

**CENTER FOR ALCOHOL &
DRUG SERVICES, INC.**

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

June 30, 2006 and 2005

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

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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 Center for Alcohol & Drug Services, Inc. (an Iowa nonprofit organization also registered to do business in Illinois) as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 Center for Alcohol & Drug Services, Inc. as of June 30, 2006 and 2005, 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 August 25, 2006 on our consideration of Center for Alcohol & Drug Services, Inc.'s 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 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.
August 25, 2006

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Statements of Financial Position

June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current Assets:		
Cash and Cash Equivalents	\$ 799,513	\$ 808,246
Investments	1,136,804	1,105,425
Accounts Receivable - Public Support	272,159	366,048
Accounts Receivable - Client Fees	168,422	182,767
Allowance for Uncollectible Accounts and Contractual Adjustments	(49,933)	(49,933)
Unconditional Promises to Give	102,783	102,400
Inventory	3,309	5,652
Prepaid Expenses	51,265	30,435
Total Current Assets	2,484,322	2,551,040
Fixed Assets:		
Land	137,575	137,575
Building and Improvements	2,795,883	2,772,560
Equipment and Vehicles	516,196	489,361
Total Fixed Assets	3,449,654	3,399,496
Less Accumulated Depreciation	1,833,853	1,683,255
Net Fixed Assets	1,615,801	1,716,241
Total Assets	\$ 4,100,123	\$ 4,267,281
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 45,332	\$ 43,247
Accounts Payable and Accrued Expenses	482,547	491,036
Total Current Liabilities	527,879	534,283
Long-Term Debt, Less Current Maturities	21,128	66,457
Total Liabilities	549,007	600,740
Net Assets:		
Unrestricted:		
Undesignated	380,294	412,647
Undesignated - Investment in Fixed Assets	1,615,801	1,716,241
Designated for Capital Improvements	1,452,238	1,435,253
Total Unrestricted Net Assets	3,448,333	3,564,141
Temporarily Restricted	102,783	102,400
Total Net Assets	3,551,116	3,666,541
Total Liabilities and Net Assets	\$ 4,100,123	\$ 4,267,281

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, 2006

	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u>
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services -			
Division of Alcoholism and Substance Abuse \$	691,885	\$ -	\$ 691,885
Iowa Department of Public Health -			
Division of Substance Abuse	2,234,355	-	2,234,355
United Way	2,726	102,783	105,509
Rock Island County	58,260	-	58,260
Scott County	431,219	-	431,219
County Commitments	43,879	-	43,879
Seventh Judicial District	99,620	-	99,620
U.S. Probation	64,887	-	64,887
Contributions	5,628	-	5,628
Net Assets Released from Restrictions	102,400	(102,400)	-
Total Public Support	<u>3,734,859</u>	<u>383</u>	<u>3,735,242</u>
Revenue:			
Client Fees	242,942	-	242,942
Client Fees - Insurance	560,746	-	560,746
Contractual Fees and Other Payments	1,045,917	-	1,045,917
Rental Income	8,400	-	8,400
Interest and Dividends	92,106	-	92,106
Realized (Loss) on Investments	(31,205)	-	(31,205)
Unrealized (Loss) on Investments	(6,756)	-	(6,756)
Total Revenue	<u>1,912,150</u>	<u>-</u>	<u>1,912,150</u>
Total Public Support and Revenue	<u>5,647,009</u>	<u>383</u>	<u>5,647,392</u>
Expenses:			
Program Services:			
Outpatient	2,154,955	-	2,154,955
Residential	1,739,319	-	1,739,319
Detoxification	360,943	-	360,943
Prevention	589,839	-	589,839
Total Program Services	<u>4,845,056</u>	<u>-</u>	<u>4,845,056</u>
Fundraising	1,514	-	1,514
Management and General	916,247	-	916,247
Total Expenses	<u>5,762,817</u>	<u>-</u>	<u>5,762,817</u>
Change in Net Assets	(115,808)	383	(115,425)
Net Assets - Beginning	<u>3,564,141</u>	<u>102,400</u>	<u>3,666,541</u>
Net Assets - Ending	<u>\$ 3,448,333</u>	<u>\$ 102,783</u>	<u>\$ 3,551,116</u>

