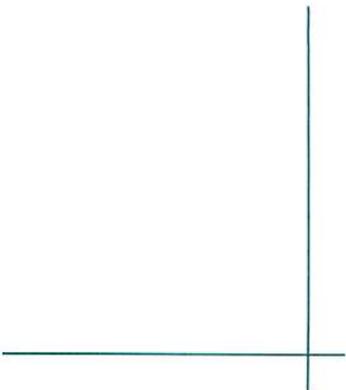


**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
Iowa City, Iowa

**FINANCIAL STATEMENTS**  
June 30, 2010 and 2009



## TABLE OF CONTENTS

	PAGE
BOARD OF DIRECTORS AND MANAGEMENT .....	1
INDEPENDENT AUDITOR'S REPORT .....	2
FINANCIAL STATEMENTS .....	4
Statements of Financial Position .....	5
Statements of Activities .....	7
Statements of Functional Expenses .....	9
Statements of Cash Flows.....	11
Notes to Financial Statements.....	12
SUPPLEMENTAL INFORMATION .....	20
Schedule of Expenditures of Federal Awards .....	21
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	23
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	25
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS .....	27
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS .....	29

MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
BOARD OF DIRECTORS AND MANAGEMENT  
June 30, 2010

**BOARD OF DIRECTORS**

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<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Term Expires</u></b>
Bill Nusser	Chair Person	2011
Susan Hauer	Vice Chair	2013
Kris Gillham	Secretary	2012
Verne Nelson	Treasurer	2012
Michael Flaum	Member	2011
Mark Behlke	Member	2013
Linda Yoder	Member	2012
Denise Suess	Member	2013
Sally Stutsman	Member	2013
Steve Davis	Member	2011

**MANAGEMENT**

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<b><u>Name</u></b>	<b><u>Title</u></b>
Ronald Berg	President
Shannon Wagner	Vice President, Community Affairs
Jill Liesveld	Medical Director
Fonda Frazier	Clinical Director
Christine Auner	Chief Financial Officer

## Independent Auditor's Report

Board of Directors  
Mid-Eastern Council on Chemical Abuse  
Iowa City, Iowa

We have audited the accompanying statements of financial position of Mid-Eastern Council on Chemical Abuse (MECCA) as of June 30, 2010 and 2009 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of MECCA'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 Mid-Eastern Council on Chemical Abuse as of June 30, 2010 and 2009, 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 December 22, 2010, on our consideration of MECCA's internal control over financial reporting and on 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 audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. 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 presented fairly, in all material respects, in relation to the basic financial statements taken as a whole.

*Clifton Gunderson LLP*

Cedar Rapids, Iowa  
December 22, 2010

## FINANCIAL STATEMENTS

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2010 and 2009

**ASSETS**

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 808,582	\$ 424,457
Accounts receivable	778,399	755,209
Unconditional promises to give	141,789	143,847
Prepaid expenses	<u>79,412</u>	<u>93,059</u>
Total current assets	<u>1,808,182</u>	<u>1,416,572</u>
 <b>PROPERTY AND EQUIPMENT</b>		
Land	547,910	547,910
Buildings and improvements	5,530,832	5,516,039
Furniture, fixtures and equipment	<u>1,699,226</u>	<u>1,601,889</u>
Total	7,777,968	7,665,838
Less accumulated depreciation	<u>2,580,678</u>	<u>2,400,899</u>
Net property and equipment	<u>5,197,290</u>	<u>5,264,939</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 7,005,472</u>	 <u>\$ 6,681,511</u>

## LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 200,852	\$ 231,735
Accrued expenses:		
Salaries and vacation pay	735,805	689,688
Interest	15,487	17,611
Real estate taxes payable	27,246	28,045
Security deposits	3,858	4,828
Unearned revenue	28,896	28,641
Current portion of deferred gain on acquisition	5,398	5,398
Current maturities of long-term debt	111,053	174,175
Current maturities of obligations under capital leases	<u>52,731</u>	<u>12,137</u>
Total current liabilities	<u>1,181,326</u>	<u>1,192,258</u>
 <b>LONG-TERM LIABILITIES</b>		
Deferred gain on acquisition, less current portion above	191,612	197,009
Long-term debt, less current maturities above	3,714,681	3,803,368
Obligations under capital leases, less current maturities above	<u>67,475</u>	<u>19,093</u>
Total long-term liabilities	<u>3,973,768</u>	<u>4,019,470</u>
Total liabilities	<u>5,155,094</u>	<u>5,211,728</u>
 <b>NET ASSETS</b>		
Unrestricted	1,708,589	1,325,936
Temporarily restricted:		
Subsequent years' operations	<u>141,789</u>	<u>143,847</u>
Total net assets	<u>1,850,378</u>	<u>1,469,783</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 7,005,472</u>	 <u>\$ 6,681,511</u>

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended June 30, 2010 and 2009**

	2010		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Net client fees:			
Residential services	\$ 3,117,509	\$ -	\$ 3,117,509
Nonresidential services	2,580,302	-	2,580,302
Iowa Department of Public Health:			
Prevention programs	1,321,344	-	1,321,344
Other government fees and grants	1,271,030	-	1,271,030
Counties	421,773	-	421,773
Iowa City and Coralville	76,538	-	76,538
United Way	-	141,789	141,789
Donations	262,889	-	262,889
Rental income	49,276	-	49,276
Interest	1,386	-	1,386
Fund raising income	18,227	-	18,227
Miscellaneous	46,219	-	46,219
	9,166,493	141,789	9,308,282
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Expiration of time restrictions	143,847	(143,847)	-
	9,310,340	(2,058)	9,308,282
<b>EXPENSES</b>			
Program services	6,896,870	-	6,896,870
Supporting activities:			
Management and general	1,919,206	-	1,919,206
Fundraising	111,611	-	111,611
	2,030,817	-	2,030,817
Total supporting activities	2,030,817	-	2,030,817
Total expenses	8,927,687	-	8,927,687
<b>CHANGE IN NET ASSETS</b>	382,653	(2,058)	380,595
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,325,936	143,847	1,469,783
<b>NET ASSETS, END OF YEAR</b>	\$ 1,708,589	\$ 141,789	\$ 1,850,378

2009

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,583,266	\$ -	\$ 3,583,266
2,577,404	-	2,577,404
1,112,611	-	1,112,611
787,056	-	787,056
371,499	-	371,499
52,330	-	52,330
-	143,847	143,847
134,051	-	134,051
71,986	-	71,986
630	-	630
6,044	-	6,044
66,696	-	66,696
8,763,573	143,847	8,907,420
131,507	(131,507)	-
8,895,080	12,340	8,907,420
6,798,756	-	6,798,756
1,723,255	-	1,723,255
82,957	-	82,957
1,806,212	-	1,806,212
8,604,968	-	8,604,968
290,112	12,340	302,452
1,035,824	131,507	1,167,331
\$ 1,325,936	\$ 143,847	\$ 1,469,783

The accompanying notes are an integral part of the financial statements.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended June 30, 2010 and 2009**

