

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

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

**June 30, 2010 and 2009**

**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, 2010 and 2009, 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 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, 2010 and 2009, 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 November 12, 2010 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 18 through 20 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 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 basic financial statements taken as a whole.

*Doyle & Keenan, P.C.*

November 12, 2010

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

**Statements of Financial Position**

**June 30, 2010 and 2009**

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 782,681	\$ 473,562
Investments	1,274,461	823,073
Accounts Receivable - Public Support	470,314	569,410
Accounts Receivable - Client Fees, Net	66,520	113,198
Unconditional Promises to Give	84,063	88,958
Inventory	3,930	3,400
Prepaid Expenses	60,140	59,581
Total Current Assets	<u>2,742,109</u>	<u>2,131,182</u>
<b>Fixed Assets:</b>		
Land	298,452	298,452
Building and Improvements	3,609,936	3,645,750
Equipment and Vehicles	584,003	522,010
Total Fixed Assets	<u>4,492,391</u>	<u>4,466,212</u>
Less Accumulated Depreciation	<u>2,359,779</u>	<u>2,236,748</u>
Net Fixed Assets	<u>2,132,612</u>	<u>2,229,464</u>
<b>Total Assets</b>	<u>\$ 4,874,721</u>	<u>\$ 4,360,646</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Current Maturities of Long-Term Debt	\$ 36,378	\$ 12,547
Accounts Payable and Accrued Expenses	464,672	565,318
Total Current Liabilities	<u>501,050</u>	<u>577,865</u>
Long-Term Debt, Less Current Maturities	<u>273,040</u>	<u>242,361</u>
<b>Total Liabilities</b>	<u>774,090</u>	<u>820,226</u>
<b>Net Assets:</b>		
<b>Unrestricted:</b>		
Undesignated	341,099	249,522
Undesignated - Investment in Fixed Assets	2,132,612	2,229,464
Designated for Capital Improvements	1,542,857	972,476
Total Unrestricted Net Assets	<u>4,016,568</u>	<u>3,451,462</u>
Temporarily Restricted	84,063	88,958
<b>Total Net Assets</b>	<u>4,100,631</u>	<u>3,540,420</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,874,721</u>	<u>\$ 4,360,646</u>

See Notes to Financial Statements.

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

**Statement of Activities**

**Year Ended June 30, 2010**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>Public Support and Revenue:</b>			
<b>Public Support:</b>			
Illinois Department of Human Services -			
Division of Alcoholism and Substance Abuse	\$ 637,354	\$ -	\$ 637,354
Iowa Department of Public Health -			
Division of Substance Abuse	2,627,264	-	2,627,264
United Way	109	84,063	84,172
Rock Island County	58,075	-	58,075
Army Substance Abuse Program	95,859	-	95,859
Scott County	688,331	-	688,331
County Commitments	37,959	-	37,959
Seventh Judicial District	119,792	-	119,792
Family Drug Court	47,813	-	47,813
U.S. Probation	126,237	-	126,237
Contributions	23,846	-	23,846
Net Assets Released from Restrictions	88,958	(88,958)	-
<b>Total Public Support</b>	<b>4,551,597</b>	<b>(4,895)</b>	<b>4,546,702</b>
<b>Revenue:</b>			
Client Fees	321,104	-	321,104
Client Fees - Insurance	651,438	-	651,438
Contractual Fees and Other Payments	636,570	-	636,570
Rental Income	3,600	-	3,600
Interest and Dividends - Net of Expenses of \$4,994	27,644	-	27,644
Loss on Disposal of Fixed Assets	(35,000)	-	(35,000)
Realized (Loss) on Sale of Investments	(41,063)	-	(41,063)
Unrealized Gain on Investments	64,979	-	64,979
<b>Total Revenue</b>	<b>1,629,272</b>	<b>-</b>	<b>1,629,272</b>
<b>Total Public Support and Revenue</b>	<b>6,180,869</b>	<b>(4,895)</b>	<b>6,175,974</b>
<b>Expenses:</b>			
<b>Program Services:</b>			
Outpatient	2,708,810	-	2,708,810
Residential	1,346,831	-	1,346,831
Detoxification	442,400	-	442,400
Prevention	432,822	-	432,822
<b>Total Program Services</b>	<b>4,930,863</b>	<b>-</b>	<b>4,930,863</b>
<b>Supporting Services:</b>			
Fundraising	463	-	463
Management and General	684,437	-	684,437
<b>Total Expenses</b>	<b>5,615,763</b>	<b>-</b>	<b>5,615,763</b>
<b>Change in Net Assets</b>	<b>565,106</b>	<b>(4,895)</b>	<b>560,211</b>
<b>Net Assets - Beginning</b>	<b>3,451,462</b>	<b>88,958</b>	<b>3,540,420</b>
<b>Net Assets - Ending</b>	<b>\$ 4,016,568</b>	<b>\$ 84,063</b>	<b>\$ 4,100,631</b>