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, 2005

	<u>Unrestricted</u> <u>Net Assets</u>	<u>Temporarily</u> <u>Restricted</u> <u>Net Assets</u>	<u>Total</u>
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services -			
Division of Alcoholism and Substance Abuse	\$ 639,826	\$ -	\$ 639,826
Iowa Department of Public Health -			
Division of Substance Abuse	2,233,185	-	2,233,185
United Way	-	102,400	102,400
Rock Island County	55,460	-	55,460
Scott County	423,611	-	423,611
County Commitments	36,476	-	36,476
Seventh Judicial District	99,208	-	99,208
U.S. Probation	64,572	-	64,572
Contributions	4,026	-	4,026
Net Assets Released from Restrictions	<u>141,274</u>	<u>(141,274)</u>	<u>-</u>
Total Public Support	<u>3,697,638</u>	<u>(38,874)</u>	<u>3,658,764</u>
Revenue:			
Client Fees	237,064	-	237,064
Client Fees - Insurance	571,579	-	571,579
Contractual Fees and Other Payments	1,078,383	-	1,078,383
Rental Income	8,400	-	8,400
Interest and Dividends	76,132	-	76,132
Realized (Loss) on Sale of Investments	(3,935)	-	(3,935)
Unrealized (Loss) on Investments	<u>(17,462)</u>	<u>-</u>	<u>(17,462)</u>
Total Revenue	<u>1,950,161</u>	<u>-</u>	<u>1,950,161</u>
Total Public Support and Revenue	<u>5,647,799</u>	<u>(38,874)</u>	<u>5,608,925</u>
Expenses:			
Program Services:			
Outpatient	2,065,650	-	2,065,650
Residential	1,713,686	-	1,713,686
Detoxification	341,195	-	341,195
Prevention	<u>672,952</u>	<u>-</u>	<u>672,952</u>
Total Program Services	<u>4,793,483</u>	<u>-</u>	<u>4,793,483</u>
Fundraising	1,348	-	1,348
Management and General	<u>874,485</u>	<u>-</u>	<u>874,485</u>
Total Program and Supporting Services	<u>5,669,316</u>	<u>-</u>	<u>5,669,316</u>
Change in Net Assets	<u>(21,517)</u>	<u>(38,874)</u>	<u>(60,391)</u>
Net Assets - Beginning	<u>3,585,658</u>	<u>141,274</u>	<u>3,726,932</u>
Net Assets - Ending	<u>\$ 3,564,141</u>	<u>\$ 102,400</u>	<u>\$ 3,666,541</u>

