

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

**Consolidated Financial Report
with Additional Information
December 31, 2010**

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

Contents

Report Letter	1
Consolidated Financial Statements	
Balance Sheet	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Consolidated Financial Statements	5-9
Additional Information	10
Report Letter	11
Consolidating Balance Sheet	12
Consolidating Statement of Activities and Changes in Net Assets (Deficit)	13

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, 2010 and 2009 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, 2010 and 2009 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 3, 2011

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

Consolidated Balance Sheet

	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,969,793	\$ 1,176,516
Receivables	2,638,215	2,498,748
Prepaid expenses and other current assets	600	15,395
Total current assets	4,608,608	3,690,659
Deposits	14,234	14,234
Property and Equipment - Net (Note 2)	104,918	187,836
Total assets	\$ 4,727,760	\$ 3,892,729
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 1,320,456	\$ 1,278,175
Current portion of long-term debt (Note 4)	3,828	3,828
Accrued liabilities and other	352,625	326,426
Total current liabilities	1,676,909	1,608,429
Long-term Debt - Net of current portion (Note 4)	2,230	6,056
Total liabilities	1,679,139	1,614,485
Net Assets - Unrestricted	3,048,621	2,278,244
Total liabilities and net assets	\$ 4,727,760	\$ 3,892,729

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

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended	
	December 31, 2010	December 31, 2009
Changes in Unrestricted Net Assets		
Revenue and support:		
Contracted services	\$ 12,726,447	\$ 11,948,741
Grant revenue	217,473	200,370
Interest income	8,072	8,836
Miscellaneous income	613	150
	12,952,605	12,158,097
Expenses:		
Salaries and wages	4,402,831	4,308,226
Employee benefits	1,022,356	967,231
Payroll taxes	386,146	384,761
Contracted services	4,834,293	4,827,190
Professional fees	120,742	129,630
Office supplies	174,198	103,902
Travel and lodging	113,915	95,415
Testing supplies	275,254	281,170
Telephone	86,147	82,413
Insurance	44,356	42,356
Postage and shipping	17,869	19,352
Occupancy	390,000	390,000
Depreciation	96,522	123,664
Conferences and meetings	2,976	8,820
Dues and subscriptions	5,326	4,233
Miscellaneous	132,525	218,290
Equipment	356	2,354
Equipment rental	71,601	60,013
Advertising	4,815	7,994
	12,182,228	12,057,014
Increase in Net Assets	770,377	101,083
Net Assets - Beginning of year	2,278,244	2,177,161
Net Assets - End of year	\$ 3,048,621	\$ 2,278,244

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

Consolidated Statement of Cash Flows

	Year Ended	
	December 31, 2010	December 31, 2009
Cash Flows from Operating Activities		
Increase in net assets	\$ 770,377	\$ 101,083
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	96,522	123,664
Gain on disposal of property and equipment	(613)	-
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(139,467)	(1,044,960)
Prepaid expenses and other receivables	14,795	40,000
Accounts payable	42,281	(18,977)
Accrued liabilities and other	26,199	33,378
	810,094	(765,812)
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,604)	(5,083)
Proceeds from the sale of property and equipment	613	-
	(12,991)	(5,083)
Net cash used in investing activities		
Cash Flows from Financing Activities - Payments on debt	(3,826)	(3,827)
Net Increase (Decrease) in Cash and Cash Equivalents	793,277	(774,722)
Cash and Cash Equivalents - Beginning of year	1,176,516	1,951,238
Cash and Cash Equivalents - End of year	\$ 1,969,793	\$ 1,176,516

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

Notes to Consolidated Financial Statements December 31, 2010 and 2009

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 \$47,524,000 of these funds through December 31, 2010. The contract contains various provisions. Noncompliance with financial and other nonfinancial provisions of the contract could cause adjustments to the contract amounts. The JAC is currently undergoing negotiations with the Wayne County Department of Children and Family Services to either renew or extend the existing contract.

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 Service

Notes to Consolidated Financial Statements December 31, 2010 and 2009

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, 2010 and 2009.

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 \$10,929,531 and \$10,828,048 for the years ended December 31, 2010 and 2009, 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 Service

Notes to Consolidated Financial Statements December 31, 2010 and 2009

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. Additionally, the Organization maintains sweep accounts utilizing nightly repurchase accounts that are uninsured by the Federal Deposit Insurance Corporation.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including June 3, 2011, 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:

	2010	2009
Leasehold improvements	\$ 181,823	\$ 181,823
Automobiles	38,965	38,965
Office equipment	108,310	108,310
Computer equipment and software	284,836	279,516
Total cost	613,934	608,614
Accumulated depreciation	(509,016)	(420,778)
Net carrying amount	\$ 104,918	\$ 187,836

Depreciation expense for the years ended December 31, 2010 and 2009 was \$96,522 and \$123,664, respectively.

Note 3 - Line of Credit

During the year ended December 31, 2009, the Organization had a financing agreement with a bank under which \$500,000 could be borrowed on a revolving line of credit. The agreement stated that borrowings bear interest at 4.045 percentage points over the effective LIBOR and are collateralized by substantially all assets of the Organization. No amounts were drawn during 2009. The line of credit expired in July 2009.

