

Alcohol and Drug Dependency Services of Southeast Iowa

**Independent Auditor's Reports
Financial Statements and Supplemental Information**

June 30, 2006

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**Alcohol and Drug Dependency Services of Southeast Iowa
Board of Directors
June 30, 2006**

	<u>Title</u>	<u>Term Expires</u>
Ben Diewold	President	October, 2007
Robert Ritson	Vice President	October, 2008
Margaret Wagner	Secretary	October, 2006
Steve Tiemeier	Treasurer	October, 2006
Nina Allison	Director	October, 2006
William Bauer	Director	October, 2007
Edgar Blow	Director	October, 2008
Steve Bohlen	Director	October, 2007
Russ Kuhlemeier	Director	October, 2008
Christine Niggemeyer	Director	October, 2006
Richard Swanson	Executive Director	Indefinite



C P A A S S O C I A T E S P C
C E R T I F I E D P U B L I C A C C O U N T A N T S

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Independent Auditor's Report

Board of Directors
Alcohol and Drug Dependency Services of Southeast Iowa
Burlington, Iowa

We have audited the accompanying financial statements, listed in the table of contents of this report, of Alcohol and Drug Dependency Services of Southeast Iowa (a nonprofit corporation) as of and for the year ended June 30, 2006. 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 audit.

We 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. Those standards and provisions 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 our audit provides 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 Alcohol and Drug Dependency Services of Southeast Iowa, as of June 30, 2006, and the results of its operations and changes in net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2006, on our consideration of Alcohol and Drug Dependency Services of Southeast 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 compliance. 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 financial statements taken as a whole. The accompanying supplemental information on page 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

CPA Associates PC

December 5, 2006

Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Financial Position
June 30, 2006

Assets

Cash and equivalents	\$ 540,849
Accounts receivable:	
Grants and allocations	11,981
Client fees and other services, net of allowance of \$36,561	71,766
Other assets	16,741
Certificates of Deposit	87,474
Property and equipment:	
Building	1,572,906
Furniture and fixtures	20,967
Equipment	178,665
Accumulated depreciation	<u>(974,045)</u>
	<u>\$ 1,527,304</u>

Liabilities and Net Assets

Liabilities:	
Accounts payable	\$ 20,847
Accrued payroll	71,772
Payroll taxes payable	<u>6,658</u>
	<u>99,277</u>
Net assets:	
Unrestricted	
Board designated	189,380
Undesignated	<u>1,238,647</u>
	<u>1,428,027</u>
	<u>\$ 1,527,304</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Activities
Year Ended June 30, 2006**

Public Support and Revenue

Public support:

Iowa Department of Public Health:

Treatment program	\$ 662,762
Prevention program	120,355
Gambling treatment program	165,479
Other grants	112,937
County allocations	62,038
City allocations	1,150
United Way	31,963
Donations	<u>2,190</u>
	<u>1,158,874</u>

Revenue:

Resident recovery program fees	64,594
Client fees	192,255
Other services	154,016
Interest income	9,615
Miscellaneous	<u>21,498</u>
	<u>441,978</u>

Total public support and revenue	<u>1,600,852</u>
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Expenses

Program services	1,179,246
Supporting services	<u>439,962</u>
Total expenses	<u>1,619,208</u>

Change in net assets	(18,356)
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Net assets, beginning	<u>1,446,383</u>
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Net assets, ending	<u>\$ 1,428,027</u>
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See accompanying notes to financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Functional Expenses
Year Ended June 30, 2006

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries	\$ 631,201	\$ 254,985	\$ 886,186
Benefits and taxes	<u>145,367</u>	<u>57,782</u>	<u>203,149</u>
Total salaries and related expenses	776,568	312,767	1,089,335
Travel	45,830	25,948	71,778
Education and training	9,356	19,720	29,076
Contract services	67,272	9,410	76,682
Insurance	30,406	2,161	32,567
Occupancy	71,096	1,747	72,843
Supplies	110,576	1,073	111,649
Telephone	17,635	4,689	22,324
Equipment maintenance	160	18,090	18,250
Other expenses	<u>3,958</u>	<u>21,359</u>	<u>25,317</u>
	1,132,857	416,964	1,549,821
Depreciation	<u>46,389</u>	<u>22,998</u>	<u>69,387</u>
Total expenses	<u>\$ 1,179,246</u>	<u>\$ 439,962</u>	<u>\$ 1,619,208</u>