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, 2006

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Fundraising	Management and General	Total All Funds
Salaries	\$ 1,369,713	\$ 1,024,860	\$ 188,826	\$ 362,838	\$ 2,946,237	\$ 708	\$ 509,283	\$ 3,456,228
Worker's Compensation	12,946	9,153	1,334	3,854	27,287	-	4,249	31,536
Employee Benefits:								
Health Insurance	199,070	109,069	35,126	41,168	384,433	-	81,699	466,132
Retirement	35,376	20,514	4,904	9,895	70,689	-	20,929	91,618
Other	126	286	258	13	683	-	13,386	14,069
Payroll Taxes:								
Social Security	98,496	73,175	14,254	26,355	212,280	-	36,365	248,645
Unemployment	1,561	1,561	-	-	3,122	-	7,038	10,160
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	20,984	20,984
Laboratory/Urinalysis	34,060	5,385	1,415	12	40,872	-	-	40,872
Contract Services	54,765	64,331	3,725	2,137	124,958	-	15,221	140,179
Medical Consultants	56,086	92,992	19,032	1,910	170,020	-	1,426	171,446
Supplies:								
Office, Outside Printing	10,267	4,758	937	2,561	18,523	806	29,161	48,490
Building	-	15	5	-	20	-	-	20
Medical	30,408	13,549	3,680	11	47,648	-	272	47,920
Education, Recreation and Crafts	227	2,051	3	3,856	6,137	-	(8)	6,129
Food and Beverage	2,914	97,463	28,769	648	129,794	-	1,205	130,999
Housekeeping and Laundry	7,161	19,671	5,789	2,031	34,652	-	3,825	38,477
Telephone	35,746	11,607	2,581	7,541	57,475	-	16,271	73,746
Postage and Shipping	3,053	157	-	1,013	4,223	-	9,717	13,940
Advertising	2,643	1,099	143	5,301	9,186	-	4,901	14,087
Occupancy:								
Rent	-	-	-	23,337	23,337	-	-	23,337
Utilities	30,559	32,014	9,563	7,896	80,032	-	7,518	87,550
Maintenance	25,212	42,382	13,641	3,248	84,483	-	6,812	91,295
Insurance	3,427	2,426	702	228	6,783	-	1,245	8,028
Transportation:								
Mileage	10,668	2,535	305	7,516	21,024	-	3,236	24,260
Vehicle Costs	20,795	30,794	7,856	9,729	69,174	-	21,343	90,517
Auto Insurance	2,876	4,760	993	1,438	10,067	-	2,877	12,944
Conferences and Training	7,430	1,558	158	7,646	16,792	-	10,059	26,851
Subscriptions and References	17,677	6,009	982	7,294	31,962	-	10,928	42,890
Special Assistance	10,516	1,904	486	-	12,906	-	350	13,256
General Liability Insurance	3,181	3,205	772	618	7,776	-	16,964	24,740
Recruiting	4,119	9,329	2,069	404	15,921	-	655	16,576
Equipment Rental	12,454	6,120	2,269	4,122	24,965	-	5,607	30,572
Interest Expense	-	128	38	-	166	-	4,092	4,258
Subcontracts	-	-	-	43,084	43,084	-	-	43,084
Depreciation	51,423	44,459	10,328	2,135	108,345	-	48,637	156,982
Total Functional Expenses	\$ 2,154,955	\$ 1,739,319	\$ 360,943	\$ 589,839	\$ 4,845,056	\$ 1,514	\$ 916,247	\$ 5,762,817