See Notes to Financial Statements.

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

**Statement of Activities**

**Year Ended June 30, 2009**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>Public Support and Revenue:</b>			
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)	-
<b>Total Public Support</b>	<b>4,468,138</b>	<b>(10,741)</b>	<b>4,457,397</b>
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 - Net of Expenses \$4,421	36,256	-	36,256
Unrealized (Loss) on Investments	(127,658)	-	(127,658)
<b>Total Revenue</b>	<b>1,699,458</b>	<b>-</b>	<b>1,699,458</b>
<b>Total Public Support and Revenue</b>	<b>6,167,596</b>	<b>(10,741)</b>	<b>6,156,855</b>
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
<b>Total Program Services</b>	<b>5,294,311</b>	<b>-</b>	<b>5,294,311</b>
Supporting Services:			
Fundraising	796	-	796
Management and General	781,854	-	781,854
<b>Total Expenses</b>	<b>6,076,961</b>	<b>-</b>	<b>6,076,961</b>
<b>Change in Net Assets</b>	<b>90,635</b>	<b>(10,741)</b>	<b>79,894</b>
<b>Net Assets - Beginning</b>	<b>3,360,827</b>	<b>99,699</b>	<b>3,460,526</b>
<b>Net Assets - Ending</b>	<b>\$ 3,451,462</b>	<b>\$ 88,958</b>	<b>\$ 3,540,420</b>

See Notes to Financial Statements.

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2010**

	Outpatient	Residential	Detoxification	Prevention	Total Program Services	Fundraising	Management and General	Total
Salaries	\$ 1,867,586	\$ 848,514	\$ 279,847	\$ 250,397	\$ 3,246,344	\$ 463	\$ 350,315	\$ 3,597,122
Worker's Compensation	11,054	4,815	1,471	1,864	19,204	-	2,307	21,511
Employee Benefits:								
Health Insurance	190,516	98,829	27,244	23,691	340,280	-	46,029	386,309
Other	802	328	102	139	1,371	-	9,520	10,891
Payroll Taxes:								
Social Security	134,216	60,255	19,970	17,752	232,193	-	24,496	256,689
Unemployment	3,643	(15)	(5)	-	3,623	-	13,517	17,140
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	49,918	49,918
Laboratory/Urinalysis	33,550	3,283	2,393	120	39,346	-	-	39,346
Contract Services	25,938	7,676	2,989	2,150	38,753	-	18,895	57,648
Medical Consultants	30,706	43,681	19,032	-	93,419	-	-	93,419
Supplies:								
Office, Outside Printing	24,767	5,800	2,518	2,122	35,207	-	19,479	54,686
Medical	31,723	16,390	5,640	91	53,844	-	1,265	55,109
Education, Recreation and Crafts	122	-	-	2,716	2,838	-	-	2,838
Food and Beverage	6,922	79,891	24,831	363	112,007	-	946	112,953
Housekeeping and Laundry	9,324	17,698	5,494	1,753	34,269	-	2,969	37,238
Telephone	29,782	10,476	3,256	5,382	48,896	-	13,000	61,896
Postage and Shipping	9,635	-	-	410	10,045	-	7,906	17,951
Advertising/Social Marketing	16,170	2,864	1,506	30,188	50,728	-	1,720	52,448
Occupancy:								
Rent	25,880	-	-	-	25,880	-	-	25,880
Utilities	25,502	22,287	6,927	4,781	59,497	-	13,184	72,681
Maintenance	32,455	27,839	8,653	7,904	76,851	-	16,323	93,174
Insurance	3,754	2,965	921	1,868	9,508	-	3,370	12,878
Transportation:								
Mileage	13,455	459	152	3,108	17,174	-	2,150	19,324
Vehicle Costs	11,482	31,677	9,845	5,936	58,940	-	18,463	77,403
Auto Insurance	2,767	3,202	995	1,522	8,486	-	3,286	11,772
Conferences and Training	3,791	121	38	15,072	19,022	-	9,544	28,566
Subscriptions and References	31,245	3,634	1,130	693	36,702	-	8,576	45,278
Special Assistance	41,560	689	233	-	42,482	-	72	42,554
General Liability Insurance	3,680	3,139	976	1,636	9,431	-	20,507	29,938
Recruiting	1,311	757	236	26	2,330	-	1,837	4,167
Equipment Rental	11,461	3,678	1,413	3,160	19,712	-	4,694	24,406
Interest	5,507	-	-	10,692	16,199	-	-	16,199
Subcontracts	-	-	-	13,783	13,783	-	-	13,783
Depreciation	68,504	45,899	14,593	23,503	152,499	-	20,149	172,648
<b>Total Functional Expenses</b>	<b>\$ 2,708,810</b>	<b>\$ 1,346,831</b>	<b>\$ 442,400</b>	<b>\$ 432,822</b>	<b>\$ 4,930,863</b>	<b>\$ 463</b>	<b>\$ 684,437</b>	<b>\$ 5,615,763</b>

