

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

**FINANCIAL AND COMPLIANCE REPORT
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

June 30, 2013 and 2012

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.
Davenport, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of Center for Alcohol & Drug Services, Inc., which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013 on our consideration of Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting and compliance.

Doyle & Keenan, P.C.

October 31, 2013

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statements of Financial Position
June 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and Cash Equivalents	\$ 510,709	\$ 535,360
Certificate of Deposit	84,487	-
Investments	1,677,557	1,814,183
Accounts Receivable - Public Support	204,451	253,300
Accounts Receivable - Client Fees, Net	244,392	140,488
Unconditional Promises to Give	75,796	74,623
Inventory	4,295	2,119
Prepaid Expenses	70,158	99,775
Total Current Assets	<u>2,871,845</u>	<u>2,919,848</u>
Property and Equipment, Net	2,285,915	2,214,650
Other Asset - Betty H. Rabe Trust	279,825	299,813
Other Asset - Community Foundation of the Great River Bend	<u>39,546</u>	<u>-</u>
Total Assets	<u>\$ 5,477,131</u>	<u>\$ 5,434,311</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 17,438	\$ 27,074
Accounts Payable and Accrued Expenses	<u>491,171</u>	<u>527,995</u>
Total Current Liabilities	508,609	555,069
Long-Term Debt, Less Current Maturities	<u>55,341</u>	<u>3,000</u>
Total Liabilities	<u>563,950</u>	<u>558,069</u>
Net Assets:		
Unrestricted:		
Undesignated	527,534	524,999
Undesignated - Investment in Property and Equipment	2,285,915	2,214,650
Designated for Capital Improvements	<u>1,704,565</u>	<u>1,762,157</u>
Total Unrestricted Net Assets	4,518,014	4,501,806
Temporarily Restricted	<u>395,167</u>	<u>374,436</u>
Total Net Assets	<u>4,913,181</u>	<u>4,876,242</u>
Total Liabilities and Net Assets	<u>\$ 5,477,131</u>	<u>\$ 5,434,311</u>

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Activities and Change in Net Assets
Year Ended June 30, 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services -			
Division of Alcoholism and Substance Abuse	\$ 597,186	\$ -	\$ 597,186
Iowa Department of Public Health -			
Division of Substance Abuse	2,452,917	-	2,452,917
United Way	3,872	75,796	79,668
Rock Island County	60,710	-	60,710
Army Substance Abuse Program	50,107	-	50,107
Scott County	699,806	-	699,806
County Commitments	60,872	-	60,872
Seventh Judicial District	124,883	-	124,883
Family Drug Court	58,419	-	58,419
U.S. Probation	145,986	-	145,986
Contributions	5,575	-	5,575
Net Assets Released from Restrictions	54,611	(54,611)	-
Total Public Support	4,314,944	21,185	4,336,129
Revenue:			
Client Fees	272,018	-	272,018
Client Fees - Insurance	1,076,304	-	1,076,304
Contractual Fees and Other Payments	244,148	-	244,148
Rental Income	15,600	-	15,600
Interest and Dividends - Net of Expenses of \$10,452	36,188	(43)	36,145
(Loss) on Disposal of Property and Equipment	(1,267)	-	(1,267)
Realized Gain on Sale of Investments	21,427	-	21,427
Unrealized Gain on Investments and Community Foundation	80,597	(411)	80,186
Total Revenue	1,745,015	(454)	1,744,561
Total Public Support and Revenue	6,059,959	20,731	6,080,690
Expenses:			
Program Services:			
Outpatient	2,797,754	-	2,797,754
Residential	1,412,509	-	1,412,509
Detoxification	588,116	-	588,116
Prevention	427,436	-	427,436
Total Program Services	5,225,815	-	5,225,815
Supporting Services:			
Fundraising	1,360	-	1,360
Management and General	816,576	-	816,576
Total Expenses	6,043,751	-	6,043,751
Change in Net Assets	16,208	20,731	36,939
Net Assets - Beginning	4,501,806	374,436	4,876,242
Net Assets - Ending	\$ 4,518,014	\$ 395,167	\$ 4,913,181

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Activities and Change in Net Assets
Year Ended June 30, 2012