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, 2005

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Fundraising	Management and General	Total All Funds
Salaries	\$ 1,302,236	\$ 987,111	\$ 183,391	\$ 373,457	\$ 2,846,195	\$ 695	\$ 466,584	\$ 3,313,474
Worker's Compensation	8,826	6,564	955	2,919	19,264	-	3,311	22,575
Employee Benefits:								
Health Insurance	245,804	128,283	19,492	67,226	460,805	-	90,754	551,559
Retirement	34,749	22,101	2,390	8,920	68,160	-	21,904	90,064
Other	(1,648)	(1,384)	(270)	(543)	(3,845)	-	9,418	5,573
Payroll Taxes:								
Social Security	91,417	68,976	16,411	26,852	203,656	-	33,723	237,379
Unemployment	5,292	5,533	72	-	10,897	-	998	11,895
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	33,036	33,036
Laboratory/Urinalysis	28,400	4,996	1,064	618	35,078	-	-	35,078
Contract Services	40,090	59,664	2,137	1,859	103,750	-	15,590	119,340
Medical Consultants	46,798	87,808	19,217	355	154,178	-	98	154,276
Supplies:								
Office, Outside Printing	10,101	4,449	1,109	7,214	22,873	653	19,277	42,803
Building	265	286	85	159	795	-	44	839
Medical	23,424	13,586	3,685	17	40,712	-	21	40,733
Education, Recreation and Crafts	179	1,681	2	4,004	5,866	-	80	5,946
Food and Beverage	2,825	107,548	31,916	2,367	144,656	-	1,061	145,717
Housekeeping and Laundry	3,992	15,583	4,593	1,184	25,352	-	6,499	31,851
Telephone	35,020	11,518	2,683	9,074	58,295	-	17,680	75,975
Postage and Shipping	2,277	43	-	1,406	3,726	-	11,969	15,695
Advertising	1,642	870	153	2,629	5,294	-	1,937	7,231
Occupancy:								
Rent	-	-	-	23,687	23,687	-	-	23,687
Utilities	25,868	27,689	8,271	6,868	68,696	-	6,251	74,947
Maintenance	25,220	46,074	14,876	4,382	90,552	-	7,188	97,740
Insurance	6,276	4,504	1,318	53	12,151	-	2,095	14,246
Transportation:								
Mileage	9,946	1,996	317	7,207	19,466	-	3,493	22,959
Vehicle Costs	13,020	31,697	8,260	9,541	62,518	-	11,156	73,674
Auto Insurance	2,592	4,290	894	1,296	9,072	-	2,592	11,664
Conferences and Training	9,949	3,932	510	12,392	26,783	-	11,837	38,620
Subscriptions and References	11,577	7,409	1,405	2,142	22,533	-	16,461	38,994
Special Assistance	8,172	819	194	-	9,185	-	113	9,298
General Liability Insurance	3,011	3,061	740	585	7,397	-	13,705	21,102
Recruiting	4,194	5,851	1,642	400	12,087	-	2,161	14,248
Equipment Rental	15,047	4,563	1,886	4,568	26,064	-	6,227	32,291
Interest Expense	-	193	58	97	348	-	5,996	6,344
Subcontracts	-	-	-	86,686	86,686	-	-	86,686
Depreciation	49,089	46,392	11,739	3,331	110,551	-	51,226	161,777
Total Functional Expenses	\$ 2,065,650	\$ 1,713,686	\$ 341,195	\$ 672,952	\$ 4,793,483	\$ 1,348	\$ 874,485	\$ 5,669,316

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, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities:		
Change in Net Assets	\$ (115,425)	\$ (60,391)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	156,982	161,777
Loss on Sale of Fixed Assets	58	-
Realized Loss on Sale of Investments	31,205	3,935
Unrealized Loss on Investments	6,756	17,462
(Increase) Decrease in:		
Accounts Receivable - Public Support	93,889	(55,429)
Accounts Receivable - Client Fees	14,345	2,739
Unconditional Promises to Give	(383)	(1,133)
Inventory	2,343	(2,983)
Prepaid Expenses	(20,830)	1,753
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(8,489)	63,678
	<u>160,451</u>	<u>131,408</u>
Cash Flows From Investing Activities:		
Purchase of Fixed Assets	(56,600)	(138,780)
Purchase of Investments	(291,846)	(216,853)
Proceeds from Sale of Investments	222,506	155,567
	<u>(125,940)</u>	<u>(200,066)</u>
Cash Flows From Financing Activities:		
Principal Payments on Long-Term Debt	(43,244)	(41,256)
	<u>(43,244)</u>	<u>(41,256)</u>
Net (Decrease) in Cash and Cash Equivalents	(8,733)	(109,914)
Cash and Cash Equivalents - Beginning	808,246	918,160
Cash and Cash Equivalents - Ending	\$ <u><u>799,513</u></u>	\$ <u><u>808,246</u></u>
Supplemental Cash Flow Information:		
Interest Paid	\$ <u><u>4,258</u></u>	\$ <u><u>6,344</u></u>

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

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Notes to Financial Statements

June 30, 2006

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 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 in 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 other 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 Center 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 Center 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 Center to use all or part of the income from these assets. 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 Center 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 \$168,422 and \$182,767 at June 30, 2006 and 2005, 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, 2006 and 2005.

