

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

**FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

June 30, 2009 and 2008

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. of June 30, 2009 and 2008, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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, 2009 and 2008, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2009 on our consideration of Center for Alcohol & Drug Services, Inc.'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 or on 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 basic financial statements of Center for Alcohol & Drug Services, Inc. taken as a whole. The supplementary information on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards on page 25 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 basic financial statements taken as a whole.

Doyle & Keenan, P.C.

September 29, 2009

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Statements of Financial Position

June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and Cash Equivalents	\$ 473,562	\$ 377,227
Investments	823,073	1,016,736
Accounts Receivable - Public Support	569,410	215,132
Accounts Receivable - Client Fees, Net	113,198	112,982
Unconditional Promises to Give	88,958	99,699
Inventory	3,400	3,537
Prepaid Expenses	59,581	43,361
Total Current Assets	<u>2,131,182</u>	<u>1,868,674</u>
Fixed Assets:		
Land	298,452	298,452
Building and Improvements	3,645,750	3,599,619
Equipment and Vehicles	522,010	547,361
Total Fixed Assets	<u>4,466,212</u>	<u>4,445,432</u>
Less Accumulated Depreciation	<u>2,236,748</u>	<u>2,102,894</u>
Net Fixed Assets	<u>2,229,464</u>	<u>2,342,538</u>
Total Assets	\$ <u>4,360,646</u>	\$ <u>4,211,212</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 12,547	\$ 11,759
Accounts Payable and Accrued Expenses	565,318	484,019
Total Current Liabilities	<u>577,865</u>	<u>495,778</u>
Long-Term Debt, Less Current Maturities	<u>242,361</u>	<u>254,908</u>
Total Liabilities	<u>820,226</u>	<u>750,686</u>
Net Assets:		
Unrestricted:		
Undesignated	249,522	97,516
Undesignated - Investment in Fixed Assets	2,229,464	2,342,538
Designated for Capital Improvements	972,476	920,773
Total Unrestricted Net Assets	<u>3,451,462</u>	<u>3,360,827</u>
Temporarily Restricted	<u>88,958</u>	<u>99,699</u>
Total Net Assets	<u>3,540,420</u>	<u>3,460,526</u>
Total Liabilities and Net Assets	\$ <u>4,360,646</u>	\$ <u>4,211,212</u>

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Statement of Activities

Year Ended June 30, 2009

	<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	\$ 734,153	\$ -	\$ 734,153
Iowa Department of Public Health -			
Division of Substance Abuse	2,480,680	-	2,480,680
United Way	(355)	88,958	88,603
Rock Island County	58,146	-	58,146
Army Substance Abuse Program	67,519	-	67,519
Scott County	669,355	-	669,355
County Commitments	40,203	-	40,203
Seventh Judicial District	125,176	-	125,176
Family Drug Court	51,342	-	51,342
U.S. Probation	110,252	-	110,252
Contributions	31,968	-	31,968
Net Assets Released from Restrictions	99,699	(99,699)	-
Total Public Support	<u>4,468,138</u>	<u>(10,741)</u>	<u>4,457,397</u>
Revenue:			
Client Fees	289,241	-	289,241
Client Fees - Insurance	594,938	-	594,938
Contractual Fees and Other Payments	903,081	-	903,081
Rental Income	3,600	-	3,600
Interest and Dividends	36,256	-	36,256
Unrealized (Loss) on Investments	(127,658)	-	(127,658)
Total Revenue	<u>1,699,458</u>	<u>-</u>	<u>1,699,458</u>
Total Public Support and Revenue	<u>6,167,596</u>	<u>(10,741)</u>	<u>6,156,855</u>
Expenses:			
Program Services:			
Outpatient	2,437,746	-	2,437,746
Residential	1,979,050	-	1,979,050
Detoxification	451,066	-	451,066
Prevention	426,449	-	426,449
Total Program Services	<u>5,294,311</u>	<u>-</u>	<u>5,294,311</u>
Supporting Services:			
Fundraising	796	-	796
Management and General	781,854	-	781,854
Total Expenses	<u>6,076,961</u>	<u>-</u>	<u>6,076,961</u>
Change in Net Assets	90,635	(10,741)	79,894
Net Assets - Beginning	<u>3,360,827</u>	<u>99,699</u>	<u>3,460,526</u>
Net Assets - Ending	<u>\$ 3,451,462</u>	<u>\$ 88,958</u>	<u>\$ 3,540,420</u>

