

**SUBSTANCE ABUSE TREATMENT
UNIT OF CENTRAL IOWA**

MARSHALLTOWN, IOWA

JUNE 30, 2015

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Board of Directors and Management

Name	Title
Sharon Greer	Chairperson
Michael Croker	Treasurer/Secretary
Denny Grabenbauer	Member
Patrick Henry	Member
Jack E. Stowe	Executive Director (through August 17, 2015)
Vickie F. Lewis	Executive Director (beginning August 18, 2015)

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statement of financial position of Substance Abuse Treatment Unit of Central Iowa as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Substance Abuse Treatment Unit of Central Iowa as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of Substance Abuse Treatment Unit of Central Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Substance Abuse Treatment Unit of Central Iowa's internal control over financial reporting and compliance.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information contained on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Prior Period Financial Statements

The financial statements of Substance Abuse Treatment Unit of Central Iowa for the year ended June 30, 2014, were audited by other auditors whose report dated November 13, 2014, expressed an unmodified opinion on those statements.

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Cedar Rapids, Iowa
October 28, 2015

Statements of Financial Position

As of June 30, 2015 and 2014

	2015	2014
Assets		
Current Assets		
Cash.....	\$ 343,696	\$ 258,283
Certificates of deposit - short term	329,288	223,182
Accounts receivable	111,040	150,935
Prepaid expenses.....	19,785	27,700
Deposits	<u>1,050</u>	<u>1,050</u>
Total Current Assets	<u>804,859</u>	<u>661,150</u>
Certificates of Deposit - Long Term	<u>101,104</u>	<u>205,934</u>
Property, Equipment and Improvements		
Land and improvements	35,000	35,000
Building and improvements	600,449	600,449
Furniture and equipment	<u>155,381</u>	<u>284,667</u>
Total	790,830	920,116
Less accumulated depreciation	<u>(474,984)</u>	<u>(577,497)</u>
Net Property, Equipment and Improvements	<u>315,846</u>	<u>342,619</u>
Total Assets	<u>\$ 1,221,809</u>	<u>\$ 1,209,703</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 18,855	\$ 31,960
Accrued Expenses		
Salaries.....	31,560	30,288
Compensated absences	<u>6,966</u>	<u>16,320</u>
Total Current Liabilities	<u>57,381</u>	<u>78,568</u>
Net Assets		
Unrestricted.....	1,164,178	1,129,040
Temporarily restricted - purpose restricted	<u>250</u>	<u>2,095</u>
Total Net Assets	<u>1,164,428</u>	<u>1,131,135</u>
Total Liabilities and Net Assets	<u>\$ 1,221,809</u>	<u>\$ 1,209,703</u>

See accompanying notes to the financial statements.

Statements of Activities

Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Iowa Department of Public Health						
Prevention programs	\$ 156,100	\$ —	\$ 156,100	\$ 188,589	\$ —	\$ 188,589
Non-Medicaid	534,279	—	534,279	545,643	—	545,643
Contributions	900	—	900	—	—	—
Medicaid	248,349	—	248,349	114,598	—	114,598
Third-party pay	245,245	—	245,245	185,321	—	185,321
Client fees	70,742	—	70,742	104,389	—	104,389
Contract fees	110,038	—	110,038	200,347	—	200,347
Other revenue	2,341	—	2,341	7,687	—	7,687
Interest income	2,176	—	2,176	3,781	—	3,781
Total Public Support and Revenue	1,370,170	—	1,370,170	1,350,355	—	1,350,355
Functional Expenses						
Program services	1,114,398	—	1,114,398	1,227,497	—	1,227,497
Supporting Activities						
Management and general	222,479	—	222,479	221,710	—	221,710
Total Functional Expenses	1,336,877	—	1,336,877	1,449,207	—	1,449,207
Change in Net Assets From Operations	33,293	—	33,293	(98,852)	—	(98,852)
Net Assets Released From Restrictions	1,845	(1,845)	—	827	(827)	—
Change in Net Assets	35,138	(1,845)	33,293	(98,025)	(827)	(98,852)
Net Assets - Beginning of Year	1,129,040	2,095	1,131,135	1,227,065	2,922	1,229,987
Net Assets - End of Year	\$ 1,164,178	\$ 250	\$ 1,164,428	\$ 1,129,040	\$ 2,095	\$ 1,131,135

See accompanying notes to the financial statements.