	2010				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Supporting Activities</u>			
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Salaries and related expenses	\$ 4,781,517	\$ 1,518,933	\$ 102,167	\$ 1,621,100	\$ 6,402,617
Contract services and grants	311,192	188	-	188	311,380
Program costs	188,524	1,662	-	1,662	190,186
Professional fees	4,438	38,983	-	38,983	43,421
Travel and conferences	73,795	33,531	2,198	35,729	109,524
Groceries	334,818	-	-	-	334,818
Supplies and printing	102,509	21,920	229	22,149	124,658
Medical services and supplies	61,368	-	-	-	61,368
Telephone	21,613	7,707	-	7,707	29,320
Depreciation	250,930	44,793	-	44,793	295,723
Utilities	179,587	18,093	-	18,093	197,680
Property tax expense	27,246	-	-	-	27,246
Repairs and maintenance	129,943	10,273	-	10,273	140,216
Equipment rental and repair	40,068	58,663	598	59,261	99,329
Insurance	62,232	21,100	-	21,100	83,332
Staff development	29,205	18,203	380	18,583	47,788
Rent expense	49,924	-	-	-	49,924
Interest	167,236	54,880	-	54,880	222,116
Promotional and education	46,618	29,958	1,672	31,630	78,248
Dues and subscriptions	1,812	6,267	655	6,922	8,734
Loss on disposal of equipment	-	12,981	-	12,981	12,981
Miscellaneous	32,295	21,071	3,712	24,783	57,078
<b>Total expenses</b>	<u>\$ 6,896,870</u>	<u>\$ 1,919,206</u>	<u>\$ 111,611</u>	<u>\$ 2,030,817</u>	<u>\$ 8,927,687</u>

2009

<u>Program Services</u>	<u>Supporting Activities</u>			<u>Total Expenses</u>
	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
\$ 4,658,630	\$ 1,388,784	\$ 71,001	\$ 1,459,785	\$ 6,118,415
131,326	-	-	-	131,326
234,381	-	-	-	234,381
18,401	34,608	-	34,608	53,009
98,493	28,599	-	28,599	127,092
312,573	-	-	-	312,573
128,136	13,238	-	13,238	141,374
56,691	-	-	-	56,691
26,627	10,326	-	10,326	36,953
291,599	18,180	-	18,180	309,779
204,202	24,780	-	24,780	228,982
27,032	-	-	-	27,032
131,474	16,580	-	16,580	148,054
46,443	32,282	-	32,282	78,725
64,850	22,690	-	22,690	87,540
36,732	20,923	-	20,923	57,655
54,927	-	-	-	54,927
163,027	76,424	-	76,424	239,451
59,007	20,275	-	20,275	79,282
-	6,875	270	7,145	7,145
-	-	-	-	-
<u>54,205</u>	<u>8,691</u>	<u>11,686</u>	<u>20,377</u>	<u>74,582</u>
<u>\$ 6,798,756</u>	<u>\$ 1,723,255</u>	<u>\$ 82,957</u>	<u>\$ 1,806,212</u>	<u>\$ 8,604,968</u>

The accompanying notes are an integral part of the financial statements.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 380,595	\$ 302,452
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	295,723	309,779
Loss on disposal of equipment	12,981	-
Forgiveness of debt	(10,000)	(10,000)
Gain from acquisition	(5,397)	(5,397)
Effects of changes in operating assets and liabilities:		
Receivables	(21,132)	(234,181)
Prepaid expenses	13,647	(8,213)
Security deposits	(970)	(1,587)
Accounts payable	(30,882)	39,878
Accrued expenses	43,194	78,237
Unearned revenue	255	(100,857)
	<u>678,014</u>	<u>370,111</u>
Net cash provided by operating activities		
	<u>678,014</u>	<u>370,111</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of equipment	16,716	-
Purchases of property and equipment	<u>(132,636)</u>	<u>(84,030)</u>
Net cash used in investing activities	<u>(115,920)</u>	<u>(84,030)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long term-debt	(141,809)	(128,167)
Payments on obligations under capital leases	(36,160)	(12,383)
	<u>-</u>	<u>(40,000)</u>
Net cash used in financing activities	<u>(177,969)</u>	<u>(180,550)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	384,125	105,531
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>424,457</u>	<u>318,926</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 808,582</u>	<u>\$ 424,457</u>

The accompanying notes are an integral part of the financial statements.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mid-Eastern Council on Chemical Abuse (MECCA) is a non-profit corporation created to provide education, as well as individual and group counseling, for substance abusers and their families. MECCA also provides residential care and treatment for substance abusers in the Johnson, Iowa, Washington, Cedar, Warren, and Polk county areas. MECCA operates a detoxification unit in Iowa City, residential facilities in Iowa City and Des Moines, and provides outpatient services from its clinical offices in Iowa City, Des Moines, and various satellite offices.

