

**Assured Family Services and Community  
Health Outreach, Intervention & Clinical  
Engagement Services  
(not-for-profit corporations)**

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**Consolidated Financial Report  
with Additional Information  
December 31, 2015**

# **Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services**

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## Independent Auditor's Report

To the Board of Directors  
Assured Family Services and Community Health Outreach,  
Intervention & Clinical Engagement Services

We have audited the accompanying consolidated financial statements of Assured Family Services (formerly known as Juvenile Assessment Center) and Community Health Outreach, Intervention & Clinical Engagement Services (the "Organization"), which comprise the consolidated balance sheet as of December 31, 2015 and 2014 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

To the Board of Directors  
Assured Family Services and Community Health Outreach,  
Intervention & Clinical Engagement Services

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services as of December 31, 2015 and 2014 and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Plante & Morse, PLLC*

May 25, 2016

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Consolidated Balance Sheet

	December 31, 2015	December 31, 2014
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 2,628,922	\$ 3,851,349
Receivables	2,406,196	1,440,815
Prepaid expenses and other current assets	6,826	6,826
Total current assets	5,041,944	5,298,990
<b>Deposits</b>	14,234	14,234
<b>Investments</b> (Note 6)	250,000	-
<b>Property and Equipment - Net</b> (Note 2)	74,808	124,024
Total assets	<b>\$ 5,380,986</b>	<b>\$ 5,437,248</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 915,545	\$ 1,079,248
Accrued liabilities and other	299,215	218,932
Total current liabilities	1,214,760	1,298,180
<b>Net Assets</b>		
Unrestricted	4,066,226	3,939,068
Temporarily restricted	100,000	200,000
Total net assets	4,166,226	4,139,068
Total liabilities and net assets	<b>\$ 5,380,986</b>	<b>\$ 5,437,248</b>

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	December 31, 2015	December 31, 2014
<b>Changes in Unrestricted Net Assets</b>		
Revenue and support:		
Contracted services	\$ 11,318,123	\$ 11,629,153
Grant revenue	468,000	476,000
Interest income	2,740	4,089
Miscellaneous income	1,006	351
Total revenue and support	11,789,869	12,109,593
Net assets released from restrictions	100,000	-
Total unrestricted revenue, support, and net assets released from restrictions	11,889,869	12,109,593
Expenses:		
Salaries and wages	4,959,026	4,804,902
Employee benefits	1,410,679	1,375,329
Payroll taxes	443,232	417,474
Contracted services	3,388,039	3,729,147
Professional fees	102,911	102,420
Office supplies	152,240	133,597
Travel and lodging	157,417	144,962
Testing supplies	156,659	205,784
Telephone	165,706	137,542
Insurance	50,759	58,401
Postage and shipping	15,528	14,904
Occupancy	481,250	481,250
Depreciation	75,117	70,366
Conferences and meetings	21,799	39,009
Dues and subscriptions	7,053	12,168
Miscellaneous	79,932	52,406
Equipment	750	435
Equipment rental	73,043	74,619
Advertising	21,571	17,829
Total expenses	11,762,711	11,872,544
<b>Increase in Unrestricted Net Assets</b>	127,158	237,049
<b>Changes in Temporarily Restricted Net Assets</b>		
Grant revenue	-	200,000
Net assets released from restrictions	(100,000)	-
<b>(Decrease) Increase in Temporarily Restricted Net Assets</b>	(100,000)	200,000
<b>Increase in Net Assets</b>	27,158	437,049
<b>Net Assets - Beginning of year</b>	4,139,068	3,702,019
<b>Net Assets - End of year</b>	<b>\$ 4,166,226</b>	<b>\$ 4,139,068</b>

