



MECCA SERVICES
Iowa City, Iowa

FINANCIAL STATEMENTS
June 30, 2011 and 2010



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MECCA SERVICES
BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2011

BOARD OF DIRECTORS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Flaum	Chair Person	2011
Susan Hauer	Vice Chair	2013
Dorothy Maher	Secretary	2014
Verne Nelson	Treasurer	2012
Mark Behlke	Member	2013
Linda Yoder	Member	2012
Denise Suess	Member	2013
Sally Stutsman	Member	2012
Steve Davis	Member	2011

MANAGEMENT

<u>Name</u>	<u>Title</u>
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
MECCA SERVICES
Iowa City, Iowa

We have audited the accompanying statements of financial position of MECCA SERVICES (MECCA) as of June 30, 2011 and 2010 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MECCA SERVICES as of June 30, 2011 and 2010, 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.

Clifton Gunderson LLP

Cedar Rapids, Iowa
December 27, 2011

FINANCIAL STATEMENTS

MECCA SERVICES
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 744,946	\$ 808,582
Accounts receivable	612,186	778,399
Unconditional promises to give	141,791	141,789
Prepaid expenses	<u>53,364</u>	<u>79,412</u>
Total current assets	<u>1,552,287</u>	<u>1,808,182</u>
 PROPERTY AND EQUIPMENT		
Land	547,910	547,910
Buildings and improvements	5,532,632	5,530,832
Furniture, fixtures and equipment	<u>1,736,242</u>	<u>1,699,226</u>
Total	7,816,784	7,777,968
Less accumulated depreciation	<u>2,848,065</u>	<u>2,580,678</u>
Net property and equipment	<u>4,968,719</u>	<u>5,197,290</u>
 OTHER ASSETS		
Loan origination fees, net of accumulated amortization of \$1,302	<u>43,332</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 6,564,338</u>	 <u>\$ 7,005,472</u>

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts payable	\$ 202,897	\$ 200,852
Accrued expenses:		
Salaries and vacation pay	667,199	735,805
Interest	11,614	15,487
Real estate taxes payable	27,138	27,246
Security deposits	2,650	3,858
Due to funding agency	15,341	-
Unearned revenue	30,584	28,896
Current portion of deferred gain on acquisition	5,398	5,398
Current maturities of long-term debt	119,737	111,053
Current maturities of obligations under capital leases	51,018	52,731
	<u>1,133,576</u>	<u>1,181,326</u>
Total current liabilities		
	<u>1,133,576</u>	<u>1,181,326</u>
LONG-TERM LIABILITIES		
Deferred gain on acquisition, less current portion above	186,214	191,612
Long-term debt, less current maturities above	3,639,152	3,714,681
Obligations under capital leases, less current maturities above	14,656	67,475
	<u>3,840,022</u>	<u>3,973,768</u>
Total long-term liabilities		
	<u>3,840,022</u>	<u>3,973,768</u>
Total liabilities	<u>4,973,598</u>	<u>5,155,094</u>
	<u>4,973,598</u>	<u>5,155,094</u>
NET ASSETS		
Unrestricted	1,448,949	1,708,589
Temporarily restricted:		
Subsequent years' operations	141,791	141,789
	<u>1,590,740</u>	<u>1,850,378</u>
Total net assets		
	<u>1,590,740</u>	<u>1,850,378</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,564,338</u>	<u>\$ 7,005,472</u>

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

MECCA SERVICES
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2011 and 2010

	2011		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Net client fees:			
Residential services	\$ 2,859,396	\$ -	\$ 2,859,396
Nonresidential services	2,460,619	-	2,460,619
Iowa Department of Public Health:			
Prevention programs	922,904	-	922,904
Other prevention	223,108	-	223,108
Other government fees and grants	929,502	-	929,502
Counties	473,186	-	473,186
Iowa City and Coralville	31,660	-	31,660
United Way	-	141,791	141,791
Donations	105,247	-	105,247
Rental income	57,300	-	57,300
Interest	1,909	-	1,909
Fundraising income	20,005	-	20,005
Miscellaneous	76,457	-	76,457
Total public support and revenue	8,161,293	141,791	8,303,084
NET ASSETS RELEASED FROM RESTRICTIONS			
Expiration of time restrictions	141,789	(141,789)	-
Total public support, revenue and net assets released from restrictions	8,303,082	2	8,303,084
EXPENSES			
Program services	6,411,628	-	6,411,628
Supporting activities:			
Management and general	2,067,767	-	2,067,767
Fundraising	83,327	-	83,327
Total supporting activities	2,151,094	-	2,151,094
Total expenses	8,562,722	-	8,562,722
CHANGE IN NET ASSETS	(259,640)	2	(259,638)
NET ASSETS, BEGINNING OF YEAR	1,708,589	141,789	1,850,378
NET ASSETS, END OF YEAR	\$ 1,448,949	\$ 141,791	\$ 1,590,740

