

**SUBSTANCE ABUSE TREATMENT
UNIT OF CENTRAL IOWA**

MARSHALLTOWN, IOWA

JUNE 30, 2020

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Board of Directors and Management

Name	Title
Clarissa Thompson	Chairperson
Bonnie Lowry	Treasurer/Secretary
Denny Grabenbauer	Member
Patrick Henry	Member
Jenny Etter	Executive Director

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 statements of financial position of Substance Abuse Treatment Unit of Central Iowa as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020 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.

HOGAN - HANSEN

HOGAN - HANSEN

Cedar Rapids, Iowa
October 15, 2020

Statements of Financial Position

As of June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash.....	\$ 385,683	\$ 252,195
Accounts receivable	151,051	159,352
Prepaid expenses.....	24,810	26,133
Deposits	300	300
Total Current Assets	<u>561,844</u>	<u>437,980</u>
Property, Equipment and Improvements		
Land and improvements	35,000	35,000
Building and improvements	601,403	599,801
Furniture and equipment	217,357	207,081
Total	853,760	841,882
Less accumulated depreciation	(599,477)	(545,060)
Net Property, Equipment and Improvements	<u>254,283</u>	<u>296,822</u>
Investments	<u>643,909</u>	<u>626,523</u>
Total Assets	<u>\$ 1,460,036</u>	<u>\$ 1,361,325</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 12,238	\$ 12,526
Accrued Expenses		
Salaries and payroll taxes	38,117	29,071
Compensated absences	21,327	31,062
Total Current Liabilities.....	<u>71,682</u>	<u>72,659</u>
Long-Term Liabilities		
Forgivable loan - Paycheck Protection Program	180,000	—
Total Liabilities	<u>251,682</u>	<u>72,659</u>
Net Assets		
Without donor restrictions	1,208,104	1,288,416
With donor restrictions.....	250	250
Total Net Assets	<u>1,208,354</u>	<u>1,288,666</u>
Total Liabilities and Net Assets	<u>\$ 1,460,036</u>	<u>\$ 1,361,325</u>

See accompanying notes to the financial statements.

Statements of Activities

Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Iowa Department of Public Health						
Prevention Programs.....	\$ 311,671	\$ —	\$ 311,671	\$ 289,107	\$ —	\$ 289,107
Non-Medicaid	334,251	—	334,251	407,099	—	407,099
Contributions	—	—	—	574	—	574
Medicaid	275,740	—	275,740	305,051	—	305,051
Third-party pay	79,395	—	79,395	128,925	—	128,925
Client fees	110,173	—	110,173	105,163	—	105,163
Contract fees	73,500	—	73,500	73,500	—	73,500
Other revenue	—	—	—	25,266	—	25,266
Investment income (net of expense 2020 - \$4,653; 2019 - \$1,678)	15,861	—	15,861	8,211	—	8,211
Net unrealized gain on investments	1,574	—	1,574	18,399	—	18,399
Total Public Support and Revenue	1,202,165	—	1,202,165	1,361,295	—	1,361,295
Functional Expenses						
Program services	997,852	—	997,852	1,149,862	—	1,149,862
Supporting Activities						
Management and general	284,625	—	284,625	232,972	—	232,972
Total Functional Expenses	1,282,477	—	1,282,477	1,382,834	—	1,382,834
Change in Net Assets.....	(80,312)	—	(80,312)	(21,539)	—	(21,539)
Net Assets - Beginning of Year	1,288,416	250	1,288,666	1,309,955	250	1,310,205
Net Assets - End of Year....	\$ 1,208,104	\$ 250	\$ 1,208,354	\$ 1,288,416	\$ 250	\$ 1,288,666

See accompanying notes to the financial statements.