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2015	December 31, 2014
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 27,158	\$ 437,049
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	75,117	70,366
Gain on disposal of property and equipment	-	(351)
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(965,381)	970,092
Prepaid expenses and other receivables	-	23,225
Accounts payable	(163,703)	57,176
Accrued liabilities and other	80,283	(229,428)
	(946,526)	1,328,129
Net cash (used in) provided by operating activities	(946,526)	1,328,129
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(25,901)	(27,129)
Proceeds from the sale of property and equipment	-	351
Purchases of investments	(398,250)	(23,659)
Proceeds from sales and maturities of investments	148,250	273,659
	(275,901)	223,222
Net cash (used in) provided by investing activities	(275,901)	223,222
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(1,222,427)	1,551,351
<b>Cash and Cash Equivalents - Beginning of year</b>	3,851,349	2,299,998
<b>Cash and Cash Equivalents - End of year</b>	\$ 2,628,922	\$ 3,851,349

# **Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services**

## **Notes to Consolidated Financial Statements December 31, 2015 and 2014**

### **Note 1 - Nature of Activities and Significant Accounting Policies**

**Nature of Organization** - Assured Family Services (AFS) (formerly known as Juvenile Assessment Center) is a not-for-profit member corporation organized to encourage, strengthen, and sustain healthy, safe, and supportive environments in which children and families will flourish. Essential to its mission is the joint investment of resources and programs, the establishment of community partnerships, and the promotion of responsible policies that serve the best interests of Michigan's children and families. AFS provides mental health care and social services to children and families throughout the state of Michigan.

For AFS, revenue from the Wayne County Department of Children and Family Services is substantially on a cost-reimbursement basis. The contract for the period from January 1, 2012 through December 31, 2016 provides for a not-to-exceed amount of \$61,731,231. AFS billed approximately \$49,056,000 of these funds through December 31, 2015. The contract contains various provisions. Noncompliance with financial and other nonfinancial provisions of the contract could cause adjustments to the contract amounts. Substantially all revenue and receivables are received from Wayne County.

Community Health Outreach, Intervention & Clinical Engagement Services (CHOICES) is a not-for-profit stock corporation owned by AFS. CHOICES was organized to encourage, strengthen, and enrich children and families via specialized services, treatments, and programs that assist and support children and families to stay together successfully and reduce out-of-home care necessity. Essential to its mission is the provision of mental health, substance abuse treatment, and adjunct programs that serve the best interests of Michigan's children and families. Incorporated in 2008, the program initiated service provision with juvenile justice and at-risk youth and families. For CHOICES, revenue is earned based on services performed for AFS. Services are performed on an as-needed basis. CHOICES revenue is eliminated in consolidation.

Significant accounting policies are as follows:

**Basis of Consolidation** - The accompanying consolidated financial statements reflect the consolidated financial position and changes in net assets and cash flows of AFS and CHOICES (collectively, the "Organization"). All significant interrelated transactions between AFS and CHOICES have been eliminated in consolidation.

**Basis of Accounting** - The consolidated financial statements have been prepared on the accrual basis of accounting.

**Cash Equivalents** - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

# **Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services**

## **Notes to Consolidated Financial Statements December 31, 2015 and 2014**

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

**Concentration of Credit Risk Arising from Deposit Accounts** - The Organization maintains cash balances with a bank. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization evaluates the financial institutions with which it deposit funds.

**Accounts Receivable** - Accounts receivable are stated at the agreed-upon reimbursement amount per the contract service agreements. The Organization's policy is to record accounts receivable for services provided in agreement with established contracts. An allowance for doubtful accounts is established based on a specific assessment of amounts that remain unpaid. No provision for doubtful accounts has been provided since management believes all receivables are collectible in full. Amounts deemed to be uncollectible are charged against bad debt expense in the period that the determination is made.

**Grant Revenue** - Grant revenue received for grants determined to be contribution transactions is recognized when received. Grant revenue is recorded as temporarily restricted based on requirements over use of the funds over a specific period of time. Grant revenue received and spent in the same year is treated as unrestricted.

**Property and Equipment** - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

**Investments** - Investments are recorded at fair value based on market data for identical or comparable instruments.

**Classification of Net Assets** - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. There were no permanently restricted net assets as of December 31, 2015 and 2014.