2010		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 3,117,509	\$ -	\$ 3,117,509
2,580,302	-	2,580,302
1,090,885	-	1,090,885
230,459	-	230,459
1,271,030	-	1,271,030
421,773	-	421,773
76,538	-	76,538
-	141,789	141,789
262,889	-	262,889
49,276	-	49,276
1,386	-	1,386
18,227	-	18,227
46,219	-	46,219
9,166,493	141,789	9,308,282
143,847	(143,847)	-
9,310,340	(2,058)	9,308,282
6,896,870	-	6,896,870
1,919,206	-	1,919,206
111,611	-	111,611
2,030,817	-	2,030,817
8,927,687	-	8,927,687
382,653	(2,058)	380,595
1,325,936	143,847	1,469,783
<u>\$ 1,708,589</u>	<u>\$ 141,789</u>	<u>\$ 1,850,378</u>

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

MECCA SERVICES
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2011 and 2010

2011

	<u>Supporting Activities</u>			<u>Total</u>	<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		
Salaries and related expenses	\$ 4,323,067	\$ 1,628,454	\$ 71,445	\$ 1,699,899	\$ 6,022,966
Contract services and grants	321,920	-	-	-	321,920
Program costs	218,803	395	-	395	219,198
Professional fees	-	79,301	-	79,301	79,301
Travel and conferences	87,439	25,158	1,207	26,365	113,804
Groceries	320,495	-	-	-	320,495
Supplies and printing	86,272	26,103	329	26,432	112,704
Medical services and supplies	58,668	-	-	-	58,668
Telephone	17,266	7,974	-	7,974	25,240
Depreciation	227,933	44,248	-	44,248	272,181
Utilities	171,517	25,963	-	25,963	197,480
Property tax expense	27,138	-	-	-	27,138
Repairs and maintenance	224,215	28,432	-	28,432	252,647
Equipment rental and repair	43,036	47,375	705	48,080	91,116
Insurance	57,430	18,623	-	18,623	76,053
Staff development	13,592	7,635	100	7,735	21,327
Rent expense	55,758	-	-	-	55,758
Interest	133,275	44,877	-	44,877	178,152
Promotional and education	5,683	22,720	3,761	26,481	32,164
Dues and subscriptions	1,068	9,856	485	10,341	11,409
Loss on disposal of equipment	-	-	-	-	-
Bond amortization expense	-	1,302	-	1,302	1,302
Miscellaneous	17,053	49,351	5,295	54,646	71,699
Total expenses	<u>\$ 6,411,628</u>	<u>\$ 2,067,767</u>	<u>\$ 83,327</u>	<u>\$ 2,151,094</u>	<u>\$ 8,562,722</u>

2010

Program Services	Supporting Activities			Total Expenses
	Management and General	Fundraising	Total	
\$ 4,781,517	\$ 1,518,933	\$ 102,167	\$ 1,621,100	\$ 6,402,617
311,192	188	-	188	311,380
188,524	1,662	-	1,662	190,186
4,438	38,983	-	38,983	43,421
73,795	33,531	2,198	35,729	109,524
334,818	-	-	-	334,818
102,509	21,920	229	22,149	124,658
61,368	-	-	-	61,368
21,613	7,707	-	7,707	29,320
250,930	44,793	-	44,793	295,723
179,587	18,093	-	18,093	197,680
27,246	-	-	-	27,246
129,943	10,273	-	10,273	140,216
40,068	58,663	598	59,261	99,329
62,232	21,100	-	21,100	83,332
29,205	18,203	380	18,583	47,788
49,924	-	-	-	49,924
167,236	54,880	-	54,880	222,116
46,618	29,958	1,672	31,630	78,248
1,812	6,267	655	6,922	8,734
-	12,981	-	12,981	12,981
-	-	-	-	-
32,295	21,071	3,712	24,783	57,078
<u>\$ 6,896,870</u>	<u>\$ 1,919,206</u>	<u>\$ 111,611</u>	<u>\$ 2,030,817</u>	<u>\$ 8,927,687</u>

