

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

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

**June 30, 2015 and 2014**

**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, 2015 and 2014, 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, 2015 and 2014, 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***

### ***Other Information***

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 supplementary information 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 23, 2015 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 23, 2015

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

**Statements of Financial Position**

**June 30, 2015 and 2014**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 95,138	\$ 177,806
Investments	1,850,664	1,821,711
Accounts Receivable - Public Support	322,146	213,321
Accounts Receivable - Client Fees, Net	367,571	301,846
Unconditional Promises to Give	67,059	72,564
Inventory	4,417	3,952
Prepaid Expenses	93,678	76,336
Total Current Assets	<u>2,800,673</u>	<u>2,667,536</u>
Property and Equipment, Net	2,030,631	2,170,180
Other Asset - Betty H. Rabe Trust	239,850	259,838
Other Asset - Community Foundation of the Great River Bend	167,752	150,865
Other Asset - Investment in Network	<u>50,000</u>	<u>50,000</u>
Total Assets	<u>\$ 5,288,906</u>	<u>\$ 5,298,419</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Current Maturities of Long-Term Debt	\$ 20,244	\$ 15,019
Current Maturities of Note Payable - IFF	20,262	14,694
Accounts Payable and Accrued Expenses	560,135	475,799
Total Current Liabilities	<u>600,641</u>	<u>505,512</u>
Long-Term Note Payable - IFF	77,377	31,173
Long-Term Debt, Less Current Maturities	<u>40,869</u>	<u>40,322</u>
Total Liabilities	<u>718,887</u>	<u>577,007</u>
Net Assets:		
Unrestricted:		
Undesignated	605,375	568,328
Undesignated - Investment in Property and Equipment	2,030,631	2,170,180
Board Designated for Capital Improvements	1,459,352	1,499,638
Total Unrestricted Net Assets	<u>4,095,358</u>	<u>4,238,146</u>
Temporarily Restricted	<u>474,661</u>	<u>483,266</u>
Total Net Assets	<u>4,570,019</u>	<u>4,721,412</u>
Total Liabilities and Net Assets	<u>\$ 5,288,906</u>	<u>\$ 5,298,419</u>

See Notes to Financial Statements.

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Statement of Activities and Change in Net Assets**  
**Year Ended June 30, 2015**

	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	\$ 426,768	\$ -	\$ 426,768
Iowa Department of Public Health -			
Division of Substance Abuse	2,508,254	-	2,508,254
United Way	2,759	67,059	69,818
Rock Island County	59,660	-	59,660
Army Substance Abuse Program	54,699	-	54,699
Scott County	695,899	-	695,899
County Commitments	43,228	-	43,228
Seventh Judicial District	142,041	-	142,041
Family Drug Court	38,339	-	38,339
U.S. Probation	175,795	-	175,795
Contributions	9,567	-	9,567
Net Assets Released from Restrictions	69,688	(69,688)	-
Total Public Support	4,226,697	(2,629)	4,224,068
Revenue:			
Client Fees	231,638	-	231,638
Client Fees - Insurance	1,313,717	-	1,313,717
Contractual Fees and Other Payments	115,018	-	115,018
Rental Income	15,600	-	15,600
Interest and Dividends - Net of Expenses of \$9,224	51,304	3,390	54,694
(Loss) on Disposal of Property and Equipment	(4,496)	-	(4,496)
Realized Gain on Sale of Investments	50,587	-	50,587
Unrealized (Loss) on Investments and Community Foundation	(64,155)	(9,366)	(73,521)
Total Revenue	1,709,213	(5,976)	1,703,237
Total Public Support and Revenue	5,935,910	(8,605)	5,927,305
Expenses:			
Program Services:			
Outpatient	2,750,494	-	2,750,494
Residential	1,423,405	-	1,423,405
Detoxification	572,453	-	572,453
Prevention	472,126	-	472,126
Total Program Services	5,218,478	-	5,218,478
Supporting Services:			
Fundraising	1,058	-	1,058
Management and General	859,162	-	859,162
Total Expenses	6,078,698	-	6,078,698
Change in Net Assets	(142,788)	(8,605)	(151,393)
Net Assets - Beginning	4,238,146	483,266	4,721,412
Net Assets - Ending	\$ 4,095,358	\$ 474,661	\$ 4,570,019

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 of \$8,804	43,866	684	44,550
Realized Gain on Sale of Investments	37,891	-	37,891
Unrealized Gain on Investments	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 Functional Expenses**  
**Year Ended June 30, 2015**

