CENTER FOR ALCOHOL & DRUG SERVICES, INC.

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

June 30, 2014 and 2013

CENTER FOR ALCOHOL & DRUG SERVICES, INC.

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INDEPENDENT AUDITOR'S REPORT

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, 2014 and 2013, and the related statements of activities and change in net assets, 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 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 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, 2014 and 2013, and the results of their operations and their 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 supplementary information on pages 20 - 22 is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the supplementary information on pages 32 – 46, including the Consolidated Financial Report for the State of Illinois, is presented for purposes of additional analysis as required by the Illinois Department of Human Services (DHS), and is not a required part of the financial statements. 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 supplementary information on pages 24 - 31 and 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 November 7, 2014 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.

November 7, 2014

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statements of Financial Position
June 30, 2014 and 2013

ASSETS	2014	2013
Current Assets:		
Cash and Cash Equivalents	$ 177,806	$ 510,709
Certificate of Deposit	-	84,487
Investments	1,821,711	1,677,557
Accounts Receivable - Public Support	213,321	204,451
Accounts Receivable - Client Fees, Net	301,846	244,392
Unconditional Promises to Give	72,564	75,795
Inventory	3,952	4,295
Prepaid Expenses	76,336	70,158
Total Current Assets	2,667,536	2,871,844
Property and Equipment, Net	2,170,180	2,285,915
Other Asset - Betty H. Rabe Trust	259,838	279,826
Other Asset - Community Foundation of the Great River Bend	150,865	39,546
Other Asset - Investment in Network	50,000	-
Total Assets	$ 5,298,419	$ 5,477,131
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current Maturities of Long-Term Debt	$ 15,019	$ 17,438
Current Maturities of Note Payable - IFF	14,694	-
Accounts Payable and Accrued Expenses	475,799	491,171
Total Current Liabilities	505,512	508,609
Long-Term Note Payable - IFF	31,173	-
Long-Term Debt, Less Current Maturities	40,322	55,341
Total Liabilities	577,007	563,950
Net Assets:		
Unrestricted:		
Undesignated	568,328	527,534
Undesignated - Investment in Property and Equipment	2,170,180	2,285,915
Board Designated for Capital Improvements	1,499,638	1,704,565
Total Unrestricted Net Assets	4,238,146	4,518,014
Temporarily Restricted	483,266	395,167
Total Net Assets	4,721,412	4,913,181
Total Liabilities and Net Assets	$ 5,298,419	$ 5,477,131

See Notes to Financial Statements.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Statement of Activities and Change in Net Assets
Year Ended June 30, 2014

	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	$ 481,860	$ -	$ 481,860
Iowa Department of Public Health - Division of Substance Abuse	2,554,950	-	2,554,950
United Way	-	72,564	72,564
Rock Island County	59,526	-	59,526
Army Substance Abuse Program	53,113	-	53,113
Scott County	700,331	-	700,331
County Commitments	47,497	-	47,497
Seventh Judicial District	125,756	-	125,756
Family Drug Court	52,971	-	52,971
U.S. Probation	109,276	-	109,276
Contributions	5,619	-	5,619
Net Assets Released from Restrictions	(6,281)	6,281	-
Total Public Support	4,184,618	78,845	4,263,463
Revenue:			
Client Fees	299,643	-	299,643
Client Fees - Insurance	1,023,089	-	1,023,089
Contractual Fees and Other Payments	114,752	-	114,752
Rental Income	15,600	-	15,600
Interest and Dividends - Net of Expenses	43,866	684	44,550
(Loss) on Disposal of Property and Equipment	-	-	-
Realized Gain on Sale of Investments	37,891	-	37,891
Unrealized Gain on Investments and Community Foundation	143,885	8,570	152,455
Total Revenue	1,678,726	9,254	1,687,980
Total Public Support and Revenue	5,863,344	88,099	5,951,443
Expenses:			
Program Services:			
Outpatient	2,781,852	-	2,781,852
Residential	1,432,182	-	1,432,182
Detoxification	591,349	-	591,349
Prevention	468,742	-	468,742
Total Program Services	5,274,125	-	5,274,125
Supporting Services:			
Fundraising	274	-	274
Management and General	868,813	-	868,813
Total Expenses	6,143,212	-	6,143,212
Change in Net Assets	(279,868)	88,099	(191,769)
Net Assets - Beginning	4,518,014	395,167	4,913,181
Net Assets - Ending	$ 4,238,146	$ 483,266	$ 4,721,412