See accompanying notes to financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Statement of Cash Flows
Year Ended June 30, 2006

Cash Flows From Operating Activities:

Change in net assets	\$ (18,356)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	69,387
Change in assets and liabilities:	
Decrease in:	
Accounts receivable	39,536
Other assets	6,053
Decrease in:	
Accounts payable and accrued expenses	<u>(2,354)</u>
Net cash provided by operating activities	<u>94,266</u>

Cash Flows From Investing Activities:

Purchase of certificates of deposit	(2,245)
Capital expenditures	<u>(27,596)</u>
Net cash (used) by investing activities	<u>(29,841)</u>

Net increase in cash	64,425
Cash and cash equivalents, beginning	<u>476,424</u>
Cash and cash equivalents, ending	<u>\$ 540,849</u>

See accompanying notes to financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements

Note 1. Reporting Entity

Alcohol and Drug Dependency Services of Southeast Iowa is a nonprofit corporation organized to provide education and group counseling for substance abusers and their families in addition to providing residential care for adult substance abusers, and treatment for gambling addiction. Services are provided primarily to residents of southeast Iowa.

Note 2. Summary of Significant Accounting Policies

The Organization's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as restricted or unrestricted net assets. Unrestricted net assets are not subject to donor-imposed stipulations. There were no restricted assets at June 30, 2006.

Public support and revenue are reported as increases in unrestricted net assets unless use of related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents

The Organization considers cash held in checking, money market accounts, savings accounts and all other highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are primarily for service performed and are uncollateralized. The allowance for doubtful accounts is estimated based on current and prior experience with the outstanding accounts. Accounts are written off when management believes the account is uncollectible. Charged off accounts are netted against the related revenues and totaled \$23,292 for the year ended June 30, 2006.

Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at cost. Expenditures in excess of \$500 for property and equipment that provide future benefit are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	15-32
Furniture and fixtures	7
Equipment	5-7

Property and equipment acquired with government funds must be offered back to the related agency prior to any disposition.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Certificates of Deposit

The Organization has certificates of deposit totaling \$87,474. The certificates bear interest ranging from 2.5% to 4% and have maturity dates ranging from June 30, 2007 to May 8, 2008, and are subject to penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements

Note 4. Grants and Allocations

During the year ended June 30, 2006, the Organization received \$49,788 for services performed in prior years as part of the allocation from the Iowa Department of Public Health for the Treatment program. The third party contracts with the Iowa Department of Public Health are to provide a minimum number of units of service state wide. The Organization exceeded its minimum for the year ended June 30, 2005 and was not paid for the excess units served. It was determined by the third party that its excess funds received from the Department of Public Health should have been reallocated to the Organization providing the excess units of service and the funds were remitted during the year ended June 30, 2006. U.S. generally accepted accounting standards require the funds to be reported in the current year rather than as a prior period adjustment. Any amounts the Organization may receive for services performed during the year ended June 30, 2006 cannot be determined.

Note 5. Leased Equipment and Facilities

The Organization is leasing office equipment under an operating lease expiring in November, 2009, with minimum payments of \$566 per month. Total office equipment rental expense under this agreement was \$6,792 for the year ended June 30, 2006. Future minimum lease payments are as follows:

Year ended June 30, 2007	6,792
Year ended June 30, 2008	6,792
Year ended June 30, 2009	6,792
Year ended June 30, 2010	<u>2,264</u>
	<u>\$ 22,640</u>

Note 6. Pension Plan

The Organization has a pension plan covering full-time employees who have completed at least one year of service. The plan states that the Organization will contribute an amount equal to two percent of each eligible employee's gross salary. In addition, if the employee elects to make a two percent contribution, the Organization will match it, making the Organization's maximum contribution four percent. Total pension expense for the year was \$52,441.