	Program Services				Total Program Services	Supporting Services		Total
	Outpatient	Residential	Detoxification	Prevention		Fundraising	Management and General	
Salaries	\$ 1,756,093	\$ 799,113	\$ 326,816	\$ 289,711	\$ 3,171,733	\$ 1,058	\$ 400,284	\$ 3,573,075
Worker's Compensation	10,380	5,637	2,869	1,818	20,704	-	4,725	25,429
Employee Benefits:								
Health Insurance	238,913	109,096	45,812	40,535	434,356	-	55,195	489,551
Retirement	13,877	6,333	8,585	1,680	30,475	-	17,227	47,702
Other	2,857	988	471	499	4,815	-	3,886	8,701
Payroll Taxes:								
Social Security	127,840	57,560	23,783	20,963	230,146	-	29,164	259,310
Unemployment	7,516	-	-	-	7,516	-	-	7,516
Professional Fees:								
Accounting/Legal	-	-	-	-	-	-	38,568	38,568
Laboratory/Urinalysis	32,979	3,535	2,046	-	38,560	-	-	38,560
Contract Services	118,034	37,502	17,959	16,897	190,392	-	36,448	226,840
Medical Consultants	50,075	78,817	37,941	-	166,833	-	-	166,833
Supplies:								
Office, Outside Printing	18,933	10,813	5,599	5,377	40,722	-	14,079	54,801
Medical	37,375	17,763	6,906	288	62,332	-	844	63,176
Education, Recreation and Crafts	351	1,087	-	2,337	3,775	-	-	3,775
Food and Beverage	7,508	72,453	23,213	3,572	106,746	-	9,841	116,587
Housekeeping and Laundry	3,581	21,847	7,182	1,203	33,813	-	1,829	35,642
Telephone	34,997	15,712	5,140	9,061	64,910	-	41,502	106,412
Postage and Shipping	7,817	62	31	32	7,942	-	7,380	15,322
Advertising/Social Marketing	798	266	133	133	1,330	-	1,058	2,388
Occupancy:								
Utilities	23,567	21,380	6,826	5,759	57,532	-	14,339	71,871
Maintenance	26,707	46,222	15,140	8,929	96,998	-	26,302	123,300
Insurance	4,116	4,464	1,425	1,250	11,255	-	3,070	14,325
Transportation:								
Mileage	11,289	1,872	636	1,743	15,540	-	9,708	25,248
Vehicle Costs	7,777	14,310	271	2,416	24,774	-	8,482	33,256
Auto Insurance	1,543	2,580	-	1,012	5,135	-	3,067	8,202
Conferences and Training	8,954	1,110	519	621	11,204	-	18,761	29,965
Subscriptions and References	29,127	7,530	2,858	3,455	42,970	-	22,854	65,824
Special Assistance	41,626	2,323	334	499	44,782	-	4,805	49,587
General Liability Insurance	15,713	14,482	4,829	4,305	39,329	-	9,774	49,103
Recruiting	1,089	1,432	472	334	3,327	-	2,903	6,230
Equipment Rental	9,021	3,794	1,211	2,540	16,566	-	7,783	24,349
Interest	3,402	1,761	567	567	6,297	-	4,568	10,865
Subcontracts	-	-	-	17,457	17,457	-	-	17,457
Depreciation	96,639	61,561	22,879	27,133	208,212	-	60,716	268,928
<b>Total Functional Expenses</b>	<b>\$ 2,750,494</b>	<b>\$ 1,423,405</b>	<b>\$ 572,453</b>	<b>\$ 472,126</b>	<b>\$ 5,218,478</b>	<b>\$ 1,058</b>	<b>\$ 859,162</b>	<b>\$ 6,078,698</b>

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		Total
	Outpatient	Residential	Detoxification	Prevention		Fundraising	Management and General	
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
<b>Total Functional Expenses</b>	<b>\$ 2,781,852</b>	<b>\$ 1,432,182</b>	<b>\$ 591,349</b>	<b>\$ 468,742</b>	<b>\$ 5,274,125</b>	<b>\$ 274</b>	<b>\$ 868,813</b>	<b>\$ 6,143,212</b>

See Notes to Financial Statements.