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 $7,779	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 (Loss) on Investments	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 Functional Expenses
Year Ended June 30, 2014

	Program Services				Total Program Services	Supporting Services		
	Outpatient	Residential	Detoxification	Prevention		Fundraising	Management and General	Total
Salaries	$ 1,728,020	$ 845,866	$ 334,609	$ 290,536	$ 3,199,031	$ 274	$ 414,732	$ 3,614,037
Worker's Compensation	10,561	5,912	2,057	1,781	20,311	-	2,610	22,921
Employee Benefits:								
Health Insurance	216,980	89,625	39,058	35,000	380,663	-	50,924	431,587
Retirement	15,708	7,124	8,796	1,548	33,176	-	19,751	52,927
Other	6,553	2,734	1,906	1,132	12,325	-	1,450	13,775
Payroll Taxes:								
Social Security	125,742	61,344	24,456	20,959	232,501	-	28,746	261,247
Unemployment	924	7,460	4,197	-	12,581	-	-	12,581
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	45,333	45,333
Laboratory/Urinalysis	35,808	2,666	1,983	-	40,457	-	-	40,457
Contract Services	128,537	37,520	18,527	17,416	202,000	-	36,403	238,403
Medical Consultants	39,913	63,886	44,974	-	148,773	-	-	148,773
Supplies:								
Office, Outside Printing	22,918	10,116	4,478	5,610	43,122	-	25,332	68,454
Medical	35,316	16,190	6,881	195	58,582	-	369	58,951
Education, Recreation and Crafts	-	142	31	4,969	5,142	-	-	5,142
Food and Beverage	9,366	66,289	25,343	2,442	103,440	-	6,246	109,686
Housekeeping and Laundry	3,743	17,148	6,983	678	28,552	-	2,257	30,809
Telephone	46,514	14,278	6,234	10,250	77,276	-	29,363	106,639
Postage and Shipping	7,126	64	20	124	7,334	-	6,172	13,506
Advertising/Social Marketing	9,581	2,776	1,380	1,366	15,103	-	3,657	18,760
Occupancy:								
Rent	25,600	-	-	-	25,600	-	-	25,600
Utilities	30,738	24,316	7,788	6,265	69,107	-	16,798	85,905
Maintenance	40,944	48,251	17,673	8,528	115,396	-	29,930	145,326
Insurance	4,766	4,988	1,592	1,447	12,793	-	3,553	16,346
Transportation:								
Mileage	13,325	1,530	962	1,955	17,772	-	10,598	28,370
Vehicle Costs	7,630	20,713	1,911	3,282	33,536	-	7,941	41,477
Auto Insurance	1,737	2,876	-	1,138	5,751	-	3,450	9,201
Conferences and Training	7,335	891	1,600	3,213	13,039	-	20,286	33,325
Subscriptions and References	24,766	5,772	2,232	1,898	34,668	-	16,040	50,708
Special Assistance	69,977	1,941	387	250	72,555	-	4,711	77,266
General Liability Insurance	12,030	11,474	3,773	3,406	30,683	-	10,982	41,665
Recruiting	1,789	958	403	321	3,471	-	3,458	6,929
Equipment Rental	10,590	2,940	1,374	3,124	18,028	-	7,295	25,323
Interest	1,794	502	251	251	2,798	-	475	3,273
Subcontracts	-	-	-	14,509	14,509	-	-	14,509
Depreciation	85,521	53,890	19,490	25,149	184,050	-	59,951	244,001
Total Functional Expenses	$ 2,781,852	$ 1,432,182	$ 591,349	$ 468,742	$ 5,274,125	$ 274	$ 868,813	$ 6,143,212