Statements of Functional Expenses

Years Ended June 30, 2020 and 2019

	2020			2019		
	Program Services	Supporting Activities, Management and General	Total	Program Services	Supporting Activities, Management and General	Total
Salaries and Related Expenses						
Salaries	\$ 627,761	\$ 177,380	\$ 805,141	\$ 703,270	\$ 114,082	\$ 817,352
Payroll taxes	51,437	11,829	63,266	53,733	8,862	62,595
Employee health benefits	60,886	9,554	70,440	87,318	9,778	97,096
Employee retirement benefits	7,540	2,778	10,318	8,525	3,123	11,648
Total Salaries and Related Expenses	747,624	201,541	949,165	852,846	135,845	988,691
Other Operating Expenses						
Supplies	19,493	2,525	22,018	30,799	2,955	33,754
Telephone and internet	15,854	1,471	17,325	11,815	2,707	14,522
Rent	16,725	—	16,725	16,875	—	16,875
Occupancy	24,473	4,547	29,020	32,176	6,562	38,738
Travel	3,732	590	4,322	27,738	596	28,334
Professional fees	—	11,100	11,100	—	10,650	10,650
Information technology	56,517	10,867	67,384	58,642	10,135	68,777
Insurance	11,127	3,967	15,094	8,561	7,753	16,314
Advertising	5,206	29	5,235	9,217	—	9,217
Subcontracts	43,919	26,413	70,332	48,150	21,018	69,168
Dues and subscriptions	1,054	4,252	5,306	302	4,818	5,120
Registrations and training	4,169	—	4,169	2,679	215	2,894
Payroll preparation fees and bank charges	—	5,093	5,093	—	4,674	4,674
Miscellaneous	—	30	30	15	16,052	16,067
Loss on disposal of equipment	252	74	326	1,778	365	2,143
Total Expenses Before Depreciation	950,145	272,499	1,222,644	1,101,593	224,345	1,325,938
Depreciation	47,707	12,126	59,833	48,269	8,627	56,896
Total Expenses	\$ 997,852	\$ 284,625	\$ 1,282,477	\$ 1,149,862	\$ 232,972	\$ 1,382,834

See accompanying notes to the financial statements.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets.....	\$ (80,312)	\$ (21,539)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation	59,833	56,896
Net unrealized gain on investments	(1,574)	(18,399)
Reinvested investment income	(15,861)	(8,211)
Loss on disposal of equipment	326	2,143
Change in Assets and Liabilities		
(Increase) decrease in receivables	8,301	(11,246)
Decrease in prepaid expenses	1,323	1,266
Increase (decrease) in accounts payable	1,224	(13,017)
Decrease in accrued expenses	<u>(689)</u>	<u>(8,051)</u>
Net Cash Used in Operating Activities.....	<u>(27,429)</u>	<u>(20,158)</u>
Cash Flows From Investing Activities		
Payment for purchase of investments.....	(152,373)	(649,913)
Proceeds from sale of investments	152,422	50,000
Payments for purchase of equipment	<u>(19,132)</u>	<u>(45,538)</u>
Net Cash Used in Investing Activities.....	<u>(19,083)</u>	<u>(645,451)</u>
Cash Flows From Financing Activities		
Proceeds from forgivable loan	<u>180,000</u>	<u>—</u>
Net Increase (Decrease) in Cash	133,488	(665,609)
Cash at Beginning of Year.....	<u>252,195</u>	<u>917,804</u>
Cash at End of Year.....	<u>\$ 385,683</u>	<u>\$ 252,195</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 is nationally accredited by the Commission on Accreditation of Rehabilitation Facilities. The Organization 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 two classes of net assets: without and with donor restrictions.

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. 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 support depending on the existence of any donor restrictions. The Organization records contributions received as increases in the appropriate net asset category as follows:

Net Assets Without Donor Restrictions - Contributions that are not subject to donor-imposed stipulations or that have restrictions which expire in the year in which the contributions are received and have not been appropriated by the Board of Directors.

Net Assets With Donor Restrictions - Contributions for which donor-imposed restrictions have not been met by the passage of time or performance or contributions subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies and Other Matters

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

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	2 - 10 Years

Advertising

The Organization expenses advertising costs as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have 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, 2020, 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.

Subsequent Events

Management has evaluated subsequent events through October 15, 2020, the date which the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus pandemic, economic uncertainties have arisen which are likely to negatively impact revenue, expenses, net income and cash flows. Other financial impacts could occur as well. The potential impacts that the pandemic will have on the Organization are unknown at this time.

Notes to the Financial Statements

(2) Cash Flow Statement Supplementary Information

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

	2020	2019
Schedule of Noncash Investing		
Cost of property, equipment and improvements	\$ 17,620	\$ 39,437
Amounts Payable		
Current year	—	(1,512)
Prior year	1,512	7,613
Cash Paid for Property, Equipment and Improvements	<u>\$ 19,132</u>	<u>\$ 45,538</u>

(3) Disclosures About Certain Concentrations

Investments

Investments which potentially subject the Organization to credit risk include money market accounts, certificates of deposit and mutual funds that amounted to \$643,909 and \$626,523 as of June 30, 2020 and 2019, respectively. Following customary practices, the Organization does not hold collateral for these investments. The maximum potential credit loss to the Organization is limited to total investments. It is management's belief that the credit risk related to these assets is minimal.