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

**Statement of Activities
Year Ended June 30, 2008**

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services -			
Division of Alcoholism and Substance Abuse	\$ 774,478	\$ -	\$ 774,478
Iowa Department of Public Health -			
Division of Substance Abuse	2,163,615	-	2,163,615
United Way	(267)	99,699	99,432
Rock Island County	58,921	-	58,921
Scott County	745,471	-	745,471
County Commitments	61,789	-	61,789
Seventh Judicial District	94,165	-	94,165
U.S. Probation	108,955	-	108,955
Contributions	23,455	-	23,455
Net Assets Released from Restrictions	<u>108,276</u>	<u>(108,276)</u>	<u>-</u>
Total Public Support	<u>4,138,858</u>	<u>(8,577)</u>	<u>4,130,281</u>
Revenue:			
Client Fees	244,696	-	244,696
Client Fees - Insurance	490,769	-	490,769
Contractual Fees and Other Payments	880,014	-	880,014
Rental Income	3,600	-	3,600
Interest and Dividends	61,984	-	61,984
Realized Gain on Sale of Investments	11,010	-	11,010
Unrealized (Loss) on Investments	(101,649)	-	(101,649)
(Loss) on Disposal of Fixed Assets	<u>(3,037)</u>	<u>-</u>	<u>(3,037)</u>
Total Revenue	<u>1,587,387</u>	<u>-</u>	<u>1,587,387</u>
Total Public Support and Revenue	<u>5,726,245</u>	<u>(8,577)</u>	<u>5,717,668</u>
Expenses:			
Program Services:			
Outpatient	2,323,527	-	2,323,527
Residential	1,975,930	-	1,975,930
Detoxification	448,130	-	448,130
Prevention	510,242	-	510,242
Total Program Services	<u>5,257,829</u>	<u>-</u>	<u>5,257,829</u>
Supporting Services:			
Fundraising	960	-	960
Management and General	<u>753,716</u>	<u>-</u>	<u>753,716</u>
Total Expenses	<u>6,012,505</u>	<u>-</u>	<u>6,012,505</u>
Change in Net Assets	(286,260)	(8,577)	(294,837)
Net Assets - Beginning	<u>3,647,087</u>	<u>108,276</u>	<u>3,755,363</u>
Net Assets - Ending	<u>\$ 3,360,827</u>	<u>\$ 99,699</u>	<u>\$ 3,460,526</u>

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Functional Expenses
Year Ended June 30, 2009