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		
	Outpatient	Residential	Detoxification	Prevention		Fundraising	Management and General	Total
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.
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Change in Net Assets	$ (191,769)	$ 36,939
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation	244,001	237,541
Loss on Disposal of Property and Equipment	-	1,267
Realized (Gain) on Sale of Investments	(37,891)	(21,427)
Unrealized (Gain) on Investments	(143,885)	(80,597)
Unrealized (Gain) Loss on Other Asset - Community Foundation of the Great River Bend	(8,570)	411
Decrease in Other Asset - Betty H. Rabe Trust	19,988	19,987
(Increase) Decrease in:		
Accounts Receivable - Public Support	(8,870)	48,849
Accounts Receivable - Client Fees, Net	(57,454)	(103,904)
Unconditional Promises to Give	3,231	(1,172)
Inventory	343	(2,176)
Prepaid Expenses	(6,178)	29,617
(Decrease) in Accounts Payable and Accrued Expenses	(15,372)	(36,824)
Net Cash Provided by (Used in) Operating Activities	(202,426)	128,511
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(128,266)	(310,073)
Purchase of Investments	(400,709)	(289,307)
Proceeds from Sale of Investments	358,331	253,504
Redemption (Purchase) of Certificate of Deposit	84,487	(84,487)
Transfers from Investments to Operations	-	234,453
Transfers from Investments to Community Foundation of the Great River Bend	80,000	40,000
Purchase of Other Asset - Community Foundation of the Great River Bend	(102,749)	(39,957)
Purchase in Other Asset - Investment in Network	(50,000)	-
Net Cash (Used in) Investing Activities	(158,906)	(195,867)
Cash Flows from Financing Activities:		
Proceeds from Long-Term Debt	-	78,176
Principal Payments on Long-Term Debt	(17,438)	(35,471)
Proceeds from Note Payable	45,867	-
Net Cash Provided by Financing Activities	28,429	42,705
Net (Decrease) in Cash and Cash Equivalents	(332,903)	(24,651)
Cash and Cash Equivalents - Beginning	510,709	535,360
Cash and Cash Equivalents - Ending	$ 177,806	$ 510,709
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	$ 3,273	$ 263

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.

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 November 7, 2014, 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 require 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.

Investment in Network - The Investment is carried at the fair value at year end.

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.

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 Center is no longer subject to examinations by U.S. federal, state and local tax authorities for tax years before 2011.

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 $351,779 and $294,325 at June 30, 2014 and 2013, 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, 2014 and 2013.

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.

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:

	2014		2013	
	Cost	Fair Value Level 1	Cost	Fair Value Level 1
Money Market Funds	$ 31,170	$ 31,170	$ 5,080	$ 5,080
Fixed Income:				
Mutual Funds	684,279	676,665	604,279	586,783
Mutual Funds - Tax Exempt	124,368	124,301	221,976	220,663
Equity Funds:				
Common Stock	423,919	636,670	512,383	629,979
Mutual Funds - Equity	170,560	227,915	163,308	193,002
Mutual Funds - Global	112,975	124,990	39,976	42,050
Total Investments	$ 1,547,271	$ 1,821,711	$ 1,547,002	$ 1,677,557

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 ended June 30, 2014 and 2013, investments were sold for total proceeds of $358,331 and $253,504, respectively and gross realized gains on these sales was $37,891 and $21,427, 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 in the amount of $143,885 and $80,597 has been included in the change of net assets for the years ended June 30, 2014 and 2013, 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):

	2014	2013
Beginning Balance of Other Asset - Betty H. Rabe Trust	$ 279,826	$ 299,814
Annual Distribution	(19,988)	(19,988)
Ending Balance of Other Asset - Betty H. Rabe Trust	$ 259,838	$ 279,826

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):

	2014	2013
Beginning Balance of Other Asset - Community Foundation	$ 39,546	$ -
Contributions	102,065	40,000
Interest Income - Net of Expenses	684	(43)
Unrealized Gain (Loss)	8,570	(411)
Ending Balance of Other Asset - Community Foundation	$ 150,865	$ 39,546

Note 5. Property and Equipment

A summary of changes in property and equipment for the year ended June 30, 2014, is as follows:

	Balance June 30, 2013	Additions	Disposals	Deposits	Balance June 30, 2014
Land	$ 298,452	$ -	$ -	$ -	$ 298,452
Buildings and Improvements	3,833,448	16,625	-	-	3,850,073
Leasehold Improvements	1,925	-	(1,925)	-	-
Equipment and Vehicles	912,403	102,709	(16,288)	8,932	1,007,756
Total Cost	5,046,228	119,334	(18,213)	8,932	5,156,281
Accumulated Depreciation	(2,760,313)	(244,001)	18,213	-	(2,986,101)
Net Property and Equipment	$ 2,285,915	$ (124,667)	$ -	$ 8,932	$ 2,170,180

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	2014	2013
Accounts Payable	$ 54,713	$ 69,765
Accrued Expenses	50,716	46,454
Accrued Health Insurance	39,040	27,804
Accrued Vacation	170,098	193,748
Accrued Payroll	161,232	153,400
	$ 475,799	$ 491,171

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 51% and 50% of the public support and revenue for the Center for the years ended June 30, 2014 and 2013, respectively.