**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
Salaries	\$ 1,594,883	\$ 1,172,934	\$ 261,980	\$ 259,992	\$ 3,289,789	\$ 796	\$ 413,035	\$ 3,703,620
Worker's Compensation	111,102	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	5,618	524	20	1,515	7,677	-	7,553	15,230
Subscriptions and References	23,186	6,163	713	9,644	39,706	-	8,275	47,981
Special Assistance	34,570	339	88	-	34,997	-	34,997	34,997
General Liability Insurance	3,932	2,334	520	622	7,408	-	21,311	28,719
Recruiting	528	1,312	223	128	2,191	-	1,165	3,356
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
<b>Total Functional Expenses</b>	<b>\$ 2,437,746</b>	<b>\$ 1,979,050</b>	<b>\$ 451,066</b>	<b>\$ 426,449</b>	<b>\$ 5,294,311</b>	<b>\$ 796</b>	<b>\$ 781,854</b>	<b>\$ 6,076,961</b>

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 560,211	\$ 79,894
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	172,648	167,299
Loss on Disposal of Fixed Assets	35,000	-
Realized Loss on Sale of Investments	41,063	-
Unrealized (Gain) Loss on Investments	(64,979)	127,658
(Increase) Decrease in:		
Accounts Receivable - Public Support	99,096	(354,278)
Accounts Receivable - Client Fees, Net	46,678	(216)
Unconditional Promises to Give	4,895	10,741
Inventory	(530)	137
Prepaid Expenses	(559)	(16,220)
Increase (Decrease) in Accounts Payable and Accrued Expenses	<u>(100,646)</u>	<u>81,299</u>
Net Cash Provided by Operating Activities	<u>792,877</u>	<u>96,314</u>
 Cash Flows From Investing Activities:		
Purchase of Fixed Assets	(110,796)	(54,225)
Purchase of Investments	(928,053)	(83,995)
Proceeds from Sale of Investments	500,581	50,000
Transfers from Investments to Operations	-	100,000
Net Cash Provided by (Used in) Investing Activities	<u>(538,268)</u>	<u>11,780</u>
 Cash Flows From Financing Activities:		
Proceeds from Long-Term Debt	68,973	-
Principal Payments on Long-Term Debt	<u>(14,463)</u>	<u>(11,759)</u>
Net Cash Provided by (Used in) Financing Activities	<u>54,510</u>	<u>(11,759)</u>
 Net Increase in Cash and Cash Equivalents	309,119	96,335
 Cash and Cash Equivalents - Beginning	<u>473,562</u>	<u>377,227</u>
 Cash and Cash Equivalents - Ending	<u>\$ 782,681</u>	<u>\$ 473,562</u>
 Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	<u>\$ 16,199</u>	<u>\$ 16,988</u>

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.