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

MECCA SERVICES
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (259,638)	\$ 380,595
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	272,181	295,723
Amortization	1,302	-
Loss on disposal of equipment	-	12,981
Forgiveness of debt	(10,000)	(10,000)
Gain from acquisition	(5,398)	(5,397)
Effects of changes in operating assets and liabilities:		
Receivables	166,211	(21,132)
Prepaid expenses	26,048	13,647
Security deposits	(1,208)	(970)
Accounts payable	17,386	(30,882)
Accrued expenses	(72,587)	43,194
Unearned revenue	1,688	255
	<u>135,985</u>	<u>678,014</u>
Net cash provided by operating activities		
	<u>135,985</u>	<u>678,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of equipment	-	16,716
Purchases of property and equipment	(44,569)	(132,636)
	<u>(44,569)</u>	<u>(115,920)</u>
Net cash used in investing activities		
	<u>(44,569)</u>	<u>(115,920)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	3,472,000	-
Payments on long term-debt	(3,528,845)	(141,809)
Payment for loan origination fees	(44,634)	-
Payments on obligations under capital leases	(53,573)	(36,160)
	<u>(155,052)</u>	<u>(177,969)</u>
Net cash used in financing activities		
	<u>(155,052)</u>	<u>(177,969)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,636)	384,125
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>808,582</u>	<u>424,457</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 744,946</u>	<u>\$ 808,582</u>

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

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

MECCA SERVICES (MECCA) (formerly known as Mid-Eastern Council on Chemical Abuse) 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.

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 2011 and 2010.

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.

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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, 2011 and 2010, 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.

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 determined that it was not required to record a liability related to uncertain tax positions. The federal information returns of MECCA for the year ended June 30, 2008, 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, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</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 during the year ended June 30, 2011.	\$ -	\$2,462,479
Non-interest bearing, forgivable note payable to the City of Iowa City. The agreement states that each June 30, \$10,000 of the outstanding principal is forgiven. The final portion of the loan was forgiven on June 30, 2011.	-	10,000
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 during the year ended June 30, 2011.	-	597,441

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 2 - LONG-TERM DEBT (CONTINUED)

	<u>2011</u>	<u>2010</u>
Note payable to GMAC, requiring monthly installments of \$378, with no stated interest rate, with final payment due October 2011, collateralized by a vehicle.	1,513	6,052
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 during the year ended June 30, 2011.	-	385,160
Note payable to bank, requiring monthly installments of \$900, including interest at 5.50% per year, with final payment made in the current year, collateralized by a vehicle.	-	19,602
Mortgage note payable to bank, requiring monthly installments of \$20,950, including interest at 3.90% per year, with final payment due December 1, 2030. This note is collateralized by a security agreement dated December 1, 2010, covering substantially all assets of MECCA.	3,412,376	-
Non-interest bearing, forgivable note payable to the City of Iowa City. The loan will be forgiven on November 22, 2022, 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. The note is collateralized by real estate.	<u>345,000</u>	<u>345,000</u>
Total	3,758,889	3,825,734
Less current portion	<u>119,737</u>	<u>111,053</u>
Long-term portion	<u>\$3,639,152</u>	<u>\$3,714,681</u>
Future maturities of long-term debt for the years ending June 30 are as follows:		
2012	\$ 119,737	
2013	123,349	
2014	128,316	
2015	133,482	
2016	138,549	
Thereafter	<u>3,115,456</u>	
Total	<u>\$3,758,889</u>	

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 3 - OBLIGATIONS UNDER CAPITAL LEASES

MECCA is leasing office equipment under five capitalized leases which expire at various dates through October 2012. Two of the leases expired during the current year. The remaining leases require monthly payments ranging from \$316 to \$3,894. The total cost of the leased equipment is \$162,155 and \$195,818 as of June 30, 2011 and 2010, respectively, and accumulated depreciation at June 30, 2011 and 2010 is \$58,278 and \$61,942, respectively. Amortization of the capitalized leases totaled \$25,281 and \$20,978 for the years ended June 30, 2011 and 2010, respectively, and is included in depreciation expense.

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

2012	\$ 54,437
2013	<u>15,553</u>
Total minimum lease payments	69,990
Less amount representing interest	<u>4,316</u>
Present value of minimum lease payments	<u>\$ 65,674</u>

NOTE 4 - CASH FLOW DISCLOSURES

Cash paid for interest totaled \$170,617 and \$212,556 for the years ended June 30, 2011 and 2010, respectively.