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Fundraising	Management and General	Total All Funds
Salaries	\$ 1,594,883	\$ 1,172,934	\$ 261,980	\$ 259,992	\$ 3,289,789	\$ 796	\$ 413,035	\$ 3,703,620
Worker's Compensation	11,102	8,560	1,809	2,052	23,523	-	2,376	25,899
Employee Benefits:								
Health Insurance	265,365	229,684	43,668	42,896	581,613	-	50,037	631,650
Retirement	40,821	30,824	10,941	5,486	88,072	-	19,151	107,223
Other	57	177	38	-	272	-	8,797	9,069
Payroll Taxes:								
Social Security	113,083	83,966	18,511	18,606	234,166	-	30,106	264,272
Unemployment	2,205	2,205	-	-	4,410	-	5,664	10,074
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	29,746	29,746
Laboratory/Urinalysis	34,984	5,469	1,958	-	42,411	-	-	42,411
Contract Services	25,336	73,313	7,861	1,816	108,326	-	37,390	145,716
Medical Consultants	27,930	67,854	19,032	-	114,816	-	197	115,013
Supplies:								
Office, Outside Printing	15,343	9,554	2,724	1,853	29,474	-	35,449	64,923
Medical	35,823	13,863	4,182	50	53,918	-	2,164	56,082
Education, Recreation and Crafts	17	2,134	-	2,099	4,250	-	-	4,250
Food and Beverage	7,283	92,631	28,228	630	128,772	-	1,178	129,950
Housekeeping and Laundry	8,439	18,684	5,436	1,611	34,170	-	3,071	37,241
Telephone	26,138	10,535	2,524	4,344	43,541	-	13,218	56,759
Postage and Shipping	7,284	65	(6)	382	7,725	-	5,504	13,229
Advertising/Social Marketing	1,098	572	126	1,763	3,559	-	308	3,867
Occupancy:								
Utilities	23,400	24,596	7,644	4,799	60,439	-	13,131	73,570
Maintenance	18,465	25,224	7,588	5,385	56,662	-	12,013	68,675
Insurance	3,537	3,278	986	1,587	9,388	-	3,810	13,198
Transportation:								
Mileage	12,140	2,295	146	2,857	17,438	-	4,521	21,959
Vehicle Costs	11,410	32,652	8,649	9,167	61,878	-	19,036	80,914
Auto Insurance	2,759	5,022	1,079	2,075	10,935	-	3,144	14,079
Conferences and Training	5,812	524	20	1,515	7,871	-	7,553	15,424
Subscriptions and References	23,228	6,163	713	9,644	39,748	-	8,275	48,023
Special Assistance	34,461	339	88	-	34,888	-	-	34,888
General Liability Insurance	3,890	2,334	520	622	7,366	-	21,311	28,677
Recruiting	443	1,312	223	128	2,106	-	1,165	3,271
Equipment Rental	10,711	7,685	1,762	3,292	23,450	-	3,916	27,366
Interest	5,776	-	-	11,212	16,988	-	-	16,988
Subcontracts	-	-	-	11,636	11,636	-	-	11,636
Depreciation	64,523	44,602	12,636	18,950	140,711	-	26,588	167,299
Total Functional Expenses	\$ 2,437,746	\$ 1,979,050	\$ 451,066	\$ 426,449	\$ 5,294,311	\$ 796	\$ 781,854	\$ 6,076,961

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Functional Expenses
Year Ended June 30, 2008

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Fundraising	Management and General	Total All Funds
Salaries	\$ 1,522,771	\$ 1,180,460	\$ 253,933	\$ 273,065	\$ 3,230,229	\$ 651	\$ 380,849	\$ 3,611,729
Worker's Compensation	9,991	7,080	1,296	2,381	20,748	-	2,661	23,409
Employee Benefits:								
Health Insurance	246,838	171,376	39,457	47,601	505,272	-	57,829	563,101
Retirement	44,273	32,894	6,868	7,725	91,760	-	23,387	115,147
Other	1,183	204	59	104	1,550	-	9,161	10,711
Payroll Taxes:								
Social Security	109,610	84,046	18,002	19,799	231,457	-	26,941	258,398
Unemployment	2,574	2,574	-	-	5,148	-	9,698	14,846
Professional Fees:								
Accounting/Legal	109	-	-	211	320	-	28,398	28,718
Laboratory/Urinalysis	33,179	5,964	1,685	30	40,858	-	-	40,858
Contract Services	23,001	70,588	10,933	1,856	106,378	-	22,219	128,597
Medical Consultants	28,486	84,652	22,913	607	136,658	-	-	136,658
Supplies:								
Office, Outside Printing	11,021	7,152	2,101	1,529	21,803	309	26,056	48,168
Building	89	-	-	166	255	-	3	258
Medical	30,779	15,077	4,659	14	50,529	-	50	50,579
Education, Recreation and Crafts	8	2,002	3	3,304	5,317	-	-	5,317
Food and Beverage	4,830	89,303	26,771	384	121,288	-	1,242	122,530
Housekeeping and Laundry	7,326	17,052	4,939	1,469	30,786	-	3,572	34,358
Telephone	32,600	10,923	2,619	6,741	52,883	-	15,507	68,390
Postage and Shipping	3,615	211	-	305	4,131	-	7,809	11,940
Advertising/Social Marketing	1,176	865	113	41,218	43,372	-	281	43,653
Occupancy:								
Rent	-	-	-	11,719	11,719	-	-	11,719
Utilities	28,280	26,339	8,014	8,554	71,187	-	12,894	84,081
Maintenance	26,926	46,304	13,609	16,013	102,852	-	8,806	111,658
Insurance	3,980	3,163	934	786	8,863	-	2,506	11,369
Transportation:								
Mileage	11,463	2,442	360	4,205	18,470	-	5,138	23,608
Vehicle Costs	12,234	42,100	10,515	8,819	73,668	-	22,831	96,499
Auto Insurance	3,103	5,233	1,094	1,891	11,321	-	3,114	14,435
Conferences and Training	6,836	1,454	259	1,951	10,500	-	14,226	24,726
Subscriptions and References	19,396	10,184	1,833	3,545	34,958	-	10,567	45,525
Special Assistance	11,568	496	112	-	12,176	-	247	12,423
General Liability Insurance	3,577	2,674	623	602	7,476	-	20,467	27,943
Recruiting	4,130	2,866	852	115	7,963	-	2,438	10,401
Equipment Rental	10,029	4,778	1,133	3,256	19,196	-	3,853	23,049
Interest	4,751	3	1	9,222	13,977	-	1	13,978
Subcontracts	-	-	-	10,975	10,975	-	-	10,975
Depreciation	63,795	45,471	12,440	20,080	141,786	-	30,965	172,751
Total Functional Expenses	\$ 2,323,527	\$ 1,975,930	\$ 448,130	\$ 510,242	\$ 5,257,829	\$ 960	\$ 753,716	\$ 6,012,505

