

**SUBSTANCE ABUSE TREATMENT UNIT
OF EAST CENTRAL IOWA
Marshalltown, Iowa**

**FINANCIAL STATEMENTS
June 30, 2006 and 2005**

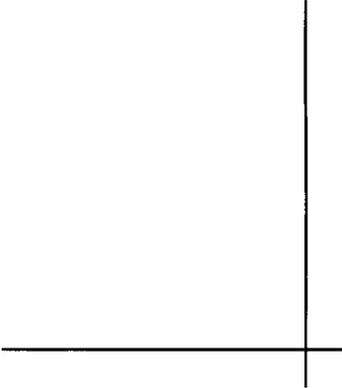


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SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA

BOARD OF DIRECTORS AND MANAGEMENT

June 30, 2006

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>
Sharon Soorholtz Greer	Chairperson
Gordie Johnson	Board Member
Erv Miller	Board Member
Jim Ledvina	Board Member
Patrick Henry	Board Member
Polly Granzow	Board Member
Diane Petty	Board Member
Jennifer Krohn	Board Member
Michael Croker	Board Member

MANAGEMENT

<u>Name</u>	<u>Title</u>
Jack E. Stowe	Executive Director

Independent Auditor's Report

Board of Directors
Substance Abuse Treatment
Unit of Central Iowa
Marshalltown, Iowa

We have audited the accompanying statements of financial position of the Substance Abuse Treatment Unit of Central Iowa as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Agency'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 require that we plan and perform the audits 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 Substance Abuse Treatment Unit of Central Iowa as of June 30, 2006 and 2005, 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 July 18, 2006 on our consideration of the Substance Abuse Treatment Unit of Central Iowa'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 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 audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included 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 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
July 18, 2006

FINANCIAL STATEMENTS

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FINANCIAL POSITION
June 30, 2006 and 2005**

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash on hand and in bank	\$ 164,595	\$ 172,210
Certificates of deposit	312,419	204,828
Accounts receivable	93,807	88,378
Prepaid expenses	10,511	10,816
Deposits	300	300
	581,632	476,532
Total current assets		
 PROPERTY AND EQUIPMENT		
Land and improvements	35,000	35,000
Building and improvements	527,616	497,544
Furniture and equipment	201,322	209,253
Total, at cost	763,938	741,797
Less accumulated depreciation	362,098	345,983
	401,840	395,814
Net property and equipment		
 TOTAL ASSETS	 \$ 983,472	 \$ 872,346

LIABILITIES AND NET ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES		
Accounts payable	\$ 12,917	\$ 18,441
Accrued payroll	28,215	25,780
Accrued compensated absences	9,544	12,448
Deferred revenue	17,516	-
	<hr/>	<hr/>
Total current liabilities	68,192	56,669
NET ASSETS		
Unrestricted	915,280	815,677
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 983,472</u>	<u>\$ 872,346</u>

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

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
PUBLIC SUPPORT AND REVENUE		
Iowa Department of Public Health:		
Prevention programs	\$ 142,017	\$ 149,320
Medicaid	63,623	57,088
Non-medicaid	420,619	440,674
Client fees	108,697	111,781
Third party pay	64,880	54,972
Contract fees	390,421	260,791
Interest income	7,964	4,299
Other revenue	507	1,759
	<hr/>	<hr/>
Total public support and revenue	1,198,728	1,080,684
	<hr/>	<hr/>
EXPENSES		
Program services	963,918	941,125
Supporting services:		
Management and general	135,207	140,639
	<hr/>	<hr/>
Total expenses	1,099,125	1,081,764
	<hr/>	<hr/>
CHANGE IN NET ASSETS	99,603	(1,080)
NET ASSETS, BEGINNING OF YEAR	815,677	816,757
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 915,280	\$ 815,677
	<hr/> <hr/>	<hr/> <hr/>