NOTE 3 - FIXED ASSETS

A summary of changes in Fixed Assets for the year ended June 30, 2006, is as follows:

	Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2006</u>
Land	\$ 137,575	\$ -	\$ -	\$ 137,575
Buildings & Improvements	2,772,560	23,323	-	2,795,883
Equipment & Vehicles	<u>489,361</u>	<u>33,277</u>	<u>6,442</u>	<u>516,196</u>
Total	3,399,496	56,600	6,442	3,449,654
Accumulated Depreciation	<u>1,683,255</u>	<u>156,982</u>	<u>6,384</u>	<u>1,833,853</u>
Net Fixed Assets	\$ <u>1,716,241</u>	\$ <u>(100,382)</u>	\$ <u>(58)</u>	\$ <u>1,615,801</u>

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.

	<u>Cost Basis</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Corporate Fixed Income	\$ 711,816	\$ 669,190	\$ (42,626)
Money Market Funds	369,334	369,334	-
Equity Mutual Funds	<u>95,646</u>	<u>98,280</u>	<u>2,634</u>
June 30, 2006	\$ <u>1,176,796</u>	\$ <u>1,136,804</u>	\$ <u>(39,992)</u>
June 30, 2005	\$ <u>1,119,576</u>	\$ <u>1,105,425</u>	\$ <u>(14,151)</u>

The Organization had realized (losses) of \$ (31,205) and \$ (3,935) for the years ending June 30, 2006 and 2005, respectively.

NOTE 5 - LONG-TERM DEBT

Long-Term Debt as of June 30, 2006, consisted of the following:

	<u>Total</u>	<u>Due within One Year</u>
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.	\$ 4,108	\$ 3,066
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.	<u>62,352</u>	<u>42,266</u>
Total	\$ <u>66,460</u>	\$ <u>45,332</u>

The Center also has available a \$100,000 line of credit at a local bank through May 4, 2007, bearing interest at 6.85%, 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, 2006 and 2005.

NOTE 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable and Accrued Expenses consist of the following:

	<u>2006</u>		<u>2005</u>
Accounts Payable	\$ 49,259	\$	41,184
Accrued Expenses	118,599		115,282
Accrued Vacation	191,880		207,020
Accrued Payroll	<u>122,809</u>		<u>127,550</u>
 Total	 \$ <u>482,547</u>	\$	 <u>491,036</u>

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 \$91,618 and \$90,064 for the years ended June 30, 2006 and 2005, 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, 2006, are as follows:

Ending June 30,

2007	\$ 51,536
2008	26,548
2009	<u>7,412</u>
Total	\$ <u>85,496</u>

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 52% of the public support and revenue for the Center.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2006 and 2005, temporarily restricted net assets were available for the following purposes:

	<u>2006</u>	<u>2005</u>
United Way of the Quad Cities – Fiscal Year 2007 and 2006 Allocation	\$ <u>102,783</u>	\$ <u>102,400</u>

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, 2006 and 2005. During the fiscal year ended June 30, 2006 and 2005, net assets released from restrictions consisted of the following:

	<u>2006</u>	<u>2005</u>
United Way of the Quad Cities – Fiscal Year 2006 and 2005	\$ 102,400	\$ 101,274
Riverboat Development Authority	-	15,000
Mississippi Bend AEA	-	<u>25,000</u>
Total	\$ <u>102,400</u>	\$ <u>141,274</u>

NOTE 13 - NET ASSETS DESIGNATED FOR CAPITAL IMPROVEMENTS

The Center has designated \$1,452,238 for future capital improvements as of June 30, 2006. Planned improvements include technology and building upgrades.

NOTE 14 - RELATED PARTY TRANSACTIONS

The Center has a contract with a Healthcare System to provide substance abuse services. Several Board members of the Center are employees of the Healthcare System. The Center receives revenue through a program management agreement that consists of two year terms renewable through June 30, 2010. For the year ended June 30, 2006 and 2005 the Center recognized revenue of \$691,609 and \$689,018, respectively. The Center also pays the Healthcare System for rent and psychiatric services for clients. For the year ended June 30, 2006 and 2005 the Center paid \$52,682 and \$48,978, respectively.