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

NOTE 5 - CONTINGENCIES

Concentration of Credit Risk

MECCA maintains deposits in one bank in excess of the federally insured amount. The total amount on deposit was \$694,106 at June 30, 2011. 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 44% and 45% of their total support from Magellan Behavioral Health and 11% and 12% from the Iowa Department of Public Health for the years ended June 30, 2011 and 2010, respectively.

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 5 - CONTINGENCIES (CONTINUED)

Concentrations (continued)

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, 2011 and 2010 totaled \$48,981 and \$48,313, respectively. This plan will be terminated effective June 30, 2011, at which point a new 401(k) retirement plan will be offered.

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.

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. Future minimum lease payments under this lease is \$10,340.

Total rent expense included in the statements of activities for the years ended June 30, 2011 and 2010, was \$55,758 and \$49,924, respectively.

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, 2011 and 2010 was \$9,826 and \$10,414, respectively. Future minimum rental income to be received under the aforementioned lease totals \$2,701, which will be received in the year ending June 30, 2012.

MECCA SERVICES
NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE 8 - SUBSEQUENT EVENTS

Management evaluated subsequent events through December 27, 2011, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2011, but prior to December 27, 2011, that provided additional evidence about conditions that existed at June 30, 2011, have been recognized in the financial statements for the year ended June 30, 2011. Events or transactions that provided evidence about conditions that did not exist at June 30, 2011, 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, 2011.

This information is an integral part of the financial statements.

MECCA SERVICES

Iowa City, Iowa

**INDEPENDENT AUDITOR'S REPORTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011**

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CliftonLarsonAllen

**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
MECCA SERVICES
Iowa City, Iowa

We have audited the financial statements of MECCA SERVICES (MECCA) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. 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

Management of MECCA SERVICES is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered MECCA SERVICES' 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 and correct 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 was not designed to 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 MECCA SERVICES' 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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
December 27, 2011



CliftonLarsonAllen

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 and Schedule of Expenditures of Federal Awards in Accordance with OMB Circular A-133

Board of Directors
MECCA SERVICES
Iowa City, Iowa

Compliance

We have audited the compliance of MECCA SERVICES 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, 2011. MECCA SERVICES' 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 MECCA's management. Our responsibility is to express an opinion on MECCA SERVICES' 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 MECCA SERVICES' 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 MECCA SERVICES' compliance with those requirements.

In our opinion, MECCA SERVICES 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-III-A and 2011-III-B.

Internal Control Over Compliance

The management of MECCA SERVICES 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 MECCA's internal control over compliance with the requirements that could have a direct and material effect on a 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 MECCA'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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-III-A and 2011-III-B. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We, CliftonLarsonAllen LLP, formed as a result of a combination of Clifton Gunderson LLP and LarsonAllen LLP on January 2, 2012, audited the basic financial statements of MECCA SERVICES as of and for the year ended June 30, 2011, and have issued our report thereon dated December 27, 2011. Our audit was performed 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 OMB Circular A-133 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.

MECCA's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit MECCA's responses and, accordingly, we express no opinion on them.

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.

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
March 29, 2012
except for the Schedule of Expenditures of Federal Awards,
as to which the date is December 27, 2011

MECCA SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health:			
Substance Abuse Prevention and Treatment			
Block Grant Program:			
Strategic Prevention Framework State			
Incentive Grant			
	93.243	5881CP17	\$ <u>18,000</u>
Passed through Iowa Department of Public Health:			
Substance Abuse Prevention and Treatment			
Access to Recovery			
	93.275	5881AC20	<u>16,496</u>
Drug-Free Communities Support Program	93.276	5H79SP012963-10	<u>35,284</u>
Passed through Iowa Department of Public Health:			
HIV Care Consortium			
	93.917	5881HC09	50,762
HIV Care Consortium			
	93.917	5882HC09	<u>28,427</u>
Total CFDA # 93.917			
			<u>79,189</u>
Passed through Iowa Department of Public Health:			
Substance Abuse Prevention and Treatment			
Block Grant Program:			
Comprehensive Substance Abuse Prevention			
	93.959*	5881CP17	164,836
Passed through Magellan Behavioral Care of Iowa:			
Substance Abuse Prevention and Treatment			
Block Grant Program:			
Behavioral Health Addendum			
	93.959*	N/A	1,182,400
Women and Children			
	93.959*	N/A	<u>119,793</u>
Total CFDA # 93.959			
			<u>1,467,029</u>
Passed through Iowa Department of Public Health:			
HIV Prevention HERR			
	93.940	5881AP19	13,721
HIV Prevention HERR			
	93.940	5880AP19	<u>17,265</u>
Total CFDA # 93.940			
			<u>30,986</u>
Total U.S. Department of Health and Human Services			<u>1,646,984</u>