# **Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services**

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## **Notes to Consolidated Financial Statements December 31, 2015 and 2014**

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

There was \$100,000 in temporarily restricted net assets as of December 31, 2015 and \$200,000 in temporarily restricted net assets as of December 31, 2014. The temporarily restricted net assets for December 31, 2015 are time restricted until the related purpose is fulfilled.

**Use of Estimates** - The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses** - The costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

Program expenses totaled \$10,311,676 and \$10,475,742 for the years ended December 31, 2015 and 2014, respectively. All other expenses of the Organization are considered management and general expenses.

**Income Tax Status** - The Organization is exempt from income tax under the provisions of Internal Revenue Code Section 501(c)(3).

# **Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services**

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## **Notes to Consolidated Financial Statements December 31, 2015 and 2014**

### **Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

**Recent Accounting Pronouncements** - In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the consolidated financial statements, if any.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU did not significantly change the accounting requirements for lessors, and accordingly, application of the new lease standard is not expected to have a significant effect on the Organization's consolidated financial statements. The new guidance will be effective for the Organization's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including May 25, 2016, which is the date the consolidated financial statements were available to be issued.

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Notes to Consolidated Financial Statements December 31, 2015 and 2014

### Note 2 - Property and Equipment

Property and equipment are summarized as follows:

	2015	2014	Depreciable Life - Years
Leasehold improvements	\$ 247,494	\$ 247,494	3-5
Automobiles	38,368	38,368	5
Office equipment	108,310	108,310	5
Computer equipment and software	484,127	458,226	3-5
Total cost	878,299	852,398	
Accumulated depreciation	803,491	728,374	
Net property and equipment	\$ 74,808	\$ 124,024	

Depreciation expense for the years ended December 31, 2015 and 2014 was \$75,117 and \$70,366, respectively.

### Note 3 - Line of Credit

The Organization has a financing agreement under which \$500,000 could be borrowed on a revolving line of credit. No amounts were drawn during 2014 or 2015. Borrowings bear interest at 5.774 percentage points over the effective LIBOR and are collateralized by substantially all assets of the Organization. The line of credit expires in December 2016.

### Note 4 - Operating Leases

The Organization has commitments under various operating leases for facilities, equipment, and a vehicle expiring at various dates through 2020. Rent expense under these leases totaled \$559,793 and \$563,750 for the years ended December 31, 2015 and 2014, respectively.

Future minimum rental commitments are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2016	\$ 632,774
2017	81,887
2018	81,887
2019	81,887
2020	81,887
Total	<u>\$ 960,322</u>

# **Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services**

## **Notes to Consolidated Financial Statements December 31, 2015 and 2014**

### **Note 5 - Retirement Plan**

The Organization participates in a defined contribution retirement plan. Under the plan, employees can elect to defer a portion of their compensation. In addition, the Organization may make contributions to the plan on behalf of eligible employees. Total Organization contributions made to the plan in 2015 and 2014 were approximately \$89,000 and \$79,000, respectively.

### **Note 6 - Fair Value Measurements**

Accounting standards require certain assets be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at December 31, 2015 and the valuation techniques used by the Organization to determine those fair values. No investments were held at December 31, 2014.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Notes to Consolidated Financial Statements December 31, 2015 and 2014

### Note 6 - Fair Value Measurements (Continued)

#### Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Investments:				
Exchange - Traded funds and closed-end funds	\$ 108,600	\$ -	\$ -	\$ 108,600
Mutual funds	39,650	-	-	39,650
Total	<u>\$ 148,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,250</u>

The table above does not include cash and cash equivalents held in the custodial account of \$101,750 at December 31, 2015. These amounts are included in investments on the consolidated balance sheet.