Note 8. Long-Term Debt, Note Payable and Line of Credit

Long-Term Debt as of June 30, 2014, consisted of the following:

	2014	2013
Ford Credit, interest rate of 0%, due in monthly installments of $500, balance due December 24, 2014.	$ -	$ 3,000
Empire Financial, interest rate of 8.21%, due in monthly installments of $803, balance due April 24, 2018.	31,605	38,346
Volkswagen Credit, interest rate of 0%, due in monthly installments of $642, balance due January 20, 2018.	23,736	31,433
Total Long-Term Debt	55,341	72,779
Less: Current Maturities	(15,019)	(17,438)
Long-Term Debt, Net of Current Maturities	$ 40,322	$ 55,341

Annual maturities of outstanding debt are as follows:

Year Ending June 30:	
2015	$ 15,019
2016	15,636
2017	16,313
2018	8,373
	$ 55,341

The Center entered into an agreement with IFF, under which it may borrow up to $109,000 for equipment purchases. The agreement is collateralized with technological equipment. There is an outstanding balance of $45,867 under this agreement at June 30, 2014. The Center is responsible for making interest only payments until the Center has completed all equipment purchases and installations or the loan has been fully disbursed. Beginning on the first day of the first full month after this time, the agreement requires $2,057 monthly installment payments, at 5% interest, with an anticipated commencement date of October 31, 2014.

Annual maturities of the outstanding balance are as follows:

Year Ending June 30:	
2015	$ 14,694
2016	14,694
2017	14,694
2018	1,785
	$ 45,867

The Center also has a revolving line of credit agreement with a bank, under which it may borrow up to $250,000. The agreement expires November 10, 2014. There are no amounts outstanding under this agreement at June 30, 2014.

Note 9. 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, 2014 and 2013, employer contributions made by the Center were 3%, respectively, for those employees meeting the eligibility requirements. Pension expense totaled $52,927 and $42,871 for the years ended June 30, 2014 and 2013, respectively.

Note 10. 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, 2014 and 2013 was $39,040 and $27,804, respectively.

Note 11. 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 ended June 30, 2014 and 2013, or retained as temporarily restricted net assets at June 30, 2014 and 2013:

	2014	2013
Temporarily Resricted Net Assets Retained:		
United Way of the Quad Cities - Fiscal Year 2014 and 2013 allocation	$ 72,564	$ 75,796
Betty H. Rabe Trust	259,837	279,825
Community Foundation of the Great River Bend	150,865	39,546
	$ 483,266	$ 395,167
Net Assets Released from Restrictions:		
United Way of the Quad Cities - Fiscal Year 2013 and 2012 allocation	$ 75,796	$ 74,623
Betty H. Rabe Trust	19,988	19,988
Change in Designation - Community Foundation of the Great River Bend	(102,065)	(40,000)
	$ (6,281)	$ 54,611

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.

Future minimum lease payments at June 30, 2014, are as follows:

Year Ending June 30:		
2015	$	32,954
2016		19,330
2017		15,416
2018		13,085
2019		1,283
	$	82,068

Note 13. Board Designated Net Assets for Capital Improvements

The Center has designated $1,499,638 for future capital improvements as of June 30, 2014. 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, 2014
See Independent Auditor's Report