Statements of Functional Expenses

Years Ended June 30, 2015 and 2014

	2015			2014		
	Program Services	Supporting Activities, Management and General	Total	Program Services	Supporting Activities, Management and General	Total
Salaries and Related Expenses						
Salaries	\$ 635,275	\$ 107,845	\$ 743,120	\$ 664,043	\$ 96,229	\$ 760,272
Payroll taxes	51,374	8,221	59,595	50,213	7,099	57,312
Employee health benefits	82,489	28,542	111,031	106,740	12,436	119,176
Total Salaries and Related Expenses	769,138	144,608	913,746	820,996	115,764	936,760
Other Operating Expenses						
Supplies	61,119	5,180	66,299	85,504	9,439	94,943
Telephone and internet	17,241	1,236	18,477	19,158	1,529	20,687
Rent	23,092	60	23,152	22,698	—	22,698
Space costs	23,865	3,517	27,382	28,535	4,667	33,202
Travel	18,892	831	19,723	10,324	1,696	12,020
Professional fees	—	10,536	10,536	375	10,725	11,100
Internet technology	90,727	12,357	103,084	108,083	18,188	126,271
Insurance	11,500	5,842	17,342	11,453	4,851	16,304
Advertising	9,431	30	9,461	7,997	1,569	9,566
Subcontracts	50,855	22,665	73,520	78,037	39,050	117,087
Dues and subscriptions	175	3,862	4,037	175	5,417	5,592
Registrations and training	4,218	150	4,368	4,333	30	4,363
Miscellaneous	—	2,175	2,175	—	2,338	2,338
Loss on disposal of equipment	—	2,354	2,354	—	—	—
Total Expenses Before Depreciation	1,080,253	215,403	1,295,656	1,197,668	215,263	1,412,931
Depreciation	34,145	7,076	41,221	29,829	6,447	36,276
Total Expenses	\$ 1,114,398	\$ 222,479	\$ 1,336,877	\$ 1,227,497	\$ 221,710	\$ 1,449,207

See accompanying notes to the financial statements.

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash Flows From Operating Activities		
Change in net assets.....	\$ 33,293	\$ (98,852)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities		
Depreciation	41,221	36,276
Loss on disposal of equipment	2,354	—
Noncash interest income	(1,276)	(2,115)
Change in Assets and Liabilities		
Increase (decrease) in receivables	39,895	(31,670)
Decrease in prepaid expenses	7,915	506
Increase (decrease) in accounts payable	(13,105)	23,658
Increase (decrease) in accrued expenses	<u>(8,082)</u>	<u>4,747</u>
Net Cash Provided by (Used in) Operating Activities	<u>102,215</u>	<u>(67,450)</u>
Cash Flows From Investing Activities		
Payments for purchases of equipment.....	<u>(16,802)</u>	<u>(73,540)</u>
Net Increase (Decrease) in Cash	85,413	(140,990)
Cash at Beginning of Year.....	<u>258,283</u>	<u>399,273</u>
Cash at End of Year.....	<u>\$ 343,696</u>	<u>\$ 258,283</u>
 Supplemental Information		
Noncash Interest Income Reinvested in Certificates of Deposit	<u>\$ 1,276</u>	<u>\$ 2,115</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Nature of Activities

Substance Abuse Treatment Unit of Central Iowa (Organization) is an Iowa nonprofit organization which provides substance-related disorder treatment and prevention services to residents of Marshall, Tama, Poweshiek and Hardin counties. The Organization is licensed by the Iowa Department of Public Health and maintains offices in Eldora, Marshalltown, Grinnell and Toledo.