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
Public Support and Revenue:			
Public Support:			
Illinois Department of Human Services -			
Division of Alcoholism and Substance Abuse	\$ 645,623	\$ -	\$ 645,623
Iowa Department of Public Health -			
Division of Substance Abuse	2,424,972	-	2,424,972
United Way	(2,423)	74,623	72,200
Rock Island County	59,660	-	59,660
Army Substance Abuse Program	60,161	-	60,161
Scott County	700,012	-	700,012
County Commitments	65,822	-	65,822
Seventh Judicial District	119,233	-	119,233
Family Drug Court	73,274	-	73,274
U.S. Probation	134,565	-	134,565
Contributions	4,773	-	4,773
Net Assets Released from Restrictions	101,327	(101,327)	-
Total Public Support	<u>4,386,999</u>	<u>(26,704)</u>	<u>4,360,295</u>
Revenue:			
Client Fees	311,286	-	311,286
Client Fees - Insurance	1,027,612	-	1,027,612
Contractual Fees and Other Payments	198,978	-	198,978
Rental Income	15,600	-	15,600
Interest and Dividends - Net of Expenses of \$7,779	36,219	-	36,219
(Loss) on Disposal of Property and Equipment	(6,962)	-	(6,962)
Realized Gain on Sale of Investments	1,484	-	1,484
Unrealized (Loss) on Investments	(54,781)	-	(54,781)
Total Revenue	<u>1,529,436</u>	<u>-</u>	<u>1,529,436</u>
Total Public Support and Revenue	<u>5,916,435</u>	<u>(26,704)</u>	<u>5,889,731</u>
Expenses:			
Program Services:			
Outpatient	2,737,556	-	2,737,556
Residential	1,421,182	-	1,421,182
Detoxification	516,599	-	516,599
Prevention	415,935	-	415,935
Total Program Services	<u>5,091,272</u>	<u>-</u>	<u>5,091,272</u>
Supporting Services:			
Fundraising	741	-	741
Management and General	795,868	-	795,868
Total Expenses	<u>5,887,881</u>	<u>-</u>	<u>5,887,881</u>
Change in Net Assets	28,554	(26,704)	1,850
Net Assets - Beginning	<u>4,473,252</u>	<u>401,140</u>	<u>4,874,392</u>
Net Assets - Ending	<u>\$ 4,501,806</u>	<u>\$ 374,436</u>	<u>\$ 4,876,242</u>

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services				Total Program Services	Supporting Services		Total
	Outpatient	Residential	Detoxification	Prevention		Fundraising	Management and General	
Salaries	\$ 1,811,730	\$ 899,696	\$ 334,738	\$ 277,319	\$ 3,323,483	\$ 1,360	\$ 398,343	\$ 3,723,186
Worker's Compensation	11,027	5,774	1,987	1,583	20,371	-	2,516	22,887
Employee Benefits:								
Health Insurance	157,373	58,691	35,912	23,720	275,696	-	34,822	310,518
Retirement	14,122	6,278	7,049	1,289	28,738	-	14,133	42,871
Other	8,842	5,148	2,063	1,461	17,514	-	6,663	24,177
Payroll Taxes:								
Social Security	129,973	65,969	23,928	19,993	239,863	-	29,457	269,320
Unemployment	1,732	4,552	1,453	-	7,737	-	-	7,737
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	42,592	42,592
Laboratory/Urinalysis	35,898	2,742	2,488	171	41,299	-	53	41,352
Contract Services	99,693	27,868	31,297	12,557	171,415	-	24,481	195,896
Medical Consultants	26,731	45,056	42,685	-	114,472	-	-	114,472
Supplies:								
Office, Outside Printing	54,952	21,450	7,394	8,667	92,463	-	26,613	119,076
Medical	32,211	9,404	4,370	96	46,081	-	418	46,499
Education, Recreation and Crafts	2	(1,070)	(66)	2,270	1,136	-	-	1,136
Food and Beverage	8,749	71,788	24,387	3,065	107,989	-	3,306	111,295
Housekeeping and Laundry	3,518	12,505	5,182	467	21,672	-	2,023	23,695
Telephone	38,029	10,648	3,474	5,041	57,192	-	21,402	78,594
Postage and Shipping	8,528	2	15	64	8,609	-	6,333	14,942
Advertising/Social Marketing	2,002	572	286	286	3,146	-	1,266	4,412
Occupancy:								
Rent	38,400	-	-	-	38,400	-	-	38,400
Utilities	32,227	19,542	8,359	5,754	65,882	-	14,173	80,055
Maintenance	30,677	45,361	20,772	5,799	102,609	-	18,724	121,333
Insurance	4,969	5,152	1,645	1,516	13,282	-	3,721	17,003
Transportation:								
Mileage	19,012	1,330	518	1,169	22,029	-	11,812	33,841
Vehicle Costs	9,646	17,106	1,359	1,296	29,407	-	10,513	39,920
Auto Insurance	2,329	2,966	-	1,174	6,469	-	3,576	10,045
Conferences and Training	5,530	1,298	601	2,815	10,244	-	28,342	38,586
Subscriptions and References	32,102	6,355	3,304	5,737	47,498	-	19,423	66,921
Special Assistance	76,671	854	335	-	77,860	-	8,696	86,556
General Liability Insurance	6,800	6,998	2,234	2,074	18,106	-	14,953	33,059
Recruiting	1,020	1,336	459	159	2,974	-	2,913	5,887
Equipment Rental	10,271	2,992	955	3,691	17,909	-	6,744	24,653
Interest	147	42	21	21	231	-	32	263
Subcontracts	-	-	-	15,031	15,031	-	-	15,031
Depreciation	82,841	54,104	18,912	23,151	179,008	-	58,533	237,541
Total Functional Expenses	\$ 2,797,754	\$ 1,412,509	\$ 588,116	\$ 427,436	\$ 5,225,815	\$ 1,360	\$ 816,576	\$ 6,043,751