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Statements of Cash Flows

Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 79,894	\$ (294,837)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	167,299	172,751
Loss on Disposal of Fixed Assets	-	3,037
Realized Loss on Sale of Investments	-	(11,010)
Unrealized Loss on Investments	127,658	101,649
(Increase) Decrease in:		
Accounts Receivable - Public Support	(354,278)	64,506
Accounts Receivable - Client Fees	(216)	38,386
Unconditional Promises to Give	10,741	8,577
Inventory	137	(115)
Prepaid Expenses	(16,220)	1,238
Increase in Accounts Payable and Accrued Expenses	81,299	8,992
Net Cash Provided by Operating Activities	96,314	93,174
Cash Flows From Investing Activities:		
Purchase of Fixed Assets	(54,225)	(868,561)
Purchase of Investments	(83,995)	(514,012)
Proceeds from Sale of Investments	50,000	457,702
Transfers from Investments to Operations	100,000	575,000
Net Cash Provided by (Used in) Investing Activities	11,780	(349,871)
Cash Flows From Financing Activities:		
Proceeds from Long-Term Debt	-	275,000
Principal Payments on Long-Term Debt	(11,759)	(9,375)
Net Cash Provided by (Used in) Financing Activities	(11,759)	265,625
Net Increase in Cash and Cash Equivalents	96,335	8,928
Cash and Cash Equivalents - Beginning	377,227	368,299
Cash and Cash Equivalents - Ending	\$ 473,562	\$ 377,227
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	\$ 16,988	\$ 13,978

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Notes to Financial Statements

Note 1. Nature of the Organization and Significant Accounting Policies

Nature of the Organization - Center for Alcohol & Drug Services, Inc. ("the Center") is an Iowa not-for-profit corporation also registered to do business in Illinois 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 are:

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.

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.

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.

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.

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.

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.

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.

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.

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.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Notes to Financial Statements

Note 1. Nature of the Organization and Significant Accounting Policies (Continued)

A summary of the Organization's significant accounting policies follows:

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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. The Center 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.

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

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

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 - 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.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Notes to Financial Statements

Note 1. Nature of the Organization and Significant Accounting Policies (Continued)

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.

Subsequent Events – In accordance with Statement of Financial Accounting Standards No. 165, “*Subsequent Events*”, in preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through the date of the auditor’s report, the date the financial statements were available to be issued.

Note 2. Accounts Receivable - Client Fees

Client fee receivables totaled \$163,131 and \$162,915 at June 30, 2009 and 2008, 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, 2009 and 2008.

