

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

**Independent Auditor's Reports  
Financial Statements and Supplemental Information  
Schedule of Findings and Responses**

**June 30, 2011**

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**Alcohol and Drug Dependency Services of Southeast Iowa  
Board of Directors  
June 30, 2011**

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	<u>Title</u>	<u>Term Expires</u>
Julie Solinski	President	October, 2013
John Korb	Vice President	October, 2013
Mary Margaret Wagner	Secretary	October, 2012
Robert Ritson	Treasurer	October, 2011
Steve Bohlen	Director	October, 2013
Brian DePriest	Director	October, 2012
Ben Diewold	Director	October, 2013
Jeff Heland	Director	October, 2012
Russ Kuhlemeier	Director	October, 2011
Kathy Rashid	Director	October, 2012
Stephanie Schultz	Director	October, 2013
Richard Swanson	Executive Director	Indefinite



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

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / 800 757 6348 / fax: 319 752 8644 / info@cpaapc.com

## Independent Auditor's Report

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

We have audited the accompanying financial statements, listed in the table of contents of this report, of Alcohol and Drug Dependency Services of Southeast Iowa (a nonprofit corporation) as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alcohol and Drug Dependency Services of Southeast Iowa, as of June 30, 2011, and the changes in its net assets and its cash flows for the year 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 December 29, 2011, on our consideration of Alcohol and Drug Dependency Services of Southeast Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and of compliance, and the results of that testing, and not to provide an opinion on the 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*CPA Associates PC*

December 29, 2011

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Statement of Financial Position**  
**June 30, 2011**

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**Assets**

Cash	\$ 437,225
Accounts receivable	
Grants and allocations	43,907
Client fees and other services, net of allowance of \$11,988	75,479
Prepaid expenses	9,230
Certificates of deposit	549,911
Property and equipment	
Building	1,729,158
Furniture and fixtures	48,002
Equipment	267,492
Accumulated depreciation	<u>(1,347,523)</u>
	<u>\$ 1,812,881</u>

**Liabilities and Net Assets**

Liabilities	
Accounts payable	\$ 26,163
Accrued salaries and paid time off	82,794
Payroll taxes payable	<u>13,429</u>
	<u>122,386</u>
Net assets	
Unrestricted	<u>1,690,495</u>
	<u>\$ 1,812,881</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa  
Statement of Activities  
Year Ended June 30, 2011**

**Public Support and Revenue**

Public support	
Iowa Department of Public Health:	
Treatment program	\$ 752,357
Prevention program	117,919
Gambling treatment program	352,299
Other grants	76,155
County allocations	46,953
City allocations	2,845
United Way	30,830
Donations	<u>100</u>
	<u>1,379,458</u>
Revenue	
Resident recovery program fees	107,784
Client fees	233,873
Other services	92,132
Interest income	15,189
Miscellaneous	<u>13,535</u>
	<u>462,513</u>
Total public support and revenue	<u>1,841,971</u>

**Expenses**

Program services	1,481,109
Supporting services	<u>401,730</u>
Total expenses	<u>1,882,839</u>
Change in net assets	(40,868)
<b>Net assets, beginning of year</b>	<u>1,731,363</u>
<b>Net assets, end of year</b>	<u>\$ 1,690,495</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2011**

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Salaries	\$ 787,751	\$ 267,078	\$ 1,054,829
Benefits and taxes	<u>196,901</u>	<u>67,248</u>	<u>264,149</u>
Total salaries and related expenses	984,652	334,326	1,318,978
Travel	62,767	10,149	72,916
Education and training	25,751	2,696	28,447
Contract services	38,461	1,613	40,074
Insurance	26,524	4,847	31,371
Occupancy	96,081	9,978	106,059
Supplies	144,664	4,656	149,320
Telephone	20,151	3,462	23,613
Equipment maintenance	16,745	1,052	17,797
Other expenses	<u>14,023</u>	<u>8,174</u>	<u>22,197</u>
Total expenses before depreciation	1,429,819	380,953	1,810,772
Depreciation	<u>51,290</u>	<u>20,777</u>	<u>72,067</u>
Total functional expenses	<u>\$ 1,481,109</u>	<u>\$ 401,730</u>	<u>\$ 1,882,839</u>

See accompanying notes to financial statements.

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Statement of Cash Flows**  
**Year Ended June 30, 2011**

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<b>Cash Flows From Operating Activities</b>	
Change in net assets	\$ (40,868)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	72,067
Change in assets and liabilities:	
Decrease (increase) in:	
Accounts receivable	88,505
Other assets	7,154
Decrease in:	
Accounts payable and accrued expenses	<u>2,563</u>
Net cash provided by operating activities	<u>129,421</u>
<b>Cash Flows From Investing Activities</b>	
Purchase of certificates of deposit	(12,235)
Capital expenditures	<u>(56,022)</u>
Net cash used by investing activities	<u>(68,257)</u>
Net increase in cash	61,164
Cash, beginning of year	<u>376,061</u>
Cash, end of year	<u><u>\$ 437,225</u></u>

See accompanying notes to financial statements.

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

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**Note 1. Reporting Entity**

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

**Note 2. Summary of Significant Accounting Policies**

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an original maturity of three months or less to be cash.