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Functional Expenses
Year Ended June 30, 2012

	Program Services				Total Program Services	Supporting Services		Total
	Outpatient	Residential	Detoxification	Prevention		Fundraising	Management and General	
Salaries	\$ 1,803,345	\$ 896,997	\$ 319,278	\$ 276,711	\$ 3,296,331	\$ 741	\$ 412,910	\$ 3,709,982
Worker's Compensation	12,504	5,851	2,105	1,771	22,231	-	2,488	24,719
Employee Benefits:								
Health Insurance	183,527	91,415	33,803	28,086	336,831	-	38,791	375,622
Retirement	18,247	8,472	5,877	2,075	34,671	-	16,221	50,892
Other	2,874	1,548	591	429	5,442	-	10,291	15,733
Payroll Taxes:								
Social Security	129,243	64,882	22,728	19,827	236,680	-	29,246	265,926
Unemployment	2,200	5,084	1,623	229	9,136	-	947	10,083
Professional Fees:								
Accounting/Legal	-	-	-	250	250	-	37,740	37,990
Laboratory/Urinalysis	43,489	4,676	3,078	22	51,265	-	41	51,306
Contract Services	106,147	23,746	10,726	9,170	149,789	-	34,173	183,962
Medical Consultants	28,532	55,858	34,173	-	118,563	-	-	118,563
Supplies:								
Office, Outside Printing	38,077	12,457	5,444	5,559	61,537	-	19,546	81,083
Medical	31,387	13,339	5,730	72	50,528	-	1,438	51,966
Education, Recreation and Crafts	226	3,618	1,155	970	5,969	-	-	5,969
Food and Beverage	6,981	68,146	21,776	1,629	98,532	-	2,003	100,535
Housekeeping and Laundry	3,696	16,112	5,144	680	25,632	-	2,190	27,822
Telephone	31,098	8,464	2,715	5,742	48,019	-	19,091	67,110
Postage and Shipping	8,530	16	5	248	8,799	-	6,129	14,928
Advertising/Social Marketing	2,989	1,008	476	2,846	7,319	-	5,470	12,789
Occupancy:								
Rent	41,600	-	-	-	41,600	-	-	41,600
Utilities	27,891	21,828	6,969	6,405	63,093	-	14,414	77,507
Maintenance	25,102	37,036	12,606	9,208	83,952	-	23,693	107,645
Insurance	4,154	4,331	1,383	1,274	11,142	-	3,072	14,214
Transportation:								
Mileage	15,829	974	276	1,895	18,974	-	12,300	31,274
Vehicle Costs	8,611	21,219	363	2,660	32,853	-	10,416	43,269
Auto Insurance	2,537	2,390	477	867	6,271	-	2,647	8,918
Conferences and Training	5,672	950	451	2,486	9,559	-	16,599	26,158
Subscriptions and References	20,111	2,973	1,265	1,986	26,335	-	16,813	43,148
Special Assistance	61,490	912	701	88	63,191	-	432	63,623
General Liability Insurance	5,494	5,576	1,791	1,652	14,513	-	17,577	32,090
Recruiting	1,051	600	191	88	1,930	-	2,922	4,852
Equipment Rental	10,584	3,058	1,336	4,171	19,149	-	8,417	27,566
Interest	-	-	-	-	-	-	-	-
Subcontracts	-	-	-	12,923	12,923	-	-	12,923
Depreciation	54,338	37,646	12,363	13,916	118,263	-	27,851	146,114
Total Functional Expenses	\$ 2,737,556	\$ 1,421,182	\$ 516,599	\$ 415,935	\$ 5,091,272	\$ 741	\$ 795,868	\$ 5,887,881