Subsequent Events - In accordance with the Subsequent Events Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), in preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through November 12, 2010, the date the financial statements were available to be issued.

Basis of Presentation - Financial statement presentation follows the recommendations of the FASB ASC, Financial Statements of Not-for-Profit Entities. 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 FASB ASC, expenses are generally reported as decreases 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 of 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.

Investments - The Center carries investments in marketable securities with readily determinable fair values and all debt securities at their fair value in the statement of financial position. Realized gains or losses are determined on the specific identification method and are reflected in revenue. Unrealized gains and losses are included in the change in net assets.

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

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

**Note 1. Nature of the Organization and 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 - 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.

The Financial Accounting Standards Board issued new guidance on accounting for uncertainty in income taxes. The Center adopted this new guidance for the year ended June 30, 2010. Management evaluated the Center's tax positions and concluded that the Center had maintained its tax exempt status and had taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

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. 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 3. Accounts Receivable - Client Fees**

Client fee receivables totaled \$116,453 and \$163,131 at June 30, 2010 and 2009, 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, 2010 and 2009.

**Note 4. Fair Value Measurements and Investments**

The Fair Value Measurements and Disclosures Topic of FASB ASC 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 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.

The Center's investments in various investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near-term and that such a change could materially affect the amounts reported in the statement of financial position.

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

**Note 4. Fair Value Measurements and Investments (Continued)**

The Center 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, 2010 and 2009 are as follows:

	2010		2009	
	Cost	Fair Value Level 1	Cost	Fair Value Level 1
Money Market Funds	\$ 30,494	\$ 30,494	\$ 82,738	\$ 82,738
Fixed Income:				
U.S. Government Agency Obligations	100,000	104,125	399,925	415,297
Mutual Funds	225,000	225,516	-	-
Mutual Funds - Tax Exempt	180,000	179,799	-	-
Preferred Stock	-	-	52,035	31,900
Equity Funds:				
Common Stock	581,326	513,400	288,626	190,721
Mutual Funds - Equity	156,559	142,198	106,646	71,446
Mutual Funds - Global	95,000	78,929	52,000	30,971
<b>Total Investments</b>	<b>\$ 1,368,379</b>	<b>\$ 1,274,461</b>	<b>\$ 981,970</b>	<b>\$ 823,073</b>

During the years ending June 30, 2010 and 2009, investments were sold for total proceeds of \$500,581 and \$50,000, respectively and gross realized gains (losses) on these sales was \$(41,063) and \$0, 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 \$64,979 and \$(127,658) has been included in the change of net assets for the years ending June 30, 2010 and 2009, respectively.

**Note 5. Fixed Assets**

A summary of changes in fixed assets for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
	Land	\$ 298,452	\$ -	\$ -
Buildings and Improvements	3,645,750	37,261	(75,000)	3,608,011
Leasehold Improvements	-	1,925	-	1,925
Equipment and Vehicles	522,010	71,610	(9,617)	584,003
Total Cost	4,466,212	110,796	(84,617)	4,492,391
Accumulated Depreciation	(2,236,748)	(172,648)	49,617	(2,359,779)
<b>Net Fixed Assets</b>	<b>\$ 2,229,464</b>	<b>\$ (61,852)</b>	<b>\$ (35,000)</b>	<b>\$ 2,132,612</b>

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

**Note 6. Long-Term Debt**

Long-Term Debt as of June 30, 2010, consisted of the following:

IFF, original amount of \$275,000 and 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	\$ 242,362
Ford Credit, interest rate of 0%, due in monthly installments of \$958, balance due May 31, 2013.	33,528
Ford Credit, interest rate of 0%, due in monthly installments of \$958, balance due May 31, 2013.	<u>33,528</u>
Total Long-Term Debt	309,418
Less: Current Maturities	<u>36,378</u>
Long-Term Debt, Net of Current Maturities	<u><u>\$ 273,040</u></u>

Annual maturities of outstanding debt are as follows:

Year Ending June 30:	
2011	\$ 36,378
2012	37,275
2013	36,316
2014	16,261
2015	17,350
Thereafter	<u>165,838</u>
	<u><u>\$ 309,418</u></u>

**Note 7. Line of Credit**

The Center has a revolving line of credit agreement with a bank under which it may borrow up to \$250,000. The agreement expires November 10, 2011. There were no amounts outstanding under this agreement at June 30, 2010.