SUPPLEMENTAL INFORMATION

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Outpatient Programs
For the Year Ended June 30, 2006

	Total	Davenport Outpatient	Rock Island Outpatient/ Methadone	Genesis	Adolescent Treatment	Jail Based
Salaries	\$ 1,369,713	\$ 529,760	\$ 387,252	\$ 142,492	\$ 170,218	\$ 139,991
Worker's Compensation	12,946	4,409	3,469	1,504	2,559	1,005
Employee Benefits:						
Health Insurance	199,070	44,565	69,659	10,007	32,619	42,220
Retirement	35,376	13,902	8,221	5,129	3,928	4,196
Other	126	92	34	-	-	-
Payroll Taxes:						
Social Security	98,496	39,925	28,379	9,312	12,144	8,736
Unemployment	1,561	-	1,561	-	-	-
Professional Fees:						
Laboratory/Urinalysis	34,060	7,520	21,362	-	5,178	-
Contract Services	54,765	10,843	5,019	2,508	2,373	34,022
Medical Consultants	56,086	421	26,814	-	3,120	25,731
Supplies:						
Office, Outside Printing	10,267	3,936	2,523	644	1,412	1,752
Building	-	-	-	-	-	-
Medical	30,408	1,020	29,028	-	360	-
Education, Recreation and Crafts	227	-	110	-	115	2
Food and Beverage	2,914	1,148	1,112	-	580	74
Housekeeping and Laundry	7,161	3,139	2,809	-	1,213	-
Telephone	35,746	12,961	8,733	-	9,024	5,028
Postage and Shipping	3,053	140	2,415	30	468	-
Advertising	2,643	336	1,686	-	621	-
Occupancy:						
Utilities	30,559	7,517	13,169	-	9,873	-
Maintenance	25,212	6,049	7,633	-	11,460	70
Insurance	3,427	1,245	789	-	1,350	43
Transportation:						
Mileage	10,668	3,783	2,862	14	1,210	2,799
Vehicle Costs	20,795	10,737	279	-	9,779	-
Auto Insurance	2,876	1,438	-	-	1,438	-
Conferences and Training	7,430	2,308	2,615	296	617	1,594
Subscriptions and References	17,677	5,545	3,285	163	688	7,996
Special Assistance	10,516	9,482	265	188	-	581
General Liability Insurance	3,181	1,413	884	-	884	-
Recruiting	4,119	1,179	2,727	135	13	65
Equipment Rental	12,454	6,399	3,895	-	2,160	-
Depreciation	51,423	14,126	22,906	-	13,372	1,019
Total	\$ 2,154,955	\$ 745,338	\$ 661,495	\$ 172,422	\$ 298,776	\$ 276,924

See accompanying independent auditor's report.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Residential Programs
For the Year Ended June 30, 2006

	<u>Total</u>	<u>S.T.A.R.T.</u>	<u>Adult Halfway House</u>	<u>Circle of Hope</u>	<u>Genesis</u>
Salaries	\$ 1,024,860	\$ 567,196	\$ 90,454	\$ 224,719	\$ 142,491
Worker's Compensation	9,153	2,990	1,387	3,272	1,504
Employee Benefits:					
Health Insurance	109,069	54,775	2,994	41,294	10,006
Retirement	20,514	7,743	1,430	6,212	5,129
Other	286	118	72	96	-
Payroll Taxes:					
Social Security	73,175	39,786	7,612	16,465	9,312
Unemployment	1,561	-	-	1,561	-
Professional Fees:					
Laboratory/Urinalysis	5,385	2,390	1,768	1,227	-
Contract Services	64,331	6,090	4,292	51,441	2,508
Medical Consultants	92,992	47,454	21,100	24,438	-
Supplies:					
Office, Outside Printing	4,758	1,734	1,109	1,272	643
Building	15	9	6	-	-
Medical	13,549	7,361	4,483	1,705	-
Education, Recreation and Crafts	2,051	5	4	2,042	-
Food and Beverage	97,463	60,039	36,274	1,150	-
Housekeeping and Laundry	19,671	11,558	7,173	940	-
Telephone	11,607	5,386	3,254	2,967	-
Postage and Shipping	157	-	-	128	29
Advertising	1,099	298	180	621	-
Occupancy:					
Utilities	32,014	19,957	12,057	-	-
Maintenance	42,382	25,747	15,554	1,081	-
Insurance	2,426	1,465	885	76	-
Transportation:					
Mileage	2,535	637	385	1,499	14
Vehicle Costs	30,794	16,395	9,906	4,493	-
Auto Insurance	4,760	2,071	1,251	1,438	-
Conferences and Training	1,558	330	199	734	295
Subscriptions and References	6,009	2,050	1,239	2,558	162
Special Assistance	1,904	1,017	614	86	187
General Liability Insurance	3,205	1,612	974	619	-
Recruiting	9,329	4,319	2,609	2,266	135
Equipment Rental	6,120	2,095	1,253	2,772	-
Interest Expense	128	80	48	-	-
Depreciation	44,459	20,872	12,610	10,977	-
Total	\$ <u>1,739,319</u>	\$ <u>913,579</u>	\$ <u>243,176</u>	\$ <u>410,149</u>	\$ <u>172,415</u>