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 36,939	\$ 1,850
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	237,541	146,114
Loss on Disposal of Property and Equipment	1,267	6,962
Realized (Gain) on Sale of Investments	(21,427)	(1,484)
Unrealized (Gain) Loss on Investments	(80,597)	54,781
Unrealized Loss on Other Asset - Community Foundation of the Great River Bend	411	-
Decrease in Other Asset - Betty H. Rabe Trust	19,988	19,988
(Increase) Decrease in:		
Accounts Receivable - Public Support	48,849	121,401
Accounts Receivable - Client Fees, Net	(103,904)	(17,004)
Unconditional Promises to Give	(1,173)	6,716
Inventory	(2,176)	1,103
Prepaid Expenses	29,617	(39,296)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(36,824)	67,462
Net Cash Provided by Operating Activities	<u>128,511</u>	<u>368,593</u>
Cash Flows From Investing Activities:		
Purchase of Property and Equipment	(310,073)	(286,616)
Purchase of Investments	(289,307)	(491,572)
Proceeds from Sale of Investments	253,504	456,299
Transfers (from) Operations to Investments	-	(220,000)
Purchase of Certificate of Deposit	(84,487)	-
Transfers from Investments to Operations	234,453	-
Transfers from Investments to Community Foundation of the Great River Bend	40,000	-
Purchase of Other Asset - Community Foundation of the Great River Bend	(39,957)	-
Net Cash (Used in) Investing Activities	<u>(195,867)</u>	<u>(541,889)</u>
Cash Flows From Financing Activities:		
Proceeds from Long-Term Debt	78,176	-
Principal Payments on Long-Term Debt	(35,471)	(28,990)
Net Cash Provided by (Used in) Financing Activities	<u>42,705</u>	<u>(28,990)</u>
Net (Decrease) in Cash and Cash Equivalents	(24,651)	(202,286)
Cash and Cash Equivalents - Beginning	<u>535,360</u>	<u>737,646</u>
Cash and Cash Equivalents - Ending	<u>\$ 510,709</u>	<u>\$ 535,360</u>
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	<u>\$ 263</u>	<u>\$ -</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, in preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through October 31, 2013, the date the financial statements were available to be issued.

Basis of Presentation - Financial statement presentation follows the recommendations of the Statements of Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. 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.

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.

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.

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.

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

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

Property and Equipment - Property and Equipment 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.

In accordance with the Income Taxes Topic of the FASB Accounting Standards Codification, 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. With few exceptions, the Organization is no longer subject to examinations by U.S. federal, state and local tax authorities for tax years before 2010.

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 \$294,325 and \$190,421 at June 30, 2013 and 2012, 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, 2013 and 2012.