**Note 8. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following:

	2010	2009
Accounts Payable	\$ 50,189	\$ 72,129
Accrued Expenses	41,693	35,063
Accrued Health Insurance	61,446	147,938
Accrued Vacation	191,013	204,680
Accrued Payroll	<u>120,331</u>	<u>105,508</u>
	<u><u>\$ 464,672</u></u>	<u><u>\$ 565,318</u></u>

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

**Note 9. Self-Insured Health Insurance Plan**

The Center maintains a self-insured health insurance program whereby a per-employee fee is paid to a processing company that handles the payment of the Center's health insurance claims. Claims are limited to an annual cost of \$40,000 per employee and an aggregate stop loss of 125% of expected plan costs. The Center has purchased excess loss coverage insurance in order to limit its exposure.

Cumulative amounts estimated to be payable by the Center with respect to pending and potential claims for all years which the Center is liable under its self-insurance retention have been accrued as liabilities. Such accrued liabilities are based on estimates; thus, the Center's ultimate liability may exceed or be less than the amounts accrued. The methods of making such estimates and establishing the accrued liabilities are reviewed annually and any adjustments resulting are reflected in current earnings. The estimated liability at June 30, 2010 and 2009 was \$61,446 and \$147,938, respectively.

**Note 10. Pension Plan**

The Center has adopted a 403(b) Thrift Plan (Plan). For the year ended June 30, 2009 a 3% employer contribution for those employees meeting the eligibility requirements was made by the Center. The eligible employees who made voluntary contributions, which are tax sheltered, had an additional employer contribution of 25% of the first 6% of salary that they contributed. For the year ended June 30, 2010, the Center temporarily suspended contributions to the Plan. Employees can contribute even if they are not eligible for the employer contribution. Pension expense totaled \$0 and \$107,223 for the years ended June 30, 2010 and 2009, respectively.

**Note 11. Leases**

The Center has various vehicles, facility and office equipment leased under noncancelable operating leases with terms ranging from one to five years.

Subsequent to year end the Center entered into a lease agreement for a building in East Moline to provide outpatient services beginning July 7, 2010. The two-year lease expires July 7, 2012 with lease payments of \$3,600 per month. The lease has an option to purchase the building at the end of the lease term.

Future minimum lease payments at June 30, 2010, are as follows:

Year Ending June 30:	
2011	\$ 68,755
2012	60,316
2013	13,721
2014	<u>7,230</u>
	<u>\$ 150,022</u>

**Note 12. 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 53% and 52% of the public support and revenue for the Center for the years ended June 30, 2010 and 2009, respectively.

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

**Note 13. Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted by time or other events specified by donors. The following net assets were released from restriction during the year ending June 30, 2010 and 2009, or retained as temporarily restricted net assets at June 30, 2010 and 2009:

	2010	2009
Temporarily Restricted Net Assets Retained:		
United Way of the Quad Cities - Fiscal		
Year 2011 and 2010 allocation	\$ 84,063	\$ 88,958
 Net Assets Released from Restrictions:		
United Way of the Quad Cities - Fiscal		
Year 2010 and 2009 allocation	\$ 88,958	\$ 99,699

**Note 14. Net Assets Designated for Capital Improvements**

The Center has designated \$1,542,857 for future capital improvements as of June 30, 2010. 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, 2015. For the years ended June 30, 2010 and 2009 the Center recognized revenue of \$305,928 and \$688,559, respectively.

For the year ended June 30, 2009, the Center paid the Healthcare System for rent and psychiatric services for clients of \$49,614. Due to program changes the Center did not incur rent expense for the year ended June 30, 2010 but paid the Healthcare System for psychiatric services of \$3,624.