See accompanying independent auditor's report.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Prevention Programs
For the Year Ended June 30, 2006

	<u>Total</u>	<u>Prevention</u>	<u>Drug-Free Communities Support</u>
Salaries	\$ 362,838	\$ 346,339	\$ 16,499
Worker's Compensation	3,854	3,805	49
Employee Benefits:			
Health Insurance	41,168	41,108	60
Retirement	9,895	9,319	576
Other	13	13	-
Payroll Taxes:			
Social Security	26,355	26,355	-
Professional Fees:			
Laboratory/Urinalysis	12	12	-
Contract Services	2,137	2,137	-
Medical Consultants	1,910	1,910	-
Supplies:			
Office, Outside Printing	2,561	2,487	74
Building	-	-	-
Medical	11	11	-
Education, Recreation and Crafts	3,856	2,669	1,187
Food and Beverage	648	648	-
Housekeeping and Laundry	2,031	2,031	-
Telephone	7,541	7,242	299
Postage and Shipping	1,013	760	253
Advertising	5,301	2,062	3,239
Occupancy:			
Rent	23,337	23,337	-
Utilities	7,896	7,896	-
Maintenance	3,248	2,434	814
Insurance	228	228	-
Transportation:			
Mileage	7,516	7,516	-
Vehicle Costs	9,729	9,729	-
Auto Insurance	1,438	1,438	-
Conferences and Training	7,646	4,992	2,654
Subscriptions and References	7,294	3,130	4,164
General Liability Insurance	618	618	-
Recruiting	404	404	-
Equipment Rental	4,122	4,122	-
Subcontracts	43,084	42,094	990
Depreciation	2,135	2,091	44
Total	\$ 589,839	\$ 558,937	\$ 30,902

See accompanying independent auditor's report.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Revenue and Expenses by Contract
Iowa Department of Public Health - Division of Substance Abuse Contracts
For the Year Ended June 30, 2006

