CENTER FOR ALCOHOL & DRUG SERVICES, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
(With Independent Auditor's Report Thereon)

June 30, 2004 and 2003

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

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DOYLE & KEENAN, P.C. CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

908 West 35th Street Davenport, Iowa 52806-5826 Phone: 563-386-2727 FAX: 563-386-8730

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Center for Alcohol & Drug Services, Inc.

We have audited the accompanying statements of financial position of the Center for Alcohol & Drug Services, Inc. (an Iowa nonprofit organization also registered to do business in Illinois) as of June 30, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 the Center for Alcohol & Drug Services, Inc. as of June 30, 2004 and 2003, and the changes in its net assets, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2004 on our consideration of the Center for Alcohol & Drug Services, Inc. internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Center for Alcohol & Drug Services, Inc. taken as a whole. The supplemental information presented on pages 18 through 21 is for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 27 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non- Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Doyle & Keenan, P.C.
September 15, 2004

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statements of Financial Position
June 30, 2004 and 2003

Assets	2004	2003
Current Assets:		
Cash and Cash Equivalents	$ 918,160	$ 1,058,612
Investments	1,065,536	1,040,145
Accounts Receivable - Public Support	310,619	280,053
Accounts Receivable - Client Fees	185,506	169,100
Allowance for Uncollectible Accounts and Contractual Adjustments	(49,933)	(49,933)
Unconditional Promises to Give	101,267	100,199
Inventory	2,669	2,352
Prepaid Expenses	32,188	35,980
Total Current Assets	2,566,012	2,636,508
Fixed Assets:		
Land	137,575	137,575
Building and Improvements	2,674,423	2,182,840
Equipment and Vehicles	546,839	500,491
Total Fixed Assets	3,358,837	2,820,906
Less Accumulated Depreciation	1,619,599	1,466,929
Net Fixed Assets	1,739,238	1,353,977
Total Assets	$ 4,305,250	$ 3,990,485
Liabilities and Net Assets		
Current Liabilities:		
Current Maturities of Long-Term Debt	$ 41,260	$ 6,023
Accounts Payable and Accrued Expenses	427,358	446,146
Total Current Liabilities	468,618	452,169
Long-Term Debt, Less Current Maturities	109,700	-
Total Liabilities	578,318	452,169
Net Assets:		
Unrestricted:		
Undesignated	358,648	510,072
Undesignated - Investment in Fixed Assets	1,739,238	1,353,977
Designated for Capital Improvements	1,487,772	1,574,068
Total Unrestricted Net Assets	3,585,658	3,438,117
Temporarily Restricted	141,274	100,199
Total Net Assets	3,726,932	3,538,316
Total Liabilities and Net Assets	$ 4,305,250	$ 3,990,485

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

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Statement of Activities

For the Year Ended June 30, 2004

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services - Office of Alcoholism and Substance Abuse	$ 589,122	$ -	$ 589,122
Iowa Department of Public Health - Division of Substance Abuse	2,108,201	-	2,108,201
United Way	-	101,274	101,274
Rock Island County	57,360	-	57,360
Scott County	391,849	-	391,849
County Commitments	55,222	-	55,222
Seventh Judicial District	94,383	-	94,383
U.S. Probation	64,815	-	64,815
Contributions	2,533	-	2,533
Net Assets Released from Restrictions	100,199	(100,199)	-
Total Public Support	3,463,684	1,075	3,464,759
Revenue:			
Interest Revenue	65,928	-	65,928
Client Fees	207,394	-	207,394
Client Fees - Insurance	604,323	-	604,323
Contractual/Fees and Payments	1,026,196	-	1,026,196
Rental Income	8,400	-	8,400
Other Income	108,545	40,000	148,545
Realized Gain (Loss)	(8,468)	-	(8,468)
Unrealized Gain (Loss)	(22,124)	-	(22,124)
Total Revenue	1,990,194	40,000	2,030,194
Total Public Support and Revenue	5,453,878	41,075	5,494,953
Expenses:			
Program Services:			
Outpatient	1,752,206	-	1,752,206
Residential	1,740,808	-	1,740,808
Detoxification	340,943	-	340,943
Prevention	651,473	-	651,473
Total Program Services	4,485,430	-	4,485,430
Fundraising	1,130	-	1,130
Management and General	819,777	-	819,777
Total Expenses	5,306,337	-	5,306,337
Change in Net Assets	147,541	41,075	188,616
Net Assets - Beginning	3,438,117	100,199	3,538,316
Net Assets - Ending	$ 3,585,658	$ 141,274	$ 3,726,932

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

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Activities
For the Year Ended June 30, 2003