	Davenport Outpatient	Rock Island Outpatient/ Methadone	East Moline Outpatient	Adolescent Treatment	Jail Based	Criminal Justice	Total
Salaries	$ 633,829	$ 437,513	$ 99,086	$ 227,273	$ 148,741	$ 181,578	$ 1,728,020
Worker's Compensation	3,669	2,778	640	1,217	1,053	1,204	10,561
Employee Benefits:							
Health Insurance	74,006	51,311	12,750	28,760	25,317	24,836	216,980
Retirement	7,503	3,317	-	1,533	1,774	1,581	15,708
Other	2,064	1,139	254	1,032	1,032	1,032	6,553
Payroll Taxes:							
Social Security	45,878	31,476	7,674	16,488	11,245	12,981	125,742
Unemployment	-	688	236	-	-	-	924
Professional Fees:							
Laboratory/Urinalysis	8,632	24,645	1,541	990	-	-	35,808
Contract Services	37,910	28,661	9,358	17,366	17,924	17,318	128,537
Medical Consultants	7,686	29,227	-	3,000	-	-	39,913
Supplies:							
Office, Outside Printing	9,486	5,407	1,275	2,817	2,281	1,652	22,918
Medical	370	34,559	103	136	74	74	35,316
Education, Recreation and Crafts	-	-	-	-	-	-	-
Food and Beverage	3,242	1,740	319	481	94	3,490	9,366
Housekeeping and Laundry	1,579	1,465	187	512	-	-	3,743
Telephone	10,975	20,546	3,614	6,223	2,413	2,743	46,514
Postage and Shipping	5,972	860	230	64	-	-	7,126
Advertising/Social Marketing	2,732	1,466	1,285	1,366	1,366	1,366	9,581
Occupancy:							
Rent	-	-	25,600	-	-	-	25,600
Utilities	8,926	12,763	5,821	3,228	-	-	30,738
Maintenance	8,993	20,039	4,208	6,146	779	779	40,944
Insurance	2,242	1,704	26	746	48	-	4,766
Transportation:							
Mileage	5,132	3,005	1,341	113	2,788	946	13,325
Vehicle Costs	5,723	1	-	1,387	1	518	7,630
Auto Insurance	1,150	-	-	587	-	-	1,737
Conferences and Training	2,974	2,625	70	515	744	407	7,335
Subscriptions and References	10,516	7,935	693	1,674	2,008	1,940	24,766
Special Assistance	69,977	-	-	-	-	-	69,977
General Liability Insurance	5,411	3,972	39	1,901	405	302	12,030
Recruiting	1,268	202	-	142	177	-	1,789
Equipment Rental	3,221	5,041	443	1,609	276	-	10,590
Interest	669	251	121	251	251	251	1,794
Depreciation	31,015	22,094	3,549	16,021	6,519	6,323	85,521
Total	$ 1,012,750	$ 756,430	$ 180,463	$ 343,578	$ 227,310	$ 261,321	$ 2,781,852

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Functional Expenses - Residential Programs
Year Ended June 30, 2014
See Independent Auditor's Report

	S.T.A.R.T.	Adult Halfway House	Total
Salaries	$ 531,483	$ 314,383	$ 845,866
Worker's Compensation	3,791	2,121	5,912
Employee Benefits:			
Health Insurance	53,674	35,951	89,625
Retirement	4,311	2,813	7,124
Other	1,367	1,367	2,734
Payroll Taxes:			
Social Security	38,836	22,508	61,344
Unemployment	3,730	3,730	7,460
Professional Fees:			
Laboratory/Urinalysis	1,782	884	2,666
Contract Services	18,760	18,760	37,520
Medical Consultants	56,968	6,918	63,886
Supplies:			
Office, Outside Printing	5,042	5,074	10,116
Medical	8,093	8,097	16,190
Education, Recreation and Crafts	49	93	142
Food and Beverage	32,833	33,456	66,289
Housekeeping and Laundry	8,578	8,570	17,148
Telephone	7,139	7,139	14,278
Postage and Shipping	32	32	64
Advertising/Social Marketing	1,388	1,388	2,776
Occupancy:			
Utilities	12,158	12,158	24,316
Maintenance	24,048	24,203	48,251
Insurance	2,494	2,494	4,988
Transportation:			
Mileage	784	746	1,530
Vehicle Costs	2,878	17,835	20,713
Auto Insurance	288	2,588	2,876
Conferences and Training	418	473	891
Subscriptions and References	2,593	3,179	5,772
Special Assistance	628	1,313	1,941
General Liability Insurance	5,737	5,737	11,474
Recruiting	479	479	958
Equipment Rental	1,470	1,470	2,940
Interest	251	251	502
Depreciation	26,945	26,945	53,890
Total	$ 859,027	$ 573,155	$ 1,432,182

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, 2014
See Independent Auditor's Report