Alcohol and Drug Dependency Services of Southeast Iowa
Notes to Financial Statements

Note 7. Board Designated Net Assets

The Board of Directors has designated net assets for future expenditures. The net assets remain unrestricted and can be used for other purposes with the approval of the Board. The current designated balances are as follows:

Staff	\$ 10,774
Capital expenditures	68,261
Depreciation sinking fund	<u>110,345</u>
	<u>\$ 189,380</u>

Note 8. Concentration of Revenues and Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of deposits held in excess of FDIC insured limits. Deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006, the Organization's deposit balances were \$167,890 in excess of FDIC insured limits.

The Organization receives the majority of its funding through various state and federal grants. If these funding sources were removed, the Organization could have difficulty meeting its functional obligations.

Note 9. Allocation of Expenses - Statement of Functional Expenses

The allocation of expenses on the Statement of Functional Expenses is based on actual amounts when identifiable with a particular program, or allocated based on estimates furnished by management of the Organization.

Note 10. Risk Management

Alcohol and Drug Dependency Services of Southeast Iowa 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 the purchase of commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**Alcohol and Drug Dependency Services of Southeast Iowa
Detail of Functional Expenses - Program Services
Year Ended June 30, 2006**

	<u>Treatment</u>	<u>Prevention</u>	<u>JAIGB</u>	<u>Gambling</u>	<u>DECAT</u>	<u>SIG</u>	<u>Total</u>
Salaries	\$ 404,174	\$ 133,440	\$ 6,761	\$ 69,033	\$ -	\$ 17,793	\$ 631,201
Benefits and taxes	<u>93,593</u>	<u>29,481</u>	<u>1,876</u>	<u>15,814</u>	<u>-</u>	<u>4,603</u>	<u>145,367</u>
Total salaries and related expenses	497,767	162,921	8,637	84,847	-	22,396	776,568
Travel	16,755	10,970	350	12,102	-	5,653	45,830
Education and training	2,941	650	40	4,300	-	1,425	9,356
Contract services	18,600	28,745	-	-	11	19,916	67,272
Insurance	27,850	1,656	-	900	-	-	30,406
Occupancy	63,739	2,152	-	5,205	-	-	71,096
Supplies	72,712	7,451	720	1,393	-	28,300	110,576
Telephone	14,973	907	16	1,626	(27)	140	17,635
Equipment maintenance	-	-	-	-	-	160	160
Other expenses	<u>1,730</u>	<u>931</u>	<u>-</u>	<u>359</u>	<u>-</u>	<u>938</u>	<u>3,958</u>
	717,067	216,383	9,763	110,732	(16)	78,928	1,132,857
Depreciation	<u>33,560</u>	<u>12,649</u>	<u>-</u>	<u>180</u>	<u>-</u>	<u>-</u>	<u>46,389</u>
Total expenses	<u>\$ 750,627</u>	<u>\$ 229,032</u>	<u>\$ 9,763</u>	<u>\$ 110,912</u>	<u>\$ (16)</u>	<u>\$ 78,928</u>	<u>\$ 1,179,246</u>



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**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
Alcohol and Drug Dependency Services of Southeast Iowa
Burlington, Iowa

We have audited the financial statements of Alcohol and Drug Dependency Services of Southeast Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 5, 2006. We 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alcohol and Drug Dependency Services of Southeast Iowa'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 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alcohol and Drug Dependency Services of Southeast Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and 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.

We noted certain matters that we reported to the management of Alcohol and Drug Dependency Services of Southeast Iowa in a separate letter dated December 5, 2006.

This report is intended solely for the information and use of the management and Board of Directors of Alcohol and Drug Dependency Services of Southeast Iowa and other parties to whom the Organization may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Alcohol and Drug Dependency Services of Southeast Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CPA Associates PC

December 5, 2006