Assured Family Services

(parent company only)

Financial Report

December 31, 2015

Contents

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Independent Auditor's Report

To the Board of Directors
Assured Family Services

We have audited the accompanying financial statements of Assured Family Services (formerly known as Juvenile Assessment Center) (parent company only) (the "Organization"), which comprise the balance sheet as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets 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. Those standards require that we plan and perform the audits 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.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Assured Family Services

Basis for Modified Opinion

Consolidated financial statements are required for conformity with accounting principles generally accepted in the United State of America. As discussed in Note 1, the 2015 and 2014 parent-company-only financial statements, which include a subsidiary on the cost basis, are being issued in addition to consolidated financial statements for 2015 and 2014. Information regarding the subsidiary is disclosed in Note 6.

Modified Opinion

In our opinion, except for the effects of not consolidating the subsidiary as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Assured Family Services as of December 31, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

May 25, 2016

Assured Family Services

Balance Sheet

		December 31, 2015		December 31, 2014
Assets				
Current Assets				
Cash and cash equivalents	$	2,432,931	$	3,598,804
Receivables		2,406,196		1,440,815
Related party receivable (Note 7)		386,055		468,624
Prepaid expenses and other current assets		6,826		6,826
Total current assets		5,232,008		5,515,069
Deposits		14,234		14,234
Investments (Note 8)		250,000		-
Property and Equipment - Net (Note 2)		74,808		124,024
Investment in Subsidiary (Notes 6 and 7)		1,000		1,000
Total assets	**$**	**5,572,050**	**$**	**5,654,327**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	915,545	$	1,079,248
Trade payables to related parties (Note 7)		273,735		290,497
Accrued liabilities and other		299,215		218,932
Total current liabilities		1,488,495		1,588,677
Net Assets				
Unrestricted		3,983,555		3,865,650
Temporarily restricted		100,000		200,000
Total net assets		4,083,555		4,065,650
Total liabilities and net assets	**$**	**5,572,050**	**$**	**5,654,327**

Assured Family Services

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2015	Year Ended December 31, 2014
Changes in Unrestricted Net Assets		
Revenue and support:		
Contracted services	$ 11,318,123	$ 11,629,153
Grant revenue	468,000	476,000
Management fee revenue (Note 7)	107,758	87,845
Interest income	2,740	4,089
Miscellaneous income	1,006	351
Total revenue and support	11,897,627	12,197,438
Net assets released from restrictions	100,000	-
Total unrestricted revenue, support, and net assets released from restrictions	11,997,627	12,197,438
Expenses:		
Salaries and wages	3,905,924	3,750,759
Employee benefits	1,410,679	1,375,329
Payroll taxes	443,232	417,474
Contracted services	4,558,152	4,900,416
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	11,879,722	11,989,670
Increase in Unrestricted Net Assets	117,905	207,768
Changes in Temporarily Restricted Net Assets		
Grant revenue	-	200,000
Net assets released from restrictions	(100,000)	-
(Decrease) Increase in Temporarily Restricted Net Assets	(100,000)	200,000
Increase in Net Assets	17,905	407,768
Net Assets - Beginning of year	4,065,650	3,657,882
Net Assets - End of year	**$ 4,083,555**	**$ 4,065,650**

Assured Family Services

Statement of Cash Flows

	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash Flows from Operating Activities		
Increase in net assets	$ 17,905	$ 407,768
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
Related party payable	(16,762)	49,256
Related party receivable	82,569	(132,176)
Prepaid expenses and other receivables	-	23,225
Accounts payable	(163,703)	57,176
Accrued liabilities and other	80,283	(229,428)
Net cash (used in) provided by operating activities	(889,972)	1,215,928
Cash Flows from Investing Activities		
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 of investments	148,250	273,659
Net cash (used in) provided by investing activities	(275,901)	223,222
Net (Decrease) Increase in Cash and Cash Equivalents	(1,165,873)	1,439,150
Cash and Cash Equivalents - Beginning of year	3,598,804	2,159,654
Cash and Cash Equivalents - End of year	**$ 2,432,931**	**$ 3,598,804**

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Assured Family Services (formerly known as Juvenile Assessment Center) (the "Organization" or AFS) 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. The Organization provides mental health care and social services to children and families throughout the state of Michigan.

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 provided 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.

Significant accounting policies are as follows:

Basis of Presentation - The Organization has issued consolidated financial statements for the years ended December 31, 2015 and 2014, which include the activity of Community Health Outreach, Intervention & Clinical Engagement Services (CHOICES), a wholly owned subsidiary of AFS. In addition to consolidated financial statements, the accompanying financial statements are being issued for the benefit of third parties who have a need for financial information of the Organization independent of the Organization's subsidiary. In the accompanying financial statements, the investment in the subsidiary is on the cost basis. Net assets on a consolidated basis are $82,671 greater than that shown on the parent-only financial statements. Information regarding the subsidiary is disclosed in Note 6.

Basis of Accounting - The 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.

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 deposits funds.

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

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.

Contract Revenue - The Organization recognizes revenue in accordance with the stipulations of the contracts entered into.

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 are 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.

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.

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

Use of 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 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 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 $10,574,952 and $10,739,276 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).

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 financial statements, if any.

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

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

Note 2 - Property and Equipment

The cost of property and equipment is 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:

Years Ending December 31	Amount
2016	$ 632,774
2017	81,887
2018	81,887
2019	81,887
2020	81,887
Total	$ 960,322

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 - Information Regarding Subsidiary

During 2008, the Organization started a wholly owned subsidiary, Community Health Outreach, Intervention & Clinical Engagement Services (CHOICES), with an initial investment of $1,000. CHOICES is a not-for-profit stock corporation. 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. The Organization is the sole stockholder of CHOICES. An investment in CHOICES has been recorded at cost.

Note 6 - Information Regarding Subsidiary (Continued)

The results of the operations of CHOICES as of and for the years ended December 31, 2015 and 2014 are summarized below:

	2015	2014
Total assets	$ 469,726	$ 543,042
Total liabilities	386,055	468,624
Net equity	$ 83,671	$ 74,418
Total revenue	$ 1,170,113	$ 1,171,269
Total expenses	1,160,860	1,141,988
Increase in net assets	$ 9,253	$ 29,281

Note 7 - Related Party Transactions

The following is a description of transactions between the Organization and CHOICES:

Accounts Receivable - At December 31, 2015 and 2014, the Organization had accounts receivable from CHOICES totaling $386,055 and $468,624, respectively.

Accounts Payable - At December 31, 2015 and 2014, the Organization had accounts payable to CHOICES totaling $273,735 and $290,497, respectively.

Investment in Subsidiary - As disclosed in Note 6, at December 31, 2015 and 2014, the Organization owned $1,000 in the common stock of CHOICES.

Contracted Services - For the years ended December 31, 2015 and 2014, the Organization purchased contracted services from CHOICES, in the ordinary course of business, totaling $1,170,113 and $1,171,269, respectively.

Management Fees - For the years ended December 31, 2015 and 2014, the Organization received management fee revenue from CHOICES of $107,758 and $87,845, respectively.

Leased Employee Revenue (Contra Expense) - For the years ended December 31, 2015 and 2014, the Organization leased AFS employees to CHOICES for $1,053,102 and $1,054,143, respectively, included in salaries and wages on the statement of activities.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the 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.

Note 8 - Fair Value Measurements (Continued)

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.

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
Assets - Investments				
Exchange-traded funds and closed-end funds	$ 108,600	$ -	$ -	$ 108,600
Mutual funds	39,650	-	-	39,650
Total	$ 148,250	$ -	$ -	$ 148,250

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 balance sheet.