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services - Office of Alcoholism and Substance Abuse	$ 606,908	$ -	$ 606,908
Iowa Department of Public Health - Division of Substance Abuse	1,892,671	-	1,892,671
United Way	-	100,199	100,199
Rock Island County	56,970	-	56,970
Scott County	421,467	-	421,467
County Commitments	47,847	-	47,847
Seventh Judicial District	96,300	-	96,300
U.S. Probation	54,055	-	54,055
Contributions	1,515	-	1,515
Net Assets Released from Restrictions	116,953	(116,953)	-
Total Public Support	3,294,686	(16,754)	3,277,932
Revenue:			
Interest Revenue	42,966	-	42,966
Client Fees	222,418	-	222,418
Client Fees - Insurance	562,558	-	562,558
Contractual/Fees and Payments	911,493	-	911,493
Rental Income	8,400	-	8,400
Other Income	271,770	-	271,770
Realized Gain	1,317	-	1,317
Unrealized Gain	13,049	-	13,049
Total Revenue	2,033,971	-	2,033,971
Total Public Support and Revenue	5,328,657	(16,754)	5,311,903
Expenses:			
Program Services:			
Outpatient	1,696,249	-	1,696,249
Residential	1,543,682	-	1,543,682
Detoxification	356,036	-	356,036
Prevention	607,839	-	607,839
Total Program Services	4,203,806	-	4,203,806
Supporting Services - Administration	718,462	-	718,462
Total Program and Supporting Services	4,922,268	-	4,922,268
Change in Net Assets	406,389	(16,754)	389,635
Net Assets - Beginning	3,031,728	116,953	3,148,681
Net Assets - Ending	$ 3,438,117	$ 100,199	$ 3,538,316

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

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2004

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Fundraising	Management and General	Total All Funds
Salaries	$ 1,156,555	$ 1,013,189	$ 191,950	$ 363,824	$ 2,725,518	$ 658	$ 469,816	$ 3,195,992
Worker's Compensation	8,703	6,034	951	2,944	18,632	-	2,660	21,292
Employee Benefits:								
Health Insurance	149,818	134,575	23,468	52,654	360,515	-	33,993	394,508
Retirement	31,273	22,897	2,979	6,563	63,712	-	19,361	83,073
Other	419	317	35	1,106	1,877	-	10,529	12,406
Payroll Taxes:								
Social Security	83,004	71,391	14,584	26,487	195,466	-	32,744	228,210
Unemployment	963	2,009	312	-	3,284	-	-	3,284
Professional Fees:								
Accounting/Legal	-			-	-	-	21,481	21,481
Laboratory/Urinalysis	23,975	4,499	1,077	167	29,718	-	-	29,718
Contract Services	15,913	67,857	2,342	32,992	119,104	-	22,616	141,720
Medical Consultants	26,670	82,184	18,503	-	127,357	-	-	127,357
Supplies:								
Office, Outside Printing	5,647	5,155	921	4,492	16,215	472	29,336	46,023
Building	175	481	124	26	806	-	99	905
Medical	21,962	11,730	3,229	178	37,099	-	728	37,827
Education, Recreation and Crafts	1,280	1,170	1	21,458	23,909	-	380	24,289
Food and Beverage	2,410	100,527	29,745	2,930	135,612	-	1,616	137,228
Housekeeping and Laundry	3,381	12,647	3,687	1,068	20,783	-	6,974	27,757
Telephone	29,461	12,561	2,897	8,446	53,365	-	15,725	69,090
Postage and Shipping	1,421	56	-	1,520	2,997	-	12,138	15,135
Advertising	1,753	539	161	5,810	8,263	-	453	8,716
Occupancy:								
Rent	-	-	-	23,937	23,937	-	-	23,937
Utilities	26,054	24,836	7,418	8,024	66,332	-	6,560	72,892
Maintenance	42,724	47,030	9,128	7,100	105,982	-	30,302	136,284
Insurance	3,996	3,120	919	39	8,074	-	1,333	9,407
Transportation:								
Mileage	7,436	2,567	129	9,409	19,541	-	5,072	24,613
Vehicle Costs	11,369	27,172	7,152	8,108	53,801	-	8,169	61,970
Auto Insurance	2,377	4,001	832	1,228	8,438	-	2,373	10,811
Conferences and Training	3,957	5,990	404	17,026	27,377	-	7,642	35,019
Subscriptions and References	10,565	15,094	1,590	36,566	63,815	-	5,898	69,713
Special Assistance	11,716	369	78	-	12,163	-	-	12,163
General Liability Insurance	2,477	2,719	661	497	6,354	-	13,775	20,129
Recruiting	1,949	6,217	1,470	824	10,460	-	585	11,045
Equipment Rental	13,940	5,722	2,327	2,719	24,708	-	5,528	30,236
Interest Expense	2,794	165	50	-	3,009	-	6,428	9,437
Depreciation	46,069	45,988	11,819	3,331	107,207	-	45,463	152,670
Total Functional Expenses	$ 1,752,206	$ 1,740,808	$ 340,943	$ 651,473	$ 4,485,430	$ 1,130	$ 819,777	$ 5,306,337