Note 3. Fixed Assets

A summary of changes in fixed assets for the year ended June 30, 2009, is as follows:

	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Land	\$ 298,452	\$ -	\$ -	\$ 298,452
Buildings and Improvements	3,599,619	46,131	-	3,645,750
Equipment and Vehicles	547,361	8,094	(33,445)	522,010
Total Cost	4,445,432	54,225	(33,445)	4,466,212
Accumulated Depreciation	(2,102,894)	(167,299)	33,445	(2,236,748)
Net Fixed Assets	\$ 2,342,538	\$ (113,074)	\$ -	\$ 2,229,464

Note 4. Fair Value Measurements and Investments

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS No. 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 and Level 2 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS No. 157 are described below:

- Level 1 - Quoted prices in active markets for identical securities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Significant unobservable inputs.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Notes to Financial Statements

Note 4. Fair Value Measurements and Investments (Continued)

The Organization holds investments in brokerage accounts as shown below. The investments are measured at fair value, on a recurring basis during the year, using quoted prices in active markets for identical assets (Level 1). The cost includes the amounts of reinvested dividends and distributions from mutual funds. The cost and fair values of these investments at June 30, 2009 and 2008 are as follows:

	2009		2008	
	Cost	Fair Value Level 1	Cost	Fair Value Level 1
Fixed Income	\$ 451,960	\$ 447,197	\$ 501,931	\$ 503,261
Money Market Funds	82,738	82,738	98,772	98,772
Equity Funds	<u>447,272</u>	<u>293,138</u>	<u>447,272</u>	<u>414,703</u>
 Total Investments	 <u>\$ 981,970</u>	 <u>\$ 823,073</u>	 <u>\$ 1,047,975</u>	 <u>\$ 1,016,736</u>

During the years ending June 30, 2009 and 2008, investments were sold for total proceeds of \$50,000 and \$457,702, respectively and gross realized gains (losses) on these sales was \$0 and \$11,010, respectively. For purposes of determining gross realized gains or losses, the cost of securities sold is based upon the specific identification method of investments sold. Net unrealized holding gains and (losses) in the amount of \$(127,658) and \$(101,649) has been included in the change of net assets for the years ending June 30, 2009 and 2008, respectively.

Note 5. Long-Term Debt

Long-Term Debt as of June 30, 2009, consisted of the following:

Note Payable - IFF	
Original amount of \$275,000. Interest rate of 6.5%, due in monthly installments of \$2,396 including interest, balance due September 1, 2022, secured by land and building located at 1519 East Locust Street, Davenport, IA	\$ 254,908
Less: Current Maturities	<u>12,547</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 242,361</u>

Annual maturities of outstanding debt are as follows:

Year Ending June 30:	
2010	\$ 12,547
2011	13,387
2012	14,284
2013	15,241
2014	16,261
Thereafter	<u>183,188</u>
	<u>\$ 254,908</u>

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Notes to Financial Statements

Note 6. Line of Credit

The Organization has a revolving line of credit agreement with a bank under which it may borrow up to \$250,000. The agreement expires October 24, 2009. There were no amounts outstanding under this agreement at June 30, 2009.

Note 7. Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses consist of the following:

	2009	2008
Accounts Payable	\$ 72,129	\$ 44,369
Accrued Expenses	183,001	150,737
Accrued Vacation	204,680	198,902
Accrued Payroll	105,508	90,011
	\$ 565,318	\$ 484,019

Note 8. 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 \$107,223 and \$115,147 for the years ended June 30, 2009 and 2008, respectively.

Note 9. 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, 2009, are as follows:

Year Ending June 30:		
2010	\$	38,676
2011		9,111
2012		3,470
	\$	51,257

Note 10. 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). Management believes that credit risk related to these deposits is minimal.

Note 11. 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.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Notes to Financial Statements

Note 12. Temporarily Restricted Net Assets

At June 30, 2009 and 2008, temporarily restricted net assets were available for the following purposes:

	2009	2008
United Way of the Quad Cities - Fiscal Year 2010 and 2009 allocation	\$ <u>88,958</u>	\$ <u>99,699</u>

Note 13. 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, 2009 and 2008. During the fiscal year ended June 30, 2009 and 2008, net assets released from restrictions consisted of the following:

	2009	2008
United Way of the Quad Cities - Fiscal Year 2009 and 2008 allocation	\$ <u>99,699</u>	\$ <u>108,276</u>

Note 14. Net Assets Designated for Capital Improvements

The Center has designated \$972,476 for future capital improvements as of June 30, 2009. Planned improvements include technology and building upgrades.