MECCA 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, insurance companies, and the courts. MECCA also provides substance abuse services through contracts with schools, counties, universities, employers, and state and federal governmental organizations.

MECCA's fiscal year ends on June 30. Significant accounting policies followed by MECCA 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.

**Cash Equivalents**

MECCA considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**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 net assets* includes all net assets which are neither temporarily or permanently 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.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets** (continued)

*Permanently restricted net assets* includes contributions and other inflows of assets whose use by MECCA is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of MECCA. MECCA has no permanently restricted net assets as of June 30, 2010 and 2009.

**Accounts Receivable**

Accounts receivable represents uncollateralized obligations due from clients, insurance companies, funding agencies and other providers and generally require payment within 30 days from the billing date. Accounts receivable are stated at the invoice amount. Interest is not charged on overdue accounts. Payments of accounts receivable are applied to specific invoices. 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 uncollectible.

**Property and Equipment**

Property and equipment which were purchased are stated at their original cost and donated furniture and equipment are recorded at fair value at the date of receipt. All fixed assets are depreciated over their estimated useful lives of three to thirty-nine years, using the straight-line method of depreciation. MECCA follows the practice of capitalizing at cost, or at fair value if donated, all expenditures for property and equipment in excess of \$500 and a useful life greater than one year.

**Impairment of Long-lived Assets**

MECCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**Unearned Revenue**

Conditional grants are recognized as revenue at the point the conditions are met. Unearned revenue represents both grant funds that have been received but the conditions of the grant have not been met and amounts received for which services have not yet been performed.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Employees accumulate vacation and sick leave hours for subsequent use or, in the case of vacation leave, for payment upon retirement, death, or termination. MECCA has accrued a liability for compensated absences from accrued vacation at June 30, 2010 and 2009, based on rates of pay on those dates.

**Revenue Recognition**

Revenue from client services is recognized, at estimated net collectible amounts, in the period the services are performed. A substantial portion of such revenue will not be collectible and the adjustments between standardized and collectible 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.

**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, MECCA 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.

Unconditional promises to give are recorded as receivables and as support when received.

**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.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Expenses**

The costs of providing various programs and supporting activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

**Income Taxes**

MECCA 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. MECCA is not classified as a private foundation.

MECCA files information returns in the U.S. federal jurisdiction. MECCA adopted the Financial Accounting Standards Board's requirements for accounting for uncertain tax positions on July 1, 2009. MECCA determined that it was not required to record a liability related to uncertain tax positions as a result of implementing the new requirements. The federal information returns of MECCA for the year ended June 30, 2007, and thereafter, are subject to examination by the IRS, generally for three years after they were filed.

**NOTE 2 - LONG-TERM DEBT**

Long-term debt as of June 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Mortgage note payable to bank, requiring monthly installments of \$20,551, including interest at 5.95% per year, with final balloon payment due February 1, 2011. This note is collateralized by a security agreement dated January 26, 2005, covering substantially all assets of MECCA. This note was refinanced subsequent to year end.	\$2,462,479	\$2,559,383
Non-interest bearing, forgivable note payable to the City of Iowa City. The loan will be forgiven on June 30, 2011, as long as MECCA continues to use the property as prescribed in the loan agreement. The agreement states that each June 30, \$10,000 of the outstanding principal is forgiven.	10,000	20,000
Note payable to bank, requiring monthly installments of \$4,885, beginning September 1, 2007, including interest at 5.95%, with final payment due August 2010, collateralized by substantially all assets of MECCA. This note was refinanced subsequent to year end.	597,441	619,794