**SUPPLEMENTARY INFORMATION**

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Schedule of Functional Expenses - Outpatient Programs**  
**Year Ended June 30, 2010**  
**See Auditor's Report**

	Davenport Outpatient	Rock Island Outpatient/ Methadone	East Moline Outpatient	Genesis	Adolescent Treatment	Jail Based	Total
Salaries	\$ 774,916	\$ 493,679	\$ 114,367	\$ 146,647	\$ 144,350	\$ 193,627	\$ 1,867,586
Worker's Compensation	3,864	2,696	480	1,656	1,088	1,270	11,054
Employee Benefits:							
Health Insurance	78,793	47,378	11,362	16,826	13,857	22,300	190,516
Other	300	179	142	59	20	102	802
Payroll Taxes:							
Social Security	55,514	35,453	7,901	10,889	10,421	14,038	134,216
Unemployment	(12)	2,011	1,644	-	-	-	3,643
Professional Fees:							
Laboratory/Urinalysis	9,337	21,085	1,402	-	1,726	-	33,550
Contract Services	5,499	13,832	2,456	-	1,951	2,200	25,938
Medical Consultants	-	24,222	-	-	2,860	3,624	30,706
Supplies:							
Office, Outside Printing	6,152	8,369	6,923	25	1,432	1,866	24,767
Medical	1,068	30,576	32	-	47	-	31,723
Education, Recreation and Crafts	-	-	-	-	122	-	122
Food and Beverage	4,270	2,195	457	-	-	-	6,922
Housekeeping and Laundry	4,301	2,972	1,063	-	940	48	9,324
Telephone	11,822	10,331	3,553	-	3,015	1,061	29,782
Postage and Shipping	7,634	1,617	209	25	150	-	9,635
Advertising/Social Marketing	6,034	2,680	1,362	3,305	1,427	1,362	16,170
Occupancy:							
Rent	-	-	25,880	-	-	-	25,880
Utilities	8,949	10,978	3,112	-	2,463	-	25,502
Maintenance	8,758	5,555	14,203	-	3,939	-	32,455
Insurance	1,521	1,240	16	-	904	73	3,754
Transportation:							
Mileage	5,502	5,007	498	280	85	2,083	13,455
Vehicle Costs	7,221	1,422	-	-	2,769	70	11,482
Auto Insurance	1,562	-	421	-	784	-	2,767
Conferences and Training	(164)	2,810	227	-	-	918	3,791
Subscriptions and References	16,313	6,609	1,405	-	82	6,836	31,245
Special Assistance	41,327	233	-	-	-	-	41,560
General Liability Insurance	1,584	1,157	34	-	843	62	3,680
Recruiting	641	314	247	69	13	27	1,311
Equipment Rental	6,011	2,831	862	-	1,675	82	11,461
Interest	-	-	-	-	5,507	-	5,507
Depreciation	17,676	24,946	962	-	24,142	778	68,504
<b>Total</b>	<b>\$ 1,086,393</b>	<b>\$ 762,377</b>	<b>\$ 201,220</b>	<b>\$ 179,781</b>	<b>\$ 226,612</b>	<b>\$ 252,427</b>	<b>\$ 2,708,810</b>

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Schedule of Functional Expenses - Residential Programs**  
**For the Year Ended June 30, 2010**  
**See Auditor's Report**