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

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2003

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Management and General	Total All Funds
Salaries	$ 1,154,315	$ 932,102	$ 187,993	$ 346,578	$ 2,620,988	$ 389,130	$ 3,010,118
Worker's Compensation	5,635	4,238	776	2,103	12,752	2,076	14,828
Employee Benefits:							
Health Insurance	88,967	72,963	35,614	36,187	233,731	46,169	279,900
Retirement	29,956	21,528	6,341	10,305	68,130	16,566	84,696
Other	502	(1,200)	(5)	400	(303)	12,291	11,988
Payroll Taxes:							
Social Security	82,744	67,133	13,484	25,224	188,585	27,654	216,239
Unemployment	3,265	2,111	245	-	5,621	2,890	8,511
Professional Fees:							
Accounting/Legal	-	-	-	-	-	22,459	22,459
Laboratory/Urinalysis	30,553	4,186	1,348	221	36,308	19	36,327
Contract Services	12,902	46,961	3,729	24,203	87,795	39,291	127,086
Medical Consultants	27,100	74,133	18,126	-	119,359	-	119,359
Supplies:							
Office, Outside Printing	6,568	4,742	690	4,796	16,796	22,769	39,565
Building	6,251	3,156	896	163	10,466	1,077	11,543
Medical	16,753	10,450	2,794	-	29,997	655	30,652
Education, Recreation and Crafts	1,528	545	-	11,478	13,551	200	13,751
Food and Beverage	2,505	109,235	32,418	3,513	147,671	2,741	150,412
Housekeeping and Laundry	3,656	16,387	4,786	1,346	26,175	4,471	30,646
Telephone	33,137	14,016	3,475	9,526	60,154	13,636	73,790
Postage and Shipping	1,035	143	-	1,364	2,542	11,521	14,063
Advertising	1,823	562	168	1,501	4,054	1,475	5,529
Occupancy:							
Rent	-	-	-	26,912	26,912	-	26,912
Utilities	27,826	26,270	7,847	10,222	72,165	9,046	81,211
Maintenance	38,675	28,731	8,229	10,899	86,534	13,736	100,270
Insurance	3,683	4,253	918	43	8,897	1,320	10,217
Transportation:							
Mileage	10,448	2,677	60	9,565	22,750	4,572	27,322
Vehicle Costs	17,534	28,840	7,841	9,158	63,373	10,170	73,543
Auto Insurance	2,491	4,226	791	961	8,469	3,003	11,472
Conferences and Training	4,302	1,315	271	29,652	35,540	6,735	42,275
Subscriptions and References	6,433	4,394	866	23,734	35,427	2,892	38,319
Special Assistance	11,577	89	1	-	11,667	6	11,673
General Liability Insurance	3,092	2,535	681	462	6,770	12,157	18,927
Recruiting	2,439	6,769	1,488	1,173	11,869	2,002	13,871
Equipment Rental	16,647	7,778	2,908	4,035	31,368	7,970	39,338
Interest Expense	2,160	-	-	-	2,160	-	2,160
Depreciation	39,747	42,414	11,257	2,115	95,533	27,763	123,296
Total Functional Expenses	$ 1,696,249	$ 1,543,682	$ 356,036	$ 607,839	$ 4,203,806	$ 718,462	$ 4,922,268

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

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

	2004	2003
Cash Flows From Operating Activities:		
Change in Net Assets	$ 188,616	$ 389,635
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	152,670	123,296
(Gain) on Sale of Fixed Assets	-	(2,347)
Loss (Gain) on Sale of Investments	8,468	(1,317)
Unrealized Loss (Gain) on Investments	22,124	(13,049)
(Increase) Decrease in:		
Accounts Receivable - Public Support	(30,566)	6,345
Accounts Receivable - Client Fees	(16,406)	17,985
Unconditional Promises to Give	(1,068)	84,754
Inventory	(317)	4,557
Prepaid Expenses	3,792	(12,024)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(18,788)	69,894
Net Cash Provided by Operating Activities	308,525	667,729
Cash Flows From Investing Activities:		
Purchase of Fixed Assets	(537,931)	(86,699)
Purchase of Investments	(431,946)	(1,528,201)
Proceeds from Sale of Fixed Assets	-	3,532
Proceeds from Sale of Investments	375,963	502,422
Net Cash (Used in) Investing Activities	(593,914)	(1,108,946)
Cash Flows From Financing Activities:		
Principal Payments on Long-Term Debt	(16,824)	(30,416)
Proceeds from Long-Term Debt	161,761	-
Net Cash (Used in) Financing Activities	144,937	(30,416)
Net (Decrease) in Cash and Cash Equivalents	(140,452)	(471,633)
Cash and Cash Equivalents - Beginning	1,058,612	1,530,245
Cash and Cash Equivalents - Ending	$ 918,160	$ 1,058,612
Supplemental Cash Flow Information:		
Interest Paid	$ 9,437	$ 2,160

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

NOTE 1 - NATURE OF THE ORGANIZATION, ACCOUNTING ESTIMATES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization:

The Center for Alcohol & Drug Services, Inc., is a non-profit corporation offering programs focused on the reduction and/or elimination of alcohol and other drug abuse. Prevention, assessment, treatment and referral services are offered to residents of the Iowa and Illinois bi-state area and are funded publicly and through client fees based on ability to pay. Services available through the Center for Alcohol & Drug Services, Inc. are:

a) Assessment/Evaluation Services: The use of alcohol and other drugs can be divided into several categories: experimentation, use, misuse, abuse and dependency. The purpose of the Center's Central Assessment Service is to evaluate an individual's pattern of use and determine his/her particular needs for treatment.