In July 2010, the Organization renewed the financing agreement under which \$500,000 can be borrowed on a revolving line of credit. No amounts were drawn during 2010. 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 July 2011.

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

Notes to Consolidated Financial Statements December 31, 2010 and 2009

Note 4 - Long-term Debt

Long-term debt at December 31, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Vehicle loan, payable to a bank, collateralized by a vehicle, noninterest-bearing, requiring monthly payments of \$319, through 2012	\$ 6,058	\$ 9,884
Less current portion	<u>3,828</u>	<u>3,828</u>
Long-term portion	<u>\$ 2,230</u>	<u>\$ 6,056</u>

Minimum principal payments on the long-term debt to maturity as of December 31, 2010 are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2011	\$ 3,828
2012	<u>2,230</u>
Total	<u>\$ 6,058</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 \$469,000 and \$457,000 for the years ended December 31, 2010 and 2009, respectively.

Future minimum rental commitments are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2011	\$ 462,510
2012	71,916
2013	<u>65,388</u>
Total	<u>\$ 599,814</u>

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

Notes to Consolidated Financial Statements December 31, 2010 and 2009

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 2010 and 2009 were approximately \$73,000.

Additional Information

Independent Accountant'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 the Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services as of December 31, 2010 and 2009. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating balance sheet and consolidating statement of activities and changes in net assets (deficit) are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and are not a required part of the basic consolidated financial statements. The consolidating information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Plante & Moran, PLLC

June 3, 2011

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

Consolidating Balance Sheet December 31, 2010

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 1,924,752	\$ 45,041	\$ -	\$ 1,969,793
Receivables	2,638,215	-	-	2,638,215
Accounts receivable - Related party	256,788	244,591	(501,379)	-
Prepaid expenses and other current assets	600	-	-	600
Total current assets	4,820,355	289,632	(501,379)	4,608,608
Deposits	14,234	-	-	14,234
Property and Equipment - Net	104,918	-	-	104,918
Investment in Subsidiary	1,000	-	(1,000)	-
Note Receivable - Related party	85,000	-	(85,000)	-
Total assets	\$ 5,025,507	\$ 289,632	\$ (587,379)	\$ 4,727,760
Liabilities and Net Assets (Deficit)				
Current Liabilities				
Accounts payable	\$ 1,320,456	\$ -	\$ -	\$ 1,320,456
Accounts payable - Related party	244,591	256,788	(501,379)	-
Current portion of long-term debt	3,828	-	-	3,828
Note payable - Related party	-	85,000	(85,000)	-
Accrued liabilities and other	352,625	-	-	352,625
Total current liabilities	1,921,500	341,788	(586,379)	1,676,909
Long-term Debt - Net of current portion	2,230	-	-	2,230
Total liabilities	1,923,730	341,788	(586,379)	1,679,139
Net Assets (Deficit) - Unrestricted	3,101,777	(52,156)	(1,000)	3,048,621
Total liabilities and net assets (deficit)	\$ 5,025,507	\$ 289,632	\$ (587,379)	\$ 4,727,760

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

Consolidating Statement of Activities and Changes in Net Assets (Deficit) Year Ended December 31, 2010

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Revenue and Support				
Contracted services	\$ 12,726,447	\$ 445,261	\$ (445,261)	\$ 12,726,447
Grant revenue	217,473	-	-	217,473
Management fees	22,263	-	(22,263)	-
Interest income	8,072	-	-	8,072
Miscellaneous income	613	-	-	613
Total revenue and support	12,974,868	445,261	(467,524)	12,952,605
Expenses				
Salaries and wages	4,002,096	-	400,735	4,402,831
Employee benefits	1,022,356	-	-	1,022,356
Payroll taxes	386,146	-	-	386,146
Contracted services	5,279,554	-	(445,261)	4,834,293
Professional fees	120,742	-	-	120,742
Office supplies	174,198	-	-	174,198
Management fees	-	22,263	(22,263)	-
Travel and lodging	113,915	-	-	113,915
Leased employees	-	400,735	(400,735)	-
Testing supplies	275,254	-	-	275,254
Telephone	86,147	-	-	86,147
Insurance	44,356	-	-	44,356
Postage and shipping	17,869	-	-	17,869
Occupancy	390,000	-	-	390,000
Depreciation	96,522	-	-	96,522
Conferences and meetings	2,976	-	-	2,976
Dues and subscriptions	5,326	-	-	5,326
Miscellaneous	132,205	320	-	132,525
Equipment	356	-	-	356
Equipment rental	71,601	-	-	71,601
Advertising	4,815	-	-	4,815
Total expenses	12,226,434	423,318	(467,524)	12,182,228
Increase in Net Assets	748,434	21,943	-	770,377
Net Assets (Deficit) - Beginning of year	2,353,343	(74,099)	(1,000)	2,278,244
Net Assets (Deficit) - End of year	\$ 3,101,777	\$ (52,156)	\$ (1,000)	\$ 3,048,621