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

**Statements of Cash Flows**

**Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (151,393)	\$ (191,769)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	268,928	244,001
Loss on Disposal of Property and Equipment	4,496	-
Realized (Gain) on Sale of Investments	(50,587)	(37,891)
Unrealized (Gain) Loss on Investments	64,155	(143,885)
Unrealized (Gain) Loss on Other Asset - Community Foundation of the Great River Bend	9,366	(8,570)
Decrease in Other Asset - Betty H. Rabe Trust	19,988	19,988
(Increase) Decrease in:		
Accounts Receivable - Public Support	(108,825)	(8,870)
Accounts Receivable - Client Fees, Net	(65,725)	(57,454)
Unconditional Promises to Give	5,505	3,231
Inventory	(465)	343
Prepaid Expenses	(17,342)	(6,178)
Increase (Decrease) in Accounts Payable and Accrued Expenses	84,336	(15,372)
Net Cash Provided by (Used in) Operating Activities	62,437	(202,426)
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(133,875)	(128,266)
Purchase of Investments	(358,758)	(400,709)
Proceeds from Sale of Investments	310,025	358,331
Redemption of Certificate of Deposit	-	84,487
Transfers from Investments to Operations	6,212	-
Transfers from Investments to Community Foundation of the Great River Bend	-	80,000
Purchase of Other Asset - Community Foundation of the Great River Bend	(26,253)	(102,749)
Purchase in Other Asset - Investment in Network	-	(50,000)
Net Cash (Used in) Investing Activities	(202,649)	(158,906)
Cash Flows from Financing Activities:		
Proceeds from Long-Term Debt	24,126	-
Principal Payments on Long-Term Debt	(18,354)	(17,438)
Proceeds from Notes Payable	63,133	45,867
Principal Payments on Notes Payable	(11,361)	-
Net Cash Provided by Financing Activities	57,544	28,429
Net (Decrease) in Cash and Cash Equivalents	(82,668)	(332,903)
Cash and Cash Equivalents - Beginning	177,806	510,709
Cash and Cash Equivalents - Ending	\$ 95,138	\$ 177,806
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	\$ 10,865	\$ 3,273

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 November 23, 2015, 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.

**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 Center is no longer subject to examinations by U.S. federal, state and local tax authorities for tax years before 2012.

Recent Accounting Pronouncement – In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements.

Functional Expenses - The Center allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

**Note 2. Concentration of Credit Risk**

The Center maintains its primary cash in bank deposit accounts at two financial institutions located in the Quad Cities. Deposits may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). Management believes that credit risk related to these deposits is minimal.

**Note 3. Accounts Receivable - Client Fees**

Client fee receivables totaled \$417,504 and \$351,779 at June 30, 2015 and 2014, 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, 2015 and 2014.

**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:

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

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

- 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.

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:

	2015		2014	
	Cost	Fair Value Level 1	Cost	Fair Value Level 1
Money Markets	\$ 61,308	\$ 61,308	\$ 31,170	\$ 31,170
Fixed Income:				
Mutual Funds	835,098	821,363	684,279	676,665
Mutual Funds - Tax Exempt	-	-	124,368	124,301
Equity Funds:				
Common Stock	451,838	630,905	423,919	636,670
Mutual Funds - Equity	197,843	240,016	170,560	227,915
Mutual Funds - Global	94,292	97,072	112,975	124,990
<b>Total Investments</b>	<b>\$ 1,640,379</b>	<b>\$ 1,850,664</b>	<b>\$ 1,547,271</b>	<b>\$ 1,821,711</b>

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, 2015 and 2014, investments were sold for total proceeds of \$310,025 and \$358,331 respectively and gross realized gains on these sales was \$50,587 and \$37,891, 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 gain (loss) in the amount of \$(64,155) and \$143,885 has been included in the change of net assets for the years ended June 30, 2015 and 2014, 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):

	2015	2014
Beginning Balance of Other Asset - Betty H. Rabe Trust	\$ 259,838	\$ 279,826
Annual Distribution	(19,988)	(19,988)
<b>Ending Balance of Other Asset - Betty H. Rabe Trust</b>	<b>\$ 239,850</b>	<b>\$ 259,838</b>

**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):

	2015	2014
Beginning Balance of Other Asset - Community Foundation	\$ 150,865	\$ 39,546
Contributions	22,863	102,065
Interest Income - Net of Expenses	3,390	684
Unrealized Gain (Loss)	(9,366)	8,570
Ending Balance of Other Asset - Community Foundation	<u>\$ 167,752</u>	<u>\$ 150,865</u>

**Note 5. Property and Equipment**

A summary of changes in property and equipment for the year ended June 30, 2015, is as follows:

	Balance June 30, 2014	Additions	Disposals	Deposits	Balance June 30, 2015
Land	\$ 298,452	\$ -	\$ -	\$ -	\$ 298,452
Buildings and Improvements	3,850,073	27,433	-	-	3,877,506
Equipment and Vehicles	1,007,756	109,040	(117,443)	-	999,353
Total Cost	5,156,281	136,473	(117,443)	-	5,175,311
Accumulated Depreciation	(2,986,101)	(268,928)	110,349	-	(3,144,680)
Net Property and Equipment	<u>\$ 2,170,180</u>	<u>\$ (132,455)</u>	<u>\$ (7,094)</u>	<u>\$ -</u>	<u>\$ 2,030,631</u>

**Note 6. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following:

	2015	2014
Accounts Payable	\$ 66,527	\$ 54,713
Accrued Expenses	95,812	50,716
Accrued Health Insurance	60,762	39,040
Accrued Vacation	162,733	170,098
Accrued Payroll	174,301	161,232
	<u>\$ 560,135</u>	<u>\$ 475,799</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 51% of the public support and revenue for the Center for the years ended June 30, 2015 and 2014, respectively.

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

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

Long-Term Debt as of June 30, 2015, consisted of the following:

	2015	2014
Empire Financial, interest rate of 8.21%, due in monthly installments of \$803, balance due April 24, 2018.	\$ 24,291	\$ 31,605
Volkswagen Credit, interest rate of 0%, due in monthly installments of \$642, balance due January 20, 2018.	16,032	23,736
Honda Financial, interest rate of 3.69%, due in monthly installments of \$441, balance due September 4, 2019.	20,790	-
Total Long-Term Debt	61,113	55,341
Less: Current Maturities	(20,244)	(15,019)
Long-Term Debt, Net of Current Maturities	\$ 40,869	\$ 40,322

Annual maturities of outstanding debt are as follows:

Year Ending June 30:	
2016	\$ 20,244
2017	21,094
2018	13,314
2019	5,140
Thereafter	1,321
	\$ 61,113

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 \$97,639 under this agreement at June 30, 2015. The Center was responsible for making interest only payments until the Center had 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, over a 5 year period.

Annual maturities of the outstanding balance are as follows:

Year Ending June 30:	
2016	\$ 20,262
2017	21,298
2018	22,388
2019	23,533
Thereafter	10,158
	\$ 97,639

The Center also has a revolving line of credit agreement with a bank, under which it may borrow up to \$500,000. The agreement expires February 23, 2016. There are no amounts outstanding under this agreement at June 30, 2015.

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

**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, 2015 and 2014, employer contributions made by the Center were 3%, respectively, for those employees meeting the eligibility requirements. Pension expense totaled \$47,702 and \$52,927 for the years ended June 30, 2015 and 2014, 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, 2015 and 2014 was \$60,762 and \$39,040, 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, 2015 and 2014, or retained as temporarily restricted net assets at June 30, 2015 and 2014:

	2015	2014
Temporarily Restricted Net Assets Retained:		
United Way of the Quad Cities - Fiscal		
Year 2015 and 2014 allocation	\$ 67,059	\$ 72,564
Betty H. Rabe Trust	239,850	259,837
Community Foundation of the Great River Bend	167,752	150,865
	\$ 474,661	\$ 483,266
Net Assets Released from Restrictions:		
United Way of the Quad Cities - Fiscal		
Year 2014 and 2013 allocation	\$ 72,564	\$ 75,796
Betty H. Rabe Trust	19,988	19,988
Change in Designation - Community Foundation of the Great River Bend	(22,864)	(102,065)
	\$ 69,688	\$ (6,281)

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

**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, 2015, are as follows:

Year Ending June 30:		
2016	\$	28,730
2017		19,422
2018		15,233
2019		<u>1,820</u>
	\$	<u><u>65,205</u></u>

**Note 13. Board Designated Net Assets for Capital Improvements**

The Center has designated \$1,459,352 for future capital improvements as of June 30, 2015. 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, 2015**  
**See Independent Auditor's Report**