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010 and 2009**

**NOTE 2 - LONG-TERM DEBT (CONTINUED)**

	<u>2010</u>	<u>2009</u>
Note payable to GMAC, requiring monthly installments of \$386, with no stated interest rate, with final payment due January 2010, collateralized by a vehicle.	-	3,087
Note payable to GMAC, requiring monthly installments of \$378, with no stated interest rate, with final payment due October 2011, collateralized by a vehicle.	6,052	10,591
Real estate contract payable, requiring monthly installments of \$2,560, including interest at 6.50% per year, with final balloon payment due July 30, 2010. This contract is collateralized by real estate. This contract was refinanced subsequent to year end.	385,160	390,653
Note payable to bank, requiring monthly installments of \$900, including interest at 5.50% per year, with final payment due May 2012, collateralized by a vehicle.	19,602	29,035
Non-interest bearing, forgivable note payable to the City of Iowa City. The loan will be forgiven on June 30, 2101, as long as MECCA continues to use the property as prescribed in the loan agreement. The note becomes due if the use of the property is not consistent with the terms of the agreement. The note will be classified as long-term debt until MECCA has been relieved of its obligations to repay the loan.	<u>345,000</u>	<u>345,000</u>
Total	3,825,734	3,977,543
Less current portion	<u>111,053</u>	<u>174,175</u>
<b>Long-term portion</b>	<u><b>\$3,714,681</b></u>	<u><b>\$3,803,368</b></u>

Subsequent to year end, MECCA entered into a lending agreement with Hills Bank and Trust Company in the amount of \$3,472,000 at a fixed interest rate of 3.90%. Under the terms of the agreement, MECCA will make 240 monthly payments in the amount of \$20,950. The funds were used to refinance mortgage notes and a real estate contract that were in existence at June 30, 2010. The note is collateralized by a security agreement dated December 6, 2010, and covers substantially all assets of MECCA.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 2 - LONG-TERM DEBT (CONTINUED)**

Future maturities of long-term debt for the years ending June 30 are as follows:

2011	\$ 111,053
2012	129,381
2013	123,349
2014	128,316
2015	133,482
Thereafter	<u>3,200,153</u>
<b>Total</b>	<b><u>\$3,825,734</u></b>

**NOTE 3 - OBLIGATIONS UNDER CAPITAL LEASES**

MECCA is leasing office equipment under five capitalized leases which expire at various dates through October 2012. The leases require monthly payments ranging from \$135 to \$3,894. The total cost of the leased equipment is \$195,818 and \$70,683 as of June 30, 2010 and 2009, respectively, and accumulated depreciation at June 30, 2010 and 2009 is \$61,942 and \$40,965, respectively. Amortization of the capitalized leases totaled \$20,978 and \$10,550 for the years ended June 30, 2010 and 2009, respectively, and is included in depreciation expense.

Future minimum lease payments under these leases for the years ending June 30 are as follows:

2011	\$ 60,875
2012	54,437
2013	<u>15,553</u>
Total minimum lease payments	130,865
Less amount representing interest	<u>10,659</u>
<b>Present value of minimum lease payments</b>	<b><u>\$ 120,206</u></b>

**NOTE 4 - CASH FLOW DISCLOSURES**

Cash paid for interest totaled \$212,556 and \$224,124 for the years ended June 30, 2010 and 2009, respectively.

During the years ended June 30, 2010 and 2009, MECCA acquired \$125,135 and \$29,798, respectively, of equipment that was financed through a capital lease and bank loan, respectively.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 5 - CONTINGENCIES**

**Concentration of Credit Risk**

MECCA maintains deposits in one bank account in excess of the federally insured amount. The total amount on deposit was \$481,810 at June 30, 2010. It is management's belief that the credit risk related to the aforementioned asset is minimal.

**Concentrations**

MECCA is subject to a certain degree of vulnerability due to concentrations of accounts receivable and revenue from a major funding agency. MECCA received approximately 45% and 42% of their total support from Magellan Behavioral Health for the years ended June 30, 2010 and 2009, respectively.