Note 4. Fair Value Measurements, Investments and Other Assets

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification 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, Investments and Other Assets (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, are as follows:

	2013		2012	
	Cost	Fair Value Level 1	Cost	Fair Value Level 1
Money Market Funds	\$ 5,080	\$ 5,080	\$ 351,223	\$ 351,223
Fixed Income:				
Mutual Funds	604,279	586,783	499,279	499,125
Mutual Funds - Tax Exempt	221,976	220,663	180,000	179,912
Equity Funds:				
Common Stock	512,383	629,979	605,641	652,250
Mutual Funds - Equity	163,308	193,002	74,117	83,356
Mutual Funds - Global	39,976	42,050	53,965	48,317
Total Investments	\$ 1,547,002	\$ 1,677,557	\$ 1,764,225	\$ 1,814,183

The investments consist of short term, mid-term and long term instruments to help achieve the investment objectives of the investment policy.

During the years ending June 30, 2013 and 2012, investments were sold for total proceeds of \$253,504 and \$456,299, respectively and gross realized gains on these sales was \$21,427 and \$1,484, 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 \$80,597 and \$(54,781) has been included in the change of net assets for the years ending June 30, 2013 and 2012, respectively.

Other Asset - Betty H. Rabe Trust - The Center is a beneficiary of the Betty H. Rabe Trust, which is considered to be temporarily restricted net assets. The trustee makes an annual distribution to the beneficiaries and is received without restriction. The following is a reconciliation of the beginning and ending balance for the Center's other assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2013	2012
Beginning Balance of Other Asset - Betty H. Rabe Trust	\$ 299,813	\$ 319,801
Annual Distribution	(19,988)	(19,988)
Ending Balance of Other Asset - Betty H. Rabe Trust	\$ 279,825	\$ 299,813

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

Note 4. Fair Value Measurements, Investments and Other Assets (Continued)

Other Asset - Community Foundation of the Great River Bend - The Center has funds held by the Community Foundation of the Great River Bend which are temporarily restricted net assets. The Fund was established with an initial contribution from the Center of \$40,000 during the year ended June 30, 2013. Contributions, realized and unrealized gains and losses, less management fees are to be retained as temporarily restricted net assets. Annually the asset is adjusted to the fair value held in the fund. The following is a reconciliation of the beginning and ending balance for the Center's other assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2013	2012
Beginning Balance of Other Asset - Community Foundation	\$ -	\$ -
Initial Contribution	40,000	-
Interest Income - Net of Expenses	(43)	-
Unrealized (Loss)	(411)	-
Ending Balance of Other Asset - Community Foundation	<u>\$ 39,546</u>	<u>\$ -</u>

Note 5. Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2013, is as follows:

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
Land	\$ 298,452	\$ -	\$ -	\$ 298,452
Buildings and Improvements	3,752,893	82,527	(1,972)	3,833,448
Leasehold Improvements	1,925	-	-	1,925
Equipment and Vehicles	708,585	227,546	(23,728)	912,403
Total Cost	<u>4,761,855</u>	<u>310,073</u>	<u>(25,700)</u>	<u>5,046,228</u>
Accumulated Depreciation	<u>(2,547,205)</u>	<u>(237,541)</u>	<u>24,433</u>	<u>(2,760,313)</u>
Net Property and Equipment	<u>\$ 2,214,650</u>	<u>\$ 72,532</u>	<u>\$ (1,267)</u>	<u>\$ 2,285,915</u>

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	2013	2012
Accounts Payable	\$ 69,765	\$ 112,704
Accrued Expenses	46,454	45,449
Accrued Health Insurance	27,804	35,735
Accrued Vacation	193,748	192,501
Accrued Payroll	<u>153,400</u>	<u>141,606</u>
	<u>\$ 491,171</u>	<u>\$ 527,995</u>

Note 7. 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 50% and 52% of the public support and revenue for the Center for the years ended June 30, 2013 and 2012, respectively.