	Total	Comprehensive Prevention Contract # 588 4 CP11	Iowa Plan	Special Populations	Methadone Treatment Contract # 588 4 MT02
Revenue:					
IDPH - Contractual	$ 2,533,104	$ 156,742	$ 1,935,377	$ 317,708	$ 123,277
Expenses:					
Salaries and Benefits	1,619,217	135,923	1,270,485	140,931	71,878
Professional Fees:					
Laboratory/Urinalysis	16,459	-	11,045	2,060	3,354
Building and Improvements	53,451	-	49,551	-	3,900
Consultants	86,306	2,000	51,053	18,639	14,614
Supplies:					
Office, Outside Printing	17,280	-	13,908	2,636	736
Medical	29,099	-	11,720	99	17,280
Education, Recreation and Crafts	101	-	101	-	-
Food and Beverage	50,222	-	49,652	333	237
Housekeeping and Laundry	13,958	-	13,584	175	199
Telephone	26,693	-	20,417	3,480	2,796
Postage and Shipping	5,100	-	4,309	674	117
Advertising/Social Marketing	5,101	-	3,536	1,366	199
Occupancy:					
Utilities	28,773	-	26,103	933	1,737
Maintenance	48,635	-	44,449	1,459	2,727
Insurance	5,985	-	5,499	254	232
Transportation:					
Mileage	6,829	-	2,591	3,829	409
Vehicle Costs	20,938	-	15,221	5,717	-
Auto Insurance	3,346	-	2,196	1,150	-
Conferences and Training	4,328	-	1,677	2,294	357
Subscriptions and References	15,388	-	12,269	2,039	1,080
Special Assistance	71,201	-	1,962	69,239	-
General Liability Insurance	14,074	-	12,688	846	540
Recruiting	1,760	-	1,695	37	28
Equipment Rental	6,467	-	5,416	365	686
Interest	1,059	-	755	270	34
Depreciation	73,867	-	62,458	8,403	3,006
Indirect Expenses:					
Salaries and Benefits	130,259	18,819	84,717	26,723	-
Total Expenses	2,355,895	156,742	1,779,057	293,951	126,145
Revenues over (under) Expenses	$ 177,209	$ -	$ 156,320	$ 23,757	$ (2,868)

SINGLE AUDIT SECTION

DOYLE & KEENAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
908 West 35th Street Davenport, Iowa 52806-5826 Phone: 563-386-2727 FAX: 563-386-8730

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, 2014, 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 November 7, 2014.

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.

November 7, 2014

DOYLE & KEENAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
908 West 35th Street Davenport, Iowa 52806-5826 Phone: 563-386-2727 FAX: 563-386-8730

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, 2014. 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, 2014.

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.

November 7, 2014

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014
See Independent Auditor's Report

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Health and Human Services			
Pass-Through Illinois Department of Human Services:			
Office of Alcoholism and Substance Abuse			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	43CRC00048 43CRC00029 43CRC00047	$ 336,132
Pass-Through Iowa Department of Public Health:			
Substance Abuse Prevention Treatment Block Grant			
Comprehensive Prevention	93.959	588 4 CP11	145,875
Methadone Treatment	93.959	588 4 MT02	116,743
Iowa Managed Substance Abuse Care Plan	93.959	MIS: 122553-000	697,888
Special Populations	93.959	MIS: 122553-000	132,030
Sub-Total Iowa Department of Public Health			1,092,536
Pass-Through Iowa Department of Public Health:			
Substance Abuse and Mental Health Services - Access to Recovery	93.275	588 1 AC12	126,098
Pass-Through Iowa Department of Public Health:			
Substance Abuse and Mental Health Services	93.243	588 4 SA05	73,261
Pass-Through Iowa Judicial Branch:			
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	93.Unknown	52,971
Total Federal Awards			$ 1,680,998
Total CFDA 93.959 (Major Program)			$ 1,428,668
Total CFDA 93.275			126,098
Total CFDA 93.243			73,261
Total CFDA 93.087			52,971
Total Federal Awards by Federal CFDA Number			$ 1,680,998

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, 2014
See independent Auditor's Report

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:

CFDA Number	Name of Federal Program or Cluster
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.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

CENTER FOR ALCOHOL & DRUG SERVICES, INC.
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014
See Independent Auditor's Report

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.