	Davenport Outpatient	Rock Island Outpatient/ Methadone	East Moline Outpatient	Adolescent Treatment	Jail Based	Criminal Justice	Total
Salaries	\$ 675,443	\$ 528,955	\$ -	\$ 197,678	\$ 162,616	\$ 191,401	\$ 1,756,093
Worker's Compensation	4,410	2,736	-	1,169	877	1,188	10,380
Employee Benefits:							
Health Insurance	90,214	69,994	-	29,073	23,162	26,470	238,913
Retirement	4,792	3,516	-	1,789	2,363	1,417	13,877
Other	983	540	-	464	430	440	2,857
Payroll Taxes:							
Social Security	49,418	38,572	-	14,392	11,508	13,950	127,840
Unemployment	1,991	5,525	-	-	-	-	7,516
Professional Fees:							
Laboratory/Urinalysis	6,362	25,785	-	832	-	-	32,979
Contract Services	39,942	27,545	-	16,735	17,242	16,570	118,034
Medical Consultants	13,780	32,395	-	3,900	-	-	50,075
Supplies:							
Office, Outside Printing	8,465	4,626	-	1,904	2,349	1,589	18,933
Medical	159	37,122	-	70	12	12	37,375
Education, Recreation and Crafts	-	-	-	351	-	-	351
Food and Beverage	1,615	421	-	1,225	165	4,082	7,508
Housekeeping and Laundry	1,260	1,620	-	701	-	-	3,581
Telephone	11,534	14,010	-	4,846	2,480	2,127	34,997
Postage and Shipping	6,937	863	-	17	-	-	7,817
Advertising/Social Marketing	266	133	-	133	133	133	798
Occupancy:							
Utilities	7,397	13,203	-	2,967	-	-	23,567
Maintenance	1,519	13,166	5,776	4,566	251	1,429	26,707
Insurance	1,937	1,494	-	644	41	-	4,116
Transportation:							
Mileage	5,389	2,133	-	34	1,035	2,698	11,289
Vehicle Costs	5,307	7	-	2,381	34	48	7,777
Auto Insurance	1,022	-	-	521	-	-	1,543
Conferences and Training	6,907	1,036	-	245	471	295	8,954
Subscriptions and References	13,881	10,002	-	1,787	1,921	1,536	29,127
Special Assistance	41,336	290	-	-	-	-	41,626
General Liability Insurance	6,927	5,035	-	2,493	690	568	15,713
Recruiting	579	349	-	40	81	40	1,089
Equipment Rental	3,355	3,384	-	1,309	973	-	9,021
Interest	1,134	567	-	567	567	567	3,402
Depreciation	35,917	24,069	-	18,304	9,425	8,924	96,639
<b>Total</b>	<b>\$ 1,050,178</b>	<b>\$ 869,093</b>	<b>\$ 5,776</b>	<b>\$ 311,137</b>	<b>\$ 238,826</b>	<b>\$ 275,484</b>	<b>\$ 2,750,494</b>

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Schedule of Functional Expenses - Residential Programs**  
**Year Ended June 30, 2015**  
**See Independent Auditor's Report**