MECCA SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Education			
Passed through Iowa Department of Public Health:			
Safe and Drug Free Schools	84.186B	5881DV06	34,446
U.S Department of Housing and Urban Development			
Passed through City of Des Moines:			
Transitional Housing	14.218	Year 10	10,500
Transitional Housing	14.218	Year 11	5,250
Passed through City of Iowa City:			
Entitlement Grant	14.218	N/A	11,000
Total CFDA # 14.218			26,750
Passed through Iowa Finance Authority :			
Housing Opportunities for Persons with AIDS	14.241	2010 F-1 R5	44,143
Housing Opportunities for Persons with AIDS	14.241	2011 F-1 R5	54,844
Total CFDA # 14.241			98,987
Total U.S. Department of Housing and Urban Development			125,737
Total Federal Expenditures			\$ 1,807,167

* This program was tested as a major program at June 30, 2011.

This information should be read only in connection with the
notes to schedule of expenditures of federal awards.

MECCA SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of MECCA SERVICES 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 OUTSTANDING

There were no payments passed through to sub-recipient agencies during the year ended June 30, 2011. In addition, there was no non-cash assistance, insurance, loans or loan guarantees outstanding as of and for the year ended June 30, 2011.

This information is an integral part of the accompanying
schedule of expenditures of federal awards.

**MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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 program:

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

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

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

Identification of major program:

<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

**MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

SECTION II - FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS

Finding 2011-III-A Level-of-Effort Reporting

U.S Department of Health and Human Services
Passed through Iowa Department of Public Health and Magellan Behavioral Care of Iowa
Substance Abuse Prevention and Treatment Block Grant Program, CFDA #93.959
Passed through Magellan Behavioral Care of Iowa, Behavioral Health Addendum and Women
and Children grants

Criteria:

The total number of eligible individuals served, for which level-of-effort units are claimed, must be reported to the grantor.

Condition:

MECCA was unable to support the eligibility of one individual who was included in the level-of-effort units reported.

Context:

For 1 of 40 individuals tested, the income guidelines were not met for inclusion as a unit in the level-of-effort reporting.

Effect:

Level-of-effort units were over reported to the grantor. However, this finding did not result in questioned costs since grant payments are based on total minimum participant numbers, rather than individual cases, and MECCA well-exceeded the minimum participant numbers.

Cause:

Procedures in place for supervisory approval of documentation before program eligibility is authorized, were not followed correctly.

Recommendation:

MECCA should enforce its policies and procedures to help ensure compliance with documentation of level-of-effort reporting.

Management's Response:

MECCA will address the issue noted in the finding with the appropriate staff.

MECCA SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SECTION III - FEDERAL AWARD FINDINGS

Finding 2011-III-B Problem Gambling Screening

U.S Department of Health and Human Services

Passed through Iowa Department of Public Health and Magellan Behavioral Care of Iowa Substance Abuse Prevention and Treatment Block Grant Program, CFDA #93.959

Passed through Magellan Behavioral Care of Iowa, Behavioral Health Addendum and Women and Children grants

Criteria:

MECCA is required to complete a problem gambling screening with all grant participants during the intake process.

Condition:

Documentation of the screening could not be located for certain case files.

Context:

For 6 of 40 individuals tested, the case files did not include documentation of the problem gambling screening.

Effect:

Potential referrals to the Iowa gambling treatment program may have been missed.

Cause:

MECCA did not always follow its policies and procedures to document the problem gambling screening.

Recommendation:

MECCA should enforce its policies and procedures to help ensure compliance with documentation of problem gambling screening.

Management's Response:

MECCA will address the issue noted in the finding with the appropriate staff.

**MECCA SERVICES
CORRECTIVE ACTION PLAN
Year Ended June 30, 2011**

FINDING 2011-III-A: LEVEL-OF-EFFORT REPORTING

MECCA will address the issue noted in the finding with the appropriate staff.

Contact person: Chris Auner, CFO
Anticipated completion date: June 30, 2012

FINDING 2011-III-B: PROBLEM GAMBLING SCREENING

MECCA will address the issue noted in the finding with the appropriate staff.

Contact person: Chris Auner, CFO
Anticipated completion date: June 30, 2012

**MECCA SERVICES
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2011**

There were no findings in the prior audit.