The diverse needs of the individual, and his/her family, are served by providing a broad continuum of care designed to meet those needs. Other community resources are also utilized and referrals may result from initial contact, or later in the treatment process, when the individual appears to need services other than those provided by the Center.

b) Detoxification Services: Individuals displaying symptoms of intoxication withdrawal and/or physical dependence or relapse behavior may require detoxification services. Twenty-four hour medically supervised care including assessment and referral is offered as well as outpatient detoxification of opiate addicted individuals.

c) Outpatient Services: Treatment on an outpatient basis is appropriate for those individuals who are able to function within the community while receiving counseling and support to overcome their abuse or dependence on alcohol and/or drugs. The Center offers structured individualized programs to both adolescents and adults. The Rock Island Office programs treat alcohol and poly-drug abusers, along with programs for opiate addicts that include the use of methadone.

d) Residential Services: Services are appropriate for individuals with difficulty functioning in the community as a result of their abuse or dependence on alcohol and/or other drugs and who require daily structure, support and supervision during all or part of the treatment. The program is based on the Family Disease model designed to treat acute aspects of chemical dependency. Length of stay is determined by the individual needs of the client, with services available in Iowa and Illinois.

NOTE 1 - NATURE OF THE ORGANIZATION, ACCOUNTING ESTIMATES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Halfway House: Offers a substance free structured environment that provides adult clients with a supportive atmosphere and clinical services as they integrate into the community and pursue work or educational goals.

f) Education and Prevention Services: The prevention of alcohol and/or other drug abuse is recognized as the most effective means of reducing or eliminating the human and material costs associated with chemical dependency. The Center provides prevention services to individuals and groups of the Quad Cities in an effort to prevent the abuse of alcohol and other drugs while improving the quality of life. Prevention services offered through the Center include: informational programs on substance abuse; education in strategies to help prevent substance abuse; in-service training for educators; and early intervention programs.

g) Continuing Care: Support groups that assist individuals and significant others develop a strong support system and engagement with the community through the application of skills and insights gained during the treatment process. This is offered to both adults and adolescents.

h) Adolescent Aftercare/Outreach: Program targeted to high-risk youth to offer ongoing support and substance-free alternative activities. It is primarily geared toward minority youth that may otherwise not avail themselves of the human services system.

i) Significant Other Programs: The Center views chemical dependency as a disease that not only affects the dependent's life, but also the lives of those who care. Treatment will therefore be more successful if significant others are involved in the recovery process. Significant others programs are designed to provide participants with a forum for learning more about the disease and successful recovery.

Accounting Estimates:

The preparation of financial statements in conformity with U.S. 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 public support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - NATURE OF THE ORGANIZATION, ACCOUNTING ESTIMATES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies:

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets depending on the existence and/or nature of any donor restrictions. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board, and accordingly includes Board designated endowment and other funds.

Temporarily Restricted - Net assets whose use is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time, such as campaign pledges receivable. When a restriction expires, that is, when a stipulated time restriction ends or a 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.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently. Generally, the donors of these assets permit the Organization to use all or part of the income from these assets. The Center for Alcohol & Drug Services, Inc. has no permanently restricted net assets.

Under SFAS No. 117, expenses are generally reported as a decrease in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes or net assets.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Organization includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments to be cash equivalents.

Patient Receivables and Revenue - Patient receivables and patient service revenue are recorded net of discounts and allowances. Discounts and allowances consist of (1) patient service fees which are not reimbursed by third-party payers, (2) reductions in patient service fees because of the patients inability to pay, and (3) a provision for bad debts.

Inventory – Inventory is valued at the lower of cost (first in, first out method) or market.

NOTE 1 - NATURE OF THE ORGANIZATION, ACCOUNTING ESTIMATES, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets - Fixed Assets are recorded at cost or fair market value at the time such items were purchased or donated to the Center. Depreciation is computed by the straight-line method over the assets estimated useful lives ranging from 5 to 39 years.

Income Taxes - The Center for Alcohol & Drug Services, Inc., is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Center has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Functional Expenses - The Center allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

NOTE 2 - ACCOUNTS RECEIVABLE - CLIENT FEES

Client fee receivables totaled $185,506 and $169,100 at June 30, 2004 and 2003 respectively. The balance consists of contractual fee arrangements, third-party receivables (insurance and Medicaid), and client fees. The Center has provided for an allowance of uncollectible amounts and contractual adjustments of $49,933 at June 30, 2004 and 2003.

