | 767,662 | 47,783 |
| Advertising and promotion | 8,457 | 2,420 |
| Provision for depreciation | 12,139 | 11,527 |
| Insurance | 18,877 | 10,582 |
| Miscellaneous | 5,962 | 4,102 |
| Professional services | 18,734 | 8,273 |
| Rent | 36,358 | 27,150 |
| Repairs and maintenance | 35,014 | 24,471 |
| Supplies and other expense | 66,994 | 44,590 |
| Telephone | 14,838 | 10,134 |
| Training costs | 5,022 | 5,918 |
| Travel | 38,771 | 20,550 |
| Utilities | 11,009 | 8,010 |
| Total expenses | 1,817,849 | 728,060 |
| Operating Loss | ( 35,740) | ( 1,428) |

(continued next page)

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Activities and Changes in Net Assets - Continued
Fifteen months and year ended

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Other Support and Gains (Losses): | | |
| Investment income | $ 20,525 | $ 7,108 |
| Loss on disposal of assets | -- | ( 204) |
| | 20,525 | 6,904 |
| Increase (Decrease) in Unrestricted Net Assets | ( 15,215) | 5,476 |
| Net Assets Beginning of Period | 301,894 | 296,418 |
| Net Assets End of Period | $ 286,679 | $ 301,894 |

The accompanying notes are an integral part of these statements.

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Cash Flows
Fifteen months and year ended

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Cash flows from operating activities: | | |
| Cash received from clients fees | $ 163,657 | $ 139,620 |
| Cash paid to suppliers and employees | ( 1,694,346) | ( 717,738) |
| Funding received from state agencies | 1,492,273 | 443,295 |
| County and city funding received | 94,735 | 83,196 |
| Other operating revenues | 125,474 | 44,085 |
| Donations received | 10,045 | 10,687 |
| Investment income received | 18,113 | 7,005 |
| Net cash provided by operating activities | 209,951 | 10,150 |
| Cash flows from investing activities: | | |
| Capital expenditures | -- | ( 5,800) |
| Purchase of certificates of deposit | ( 195,327) | ( 3,880) |
| Redemption of certificates of deposit | 116,092 | -- |
| Net cash used in investing activities | ( 79,235) | ( 9,680) |
| Net increase in cash and cash equivalents | 130,716 | 470 |
| Cash and cash equivalents at beginning of period | 81,154 | 80,684 |
| Cash and cash equivalents at end of period | $ 211,870 | $ 81,154 |

(continued next page)

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Statements of Cash Flows - Continued
Fifteen months and year ended

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Reconciliation of change in net assets to net cash provided by operating activities: | | |
| Change in net assets | $( 15,215) | $ 5,476 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Provision for depreciation | 12,139 | 11,527 |
| Loss on disposal of assets | -- | 204 |
| Changes in assets and liabilities | | |
| Accounts receivable | ( 8,508) | ( 5,749) |
| Prepaid expense | 4,420 | ( 836) |
| Accrued interest receivable | ( 2,412) | ( 103) |
| Accounts payable | 51,620 | 1,010 |
| Payroll taxes withheld and accrued | 1,514 | ( 6,129) |
| Accrued employee compensation | 53,810 | 4,750 |
| Deferred revenue | 112,583 | -- |
| Total adjustments | 225,166 | 4,674 |
| Net cash provided by operating activities | $ 209,951 | $ 10,150 |

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.

Effective September 30, 2006, New View Substance Abuse Treatment and Prevention Center ceased operations as a separate entity. As of October 1, 2006, the Center became a part of New Opportunities, Inc. (prior to October 1, 2006 New Opportunities, Inc. operated under the name of Community Opportunities, Inc.). Upon dissolution of the Center, the assets, liabilities and net assets were assumed by New Opportunities, Inc. Since New View Substance Abuse Treatment and Prevention Center is no longer a going concern, the financial statements for the fifteen months ended September 30, 2006 have been prepared on a dissolution basis of accounting. Implementation of the dissolution basis of accounting did not require any significant adjustments to be made to the financial statements.