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

**Risk Management**

MECCA is exposed to various risks of loss related to torts; theft or 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. MECCA 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.

**NOTE 6 - RETIREMENT PLAN**

MECCA has a defined contribution 403(b) retirement plan for its full- and part-time employees. An employee is eligible to participate after completing one year of service and who is at least 21 years of age. Participation is voluntary, and MECCA contributes 50% of the employees' contribution, up to a maximum of 4% of their pay. The contribution charged to expense for the years ended June 30, 2010 and 2009 totaled \$48,313 and \$43,101, respectively.

**NOTE 7 - COMMITMENTS**

In the normal course of business, MECCA enters into grant agreements with subcontractors. Under these agreements, MECCA is committed to making payments to the subcontractors as services are provided. These agreements would not extend beyond a one-year period.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**NOTE 7 - COMMITMENTS (CONTINUED)**

**Lease Agreement**

MECCA leases office space under a lease agreement accounted for as an operating lease agreement. The lease expires in November 2011 and requires a monthly payment in the amount of \$2,068.

Total rent expense included in the statements of activities for the years ended June 30, 2010 and 2009, was \$49,924 and \$54,927, respectively.

The minimum rental commitments as of June 30, 2010 under the aforementioned lease is as follows:

2011	\$ 24,816
2012	<u>10,340</u>
<b>Total</b>	<b><u>\$ 35,156</u></b>

MECCA leases space for a cellular tower under a lease agreement with Cingular Wireless which expires in September 2011. The lease contains automatic renewal options. Total rental income included in the statements of activities for the years ended June 30, 2010 and 2009 was \$10,414 and \$10,110, respectively.

The minimum rental income to be received under the aforementioned lease for the years ending June 30, is as follows:

2011	\$ 10,726
2012	<u>2,701</u>
<b>Total</b>	<b><u>\$ 13,427</u></b>

**NOTE 8 - SUBSEQUENT EVENTS**

Management evaluated subsequent events through December 22, 2010, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2010, but prior to December 22, 2010, that provided additional evidence about conditions that existed at June 30, 2010, have been recognized in the financial statements for the year ended June 30, 2010. Events or transactions that provided evidence about conditions that did not exist at June 30, 2010, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2010.

This information is an integral part of the financial statements.

**SUPPLEMENTAL INFORMATION**

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Iowa Department of Public Health:			
Safe and Drug Free Schools	84.186B	5880DV06	\$ <u>55,000</u>
Passed Through Iowa Department of Public Health:			
Substance Abuse Prevention and Treatment Access to Recovery	93.275	97000930	<u>1,000</u>
Passed through Johnson County Public Health:			
HIV Care Consortium	93.917	5887HC02	<u>24,370</u>
Passed Through Iowa Department of Public Health:			
Substance Abuse Prevention and Treatment Block Grant Program:			
Comprehensive Substance Abuse Prevention	93.959*	5880CP17	160,631
Passed Through Magellan Behavioral Care of Iowa:			
Substance Abuse Prevention and Treatment Block Grant Program:			
Behavioral Health Addendum	93.959*	N/A	1,128,142
Women and Children	93.959*	N/A	<u>160,418</u>
Total CFDA # 93.959			<u>1,449,191</u>
Passed Through Iowa Department of Public Health:			
HIV Prevention Activities	93.940	5889AP19	15,014
HIV CTR and Hepatitis	93.940	5887AP24	<u>8,594</u>
Total CFDA # 93.940			<u>23,608</u>
Total U.S. Department of Health and Human Services			<u>1,553,169</u>
<b>U.S Department of Justice</b>			
Passed through 5th Judicial District Department of Correctional Services:			
Iowa County Decat	16.540	N/A	8,000
Washington County Decat	16.540	N/A	<u>6,960</u>
Total U.S. Department of Justice			<u>14,960</u>

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2010**

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S Department of Housing and Urban Development</b>			
Passed Through City of Des Moines:			
Transitional Housing	14.218	N/A	10,000
Passed Through City of Iowa City:			
Entitlement Grant	14.218	N/A	<u>38,878</u>
Total CFDA # 14.218			48,878
Passed through Iowa Finance Authority :			
Housing Opportunities for Persons with AIDS	14.241	2009 F-1 R5	<u>83,135</u>
Total U.S. Department of Housing and Urban Development			<u>132,013</u>
Total Federal Expenditures			<u>\$ 1,700,142</u>

\* This program was tested as a major program at June 30, 2010.

