

**Juvenile Assessment Center and Community
Health Outreach, Intervention & Clinical
Engagement Services
(not-for-profit corporations)**

**Consolidated Financial Report
with Additional Information
December 31, 2011**

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

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Independent Auditor's Report

To the Board of Directors
Juvenile Assessment Center and
Community Health Outreach,
Intervention & Clinical Engagement
Services

We have audited the accompanying consolidated balance sheet of the Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services (the "Organization") as of December 31, 2011 and 2010 and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services at December 31, 2011 and 2010 and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

June 1, 2012

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Consolidated Balance Sheet

	December 31, 2011	December 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,385,987	\$ 1,969,793
Receivables	2,495,311	2,638,215
Prepaid expenses and other current assets	600	600
Total current assets	4,881,898	4,608,608
Deposits	14,234	14,234
Property and Equipment - Net (Note 2)	49,553	104,918
Total assets	\$ 4,945,685	\$ 4,727,760
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,289,700	\$ 1,320,456
Current portion of long-term debt (Note 4)	2,230	3,828
Accrued liabilities and other	275,029	352,625
Total current liabilities	1,566,959	1,676,909
Long-term Debt - Net of current portion (Note 4)	-	2,230
Total liabilities	1,566,959	1,679,139
Net Assets - Unrestricted	3,378,726	3,048,621
Total liabilities and net assets	\$ 4,945,685	\$ 4,727,760

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	December 31, 2011	December 31, 2010
Changes in Unrestricted Net Assets		
Revenue and support:		
Contracted services	\$ 12,008,984	\$ 12,726,447
Grant revenue	353,497	217,473
Interest income	8,141	8,072
Miscellaneous income	17	613
	12,370,639	12,952,605
Expenses:		
Salaries and wages	4,344,929	4,402,831
Employee benefits	1,096,916	1,022,356
Payroll taxes	395,471	386,146
Contracted services	4,843,545	4,834,293
Professional fees	137,656	120,742
Office supplies	135,554	174,198
Travel and lodging	107,912	113,915
Testing supplies	233,301	275,029
Telephone	82,082	86,147
Insurance	37,460	44,356
Postage and shipping	16,593	17,869
Occupancy	390,000	390,000
Depreciation	63,261	96,522
Conferences and meetings	803	2,976
Dues and subscriptions	4,473	5,326
Miscellaneous	66,714	126,451
Equipment	625	356
Equipment rental	70,643	71,601
Advertising	12,596	11,114
	12,040,534	12,182,228
Total expenses		
	330,105	770,377
Increase in Net Assets		
	330,105	770,377
Net Assets - Beginning of year	3,048,621	2,278,244
	3,378,726	3,048,621
Net Assets - End of year	\$ 3,378,726	\$ 3,048,621

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2011	December 31, 2010
Cash Flows from Operating Activities		
Increase in net assets	\$ 330,105	\$ 770,377
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	63,261	96,522
Gain on disposal of property and equipment	(17)	(613)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	142,904	(139,467)
Prepaid expenses and other receivables	-	14,795
Accounts payable	(30,756)	42,281
Accrued liabilities and other	(77,596)	26,199
Net cash provided by operating activities	427,901	810,094
Cash Flows from Investing Activities		
Purchase of property and equipment	(7,896)	(13,604)
Proceeds from the sale of property and equipment	17	613
Net cash used in investing activities	(7,879)	(12,991)
Cash Flows from Financing Activities - Payments on debt	(3,828)	(3,826)
Net Increase in Cash and Cash Equivalents	416,194	793,277
Cash and Cash Equivalents - Beginning of year	1,969,793	1,176,516
Cash and Cash Equivalents - End of year	\$ 2,385,987	\$ 1,969,793

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Notes to Consolidated Financial Statements December 31, 2011 and 2010

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - The Juvenile Assessment Center (the "JAC") 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 JAC provides mental health care and social services to children and families throughout the state of Michigan. Incorporated in 2002, the JAC initiated program development beginning in January 2003.

For the JAC, 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, 2007 through December 31, 2011 provided for a not-to-exceed amount of \$64,556,000. The JAC spent approximately \$59,877,000 of these funds through December 31, 2011. The contract contains various provisions. Noncompliance with financial and other nonfinancial provisions of the contract could cause adjustments to the contract amounts. The JAC has been awarded another professional services contract for the period from January 1, 2012 through December 31, 2016 with a maximum aggregate compensation not to exceed \$64,105,000.

Community Health Outreach, Intervention & Clinical Engagement Services (CHOICES) is a not-for-profit stock corporation owned by the Juvenile Assessment Center. 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.

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 the JAC and CHOICES (collectively, the "Organization"). All significant interrelated transactions between the JAC 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.

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Notes to Consolidated Financial Statements December 31, 2011 and 2010

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.

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.

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 temporarily or permanently restricted net assets as of December 31, 2011 and 2010.

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 - Program expenses totaled \$10,773,929 and \$10,929,531 for the years ended December 31, 2011 and 2010, respectively. All other expenses of the Organization are considered management and general expenses.

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

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Notes to Consolidated Financial Statements December 31, 2011 and 2010

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

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, 2011 and 2010, 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 2008.