NOTE 3 - FIXED ASSETS

A summary of changes in Fixed Assets for the year ended June 30, 2004, is as follows:

	Balance June 30, 2003	Additions	Disposals	Balance June 30, 2004
Land	$ 137,575	$ -	$ -	$ 137,575
Buildings & Improvements	2,182,840	491,583	-	2,674,423
Equipment & Vehicles	500,491	46,348	-	546,839
Total	2,820,906	537,931	-	3,358,837
Accumulated Depreciation	1,466,929	152,670	-	1,619,599
Net Fixed Assets	$ 1,353,977	$ 385,261	$ -	$ 1,739,238

NOTE 4 - INVESTMENTS

Investments are valued at fair market value, as summarized in the following schedule of investments. Realized gains or losses are determined on the specific identification method and are reflected in revenue. Cost includes the amounts of reinvested dividends and distributions from mutual funds.

	Cost Basis	Market Value	Unrealized Gain/(Loss)
Government Bonds	$ 100,013	$ 99,323	$ (690)
Corporate Fixed income	829,312	804,955	(24,357)
Equity Mutual Funds	145,286	161,258	15,972
June 30, 2004	$ 1,074,611	$ 1,065,536	$ (9,075)
June 30, 2003	$ 1,027,096	$ 1,040,145	$ 13,049

The Organization had realized gains (losses) of $(8,468) and $1,317 for the years ending June 30, 2004 and 2003, respectively.

NOTE 5 - LONG-TERM DEBT

Long-Term Debt as of June 30, 2004, consisted of the following:

	Total	Due within One Year
Note Payable – Equipment Manufacturer Original amount of $11,861. Interest rate of 2.9%, due in monthly installments of $262 including interest, balance due October 1, 2007; secured by equipment.	$ 9,980	$ 2,894
Note Payable - bank Original amount of $149,900. Interest rate of 4.85%, due in monthly installments of $3,697 including interest, balance due November 1, 2007; secured by the building located at 1523 S. Fairmount St, Davenport, Iowa.	$ 140,980	$ 38,366
Total	$ 150,960	$ 41,260

The Center also has available a $100,000 line of credit at a local bank through April 2, 2005, bearing interest at 4.0%, and requiring monthly interest payments. The note is secured by a $100,000 certificate of deposit at the same bank. There was no outstanding balance on this line of credit on June 30, 2004 and 2003.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable and Accrued Expenses consist of the following:

	2004	2003
Accounts Payable	$ 41,270	$ 83,336
Accrued Payroll Withholdings	77,987	63,961
Accrued Vacation	193,224	164,525
Accrued Payroll	114,877	134,324
Total	$ 427,358	$ 446,146

NOTE 7 - PENSION PLAN

The Center has adopted a 403(b) Thrift Plan that requires a 3% employer contribution for those employees meeting the eligibility requirements. Eligible employees who make voluntary contributions, which are tax sheltered, will have an additional employer contribution of 25% of the first 6% of salary that they contribute. Employees can contribute even if they are not eligible for the employer contribution. Pension expense totaled $83,073 and $84,696 for the years ended June 30, 2004 and 2003, respectively.

NOTE 8 - LEASES

Various vehicles, facility and office equipment are leased under noncancelable operating leases with terms ranging from one to five years. Future minimum lease payments at June 30, 2004, are as follows:

Ending June 30,

2005	$ 54,470
2006	44,576
2007	21,883
2008	2,028
Total	$ 122,957

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Center maintains its primary cash in bank deposit accounts at two financial institutions located in the Quad Cities. Deposits may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC) of up to $100,000 per financial institution. Management believes that credit risk related to these deposits is minimal.

NOTE 10 - SIGNIFICANT SOURCES OF SUPPORT

Funding from grants and programs through the Iowa Department of Public Health and the Illinois Department of Human Services provide approximately 49% of the public support and revenue for the Center.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2004 and 2003, temporarily restricted net assets were available for the following purposes:

	2004	2003
United Way of the Quad Cities – Fiscal Year 2005 and 2004 Allocation	$ 101,274	$ 100,199
Riverboat Development Authority	15,000	-
Mississippi Bend AEA	25,000	-
Total	$ 141,274	$ 100,199

NOTE 12 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of time or other events specified by donors during the fiscal year ended June 30, 2004 and 2003. During the fiscal year ended June 30, 2004 and 2003, net assets released from restrictions consisted of the following:

	2004	2003
United Way of the Quad Cities – Fiscal Year 2004 and 2003	$ 100,199	$ 99,953
Riverboat Development Authority	-	17,000
Total	$ 100,199	$ 116,953

NOTE 13 - NET ASSETS DESIGNATED FOR CAPITAL IMPROVEMENTS

The Center has designated $1,487,772 for future capital improvements as of June 30, 2004. Planned improvements include technology and building upgrades.