	<u>S.T.A.R.T.</u>	<u>Adult Halfway House</u>	<u>Total</u>
Salaries	\$ 536,510	\$ 312,004	\$ 848,514
Worker's Compensation	3,128	1,687	4,815
Employee Benefits:			
Health Insurance	59,628	39,201	98,829
Other	213	115	328
Payroll Taxes:			
Social Security	38,285	21,970	60,255
Unemployment	(10)	(5)	(15)
Professional Fees:			
Laboratory/Urinalysis	2,107	1,176	3,283
Contract Services	4,505	3,171	7,676
Medical Consultants	43,681	-	43,681
Supplies:			
Office, Outside Printing	3,686	2,114	5,800
Medical	10,631	5,759	16,390
Food and Beverage	51,821	28,070	79,891
Housekeeping and Laundry	11,478	6,220	17,698
Telephone	6,795	3,681	10,476
Advertising/Social Marketing	1,453	1,411	2,864
Occupancy:			
Utilities	14,456	7,831	22,287
Maintenance	18,058	9,781	27,839
Insurance	1,923	1,042	2,965
Transportation:			
Mileage	298	161	459
Vehicle Costs	20,547	11,130	31,677
Auto Insurance	2,077	1,125	3,202
Conferences and Training	78	43	121
Subscriptions and References	2,357	1,277	3,634
Special Assistance	426	263	689
General Liability Insurance	2,036	1,103	3,139
Recruiting	491	266	757
Equipment Rental	2,384	1,294	3,678
Depreciation	29,772	16,127	45,899
<b>Total</b>	<b>\$ <u>868,814</u></b>	<b>\$ <u>478,017</u></b>	<b>\$ <u>1,346,831</u></b>

**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, 2010**  
**See Auditor's Report**

	Total	Comprehensive Prevention Contract # 5880CP11	Culturally Competent # 5880CP40	Iowa Plan	Metham- phetamine Funding	Special Populations	Methadone Treatment Contract # 5880MT02
Revenue:							
IDPH - Contractual	\$ 2,459,601	\$ 159,017	\$ 98,125	\$ 1,796,828	\$ 15,119	\$ 267,235	\$ 123,277
Expenses:							
Salaries and Benefits	1,801,273	159,017	84,853	1,319,767	15,119	146,219	76,298
Professional Fees:							
Laboratory/Urinalysis	14,515	-	-	11,748	-	-	2,767
Building and Improvements	11,539	-	-	9,724	-	-	1,815
Consultants	44,902	-	1,425	31,366	-	-	12,111
Supplies:							
Office, Outside Printing	14,840	-	3,461	8,703	-	1,578	1,098
Building	-	-	-	-	-	-	-
Medical	27,562	-	-	12,225	-	49	15,288
Education, Recreation and Crafts	63	-	-	63	-	-	-
Food and Beverage	59,491	-	-	59,203	-	-	288
Housekeeping and Laundry	16,269	-	-	15,762	-	117	390
Telephone	18,514	-	-	16,746	-	412	1,356
Postage and Shipping	6,375	-	-	4,606	-	1,557	212
Advertising/Social Marketing	6,331	-	-	4,606	-	1,373	352
Occupancy:							
Utilities	25,778	-	-	23,426	-	911	1,441
Maintenance	28,311	-	-	26,790	-	792	729
Insurance	3,900	-	-	3,578	-	159	163
Transportation:							
Mileage	5,809	-	-	2,804	-	2,348	657
Vehicle Costs	30,871	-	-	24,765	-	5,919	187
Auto Insurance	4,181	-	-	2,749	-	1,432	-
Conferences and Training	523	-	-	587	-	(433)	369
Subscriptions and References	15,824	-	-	11,758	-	3,199	867
Special Assistance	41,705	-	-	812	-	40,862	31
General Liability Insurance	4,013	-	-	3,697	-	164	152
Recruiting	1,015	-	-	962	-	12	41
Equipment Rental	8,192	-	-	7,219	-	601	372
Interest	2,874	-	-	2,874	-	-	-
Depreciation	63,145	-	-	57,972	-	1,899	3,274
Indirect Expenses:							
Salaries and Benefits	112,529	-	8,386	83,226	-	20,917	-
Total Expenses	2,370,344	159,017	98,125	1,747,738	15,119	230,087	120,258
Revenues Over (Under) Expenses	\$ 89,257	\$ -	\$ -	\$ 49,090	\$ -	\$ 37,148	\$ 3,019

**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, 2010, and have issued our report thereon dated November 12, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 November 12, 2010.

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.*

November 12, 2010

**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, 2010. 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, 2010.