Revenue

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:

	Support				Accounts Receivable Balance	
	2020		2019		2020	2019
Medicaid.....	\$ 275,740	22.9%	\$ 305,051	22.4%	\$ 16,700	\$ 20,045
Iowa Department of Public Health.....	645,922	53.7	466,916	34.3	113,147	115,704
Amerigroup.....	—	—	240,171	17.6	—	—

Cash Management

As part of its normal banking practices, the Organization makes deposits in financial institutions which may exceed the limits provided by federal depository insurance. As of June 30, 2020, \$114,737 of such deposits, as reflected on the financial institutions' records, exceeded the insured limits at one bank.

Notes to the Financial Statements

(4) Summary of Investments

The Organization's investments carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by the Financial Accounting Standards Board's Accounting Standards Codification for fair value measurements. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's classification is based on the lowest level input that is significant to its measurement.

Level 1 Fair Value Measurements

The fair value of mutual funds and money market funds is based on quoted net asset values and per share values of the shares held by the Organization at year end.

Level 2 Fair Value Measurements

The fair value of certificates of deposit is based on benchmark yields, reported trades, broker/dealer quotes, two-sided markets, benchmark securities, bids, offers and reference data where quoted market prices are not available.

Level 3 Fair Value Measurements

There were no investments valued using Level 3 inputs.

Fair values of assets measured on a recurring basis as of June 30, 2020 and 2019 were as follows:

		Fair Value Measurements at Reporting Date Using	
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
June 30, 2020			
Certificates of deposit	\$ 154,996	\$ —	\$ 154,996
Mutual funds	434,512	434,512	—
Money market funds	54,401	54,401	—
	<u>\$ 643,909</u>	<u>\$ 488,913</u>	<u>\$ 154,996</u>
June 30, 2019			
Certificates of deposit	\$ 202,317	\$ —	\$ 202,317
Mutual funds	423,239	423,239	—
Money market funds	967	967	—
	<u>\$ 626,523</u>	<u>\$ 424,206</u>	<u>\$ 202,317</u>

Investment income and gains not subject to external restrictions or that have restrictions which expire in the fiscal year earned are recorded as revenue without donor restrictions.

Notes to the Financial Statements

(5) Retirement Plan

The Organization maintains a savings plan under Section 401(k) of the Internal Revenue Code covering employees who meet certain eligibility requirements. The plan allows employees to defer a percentage of their income through contributions to the savings plan. The Organization may, at its sole discretion, make discretionary matching contributions and annual profit-sharing contributions. These contributions are approved on an annual basis. For the plan years ended June 30, 2020 and 2019, the Organization elected to match 50% of employee contributions up to a maximum of 2% of each participant's compensation.

Matching contributions to the 401(k) plan for the years ended June 30, 2020 and 2019 were \$10,318 and \$11,648, respectively. No profit sharing contribution was made for the years ended June 30, 2020 or 2019.

(6) 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 did not exceed commercial coverage during the years ended June 30, 2020 and 2019.

(7) Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover general expenditures.

As of June 30, the following table shows the financial assets held by the Organization, that is, without donor restrictions limiting their use, within one year of the statement of financial position date to meet general expenditures and future needs of the Organization:

	2020	2019
Financial Assets at Year End		
Cash	\$ 385,433	\$ 251,945
Accounts receivable	151,051	159,352
Investments	643,909	626,523
Total Financial Assets	<u>\$ 1,180,393</u>	<u>\$ 1,037,820</u>

(8) Forgivable Loan - Paycheck Protection Program

In May, 2020, the Organization received a potential forgivable loan of \$180,000 from the U.S. Small Business Administration through Wells Fargo Bank, uncollateralized and fully guaranteed by the federal government. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan upon meeting certain requirements.

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, 2020, 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 15, 2020.

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.

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 a material misstatement of Substance Abuse Treatment Unit of Central Iowa's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of This Report

The purpose of this report, a public record by law, 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 15, 2020