Note 15. 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, 2009. For the years ended June 30, 2009 and 2008 the Center recognized revenue of \$688,559 and \$689,047, respectively. The Center also pays the Healthcare System for rent and psychiatric services for clients. For the years ended June 30, 2009 and 2008 the Center paid \$49,614 and \$48,320, respectively. Due to program changes the Center expects the agreement to be reduced for the year ending June 30, 2010.

SUPPLEMENTARY INFORMATION

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Outpatient Programs
Year Ended June 30, 2009
See Auditor's Report

	Davenport Outpatient	Rock Island Outpatient/ Methadone	Genesis	Adolescent Treatment	Jail Based	Total
Salaries	\$ 706,167	\$ 454,501	\$ 118,437	\$ 122,459	\$ 193,319	\$ 1,594,883
Worker's Compensation	4,404	3,108	1,026	1,282	1,282	11,102
Employee Benefits:						
Health Insurance	119,282	74,312	17,810	17,863	36,098	265,365
Retirement	18,908	10,619	4,391	3,419	3,484	40,821
Other	53	-	4	-	-	57
Payroll Taxes:						
Social Security	50,164	32,057	8,583	8,626	13,653	113,083
Unemployment	-	2,205	-	-	-	2,205
Professional Fees:						
Accounting/Legal	-	-	-	-	-	-
Laboratory/Urinalysis	8,327	24,521	-	2,136	-	34,984
Contract Services	10,208	11,131	-	1,529	2,468	25,336
Medical Consultants	-	24,222	-	3,120	588	27,930
Supplies:						
Office, Outside Printing	5,713	6,005	37	1,167	2,421	15,343
Medical	662	35,135	-	26	-	35,823
Education, Recreation and Crafts	-	-	-	17	-	17
Food and Beverage	5,369	1,728	-	186	-	7,283
Housekeeping and Laundry	4,237	2,960	-	868	374	8,439
Telephone	11,601	9,328	-	2,384	2,825	26,138
Postage and Shipping	5,962	1,168	-	149	5	7,284
Advertising/Social Marketing	307	548	-	243	-	1,098
Occupancy:						
Utilities	8,831	12,097	-	2,472	-	23,400
Maintenance	5,863	9,640	188	2,774	-	18,465
Insurance	1,523	1,117	-	817	80	3,537
Transportation:						
Mileage	3,417	5,242	82	217	3,182	12,140
Vehicle Costs	7,155	(18)	-	4,186	87	11,410
Auto Insurance	1,690	-	-	1,069	-	2,759
Conferences and Training	1,808	2,829	194	222	759	5,812
Subscriptions and References	11,242	4,440	42	4,573	2,931	23,228
Special Assistance	33,749	303	85	-	324	34,461
General Liability Insurance	1,966	943	-	321	660	3,890
Recruiting	198	106	-	32	107	443
Equipment Rental	5,530	3,445	-	1,736	-	10,711
Interest	-	-	-	5,776	-	5,776
Depreciation	17,480	24,467	-	21,797	779	64,523
Total	\$ 1,051,816	\$ 758,159	\$ 150,879	\$ 211,466	\$ 265,426	\$ 2,437,746

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Residential Programs
For the Year Ended June 30, 2009
See Auditor's Report