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

SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2006 and 2005

	<u>2006</u>			<u>2005</u>		
	<u>SUPPORT SERVICES</u>			<u>SUPPORT SERVICES</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and wages	\$ 580,611	\$ 82,354	\$ 662,965	\$ 565,880	\$ 82,894	\$ 648,774
Payroll taxes	46,529	6,538	53,067	45,856	6,677	52,533
Health insurance	56,551	10,502	67,053	68,736	10,272	79,008
Total salaries and related expenses	683,691	99,394	783,085	680,472	99,843	780,315
Supplies	54,732	6,480	61,212	43,489	5,881	49,370
Telephone	16,758	1,655	18,413	14,765	2,869	17,634
Postage	5,494	177	5,671	4,902	223	5,125
Rent	16,164	-	16,164	16,164	-	16,164
Space costs	30,622	3,741	34,363	26,082	13,783	39,865
Travel	14,164	3,137	17,301	8,873	2,984	11,857
Repairs	-	-	-	65	26	91
Miscellaneous expense	26	669	695	-	78	78
Professional fees	540	5,230	5,770	985	4,840	5,825
Insurance	13,535	3,794	17,329	9,466	3,373	12,839
Employment advertising and promotion	4,978	70	5,048	4,843	120	4,963
Contracted services	88,897	-	88,897	97,744	-	97,744
Dues and subscriptions	175	4,534	4,709	175	1,955	2,130
Registrations and training	3,402	30	3,432	4,450	-	4,450
Total expenses before depreciation	933,178	128,911	1,062,089	912,475	135,975	1,048,450
Depreciation	30,740	6,296	37,036	28,650	4,664	33,314
TOTAL EXPENSES	\$ 963,918	\$ 135,207	\$ 1,099,125	\$ 941,125	\$ 140,639	\$ 1,081,764

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

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 99,603	\$ (1,080)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	37,036	33,314
Noncash interest income	(7,591)	(3,869)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(5,429)	(7,523)
Prepaid expenses	305	(2,092)
Accounts payable	(5,524)	3,886
Accrued payroll	2,435	(1,175)
Accrued compensated absences	(2,904)	(3,515)
Deferred revenue	17,516	-
	<u>135,447</u>	<u>17,946</u>
Net cash provided by operating activities		
	<u>135,447</u>	<u>17,946</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(43,062)	(36,730)
Purchase of certificate of deposit	(100,000)	(100,000)
	<u>(143,062)</u>	<u>(136,730)</u>
Net cash used in investing activities		
	<u>(143,062)</u>	<u>(136,730)</u>
NET DECREASE IN CASH	(7,615)	(118,784)
CASH, BEGINNING OF YEAR	<u>172,210</u>	<u>290,994</u>
CASH, END OF YEAR	<u>\$ 164,595</u>	<u>\$ 172,210</u>

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

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006 and 2005**

The Substance Abuse Treatment Unit of Central Iowa was created in 1976 as a perpetual, non-profit corporation under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the 1975 Code of Iowa. The Agency's fiscal year ends on June 30. The purpose and objectives of the Agency are to increase the understanding of the nature, treatment and damage of chemical dependency and to treat and rehabilitate those dependent upon chemical substances. The Agency is primarily a fee-based provider of services. Clients pay if they are able, but a majority of the client fees are paid by third parties, such as Medicaid and insurance companies. The Agency serves the four-county area of Hardin, Marshall, Poweshiek and Tama from treatment facilities in Iowa Falls, Marshalltown, Grinnell and Toledo, respectively. Significant accounting policies followed by the Agency 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.

REVENUE RECOGNITION

Revenue from client services is recognized, at estimated net collectable amounts, in the period the services are performed. A substantial portion of such revenue will not be collectable and the adjustment between standardized and collectable rates is treated as an adjustment to net fee revenue.

Revenue from grants and contracts is recognized as the services are performed if the contract is based on units of service or as costs are incurred if the contract is a cost reimbursement arrangement. Deferred revenue includes grant advances received for services the Agency will perform in subsequent periods.

NET ASSETS

Net assets are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
June 30, 2006 and 2005**

PROPERTY AND EQUIPMENT

The Agency's building is depreciated on the straight-line method over its estimated useful life of thirty years. The Agency follows the practice of capitalizing at cost, or at fair market value if donated, all expenditures for property and equipment in excess of \$1,000 and a useful life greater than one year. Land improvements are being depreciated on the straight-line method over an estimated useful life of fifteen years. Depreciation on the Agency's furniture and equipment is computed over the estimated useful lives of the assets ranging from three to ten years, by the straight-line method of depreciation.

COMPENSATED ABSENCES

Agency 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 Agency has accrued a liability for compensated absences from accrued vacation at June 30, 2006 and 2005, based on rates of pay on those dates.