## **Additional Information**

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## Independent Auditor's Report on Additional Information

To the Board of Directors  
Assured Family Services and Community Health Outreach,  
Intervention & Clinical Engagement Services

We have audited the consolidated financial statements of Assured Family Services (formerly known as Juvenile Assessment Center) and Community Health Outreach, Intervention & Clinical Engagement Services as of and for the years ended December 31, 2015 and 2014. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Plante & Moran, PLLC*

May 25, 2016

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Consolidating Balance Sheet December 31, 2015

	Assured Family Services	CHOICES	Eliminating Entries	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,432,931	\$ 195,991	\$ -	\$ 2,628,922
Receivables	2,406,196	-	-	2,406,196
Related party receivable	386,055	273,735	(659,790)	-
Prepaid expenses and other current assets	6,826	-	-	6,826
Total current assets	5,232,008	469,726	(659,790)	5,041,944
<b>Deposits</b>	14,234	-	-	14,234
<b>Investments</b>	250,000	-	-	250,000
<b>Property and Equipment - Net</b>	74,808	-	-	74,808
<b>Investment in Subsidiary</b>	1,000	-	(1,000)	-
Total assets	<b>\$ 5,572,050</b>	<b>\$ 469,726</b>	<b>\$ (660,790)</b>	<b>\$ 5,380,986</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 915,545	\$ -	\$ -	\$ 915,545
Trade payables to related parties	273,735	386,055	(659,790)	-
Accrued liabilities and other	299,215	-	-	299,215
Total current liabilities	1,488,495	386,055	(659,790)	1,214,760
<b>Net Assets</b>				
Unrestricted	3,983,555	83,671	(1,000)	4,066,226
Temporarily restricted	100,000	-	-	100,000
Total net assets	4,083,555	83,671	(1,000)	4,166,226
Total liabilities and net assets	<b>\$ 5,572,050</b>	<b>\$ 469,726</b>	<b>\$ (660,790)</b>	<b>\$ 5,380,986</b>

# Assured Family Services and Community Health Outreach, Intervention & Clinical Engagement Services

## Consolidating Statement of Activities and Changes in Net Assets Year Ended December 31, 2015

	Assured Family Services	CHOICES	Eliminating Entries	Total
<b>Changes in Unrestricted Net Assets</b>				
Revenue and support:				
Contracted services	\$ 11,318,123	\$ 1,170,113	\$ (1,170,113)	\$ 11,318,123
Grant revenue	468,000	-	-	468,000
Management fees	107,758	-	(107,758)	-
Interest income	2,740	-	-	2,740
Miscellaneous income	1,006	-	-	1,006
Total revenue and support	11,897,627	1,170,113	(1,277,871)	11,789,869
Net assets released from restrictions	100,000	-	-	100,000
Total unrestricted revenue, support, and net assets released from restrictions	11,997,627	1,170,113	(1,277,871)	11,889,869
Expenses:				
Salaries and wages	3,905,924	-	1,053,102	4,959,026
Employee benefits	1,410,679	-	-	1,410,679
Payroll taxes	443,232	-	-	443,232
Contracted services	4,558,152	-	(1,170,113)	3,388,039
Professional fees	102,911	-	-	102,911
Office supplies	152,240	-	-	152,240
Management fees	-	107,758	(107,758)	-
Travel and lodging	157,417	-	-	157,417
Leased employees	-	1,053,102	(1,053,102)	-
Testing supplies	156,659	-	-	156,659
Information technology	165,706	-	-	165,706
Insurance	50,759	-	-	50,759
Postage and shipping	15,528	-	-	15,528
Occupancy	481,250	-	-	481,250
Depreciation	75,117	-	-	75,117
Conferences and meetings	21,799	-	-	21,799
Dues and subscriptions	7,053	-	-	7,053
Miscellaneous	79,932	-	-	79,932
Equipment	750	-	-	750
Equipment rental	73,043	-	-	73,043
Advertising	21,571	-	-	21,571
Total expenses	11,879,722	1,160,860	(1,277,871)	11,762,711
Net assets released from restrictions	(100,000)	-	-	(100,000)
<b>Increase in Net Assets</b>	17,905	9,253	-	27,158
<b>Net Assets - Beginning of year</b>	4,065,650	74,418	(1,000)	4,139,068
<b>Net Assets - End of year</b>	<b>\$ 4,083,555</b>	<b>\$ 83,671</b>	<b>\$ (1,000)</b>	<b>\$ 4,166,226</b>