Accounts Receivable

Accounts receivable are for grants, allocations and services performed and are uncollateralized. Collection of accounts receivable, net of the allowance for doubtful accounts, is expected to occur within one year. The allowance for doubtful accounts is estimated based on current and prior experience with the outstanding accounts. Accounts are written off when management believes the account is uncollectible. Accounts written off are netted against the related revenues and totaled \$6,107 for the year ended June 30, 2011.

Property and Equipment

Property and equipment is stated at cost. Expenditures in excess of \$1,000 for property and equipment that provide future benefit are capitalized. Depreciation is computed by the straightline method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	5-31.5
Furniture and fixtures	7-10
Equipment	5-7

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

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

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**Note 2. Summary of Significant Accounting Policies (continued)**

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The Agency has open tax years for three years prior to June 30, 2011.

**Note 3. Certificates of Deposit**

The Organization has certificates of deposit totaling \$549,911. The certificates bear interest at rates ranging from 1.25% to 3.35%, have maturity dates ranging from January 12, 2012 to March 17, 2014, and are subject to penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

**Note 4. Leased Equipment and Facilities**

The Organization leases office space in Davenport and Ottumwa, Iowa under operating leases. The leases require monthly rental payments totaling \$2,326 and may be cancelled with 30 days notice. The Ottumwa office lease includes the use of support staff, furnishings, and internet and phone access. Rent expense under these leases was \$29,340 for the year ended June 30, 2011.

**Note 5. Pension Plan**

The Organization has a pension plan covering full time employees who are at least 21 years of age and have completed at least one year of service. The plan states that the Organization will contribute an amount equal to two percent of each eligible employee's gross salary. In addition, if the employee elects to make a two percent contribution, the Organization will match it, making the Organization's maximum contribution four percent. Total pension expense for the year was \$32,398.

**Note 6. Concentration of Revenues and Credit Risk**

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

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

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**Note 7. Self-Insured Unemployment Benefits**

The Organization elected to self-fund unemployment benefits through participation in an unemployment savings program. The Organization has set up a reserve account that will be used to reimburse the State of Iowa for actual claims paid to former employees. The program includes excess loss insurance up to \$180,000 with a stop loss limit of \$60,000. The balance in the reserve account was \$7,395 as of June 30, 2011. Unemployment claims totaling \$728 were paid from the fund during the year ended June 30, 2011.

**Note 8. Allocation of Expenses - Statement of Functional Expenses**

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

**Note 9. Risk Management**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the Organization's commercial insurance. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**Note 10. Subsequent Event**

The Organization performed an evaluation of subsequent events through December 29, 2011, which is the date the financial statements were available to be issued. Subsequent to year end, there was a fire at the Organization's Mount Pleasant location. The building is being renovated and an office has been opened in a temporary location until the renovation is complete. Renovation and temporary location expenses are covered by insurance, with the exception of a \$1,000 deductible.

**Note 11. Related Party Transactions**

One of the Organization's directors is an officer with a local bank. At June 30, 2011, the Organization had on deposit with the bank a certificate of deposit with a balance of \$81,282 and a money market account with a balance of \$51,968.

**Alcohol and Drug Dependency Services of Southeast Iowa**  
**Detail of Functional Expenses - Program Services**  
**Year Ended June 30, 2011**

	<u>Treatment</u>	<u>Prevention</u>	<u>Access to Recovery</u>	<u>Gambling</u>	<u>Total</u>
Salaries	\$ 482,649	\$ 129,299	\$ -	\$ 175,803	\$ 787,751
Benefits and taxes	<u>121,182</u>	<u>32,649</u>	<u>-</u>	<u>43,070</u>	<u>196,901</u>
Total salaries and related expenses	603,831	161,948	-	218,873	984,652
Travel	26,658	16,453	-	19,656	62,767
Education and training	22,421	137	-	3,193	25,751
Contract services	19,890	16,260	-	2,311	38,461
Insurance	18,220	4,079	-	4,225	26,524
Occupancy	50,949	6,673	-	38,459	96,081
Supplies	82,744	18,140	35,359	8,421	144,664
Telephone	11,607	2,250	-	6,294	20,151
Equipment maintenance	8,209	5,949	-	2,587	16,745
Other expenses	<u>8,675</u>	<u>1,646</u>	<u>-</u>	<u>3,702</u>	<u>14,023</u>
Total expenses before depreciation	853,204	233,535	35,359	307,721	1,429,819
Depreciation	<u>36,882</u>	<u>11,428</u>	<u>-</u>	<u>2,980</u>	<u>51,290</u>
Total functional expenses	<u>\$ 890,086</u>	<u>\$ 244,963</u>	<u>\$ 35,359</u>	<u>\$ 310,701</u>	<u>\$ 1,481,109</u>



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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of Alcohol and Drug Dependency Services of Southeast Iowa (Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 29, 2011. 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 the Organization'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 our opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting 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. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described at I-A-11 in the accompanying Schedule of Findings and Responses to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 that are required to be reported under *Government Auditing Standards*.

The Organization's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the Organization's response and, accordingly, we express no opinion on it.

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

*CPA Associates PC*

December 29, 2011

**Alcohol and Drug Dependency Services of Southeast Iowa  
Schedule of Findings and Responses  
Year Ended June 30, 2011**

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**Part I: Findings Related to the Financial Statements**

**Material Weaknesses:**

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks to the safeguarding of assets and accuracy of the financial statements. Due to the size of your Organization, not all duties related to billing, cash receipts, cash disbursements and account reconciliation are adequately segregated.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Organization should review its control procedures to obtain the maximum internal control possible under the circumstances, and should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.