	S.T.A.R.T.	Adult Halfway House	Circle of Hope	Genesis	Total
Salaries	\$ 520,272	\$ 285,492	\$ 248,733	\$ 118,437	\$ 1,172,934
Worker's Compensation	3,672	2,067	1,795	1,026	8,560
Employee Benefits:					
Health Insurance	89,509	32,894	89,471	17,810	229,684
Retirement	16,982	2,059	7,392	4,391	30,824
Other	80	43	50	4	177
Payroll Taxes:					
Social Security	36,766	20,308	18,309	8,583	83,966
Unemployment	-	-	2,205	-	2,205
Professional Fees:					
Laboratory/Urinalysis	1,407	2,652	1,410	-	5,469
Contract Services	14,499	8,414	50,400	-	73,313
Medical Consultants	44,246	-	23,608	-	67,854
Supplies:					
Office, Outside Printing	5,064	3,005	1,448	37	9,554
Medical	8,413	4,557	893	-	13,863
Education, Recreation and Crafts	-	-	2,134	-	2,134
Food and Beverage	58,910	31,910	1,811	-	92,631
Housekeeping and Laundry	11,360	6,155	1,169	-	18,684
Telephone	5,267	2,853	2,415	-	10,535
Postage and Shipping	(13)	(7)	85	-	65
Advertising/Social Marketing	263	142	167	-	572
Occupancy:					
Utilities	15,954	8,642	-	-	24,596
Maintenance	15,837	8,579	620	188	25,224
Insurance	2,058	1,115	105	-	3,278
Transportation:					
Mileage	269	146	1,798	82	2,295
Vehicle Costs	18,049	9,776	4,827	-	32,652
Auto Insurance	2,253	1,220	1,549	-	5,022
Conferences and Training	41	22	267	194	524
Subscriptions and References	1,490	806	3,825	42	6,163
Special Assistance	184	99	(29)	85	339
General Liability Insurance	1,086	588	660	-	2,334
Recruiting	464	252	596	-	1,312
Equipment Rental	3,088	1,676	2,921	-	7,685
Depreciation	25,687	13,915	5,000	-	44,602
Total	\$ 903,157	\$ 449,380	\$ 475,634	\$ 150,879	\$ 1,979,050

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Revenue and Expenses by Contract
Iowa Department of Public Health - Division of Substance Abuse Contracts
Year Ended June 30, 2009
See Auditor's Report

	Total	Comprehensive Prevention Contract # 5889CP11	Culturally Competent # 5889CP40	Iowa Plan	Metham- phetamine Funding	Women and Children	Methadone Treatment Contract # 5889MT02
Revenue:							
IDPH - Contractual	\$ 2,408,986	\$ 159,176	\$ 126,113	\$ 1,742,923	\$ 30,237	\$ 235,260	\$ 115,277
Expenses:							
Salaries and Benefits	1,837,258	159,176	91,543	1,320,617	30,237	159,313	76,372
Professional Fees:							
Laboratory/Urinalysis	15,682	-	-	12,435	-	-	3,247
Building and Improvements	24,066	-	-	22,592	-	-	1,474
Medical Consultants	45,211	-	-	33,100	-	-	12,111
Supplies:							
Office, Outside Printing	31,635	-	19,446	10,338	-	1,056	795
Building	-	-	-	-	-	-	-
Medical	27,790	-	-	10,216	-	6	17,568
Education, Recreation and Crafts	7	-	-	7	-	-	-
Food and Beverage	72,141	-	-	71,912	-	-	229
Housekeeping and Laundry	17,296	-	-	16,403	-	501	392
Telephone	16,373	-	-	14,719	-	419	1,235
Postage and Shipping	5,458	-	-	3,702	-	1,601	155
Advertising/Social Marketing	745	-	-	639	-	33	73
Occupancy:							
Utilities	28,583	-	-	26,094	-	887	1,602
Maintenance	25,883	-	-	24,023	-	584	1,276
Insurance	4,040	-	-	3,734	-	158	148
Transportation:							
Mileage	4,145	-	-	1,421	-	2,030	694
Vehicle Costs	29,153	-	-	23,305	-	5,850	(2)
Auto Insurance	4,662	-	-	3,113	-	1,549	-
Conferences and Training	2,172	-	-	1,099	-	698	375
Subscriptions and References	9,558	-	-	7,881	-	1,089	588
Special Assistance	33,672	-	-	783	-	32,849	40
General Liability Insurance	2,995	-	-	2,655	-	215	125
Recruiting	715	-	-	629	-	72	14
Equipment Rental	8,964	-	-	7,960	-	548	456
Interest	2,182	-	-	2,182	-	-	-
Depreciation	56,294	-	-	51,155	-	1,899	3,240
Indirect Expenses:							
Salaries and Benefits	119,895	-	15,124	83,636	-	21,136	-
Total Expenses	2,426,575	159,176	126,113	1,756,350	30,237	232,493	122,207
Revenues Over (Under) Expenses	\$ (17,589)	\$ -	\$ -	\$ (13,427)	\$ -	\$ 2,767	\$ (6,930)

SINGLE AUDIT SECTION

**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**

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, 2009, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Center's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected by the Center's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Center's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 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 management of Center for Alcohol & Drug Services, Inc. in a separate letter dated September 29, 2009.