SUPPLEMENTAL INFORMATION

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Outpatient Programs
For the Year Ended June 30, 2004

	Total	Davenport Outpatient	Rock Island Outpatient/ Methadone	Genesis	Adolescent Treatment
Salaries	$ 1,156,555	$ 516,434	$ 338,860	$ 134,436	$ 166,825
Worker's Compensation	8,703	2,660	2,698	950	2,395
Employee Benefits:					
Health Insurance	149,818	80,058	32,177	18,248	19,335
Retirement	31,273	15,748	5,951	5,770	3,804
Other	419	-	419	-	-
Payroll Taxes:					
Social Security	83,004	38,015	23,480	9,448	12,061
Unemployment	963	-	963	-	-
Professional Fees:					
Laboratory/Urinalysis	23,975	5,759	13,437	-	4,779
Contract Services	15,913	7,005	4,104	3,115	1,689
Medical Consultants	26,670	-	23,550	-	3,120
Supplies:					
Office, Outside Printing	5,647	2,973	1,774	59	841
Building	175	97	249	-	(171)
Medical	21,962	244	21,718	-	-
Education, Recreation and Crafts	1,280	559	-	-	721
Food and Beverage	2,410	1,026	938	-	446
Housekeeping and Laundry	3,381	1,230	1,649	-	502
Telephone	29,461	13,870	6,100	-	9,491
Postage and Shipping	1,421	71	975	6	369
Advertising	1,753	351	701	-	701
Occupancy:					
Utilities	26,054	6,559	10,415	-	9,080
Maintenance	42,724	22,321	10,732	152	9,519
Insurance	3,996	1,333	965	45	1,653
Transportation:					
Mileage	7,436	2,874	3,223	30	1,309
Vehicle Costs	11,369	5,339	127	-	5,903
Auto Insurance	2,377	1,177	-	-	1,200
Conferences and Training	3,957	1,975	1,012	648	322
Subscriptions and References	10,565	4,021	6,025	364	155
Special Assistance	11,716	11,507	115	94	-
General Liability Insurance	2,477	1,173	628	-	676
Recruiting	1,949	336	971	625	17
Equipment Rental	13,940	6,352	3,575	-	4,013
Interest Expense	2,794	-	2,794	-	-
Depreciation	46,069	12,986	19,683	-	13,400
Total	$ 1,752,206	$ 764,053	$ 540,008	$ 173,990	$ 274,155

See accompanying independent auditor's report.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Residential Programs
For the Year Ended June 30, 2004

	Total	S.T.A.R.T.	Adult Halfway House	Circle of Hope	Genesis	Jail Based Program
Salaries	$ 1,013,189	$ 461,984	$ 117,059	$ 241,642	$ 134,435	$ 58,069
Worker's Compensation	6,034	1,985	1,199	1,900	950	-
Employee Benefits:						
Health Insurance	134,575	66,712	8,662	27,703	18,248	13,250
Retirement	22,897	8,648	2,391	5,777	5,770	311
Other	317	73	44	200	-	-
Payroll Taxes:						
Social Security	71,391	33,335	8,363	16,941	9,448	3,304
Unemployment	2,009	652	394	963	-	-
Professional Fees:						
Laboratory/Urinalysis	4,499	2,050	1,427	1,022	-	-
Contract Services	67,857	3,948	2,728	49,977	3,114	8,090
Medical Consultants	82,184	42,054	16,900	22,681	-	549
Supplies:						
Office, Outside Printing	5,155	1,680	1,094	1,279	58	1,044
Building	481	260	157	64	-	-
Medical	11,730	6,738	4,071	921	-	-
Education, Recreation and Crafts	1,170	2	1	1,167	-	-
Food and Beverage	100,527	62,076	37,504	793	-	154
Housekeeping and Laundry	12,647	7,698	4,649	300	-	-
Telephone	12,561	6,045	3,652	2,134	-	730
Postage and Shipping	56	-	-	51	5	-
Advertising	539	336	203	-	-	-
Occupancy:						
Utilities	24,836	15,482	9,354	-	-	-
Maintenance	47,030	19,050	11,510	1,485	151	14,834
Insurance	3,120	1,917	1,158	-	45	-
Transportation:						
Mileage	2,567	292	163	1,283	30	799
Vehicle Costs	27,172	14,923	9,016	3,190	-	43
Auto Insurance	4,001	1,735	1,048	1,218	-	-
Conferences and Training	5,990	636	319	262	648	4,125
Subscriptions and References	15,094	3,318	2,004	2,239	364	7,169
Special Assistance	369	163	99	-	94	13
General Liability Insurance	2,719	1,379	833	507	-	-
Recruiting	6,217	3,067	1,853	672	625	-
Equipment Rental	5,722	2,028	1,214	2,480	-	-
Interest Expense	165	103	62	-	-	-
Depreciation	45,988	21,189	12,802	10,978	-	1,019
Total	$ 1,740,808	$ 791,558	$ 261,933	$ 399,829	$ 173,985	$ 113,503