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

Note 8. Long-Term Debt

Long-Term Debt as of June 30, 2013, consisted of the following:

	<u>2013</u>	<u>2012</u>
Ford Credit, interest rate of 0%, due in monthly installments of \$958, balance due May 31, 2013.	\$ -	\$ 10,538
Ford Credit, interest rate of 0%, due in monthly installments of \$958, balance due May 31, 2013.	-	10,538
Ford Credit, interest rate of 0%, due in monthly installments of \$500, balance due December 24, 2014.	3,000	8,998
Empire Financial, interest rate of 8.21%, due in monthly installments of \$803, balance due April 24, 2018.	38,346	-
Volkswagen Credit, interest rate of 0%, due in monthly installments of \$642, balance due January 20, 2018.	<u>31,433</u>	<u>-</u>
Total Long-Term Debt	72,779	30,074
Less: Current Maturities	<u>(17,438)</u>	<u>(27,074)</u>
Long-Term Debt, Net of Current Maturities	<u>\$ 55,341</u>	<u>\$ 3,000</u>

Annual maturities of outstanding debt are as follows:

Year Ending June 30:	
2014	\$ 17,438
2015	15,012
2016	15,636
2017	16,313
2018	<u>8,380</u>
	<u>\$ 72,779</u>

Note 9. 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, 2013. There were no amounts outstanding under this agreement at June 30, 2013.

Note 10. Pension Plan

The Center has adopted a 403(b) Thrift Plan (Plan). Employees could contribute even if they are not eligible for the employer contribution. For the years ended June 30, 2013 and 2012, employer contributions made by the Center were 3%, respectively, for those employees meeting the eligibility requirements. Pension expense totaled \$42,871 and \$50,592 for the years ended June 30, 2013 and 2012, respectively.

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

Note 11. 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, 2013 and 2012 was \$27,804 and \$35,735, respectively.

Note 12. Leases

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

The Center entered into a lease agreement for a building in East Moline to provide outpatient services beginning March 1, 2012. The two-year lease expires February 28, 2014 with lease payments of \$3,200 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, 2013, are as follows:

Year Ending June 30:		
2014	\$	53,755
2015		17,708
2016		7,444
2017		4,380
2018		4,380
	\$	<u>87,667</u>

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 years ending June 30, 2013 and 2012, or retained as temporarily restricted net assets at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Temporarily Restricted Net Assets Retained:		
United Way of the Quad Cities - Fiscal		
Year 2013 and 2012 allocation	\$ 75,796	\$ 74,623
Betty H. Rabe Trust	279,825	299,813
Community Foundation of the Great River Bend	39,546	-
	<u>\$ 395,167</u>	<u>\$ 374,436</u>
Net Assets Released from Restrictions:		
United Way of the Quad Cities - Fiscal		
Year 2012 and 2011 allocation	\$ 74,623	\$ 81,339
Betty H. Rabe Trust	19,988	19,988
Change in Designation - Community Foundation of the Great River Bend	(40,000)	-
	<u>\$ 54,611</u>	<u>\$ 101,327</u>

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

Note 14. Net Assets Designated for Capital Improvements

The Center has designated \$1,704,565 for future capital improvements as of June 30, 2013. Planned improvements include technology and building upgrades.

SUPPLEMENTARY INFORMATION

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Outpatient Programs
Year Ended June 30, 2013
See Independent Auditor's Report