This report is intended solely for the information and use of management, the Board of Directors, others within the Center 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 29, 2009

**INDEPENDENT AUDITOR'S 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, 2009. 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 auditing standards generally accepted in the United States of America; 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, 2009.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Center for Alcohol & Drug Services, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of noncompliance requirement of a federal program on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any Center's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the Center 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 29, 2009

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
See Auditor's Report

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Revenues/ Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Pass-Through Illinois Department of Human Services:				
Office of Alcoholism and Substance Abuse				
Block Grants for Prevention and Treatment of Substance Abuse	*	93.959	40C8001093 \$ 152,044	\$ 152,044
Pass-Through Iowa Department of Public Health:				
Substance Abuse Prevention Treatment Block Grant	*			
Comprehensive Prevention	93.959	5889CP11	149,708	149,708
Methadone Treatment	93.959	5889CP40	115,277	115,277
Iowa Managed Substance Abuse Care Plan	93.959		487,990	487,990
Women and Children Program	93.959		135,198	135,198
Sub-Total Iowa Department of Public Health			<u>888,173</u>	<u>888,173</u>
Pass-Through Iowa Department of Public Health:				
Substance Abuse and Mental Health Services - Access to Recovery		93.275	49,809	49,809
Pass-Through Iowa Judicial Branch:				
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse		93.087	51,342	51,342
Total U.S. Department of Health and Human Services			<u>1,141,368</u>	<u>1,141,368</u>
<u>U.S. Department of Justice</u>				
Pass-Through Iowa Department of Public Health:				
Public Safety Partnership and Community Policing Grants		16.710	123,036	123,036
Total U.S. Department of Justice			<u>123,036</u>	<u>123,036</u>
Total Federal Awards			<u>\$ 1,264,404</u>	<u>\$ 1,264,404</u>
	Total CFDA 93.959 (Major Program)		\$ 1,040,217	\$ 1,040,217
	Total CFDA 93.275		49,809	49,809
	Total CFDA 93.087		51,342	51,342
	Total CFDA 16.710		<u>123,036</u>	<u>123,036</u>
Total Federal Awards by Federal CFDA Number			<u>\$ 1,264,404</u>	<u>\$ 1,264,404</u>

* Indicates a major program.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients: None.

Non-Cash Assistance: None.

Federal Insurance: None.

Loans and Loan Guarantees: None.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.959	U.S. Department of Health and Human Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? Yes No

II. FINANCIAL STATEMENT FINDINGS

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Summary Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2009

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.

September 29, 2009

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

In planning and performing our audit of the financial statements of Center for Alcohol & Drug Services, Inc. as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we identified certain deficiencies in internal control that we did not consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect the Center's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Center's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Following are descriptions of the identified control deficiencies that we determined did not constitute a significant deficiency or material weakness:

1. Bank Statements

During the course of our audit we noted that no one independent of the person who prepares the bank reconciliation reviews the contents for propriety.

We recommend that someone independent of the bank reconciliation process receive electronic bank statements directly from the bank and review their contents for propriety and/or at least monthly review the bank statement and photocopies of cancelled checks, deposit slips, etc. (online).

2. Check Images

We noted that the Center receives check images with the monthly bank statements however the images do not include the backs of the checks.

The Center currently receives the images of the front of the checks. We recommend that the Center obtain images of the back of all checks in order to review for propriety.

3. Payroll

During the course of our audit we noted that no one independent of the person who prepares payroll reviews it once it has been completed by the outside payroll processor.

We recommend that someone independent of the person who submits payroll to the payroll processor reviews completed payroll reports.

Subsequent to year end the Executive Director is reviewing the payroll reports.

4. Journal Entries

During the course of our audit we noted that no one reviews and approves journal entries once they have been prepared.

We recommend that someone independent of the journal entry preparer receive and review journal entries each month and that the review be documented.

We have already discussed these issues with the Center's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing any changes.

This letter does not affect our report dated September 29, 2009, on the financial statements of Center for Alcohol & Drug Services, Inc. This report is intended solely for the use of the management of the Center.

We wish to take this opportunity to express our appreciation for the courtesies extended us during our recent audit.

Sincerely,



Doyle & Keenan, P.C.