See accompanying independent auditor's report.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Prevention Programs
For the Year Ended June 30, 2004

	Total	Prevention	Drug-Free Communities Support
Salaries	$ 363,824	$ 335,278	$ 28,546
Worker's Compensation	2,944	2,944	-
Employee Benefits:			
Health Insurance	52,654	49,862	2,792
Retirement	6,563	5,626	937
Other	1,106	1,106	-
Payroll Taxes:			
Social Security	26,487	26,487	-
Professional Fees:			
Laboratory/Urinalysis	167	167	-
Contract Services	32,992	25,481	7,511
Supplies:			
Office, Outside Printing	4,492	3,502	990
Building	26	26	-
Medical	178	178	-
Education, Recreation and Crafts	21,458	8,067	13,391
Food and Beverage	2,930	2,850	80
Housekeeping and Laundry	1,068	1,068	-
Telephone	8,446	7,547	899
Postage and Shipping	1,520	823	697
Advertising	5,810	1,416	4,394
Occupancy:			
Rent	23,937	23,937	-
Utilities	8,024	8,024	-
Maintenance	7,100	6,982	118
Insurance	39	39	-
Transportation:			
Mileage	9,409	9,088	321
Vehicle Costs	8,108	8,108	-
Auto Insurance	1,228	1,228	-
Conferences and Training	17,026	9,298	7,728
Subscriptions and References	36,566	20,866	15,700
General Liability Insurance	497	497	-
Recruiting	824	824	-
Equipment Rental	2,719	2,719	-
Depreciation	3,331	2,246	1,085
Total	$ 651,473	$ 566,284	$ 85,189

See accompanying independent auditor's report.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Revenue and Expenses by Contract
Iowa Department of Public Heath - Division of Substance Abuse Contracts
For the Year Ended June 30, 2004

	Total	Comprehensive Prevention Contract # 5883CP11	Drug and Violence # 5883DV15	State Incentive Grant #5883IP22	Iowa Plan	Meth Funding	W & C	Methadone Treatment Contract # 5883MT02
Revenue:								
IDPH - Contractual	$ 1,965,738	$ 160,638	$ 55,000	$ 113,577	$ 1,380,862	$ 30,237	$ 126,967	$ 98,457
Revenue - IDPH	1,965,738	160,638	55,000	113,577	1,380,862	30,237	126,967	98,457
Expenses:								
Salaries and Benefits	1,455,898	160,638	42,585	69,656	1,018,997	30,237	82,743	51,042
Professional Fees:								
Laboratory/Urinalysis	12,440	-	-	-	10,622	-	-	1,818
Contract Services	47,377	-	10,931	25,214	10,677	-	-	555
Medical Consultants	68,932	-	-	-	45,382	-	-	23,550
Supplies:								
Office, Outside Printing	4,969	-	-	-	4,326	-	403	240
Building	333	-	-	-	299	-	-	34
Medical	30,008	-	-	-	8,290	-	-	21,718
Education, Recreation and Crafts	885	-	-	-	591	-	294	-
Food and Beverage	76,216	-	-	-	76,052	-	37	127
Housekeeping and Laundry	10,768	-	-	-	10,530	-	15	223
Telephone	24,722	-	-	1,672	21,373	-	851	826
Postage and Shipping	540	-	-	-	371	-	37	132
Advertising	1,220	-	-	-	1,125	-		95
Occupancy:								
Utilities	32,371	-	-	1,589	29,372	-	-	1,410
Maintenance	50,786	-	-	5,497	42,094	-	1,743	1,452
Insurance	4,346	-	-	-	4,215	-	-	131
Transportation:								
Mileage	5,563	-	-	1,863	3,152	-	112	436
Vehicle Costs	28,255	-	-	1,276	21,654	-	5,308	17
Auto Insurance	4,001	-	-	-	2,824	-	1,177	-
Conferences and Training	8,681	-	1,484	4,527	1,701	-	832	137
Subscriptions and References	8,137	-	-	-	7,079	-	243	815
Special Assistance	11,260	-	-	-	862	-	10,382	16
General Liability Insurance	3,139	-	-	98	2,676	-	280	85
Recruiting	4,173	-	-	-	4,042	-	-	131
Equipment Rental	9,535	-	-	-	8,950	-	101	484
Interest Expense	868	-	-	-	490	-	-	378
Depreciation	46,483	-	-	-	43,819	-	-	2,664
Indirect Expenses:								
Salaries and Benefits	11,595	-	-	2,185	-	-	9,410	-
Total Expenses	1,963,501	160,638	55,000	113,577	1,381,565	30,237	113,968	108,516
Revenues Over (Under) Expenses	$ 2,237	$ -	$ -	$ -	$ (703)	$ -	$ 12,999	$ (10,059)

See accompanying independent auditor's report.