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.

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

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.

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 24% of its total support and revenue through this contract for the fifteen months ended September 30, 2006 (48% for 2005). The Center's managed care contract for its current five county service area has been renewed for fiscal year ending September 30, 2007.

## NOTE C - PROPERTY AND EQUIPMENT

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

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Equipment | $ 83,070 | $ 83,070 |
| Leasehold Improvements | 30,869 | 30,869 |
| | 113,939 | 113,939 |
| Less Accumulated Depreciation | ( 100,723) | ( 88,584) |
| | $ 13,216 | $ 25,355 |

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 fifteen months ended September 30, 2006, and years ended June 30, 2005 and 2004 were approximately $34,000, $20,500, and $21,900, respectively, equal to the required contributions for the year.

## NOTE E - FUNCTIONAL EXPENSES

Following is a summary of expenses classified by function:

| | September 30, 2006 | June 30, 2005 |
|---|---|---|
| Program Services | $ 1,486,854 | $ 607,315 |
| Management and General | 330,995 | 120,745 |
| | $ 1,817,849 | $ 728,060 |

## NOTE F - CONTINGENCIES

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.

Off-Balance Sheet Risk
The Center maintains its deposits at several banks in the area. At various times throughout the year and at year end, the deposits in two of the banks exceeded the FDIC insured deposits limit for one entity (by approximately $137,000 for the two banks in total at year end). Management of the Center has received no indication of any potential viability problems with these banks by the date of this report.

## 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 September 30, 2006 and June 30, 2005.

* * *

ACCOMPANYING INFORMATION

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Schedule of Expenditures by Activity
Fifteen months ended September 30, 2006

| | Treatment Services | Prevention Services |
|---|---|---|
| Salaries and wages | $ 239,087 | $ 134,523 |
| Employee benefits | 61,643 | 37,908 |
| Contracted services | -- | 37,057 |
| Advertising and promotion | 4,189 | 3,065 |
| Provision for depreciation | -- | -- |
| Insurance | 10,834 | 4,595 |
| Miscellaneous | 439 | 277 |
| Professional services | 1,131 | 3,904 |
| Rent | 24,509 | 9,928 |
| Repairs and maintenance | 11,570 | 12,240 |
| Supplies and other expense | 21,792 | 31,169 |
| Telephone | 9,635 | 3,306 |
| Training costs | 1,586 | 860 |
| Travel | 15,012 | 13,039 |
| Utilities | 8,042 | 2,718 |
| | $ 409,469 | $ 294,589 |

See Independent Auditor's Report.

| Empowerment | Support Services | Total |
|---|---|---|
| $ 55,814 | $ 186,076 | $ 615,500 |
| 11,897 | 51,064 | 162,512 |
| 697,744 | 32,861 | 767,662 |
| 206 | 997 | 8,457 |
| -- | 12,139 | 12,139 |
| 1,025 | 2,423 | 18,877 |
| 490 | 4,756 | 5,962 |
| -- | 13,699 | 18,734 |
| 1,921 | -- | 36,358 |
| 2,789 | 8,415 | 35,014 |
| 5,436 | 8,597 | 66,994 |
| 1,068 | 829 | 14,838 |
| 108 | 2,468 | 5,022 |
| 4,049 | 6,671 | 38,771 |
| 249 | -- | 11,009 |
| $ 782,796 | $ 330,995 | $ 1,817,849 |

# COMMENTS AND RECOMMENDATIONS

**Gronewold, Bell, Kyhnn & Co. P.C.**
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## Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
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 fifteen months ended September 30, 2006, and have issued our report thereon dated December 15, 2006. 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 06-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 fifteen months ended September 30, 2006 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.

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

Atlantic, Iowa
December 15, 2006

NEW VIEW SUBSTANCE ABUSE TREATMENT
AND PREVENTION CENTER
Schedule of Findings
Fifteen months ended September 30, 2006

PART I - REPORTABLE CONDITIONS

06-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.

* * *