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.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including June 1, 2012, which is the date the consolidated financial statements were available to be issued.

Note 2 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2011	2010
Leasehold improvements	\$ 185,443	\$ 181,823
Automobiles	38,965	38,965
Office equipment	108,310	108,310
Computer equipment and software	289,112	284,836
Total cost	621,830	613,934
Accumulated depreciation	(572,277)	(509,016)
Net carrying amount	\$ 49,553	\$ 104,918

Depreciation expense for the years ended December 31, 2011 and 2010 was \$63,261 and \$96,522, respectively.

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Notes to Consolidated Financial Statements December 31, 2011 and 2010

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 2010 or 2011. Borrowings bear interest at 4.0 percentage points over the effective LIBOR and are collateralized by substantially all assets of the Organization. The line of credit expires in August 2012.

Note 4 - Debt

Debt at December 31, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Vehicle loan, payable to a bank, collateralized by a vehicle, noninterest-bearing, requiring monthly payments of \$319, through 2012	\$ 2,230	\$ 6,058
Less current portion	<u>2,230</u>	<u>3,828</u>
Long-term portion	<u>\$ -</u>	<u>\$ 2,230</u>

Note 5 - Operating Leases

The Organization has commitments under various operating leases for facilities, equipment, and a vehicle expiring at various dates through 2013. Total rent expense under these leases approximated \$468,000 and \$469,000 for the years ended December 31, 2011 and 2010, respectively.

Future minimum rental commitments are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2012	\$ 470,854
2013	479,326
2014	480,427
2015	471,468
2016	<u>466,554</u>
Total	<u>\$ 2,368,629</u>

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Notes to Consolidated Financial Statements December 31, 2011 and 2010

Note 6 - 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 2011 and 2010 were approximately \$72,000 and \$77,000, respectively.

Additional Information

Independent Auditor's Report on Additional Information

To the Board of Directors
Juvenile Assessment Center and
Community Health Outreach,
Intervention & Clinical Engagement
Services

We have audited the consolidated financial statements of Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services as of and for the years ended December 31, 2011 and 2010. 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, results of operations, and cash flows 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

June 1, 2012

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Consolidating Balance Sheet December 31, 2011

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 2,308,312	\$ 77,675	\$ -	\$ 2,385,987
Receivables	2,495,311	-	-	2,495,311
Accounts receivable - Related party	118,981	132,201	(251,182)	-
Prepaid expenses and other current assets	600	-	-	600
Total current assets	4,923,204	209,876	(251,182)	4,881,898
Deposits	14,234	-	-	14,234
Property and Equipment - Net	49,553	-	-	49,553
Investment in Subsidiary	1,000	-	(1,000)	-
Note Receivable - Related party	85,000	-	(85,000)	-
Total assets	\$ 5,072,991	\$ 209,876	\$ (337,182)	\$ 4,945,685
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 1,289,700	\$ -	\$ -	\$ 1,289,700
Accounts payable - Related party	132,201	118,981	(251,182)	-
Current portion of long-term debt	2,230	-	-	2,230
Note payable - Related party	-	85,000	(85,000)	-
Accrued liabilities and other	275,029	-	-	275,029
Total current liabilities	1,699,160	203,981	(336,182)	1,566,959
Net Assets - Unrestricted	3,373,831	5,895	(1,000)	3,378,726
Total liabilities and net assets	\$ 5,072,991	\$ 209,876	\$ (337,182)	\$ 4,945,685

Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services

Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended December 31, 2011

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Revenue and Support				
Contracted services	\$ 12,008,984	\$ 580,506	\$ (580,506)	\$ 12,008,984
Grant revenue	353,497	-	-	353,497
Management fees	29,025	-	(29,025)	-
Interest income	8,141	-	-	8,141
Miscellaneous income	17	-	-	17
Total revenue and support	12,399,664	580,506	(609,531)	12,370,639
Expenses				
Salaries and wages	3,851,499	-	493,430	4,344,929
Employee benefits	1,096,916	-	-	1,096,916
Payroll taxes	395,471	-	-	395,471
Contracted services	5,424,051	-	(580,506)	4,843,545
Professional fees	137,656	-	-	137,656
Office supplies	135,554	-	-	135,554
Management fees	-	29,025	(29,025)	-
Travel and lodging	107,912	-	-	107,912
Leased employees	-	493,430	(493,430)	-
Testing supplies	233,301	-	-	233,301
Telephone	82,082	-	-	82,082
Insurance	37,460	-	-	37,460
Postage and shipping	16,593	-	-	16,593
Occupancy	390,000	-	-	390,000
Depreciation	63,261	-	-	63,261
Conferences and meetings	803	-	-	803
Dues and subscriptions	4,473	-	-	4,473
Miscellaneous	66,714	-	-	66,714
Equipment	625	-	-	625
Equipment rental	70,643	-	-	70,643
Advertising	12,596	-	-	12,596
Total expenses	12,127,610	522,455	(609,531)	12,040,534
Increase in Net Assets	272,054	58,051	-	330,105
Net Assets (Deficit) - Beginning of year	3,101,777	(52,156)	(1,000)	3,048,621
Net Assets - End of year	\$ 3,373,831	\$ 5,895	\$ (1,000)	\$ 3,378,726