	Total	Comprehensive Prevention Contract # 5886CP11	Drug and Violence # 5886DV15	State Incentive Grant # 5885IP22	Iowa Plan	Metham- phetamine Funding	Women and Children	Methadone Treatment Contract # 5886MT02
Revenue:								
IDPH - Contractual	\$ 1,923,051	\$ 158,676	\$ 54,741	\$ 35,591	\$ 1,411,449	\$ 30,237	\$ 127,270	\$ 105,087
Revenue - IDPH	<u>1,923,051</u>	<u>158,676</u>	<u>54,741</u>	<u>35,591</u>	<u>1,411,449</u>	<u>30,237</u>	<u>127,270</u>	<u>105,087</u>
Expenses:								
Salaries and Benefits	1,466,453	156,476	43,793	32,065	1,054,245	30,237	84,651	64,986
Professional Fees:								
Laboratory/Urinalysis	14,890				12,106			2,784
Contract Services	28,357		10,948		16,755			654
Medical Consultants	82,789				55,975			26,814
Supplies:								
Office, Outside Printing	10,985	2,200		2,800	5,276		380	329
Building	13				13			
Medical	39,476				10,448			29,028
Education, Recreation and Crafts	65				51			14
Food and Beverage	80,000				79,855			145
Housekeeping and Laundry	18,388				18,018		4	366
Telephone	19,622				18,481		3	1,138
Postage and Shipping	1,190				492		383	315
Advertising	1,183				963			220
Occupancy:								
Utilities	36,817				35,100			1,717
Maintenance	42,512				41,517			995
Insurance	3,266				3,163			103
Transportation:								
Mileage	4,782				3,015		1,394	373
Vehicle Costs	34,801				24,134		10,631	36
Auto Insurance	4,525				3,087		1,438	
Conferences and Training	2,937				1,993		603	341
Subscriptions and References	7,333				6,657		248	428
Special Assistance	10,268				2,472		7,761	35
General Liability Insurance	3,594				3,126		353	115
Recruiting	7,112				6,744		13	355
Equipment Rental	8,407				7,786		113	508
Interest Expense	105				105			
Depreciation	45,566				42,580			2,986
Indirect Expenses:								
Salaries and Benefits	11,524			726			10,798	
Total Expenses	<u>1,986,960</u>	<u>158,676</u>	<u>54,741</u>	<u>35,591</u>	<u>1,454,157</u>	<u>30,237</u>	<u>118,773</u>	<u>134,785</u>
Revenues Over (Under) Expenses	<u>\$ (63,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,708)</u>	<u>\$ -</u>	<u>\$ 8,498</u>	<u>\$ (29,698)</u>

See accompanying independent auditor's report.

SINGLE AUDIT SECTION

**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 Center for Alcohol & Drug Services, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated August 25, 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.

Compliance

As part of obtaining reasonable assurance about whether 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.

To the Board of Directors - Page 2

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.

August 25, 2006

**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, 2006. 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, 2006.

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.

August 25, 2006

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Program Award Amount	Revenues/Receipts	Expenditures
<u>Pass-Through from the State of Illinois</u>					
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	40C6001093	\$ 259,014	\$ 259,014	\$ 259,014
<u>Pass-Through from the State of Iowa</u>					
U.S. Department of Health and Human Services Iowa Department of Public Health Substance Abuse Prevention Treatment Block Grant - Major Program	93-959	5886CP11	149,708	149,708	149,708
Comprehensive Prevention	93-959	5886MT02	115,277	105,087	105,087
Methadone Treatment	93-959		467,190	467,190	467,190
Iowa Managed Substance Abuse Care Plan	93-959		127,270	127,270	127,270
Women and Children Program					
Subtotal Major Program Substance Abuse Prevention Treatment Block Grant			1,118,459	1,108,269	1,108,269
<u>Pass-Through from the State of Iowa</u>					
U.S. Department of Health and Human Services Iowa Department of Public Health Consolidated Knowledge Development and Application (KD&A) Program	93-230	5885IP22	100,000	35,591	35,591
U.S. Department of Health and Human Services Iowa Department of Public Health Jail Based Assessment and Treatment Project	16-580		304,950	311,304	311,304
U.S. Department of Education Safe and Drug-Free Schools - Department of Education - Drug and Violence	84-186	5886DV05	55,000	54,741	54,741
<u>Pass-Through from Scott County of Iowa</u>					
Byrne Formula Grant Program - Scott County Drug Free Community Project	16-579		24,881	24,881	24,881
Subtotal Byrne Formula Grant Program			24,881	24,881	24,881
Total Federal Awards			\$ 1,603,290	\$ 1,534,786	\$ 1,534,786

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, 2006**

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 programs tested as a major program were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.959	U.S. Department of Health and Human Services Block Grant
16.580	U.S. Department of Health and Human Services Jail Based Assessment and Treatment Project

- 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, 2006**

There were no prior findings.