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mid-Eastern Council on Chemical Abuse 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.

**NOTE 2 - SUB-RECIPIENT PAYMENTS, NON-CASH ASSISTANCE, INSURANCE, LOANS, OR LOAN GUARANTEES**

There were no payments passed through to sub-recipient agencies during the year ended June 30, 2010. In addition, there were no non-cash assistance, insurance, loans or loan guarantees outstanding as of and for the year ended June 30, 2010.

**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***

Board of Directors  
Mid-Eastern Council on Chemical Abuse  
Iowa City, Iowa

We have audited the financial statements of Mid-Eastern Council on Chemical Abuse as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. 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 Mid-Eastern Council on Chemical Abuse's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mid-Eastern Council on Chemical Abuse'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 is intended solely for the information and use of management, the Board of Directors, others within the entity 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.

*Clifton Henderson LLP*

Cedar Rapids, Iowa  
December 22, 2010

**Independent Auditor's Report on Compliance with  
Requirements That Could Have a Direct and Material  
Effect on the Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

Board of Directors  
Mid-Eastern Council on Chemical Abuse  
Iowa City, Iowa

### **Compliance**

We have audited the compliance of Mid-Eastern Council on Chemical Abuse with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2010. Mid-Eastern Council on Chemical Abuse's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on Mid-Eastern Council on Chemical Abuse'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; 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 Mid-Eastern Council on Chemical Abuse'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 of Mid-Eastern Council on Chemical Abuse's compliance with those requirements.

In our opinion, Mid-Eastern Council on Chemical Abuse complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

### **Internal Control Over Compliance**

The management of Mid-Eastern Council on Chemical Abuse is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mid-Eastern Council on Chemical Abuse's internal control over compliance with the requirements that could have a direct and material effect on the major federal program 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mid-Eastern Council on Chemical Abuse's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity 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.

*Clifton Henderson LLP*

Cedar Rapids, Iowa  
December 22, 2010

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   None Reported
- Deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None Reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS  
Year Ended June 30, 2010**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**INTERNAL CONTROL DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SECTION III - FEDERAL AWARD FINDINGS**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SECTION IV - OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

No matters were noted.

**MID-EASTERN COUNCIL ON CHEMICAL ABUSE  
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2010**

**FINDING 2009 - 1: Preparation of Financial Statements**

Condition:

MECCA has not implemented procedures, to the degree necessary, to perform a review and assume responsibility for their financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected.

Recommendation:

We recommend that sufficient financial statement and disclosure review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and knowledge of MECCA's activities and operations.

Current Status:

Implemented.

**FINDING 2009 - 2: Audit Adjustments**

Condition:

During the course of the audit, misstatements that had a significant effect on MECCA's financial statements were discovered. Adjusting journal entries were made to correct these misstatements.

Recommendation:

We recommend that trial balance review procedures be performed by an individual possessing a thorough understanding of applicable generally accepted accounting principles and having knowledge of MECCA's activities and operations, so that all account balances are adjusted prior to the audit.

Current Status:

Implemented.

**FINDING 2009 - 3: Segregation of Duties in the Accounting Function**

Condition:

Due to a limited number of personnel performing accounting functions, MECCA does not have adequate segregation of duties over 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 MECCA review its operating procedures to obtain the maximum internal control possible under the circumstances

Current Status:

Implemented.