Community Health Outreach, Intervention & Clinical Engagement Services

(a wholly owned subsidiary of the Juvenile Assessment Center)

Financial Report

December 31, 2014

Community Health Outreach, Intervention & Clinical Engagement Services

Contents

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Independent Auditor's Report

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

We have audited the accompanying financial statements of Community Health Outreach, Intervention & Clinical Engagement Services, which comprise the balance sheet as of December 31, 2014 and 2013 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Health Outreach, Intervention & Clinical Engagement Services as of December 31, 2014 and 2013, and the changes in 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 28, 2015

Community Health Outreach, Intervention & Clinical Engagement Services

Balance Sheet

	December 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	$ 252,545	$ 140,344
Accounts receivable - Related party (Note 2)	290,497	241,241
Total current assets	**$ 543,042**	**$ 381,585**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable - Related party (Note 2)	$ 468,624	$ 336,448
Net Assets - Unrestricted	74,418	45,137
Total liabilities and net assets	**$ 543,042**	**$ 381,585**

See Notes to Financial Statements.

Community Health Outreach, Intervention & Clinical Engagement Services

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2014	Year Ended December 31, 2013
Changes in Unrestricted Net Assets		
Revenue and support - Contracted services (Note 2)	$ 1,171,269	$ 947,928
Expenses:		
Management fees (Note 2)	87,845	87,396
Leased employees (Note 2)	1,054,143	853,145
Total expenses	1,141,988	940,541
Increase in Net Assets	29,281	7,387
Net Assets - Beginning of year	45,137	37,750
Net Assets - End of year	**$ 74,418**	**$ 45,137**

Community Health Outreach, Intervention & Clinical Engagement Services

Statement of Cash Flows

	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash Flows from Operating Activities		
Increase in net assets	$ 29,281	$ 7,387
Changes in operating assets and liabilities which provided (used) cash:		
Related party payable	132,176	201,150
Related party receivable	(49,256)	(126,393)
Net cash provided by operating activities	112,201	82,144
Cash Flows from Financing Activities - Payments on note payable - Related party		(50,000)
Net Increase in Cash and Cash Equivalents	112,201	32,144
Cash and Cash Equivalents - Beginning of year	140,344	108,200
Cash and Cash Equivalents - End of year	**$ 252,545**	**$ 140,344**

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - Community Health Outreach, Intervention & Clinical Engagement Services (the “Organization” or "CHOICES") is a not-for-profit stock corporation wholly owned by the Juvenile Assessment Center (the "JAC"). The parent has issued common stock at $1 par value, with 10,000 shares authorized and 1,000 shares outstanding. CHOICES was organized to encourage, strengthen, and enrich children and families via specialized services, treatment, 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.

Significant accounting policies are as follows:

Basis of Presentation - In 2008, CHOICES was formed as a wholly owned subsidiary of the JAC. The accompanying financial statements, which exclude the parent entity, were issued for the benefit of third parties who have a need for financial information of the Organization, independent of the Organization’s parent. Information regarding transactions with the Organization's parent company, the Juvenile Assessment Center, is disclosed in Note 2. For CHOICES, revenue is recognized when services are performed for the JAC.

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.

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.

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.

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

Donor-imposed restrictions that expire with the passage of time or that 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 temporarily or permanently restricted net assets as of December 31, 2014 or 2013.

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 $896,022 and $725,173 for the years ended December 31, 2014 and 2013, 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).

Accounting for Uncertainty in Income Taxes - Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

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

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including May 28, 2015, which is the date the financial statements were available to be issued.

Note 2 - Related Party Transactions

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

Accounts Receivable - At December 31, 2014 and 2013, the Organization had accounts receivable from the JAC totaling $290,497 and $241,241, respectively.

Accounts Payable - At December 31, 2014 and 2013, the Organization had accounts payable to the JAC totaling $468,624 and $336,448, respectively.

Contracted Services - For the years ended December 31, 2014 and 2013, the Organization received $1,171,269 and $947,928, respectively, from the JAC for contracted services in the ordinary course of business.

Leased Employees - For the years ended December 31, 2014 and 2013, the Organization leased employees from the JAC for $1,054,143 and $853,145, respectively.

Management Fees - For the years ended December 31, 2014 and 2013, the Organization incurred management fee expenses of $87,845 and $87,396, respectively, payable to the JAC.