Basis of Presentation

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants Audit and Accounting Guide, *Not-for-Profit Organizations* (Guide). The Guide requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenses.

Certain fee revenue is reported at amounts billed to clients, third-party insurance companies and Medicaid and includes estimated revenue adjustments due to future insurance and Medicaid settlements. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such insurance and Medicaid settlements.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realized losses on balances outstanding at year end will be immaterial. Payment of invoices is due within 30 days of the invoice date, otherwise the amounts are deemed past due. The Organization does not impose a monthly finance charge on invoices that remain unpaid after the due date.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give and are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence of any donor restrictions. The Organization records contributions received as increases in the appropriate net asset category as follows:

Unrestricted Net Assets - Contributions that are not subject to donor-imposed stipulations or that have restrictions which expire in the fiscal year in which the contributions are received.

Temporarily Restricted Net Assets - Contributions for which donor-imposed restrictions have not been met by the passage of time or performance.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Property, Equipment and Improvements

Property, equipment and improvements are capitalized at cost if purchased, or at fair value as of the date of the gift if donated. All expenditures for property, equipment and improvements in excess of \$1,000 and a useful life greater than one year are capitalized, with depreciation computed under the straight-line method over estimated useful lives as follows:

Type	Estimated Useful Lives
Land improvements	15 Years
Building and improvements	10 - 30 Years
Furniture and equipment	3 - 10 Years

Impairment of Long-Lived Assets

The Organization 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.

Advertising

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is reflected in the financial statements. The Internal Revenue Service has not determined that the Organization is a private foundation.

Management annually makes an appropriate evaluation of any uncertain income tax positions based upon current statutes in completing these financial statements and the notes to the financial statements. As of June 30, 2015, management believes that there were no uncertain income tax positions for which a material change in the unrecognized effect would be reasonably possible within the next 12 months.

Notes to the Financial Statements

(2) Disclosures About Certain Concentrations

Concentrations

The Organization is subject to a certain degree of vulnerability due to concentrations of revenue from major funding agencies. Revenue from the following funding agencies accounted for 10% or more of total support and revenue for the years ended June 30:

	<u>Support</u>				<u>Accounts Receivable Balance</u>	
	<u>2015</u>		<u>2014</u>		<u>2015</u>	<u>2014</u>
Iowa Department of Public Health.....	\$ 156,100	11.4%	\$ 188,589	14.0%	\$ 19,731	\$ 55,165
Medicaid.....	248,349	18.1	114,598	8.5	28,000	8,900
MBC of Iowa - Non-Medicaid..	534,279	39.0	545,643	40.0	—	—

Cash Management

As part of its normal banking practices, the Organization makes deposits in a financial institution which may exceed the limits provided by federal depository insurance. As of June 30, 2015, \$231,442 of such deposits, as reflected on the financial institution's records, exceeded the insured limits.

(3) Retirement Plan

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

(4) Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limits. Settled claims from these risks have not exceeded commercial coverage during the past three fiscal years.

(5) Subsequent Events

Management has evaluated subsequent events through October 28, 2015, the date which the financial statements were available to be issued.