	<u>S.T.A.R.T.</u>	<u>Adult Halfway House</u>	<u>Total</u>
Salaries	\$ 501,901	\$ 297,212	\$ 799,113
Worker's Compensation	4,253	1,384	5,637
Employee Benefits:			
Health Insurance	68,184	40,912	109,096
Retirement	3,485	2,848	6,333
Other	494	494	988
Payroll Taxes:			
Social Security	36,164	21,396	57,560
Professional Fees:			
Laboratory/Urinalysis	2,009	1,526	3,535
Contract Services	18,751	18,751	37,502
Medical Consultants	66,415	12,402	78,817
Supplies:			
Office, Outside Printing	5,421	5,392	10,813
Medical	8,852	8,911	17,763
Education, Recreation and Crafts	-	1,087	1,087
Food and Beverage	35,807	36,646	72,453
Housekeeping and Laundry	10,914	10,933	21,847
Telephone	7,830	7,882	15,712
Postage and Shipping	31	31	62
Advertising/Social Marketing	133	133	266
Occupancy:			
Utilities	10,690	10,690	21,380
Maintenance	23,111	23,111	46,222
Insurance	2,232	2,232	4,464
Transportation:			
Mileage	936	936	1,872
Vehicle Costs	1,771	12,539	14,310
Auto Insurance	258	2,322	2,580
Conferences and Training	555	555	1,110
Subscriptions and References	3,630	3,900	7,530
Special Assistance	553	1,770	2,323
General Liability Insurance	7,241	7,241	14,482
Recruiting	716	716	1,432
Equipment Rental	1,897	1,897	3,794
Interest	630	1,131	1,761
Depreciation	30,780	30,781	61,561
	<u>30,780</u>	<u>30,781</u>	<u>61,561</u>
Total	<u>\$ 855,644</u>	<u>\$ 567,761</u>	<u>\$ 1,423,405</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, 2015**  
**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	\$ 2,474,243	\$ 167,889	\$ 1,931,220	\$ 258,391	\$ 116,743
Expenses:					
Salaries and Benefits	1,731,901	140,245	1,373,321	137,833	80,502
Professional Fees:					
Laboratory/Urinalysis	14,924	-	10,068	1,662	3,194
Building and Improvements	59,648	-	56,236	-	3,412
Consultants	108,064	5,750	68,997	17,119	16,198
Supplies:					
Office, Outside Printing	17,266	-	14,773	1,920	573
Medical	32,579	-	13,991	27	18,561
Education, Recreation and Crafts	1,056	-	1,056	-	-
Food and Beverage	58,440	-	58,096	292	52
Housekeeping and Laundry	18,708	-	18,364	143	201
Telephone	27,024	-	22,672	2,616	1,736
Postage and Shipping	5,846	-	4,955	784	107
Advertising/Social Marketing	520	-	371	133	16
Occupancy:					
Utilities	26,995	-	24,522	837	1,636
Maintenance	42,367	-	39,716	1,020	1,631
Insurance	5,636	-	5,232	219	185
Transportation:					
Mileage	6,871	-	3,631	2,976	264
Vehicle Costs	18,122	-	13,022	5,099	1
Auto Insurance	3,381	-	2,359	1,022	-
Conferences and Training	6,860	-	5,513	1,219	128
Subscriptions and References	20,357	-	16,868	2,250	1,239
Special Assistance	43,049	-	2,915	40,098	36
General Liability Insurance	19,081	-	17,233	1,224	624
Recruiting	1,703	-	1,518	141	44
Equipment Rental	6,959	-	6,160	380	419
Interest	2,758	-	2,121	567	70
Depreciation	90,674	-	76,723	10,969	2,982
Indirect Expenses:					
Salaries and Benefits	137,971	21,894	93,022	23,055	-
Total Expenses	2,508,759	167,889	1,953,455	253,605	133,811
Revenues over (under) Expenses	\$ (34,516)	\$ -	\$ (22,235)	\$ 4,786	\$ (17,068)

**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., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated November 23, 2015.

***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 23, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY 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, 2015. 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, 2015.

## ***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 23, 2015

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**  
**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	43CTC00048 43CTC00029 43CTC00047	\$ <u>279,210</u>
Pass-Through Iowa Department of Public Health:			
Substance Abuse Prevention Treatment Block Grant	93.959		
Comprehensive Prevention		588 5 CP11	153,787
Methadone Treatment		588 5 MT02	116,738
Iowa Managed Substance Abuse Care Plan		MIS: 122553-000	609,606
Special Populations		MIS: 122553-000	132,030
Total Iowa Department of Public Health Substance Abuse Prevention Treatment Block Grant			<u>1,012,161</u>
Pass-Through Iowa Department of Public Health:			
Substance Abuse and Mental Health Services - Access to Recovery	93.275	588 1 AC12	<u>38,600</u>
Pass-Through Iowa Department of Public Health:			
Substance Abuse and Mental Health Services	93.243		
Screening, Brief Intervention and Referral to Treatment		588 5 SA05	72,572
Substance Abuse and Mental Health Services - Access to Recovery		588 5 AC12	42,117
Iowa Recovery Health Information Technology		588 5 SA29	6,903
Suicide Screening in Substance Abuse Treatment Centers		588 5 SM32	14,400
Total Iowa Department of Public Health Substance Abuse and Mental Health Services			<u>135,992</u>
Pass-Through Iowa Judicial Branch:			
Enhance the Safety of Children Affected by Parental Methamphetamine or Other Substance Abuse	93.087	93.Unknown	<u>38,339</u>
Total Federal Awards			<u>\$ 1,504,302</u>
		Total CFDA 93.959 (Major Program)	\$ 1,291,371
		Total CFDA 93.275	38,600
		Total CFDA 93.243	135,992
		Total CFDA 93.087	38,339
Total Federal Awards by Federal CFDA Number			<u>\$ 1,504,302</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.

**CENTER FOR ALCOHOL & DRUG SERVICES, INC.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2015**  
**See independent Auditor's Report**

I. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued: Unmodified

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: Unmodified

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 Audit Findings**  
**Year Ended June 30, 2014**  
**See Independent Auditor's Report**

There were no prior audit findings.