	Davenport Outpatient	Rock Island Outpatient/ Methadone	East Moline Outpatient	Adolescent Treatment	Jail Based	Criminal Justice	Total
Salaries	\$ 613,169	\$ 433,347	\$ 219,733	\$ 211,902	\$ 153,713	\$ 179,866	\$ 1,811,730
Worker's Compensation	3,495	2,957	1,272	1,142	1,091	1,070	11,027
Employee Benefits:							
Health Insurance	46,029	29,036	20,992	20,028	20,544	20,744	157,373
Retirement	4,940	4,464	(135)	1,411	1,478	1,964	14,122
Other	2,457	1,330	1,240	1,335	1,321	1,159	8,842
Payroll Taxes:							
Social Security	43,497	31,182	15,933	15,222	10,743	13,396	129,973
Unemployment	-	866	866	-	-	-	1,732
Professional Fees:							
Laboratory/Urinalysis	8,325	23,206	3,008	1,359	-	-	35,898
Contract Services	26,402	22,611	12,499	12,529	13,153	12,499	99,693
Medical Consultants	-	25,231	-	1,500	-	-	26,731
Supplies:							
Office, Outside Printing	18,889	9,256	7,685	7,549	6,875	4,698	54,952
Medical	312	31,278	385	86	75	75	32,211
Education, Recreation and Crafts	-	-	-	2	-	-	2
Food and Beverage	2,025	735	838	1,083	182	3,886	8,749
Housekeeping and Laundry	1,782	1,121	326	289	-	-	3,518
Telephone	6,701	20,050	5,510	2,817	860	2,091	38,029
Postage and Shipping	7,540	624	330	34	-	-	8,528
Advertising/Social Marketing	572	286	286	286	286	286	2,002
Occupancy:							
Rent	-	-	38,400	-	-	-	38,400
Utilities	8,161	11,902	8,580	3,584	-	-	32,227
Maintenance	9,856	9,744	6,891	3,575	304	307	30,677
Insurance	2,348	1,742	48	781	50	-	4,969
Transportation:							
Mileage	6,165	3,137	4,700	619	2,078	2,313	19,012
Vehicle Costs	8,300	113	-	801	262	170	9,646
Auto Insurance	1,186	538	-	605	-	-	2,329
Conferences and Training	1,865	1,383	522	495	834	431	5,530
Subscriptions and References	12,302	7,726	3,680	2,344	3,278	2,772	32,102
Special Assistance	76,581	90	-	-	-	-	76,671
General Liability Insurance	3,211	2,387	66	1,068	68	-	6,800
Recruiting	429	483	27	64	17	-	1,020
Equipment Rental	3,700	3,613	1,057	1,901	-	-	10,271
Interest	42	21	21	21	21	21	147
Depreciation	27,951	27,640	5,044	14,126	3,543	4,537	82,841
Total	\$ 948,232	\$ 708,099	\$ 359,804	\$ 308,558	\$ 220,776	\$ 252,285	\$ 2,797,754

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Residential Programs
Year Ended June 30, 2013
See Independent Auditor's Report

	<u>S.T.A.R.T.</u>	<u>Adult Halfway House</u>	<u>Total</u>
Salaries	\$ 578,393	\$ 321,303	\$ 899,696
Worker's Compensation	3,757	2,017	5,774
Employee Benefits:			
Health Insurance	33,675	25,016	58,691
Retirement	5,052	1,226	6,278
Other	2,574	2,574	5,148
Payroll Taxes:			
Social Security	42,718	23,251	65,969
Unemployment	2,276	2,276	4,552
Professional Fees:			
Laboratory/Urinalysis	1,457	1,285	2,742
Contract Services	13,934	13,934	27,868
Medical Consultants	45,056	-	45,056
Supplies:			
Office, Outside Printing	10,604	10,846	21,450
Medical	4,589	4,815	9,404
Education, Recreation and Crafts	(652)	(418)	(1,070)
Food and Beverage	35,894	35,894	71,788
Housekeeping and Laundry	6,252	6,253	12,505
Telephone	5,324	5,324	10,648
Postage and Shipping	1	1	2
Advertising/Social Marketing	286	286	572
Occupancy:			
Utilities	9,771	9,771	19,542
Maintenance	22,776	22,585	45,361
Insurance	2,576	2,576	5,152
Transportation:			
Mileage	665	665	1,330
Vehicle Costs	2,390	14,716	17,106
Auto Insurance	297	2,669	2,966
Conferences and Training	649	649	1,298
Subscriptions and References	3,177	3,178	6,355
Special Assistance	427	427	854
General Liability Insurance	3,499	3,499	6,998
Recruiting	668	668	1,336
Equipment Rental	1,496	1,496	2,992
Interest	21	21	42
Depreciation	27,052	27,052	54,104
	<u>27,052</u>	<u>27,052</u>	<u>54,104</u>
Total	<u>\$ 866,654</u>	<u>\$ 545,855</u>	<u>\$ 1,412,509</u>

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, 2013
See Independent Auditor's Report