SINGLE AUDIT SECTION

DOYLE & KEENAN, P.C. CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
908 West 35th Street Davenport, Iowa 52806-5826 Phone: 563-386-2727 FAX: 563-386-8730

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Center for Alcohol & Drug Services, Inc.
Davenport, Iowa

We have audited the financial statements of the Center for Alcohol & Drug Services, Inc. as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004 conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center for Alcohol & Drug Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Doyle & Keenan, P.C.

September 15, 2004

DOYLE & KEENAN, P.C. CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
908 West 35th Street Davenport, Iowa 52806-5826 Phone: 563-386-2727 FAX: 563-386-8730

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Center for Alcohol & Drug Services, Inc.
Davenport, Iowa

Compliance

We have audited the compliance of Center for Alcohol & Drug Services, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Center for Alcohol & Drug Services, Inc.'s major federal programs are 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 each of its major federal programs is the responsibility of Center for Alcohol & Drug Services, Inc.'s management. Our responsibility is to express an opinion on Center for Alcohol & Drug Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Center for Alcohol & Drug Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Center for Alcohol & Drug Services, Inc.'s compliance with those requirements.

In our opinion, Center for Alcohol & Drug Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Center for Alcohol & Drug Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Center for Alcohol & Drug Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Doyle & Keenan, P.C.

September 15, 2004

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Program Award Amount	Revenues/ Receipts	Expenditures
Pass-Through from the State of Illinois					
U.S. Department of Health and Human Services					
Illinois Department of Human Services - Office of Alcoholism and Substance Abuse					
Substance Abuse Prevention Treatment Block Grant - Major Program	93.959	40C2001093	$ 219,410	$ 219,410	$ 219,410
Pass-Through from the State of Iowa					
U.S. Department of Health and Human Services					
Iowa Department of Public Health					
Substance Abuse Prevention Treatment Block Grant - Major Program					
Comprehensive Prevention	93.959	5883CP11	145,217	145,217	145,217
Methadone Treatment	93.959	5883MT02	103,800	98,457	98,457
Iowa Managed Substance Abuse Care Plan	93.959		510,919	510,919	510,919
Women and Children Program	93.959		126,967	126,967	126,967
Jail Based Assessment and Treatment Project	16.580		270,950	142,463	142,463
Subtotal Major Program Substance Abuse Prevention Treatment Block Grant			1,377,263	1,243,433	1,243,433
Pass-Through from the State of Iowa					
U.S. Department of Health and Human Services					
Iowa Department of Public Health					
Consolidated Knowledge Development and Application (KD&A) Program	93.230	5883IP22	113,577	113,577	113,577
Safe and Drug-Free Schools - Department of Education - Drug & Violence	84.186	5883DV15	55,000	55,000	55,000
Pass-Through from Scott County of Iowa					
U.S. Department of Justice					
Byrne Formula Grant Program - Office of Drug Control Policy (ODCP)	16.579		63,854	63,854	63,854
U.S. Department of Justice					
Byrne Formula Grant Program - Scott County Drug Free Community Project	16.579		94,891	94,891	94,891
Subtotal Byrne Formula Grant Program			158,745	158,745	158,745
Total Federal Awards			$ 1,704,585	$ 1,570,755	$ 1,570,755

Non-cash assistance - None

Loans or loan guarantees outstanding - None

Payments to subrecipients - None

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center for Alcohol & Drug Services, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The agency has insurance policies in force covering commercial and general liability, property, professional liability, electronic data processing, crime coverage, business auto, workers compensation, commercial umbrella liability, and directors and officers liability. Insurance binders are available from the agency upon request.

See accompanying independent auditor's report.

Center for Alcohol & Drug Services, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2004

Summary of the Auditor's Results

1) The auditor's report expresses an unqualified opinion on the financial statements of Center for Alcohol & Drug Services, Inc.

2) No reportable conditions were disclosed by the audit of the financial statements.

3) No instances of noncompliance material to the financial statements of Center for Alcohol & Drug Services, Inc. which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4) No reportable conditions were disclosed during the audit of internal control over major federal award programs.

5) The auditor's report on compliance for the major federal award programs for Center for Alcohol & Drug Services, Inc. expressed an unqualified opinion on all major programs.

6) No audit findings relative to the major federal award programs for Center for Alcohol & Drug Services, Inc. are reported in this Schedule.

7) The program tested as a major programs was:

CFDA Number	Name of Federal Program
93.959	U.S. Department of Health and Human Services Block Grant

8) Threshold used for distinguishing between Type A and Type B programs was $300,000.

9) Center for Alcohol & Drug Services, Inc. qualifies as a low risk auditee.

Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with U.S. Generally Accepted Government Auditing Standards

None.

Findings and Questioned Costs for Federal Awards

None.

Center for Alcohol & Drug Services, Inc.
Summary Schedule of Prior Findings
For the Year Ended June 30, 2004

There were no prior findings.