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, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.*

November 12, 2010

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

**I. SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

***Federal Awards***

Internal control over major programs:

Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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
16.753	U.S. Department of Justice Congressionally Recommended Awards

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.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2010**  
**See Auditor's Report**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Revenues/ Receipts	Expenditures
<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	40CL001093 \$ 394,878	\$ 394,878
Pass-Through Iowa Department of Public Health: Substance Abuse Prevention Treatment Block Grant	*			
Comprehensive Prevention	93.959	5880CP11	149,708	149,708
Methadone Treatment	93.959	5880MT02	123,277	123,277
Iowa Managed Substance Abuse Care Plan	93.959		573,827	573,827
Special Populations	93.959		134,782	134,782
Sub-Total Iowa Department of Public Health			<u>981,594</u>	<u>981,594</u>
Pass-Through Iowa Department of Human Services: Social Services Block Grant - Disaster Relief Disaster Relief	*	93.959	76,785	76,785
Pass-Through Iowa Department of Public Health: Substance Abuse and Mental Health Services - Access to Recovery		93.275	84,640	84,640
Pass-Through Iowa Judicial Branch: Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse		93.087	47,813	47,813
Total U.S. Department of Health and Human Services			<u>1,585,710</u>	<u>1,585,710</u>
<u>U.S. Department of Justice</u>				
Pass-Through Iowa Department of Public Health: Congressionally Recommended Awards Jail Based Substance Abuse Treatment Project	*	16.753	150,628	150,628
Total U.S. Department of Justice			<u>150,628</u>	<u>150,628</u>
Total Federal Awards			<u>\$ 1,736,338</u>	<u>\$ 1,736,338</u>
		Total CFDA 93.959 (Major Program)	\$ 1,453,257	\$ 1,453,257
		Total CFDA 16.753 (Major Program)	150,628	150,628
		Total CFDA 93.275	84,640	84,640
		Total CFDA 93.087	<u>47,813</u>	<u>47,813</u>
Total Federal Awards by Federal CFDA Number			<u>\$ 1,736,338</u>	<u>\$ 1,736,338</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.**  
**Summary Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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.

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, 2010, 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

As you are aware, management of your Organization has the responsibility for (1) establishing and maintaining effective internal control over financial reporting, including monitoring ongoing activities, (2) the proper recording of the transactions in the books of account, (3) the safeguarding of assets, (4) the substantial accuracy of the financial statements, (5) prevention and detection of fraud, and (6) identifying and ensuring that your Organization complies with the laws and regulations applicable to its activities.

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

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The following are descriptions of matters that we determined did not constitute control deficiencies, significant deficiencies or material weaknesses but are suggestions for the ongoing process of internal control procedures and operating efficiency:

#### Bank Reconciliation

We noted several outstanding checks on the bank reconciliations that are six months or older at June 30, 2010.

To simplify the monthly reconciliation process and to ensure compliance with the state's escheat laws governing abandoned property, we recommend that the Center reissue new checks if the individuals can be contacted or found. If not, we recommend the Center review the state escheat laws and requirements to remit unclaimed assets.

## Board of Directors

### Client Payments

We noted there is lack of controls over receipt of client payments at the various locations.

We recommend the Center ensure the following procedures are in place to safeguard assets and help prevent losses from employee dishonesty:

- A daily cash receipts log should be maintained at each location detailing the client's name and amount received.
- Each client should receive a numerically controlled cash receipt noting their payment.
- An individual at each location should assume responsibility for ensuring the funds are deposited at the bank or delivered to the accounting department at the Fairmount location in a timely manner.
- A reconciliation of the cash receipts log to the amount received by the accounting department should be performed. Any differences should be immediately resolved.
- For the locations that take deposits to the bank the Center should ensure the cash receipts log and deposit slip agree.

### Payroll Reports

We noted that the payroll reports received from the third party payroll processor are addressed to the Center however are to the attention of an employee no longer at the Center.

We recommend the Center ensure that only authorized individuals are included in the payroll processor's system.

### Health Insurance Accrual

We recommend the Center reevaluate the procedures in place to estimate the health insurance liability at year end and determine if any changes need to be made to more accurately reflect the estimated liability to the Center.

This communication is intended solely for the information and use of management, the board members, and others within the Center, and is not intended to be and should not be used by anyone other than these specified parties.

*Doyle & Keenan, P. C.*

November 12, 2010