Supplementary Information

Schedule of Revenue and Expenses - IDPH Contracts

Year Ended June 30, 2015

	Comprehensive Substance Abuse Prevention 588-5-CP18	Youth Development 588-5-YM66	Tobacco Use Prevention and Control Community Partnerships 588-4-TS30	Access to Recovery 588-5-AC22
Revenue				
Iowa Department of Public Health	<u>\$ 97,754</u>	<u>\$ 52,966</u>	<u>\$ 4,158</u>	<u>\$ 1,222</u>
Expenses				
Salaries	67,801	38,623	4,579	9,039
Payroll taxes	5,003	2,992	409	675
Employee health benefits	8,472	3,591	1,761	350
Supplies	3,432	276	34	977
Telephone and internet	423	425	97	—
Space costs	310	310	40	—
Travel	1,369	737	—	—
Insurance	759	562	515	10
Advertising	—	246	—	—
Subcontracts	85	6,158	—	—
Registrations and training	575	260	—	—
Depreciation	<u>2,758</u>	<u>1,240</u>	<u>179</u>	<u>240</u>
Total Expense	<u>90,987</u>	<u>55,420</u>	<u>7,614</u>	<u>11,291</u>
Revenue Over (Under) Expenses ...	6,767	(2,454)	(3,456)	(10,069)
Indirect expense allocation	<u>16,863</u>	<u>10,542</u>	<u>1,425</u>	<u>2,117</u>
Decrease in Net Assets	<u>\$ (10,096)</u>	<u>\$ (12,996)</u>	<u>\$ (4,881)</u>	<u>\$ (12,186)</u>

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
Substance Abuse Treatment
Unit of Central Iowa
Marshalltown, Iowa

We have audited, in accordance with the 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, the financial statements of Substance Abuse Treatment Unit of Central Iowa (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Substance Abuse Treatment Unit of Central Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Substance Abuse Treatment Unit of Central Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying schedule of findings as item 15-I-R-2 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying schedule of findings as item 15-I-R-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Substance Abuse Treatment Unit of Central Iowa'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*.

Substance Abuse Treatment Unit of Central Iowa's Response to Findings

Substance Abuse Treatment Unit of Central Iowa's response to findings identified in our audit are described in the accompanying schedule of findings. While we have expressed our conclusions on the Organization's responses, we did not audit Substance Abuse Treatment Unit of Central Iowa's responses and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOGAN - HANSEN

HOGAN - HANSEN

Cedar Rapids, Iowa
October 28, 2015

Schedule of Findings

Year Ended June 30, 2015

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies

15-I-R-1 Paid Time Off - The Organization's policy states that the accrual of paid time off is to be computed for all full-time staff at the rate of two weeks per year for the first year of employment, three weeks per year in the second through fourth year and four weeks per year after five years of employment. Employees can accumulate paid time off up to a maximum of four weeks. During our audit, we noted that there was no vacation accrual for the executive director and director of professional services. The potential effect of this significant deficiency is a potential understatement of salaries expense.

Auditor's Recommendation - We recommend that paid time off for these positions be tracked and if necessary an accrual be recorded.

Organization's Response and Corrective Action Planned - The executive director does not maintain a record of vacation time earned or taken and since there is no record of unused vacation time, she will not be paid for any unused time so there is no potential understatement of salaries expense. Also, as of the audit report date, the Agency no longer has a director of professional services position so there is no potential understatement of salaries expense relating to that position.

Auditor's Conclusion - Response accepted.

15-I-R-2 Consumer Billing - During our audit, we noted that consumers were not billed for fees which were not covered by insurance or Medicaid since approximately July, 2014. The potential effect of this material weakness is a material understatement of revenue.

Auditor's Recommendation - We recommend that the Organization review its internal controls over billing and make necessary changes to ensure that consumers are billed in a timely fashion.

Organization's Response and Corrective Action Planned - Clients have been billed since July, 2014, as evidenced by client fee revenue of \$70,742 for the fiscal year. There were cases where month-end statements were not sent to clients, but the amounts we may have collected we don't feel would be material to the financial statements, for several reasons, including it's the nature of these billings to go unpaid by clients, plus during the fiscal year a much higher percentage of clients were covered under Medicaid, which means the Agency couldn't bill them personally. In addition, statements were not always sent to clients during this period because our focus was on implementing a new time and billing system and on keeping billings up to date on Medicaid and third-party pay as they pay more. Now that the new system has been installed statements are being sent out to all clients on a regular basis.

Auditor's Conclusion - Response accepted.