INCOME TAXES

The Agency is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides 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.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2006 and 2005**

NOTE 1 - CASH FLOW DISCLOSURES

The Agency had the following noncash operating and investing activity:

Interest totaling \$7,591 and \$3,869 earned on a certificate of deposit was added to the balance of the certificate upon renewal during the years ended June 30, 2006 and 2005, respectively.

NOTE 2 - RETIREMENT PLAN

The Agency maintains a Tax Sheltered Annuity Retirement Plan 403(b) that covers employees who meet certain eligibility requirements. The Agency is not required to contribute into the plan, but instead will pay employees a specified percentage of their wage for them to put into their 403(b) account or to use in any other way they choose.

NOTE 3 - RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage during the past three fiscal years.

NOTE 4 - DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Agency is subject to a certain degree of vulnerability due to concentrations of accounts receivable and revenue from major funders. Revenue from these funding agencies represented the following percentages of total revenue for the years ended June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Department of Health and Human Services	15%	18%
Iowa Department of Public Health	11%	14%
MBC of Iowa - non-medicaid	35%	41%
MBC of Iowa - Medicaid	5%	5%

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

SUPPLEMENTAL INFORMATION

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF REVENUE AND EXPENSES -
I.D.P.H. CONTRACTS
Year Ended June 30, 2006**

	Comprehensive Prevention <u>5886-CP-18</u>	Drug & Violence Prevention <u>5886-DV-09</u>
Revenue		
Iowa Department of Public Health	\$ 94,370	\$ 47,647
Client fees	1,420	-
	<hr/>	<hr/>
Total revenue	95,790	47,647
	<hr/>	<hr/>
Expenses		
Salaries	77,700	14,027
Personnel benefits	10,972	1,435
Supplies	2,573	2,621
Telephone	1,682	489
Postage	78	-
Occupancy costs	2,750	28
Travel	3,503	-
Insurance	1,662	132
Employment advertising and promotion	360	-
Contracted services	-	19,863
Registrations and training	391	-
Depreciation	4,074	-
	<hr/>	<hr/>
Total expenses	105,745	38,595
	<hr/>	<hr/>
Excess of revenue over expenses	(9,955)	9,052
Indirect expense allocation	12,086	4,409
	<hr/>	<hr/>
Net	<u>\$ (22,041)</u>	<u>\$ 4,643</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
Substance Abuse Treatment
Unit of Central Iowa
Marshalltown, Iowa

We have audited the financial statements of the Substance Abuse Treatment Unit of Central Iowa as of and for the year ended June 30, 2006, and have issued our report thereon dated July 18, 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 the Agency'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 a reportable condition. 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 the Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition and response is described in the accompanying schedule of findings as item 06-II-I.

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, we believe the reportable condition described in the schedule of findings is a material weakness. The prior year reportable condition is the same as in the current year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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*.

However, we noted certain matters that we reported to management of the Substance Abuse Treatment Unit of Central Iowa, in a separate letter dated July 18, 2006.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. 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 is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and 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 Substance Abuse Treatment Unit of Central Iowa 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.

Clifton Henderson LLP

Cedar Rapids, Iowa
July 18, 2006

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2006**

PART I: SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements.
2. A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements. The condition is considered a material weakness.
3. The audit did not disclose any non-compliance which is material to the financial statements.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

REPORTABLE CONDITION:

06-II-I: Segregation of Duties

Criteria:

The Agency should have adequate segregation of duties to provide for the accuracy and reliability of the financial statements.

Condition:

The Agency does not have adequate segregation of duties over all accounting transactions.

Context:

Internal controls that are in place could be averted, overridden, or not consistently implemented.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

Cause:

The Agency has a limited number of personnel performing accounting functions.

Recommendation:

When this condition exists, management's close supervision and review of accounting information is the best means of preventing or detecting errors and irregularities. We recommend the Agency review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response:

The Agency is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Conclusion:

Response accepted.

**SUBSTANCE ABUSE TREATMENT UNIT OF CENTRAL IOWA
SCHEDULE OF FINDINGS
Year Ended June 30, 2006**

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

**PART III: OTHER FINDINGS RELATED TO STATUTORY REQUIREMENTS
AND OTHER MATTERS**

No matters were reported.