	Total	Comprehensive Prevention Contract # 588 3 CP11	Iowa Plan	Special Populations	Methadone Treatment Contract # 588 3 MT02
Revenue:					
IDPH - Contractual	\$ 2,414,649	\$ 170,406	\$ 1,790,176	\$ 330,790	\$ 123,277
Expenses:					
Salaries and Benefits	1,626,507	149,587	1,255,036	149,895	71,989
Professional Fees:					
Laboratory/Urinalysis	15,781	-	10,788	1,673	3,320
Building and Improvements	40,111	-	36,876	-	3,235
Consultants	59,906	2,000	32,664	12,626	12,616
Supplies:					
Office, Outside Printing	35,430	-	28,663	5,443	1,324
Medical	22,844	-	7,112	93	15,639
Education, Recreation and Crafts	(784)	-	(784)	-	-
Food and Beverage	54,995	-	54,266	624	105
Housekeeping and Laundry	10,949	-	10,613	176	160
Telephone	20,033	-	14,741	2,423	2,869
Postage and Shipping	5,813	-	5,027	697	89
Advertising/Social Marketing	1,068	-	741	286	41
Occupancy:					
Utilities	24,890	-	22,409	778	1,703
Maintenance	44,615	-	41,960	1,261	1,394
Insurance	6,263	-	5,748	266	249
Transportation:					
Mileage	7,710	-	2,959	4,302	449
Vehicle Costs	21,351	-	13,066	8,269	16
Auto Insurance	3,718	-	2,455	1,186	77
Conferences and Training	3,140	-	1,834	1,108	198
Subscriptions and References	17,166	-	13,301	2,760	1,105
Special Assistance	77,050	-	1,124	75,913	13
General Liability Insurance	8,531	-	7,826	363	342
Recruiting	1,467	-	1,341	57	69
Equipment Rental	6,496	-	5,596	383	517
Interest	78	-	54	21	3
Depreciation	73,390	-	62,761	6,675	3,954
Indirect Expenses:					
Salaries and Benefits	128,456	18,819	81,909	27,728	-
Total Expenses	2,316,973	170,406	1,720,086	305,006	121,476
Revenues Over (Under) Expenses	\$ 97,676	\$ -	\$ 70,090	\$ 25,784	\$ 1,802

SINGLE AUDIT SECTION

**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***

INDEPENDENT AUDITOR'S REPORT

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

We have audited, 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, the financial statements of Center for Alcohol & Drug Services, Inc. as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Center for Alcohol & Drug Services, Inc.'s basic financial statements, and have issued our report thereon dated October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Center for Alcohol & Drug Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of Center for Alcohol & Drug Service, Inc.'s internal control.

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 a 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. A significant deficiency is a deficiency, or a 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.

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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Doyle & Keenan, P.C.

October 31, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited Center for Alcohol & Drug Services, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Center for Alcohol & Drug Services, Inc.'s major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Center for Alcohol & Drug Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Center for Alcohol & Drug Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Center for Alcohol & Drug Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Center for Alcohol & Drug Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Center for Alcohol & Drug Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Doyle & Keenan, P.C.

October 31, 2013

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013
See Independent Auditor's Report

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	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	43CRC00036 43CRC00008 43CRC00055	\$ <u>432,098</u>
Pass-Through Iowa Department of Public Health:			
Substance Abuse Prevention Treatment Block Grant			
Comprehensive Prevention	93.959	588 3 CP11	161,539
Methadone Treatment	93.959	588 3 MT02	119,881
Iowa Managed Substance Abuse Care Plan	93.959		563,181
Special Populations	93.959		<u>132,030</u>
Sub-Total Iowa Department of Public Health			<u>976,631</u>
Pass-Through Iowa Department of Public Health:			
Substance Abuse and Mental Health Services - Access to Recovery	93.275	588 1 AC12	<u>140,070</u>
Pass-Through Iowa Department of Public Health:			
Substance Abuse and Mental Health Services	93.243	588 3 SA05	<u>52,308</u>
Pass-Through Iowa Judicial Branch:			
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087		<u>58,419</u>
Advertising/Social Marketing			
Total U.S. Department of Health and Human Services			<u>1,659,526</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	588 3 JT01	<u>44,650</u>
Total Federal Awards			\$ <u><u>1,704,176</u></u>
	Total CFDA 93.959 (Major Program)		\$ 1,408,729
	Total CFDA 16.753		44,650
	Total CFDA 93.275		140,070
	Total CFDA 93.243		52,308
	Total CFDA 93.087		<u>58,419</u>
Total Federal Awards by Federal CFDA Number			\$ <u><u>1,704,176</u></u>

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, 2013

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, 2013

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.