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

(not-for-profit corporations)

Consolidated Financial Report
with Additional Information
December 31, 2012

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

Contents

plante moran

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

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 financial statements of Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services (the "Organization"), which comprise the consolidated balance sheet as of December 31, 2012 and 2011 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 consoldiated 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Assessment Center and Community Health Outreach, Intervention & Clinical Engagement Services as of December 31, 2012 and 2011 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 & Moran, PLLC

June 3, 2013

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

Consolidated Balance Sheet

	December 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 3,282,313	$ 2,385,987
Receivables	1,423,028	2,495,311
Prepaid expenses and other current assets	6,826	600
Total current assets	4,712,167	4,881,898
Deposits	14,234	14,234
Investments (Note 7)	250,000	-
Property and Equipment - Net (Note 2)	75,780	49,553
Total assets	**$ 5,052,181**	**$ 4,945,685**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,086,072	$ 1,289,700
Current portion of long-term debt (Note 4)	-	2,230
Accrued liabilities and other	309,612	275,029
Total current liabilities	1,395,684	1,566,959
Net Assets - Unrestricted	3,656,497	3,378,726
Total liabilities and net assets	**$ 5,052,181**	**$ 4,945,685**

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

Consolidated Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2012	Year Ended December 31, 2011
Changes in Unrestricted Net Assets		
Revenue and support:		
Contracted services	$ 11,970,294	$ 12,008,984
Grant revenue	393,253	353,497
Interest income	6,955	8,141
Miscellaneous income	1,273	17
Total revenue and support	12,371,775	12,370,639
Expenses:		
Salaries and wages	4,732,404	4,344,929
Employee benefits	1,240,065	1,096,916
Payroll taxes	409,010	395,471
Contracted services	4,334,291	4,843,545
Professional fees	167,499	137,656
Office supplies	162,140	135,554
Travel and lodging	152,775	107,912
Testing supplies	185,700	233,301
Telephone	76,814	82,082
Insurance	43,765	37,460
Postage and shipping	17,440	16,593
Occupancy	390,000	390,000
Depreciation	45,984	63,261
Conferences and meetings	168	803
Dues and subscriptions	2,865	4,473
Miscellaneous	52,510	66,714
Equipment	1,438	625
Equipment rental	64,459	70,643
Advertising	14,677	12,596
Total expenses	12,094,004	12,040,534
Increase in Net Assets	277,771	330,105
Net Assets - Beginning of year	3,378,726	3,048,621
Net Assets - End of year	**$ 3,656,497**	**$ 3,378,726**

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

Consolidated Statement of Cash Flows

	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash Flows from Operating Activities		
Increase in net assets	$ 277,771	$ 330,105
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	45,984	63,261
Gain on disposal of property and equipment	(1,273)	(17)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	1,072,283	142,904
Prepaid expenses and other receivables	(6,226)	-
Accounts payable	(203,628)	(30,756)
Accrued liabilities and other	34,583	(77,596)
Net cash provided by operating activities	1,219,494	427,901
Cash Flows from Investing Activities		
Purchase of property and equipment	(72,211)	(7,896)
Proceeds from the sale of property and equipment	1,273	17
Purchases of investments	(250,000)	-
Net cash used in investing activities	(320,938)	(7,879)
Cash Flows from Financing Activities - Payments on debt	(2,230)	(3,828)
Net Increase in Cash and Cash Equivalents	896,326	416,194
Cash and Cash Equivalents - Beginning of year	2,385,987	1,969,793
Cash and Cash Equivalents - End of year	**$ 3,282,313**	**$ 2,385,987**

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.

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, 2012 through December 31, 2016 provides for a not-to-exceed amount of $61,656,231. The JAC billed approximately $12,412,000 of these funds through December 31, 2012. The contract contains various provisions. Noncompliance with financial and other nonfinancial provisions of the contract could cause adjustments to the contract amounts.

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.

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.

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.

Investments - Investments in debt securities 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 temporarily or permanently restricted net assets as of December 31, 2012 and 2011.

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 $10,734,643 and $10,773,929 for the years ended December 31, 2012 and 2011, respectively. All other expenses of the Organization are considered management and general expenses.

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

Income Tax Status - The Organization is exempt from income tax under 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, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the consolidated 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 2009.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including June 3, 2013, 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:

Property and equipment are summarized as follows:

	2012	2011	Depreciable Life - Years
Leasehold improvements	$ 225,379	$ 185,443	3-5
Automobiles	38,965	38,965	5
Office equipment	108,310	108,310	5
Computer equipment and software	321,388	289,112	3-5
Total cost	694,042	621,830	
Accumulated depreciation	(618,262)	(572,277)	
Net property and equipment	$ 75,780	$ 49,553	

Depreciation expense for the years ended December 31, 2012 and 2011 was $45,984 and $63,261, 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 2012 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 July 2013.

Note 4 - Debt

Debt at December 31, 2012 and 2011 is as follows:

	2012	2011
Vehicle loan, payable to a bank, collateralized by a vehicle, noninterest-bearing, requiring monthly payments of $319, through 2012	$ -	$ 2,230
Less current portion	$ -	$ 2,230

Note 5 - Operating Leases

The Organization has commitments under various operating leases for facilities, equipment, and a vehicle expiring at various dates through 2016. Total rent expense under these leases approximated $460,000 and $468,000 for the years ended December 31, 2012 and 2011, respectively.

Future minimum rental commitments are as follows:

Years Ending December 31		Amount
2013		$ 567,797
2014		578,603
2015		574,089
2016		550,887
	Total	$ 2,271,376

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 2012 and 2011 were approximately $68,000 and $72,000, respectively.

Note 7 - 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.

The following table presents information about the Organization's assets measured at fair value on a recurring basis at December 31, 2012 and the valuation techniques used by the Organization to determine those fair values.

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 where 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, 2012

	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, 2012
Investment securities - Debt securities:				
U.S. government and federal agency bonds	$ -	$ 21,098	$ -	$ 21,098
Municipal bonds	-	110,708	-	110,708
Corporate bonds	-	110,172	-	110,172
Money market mutual funds	8,022	-	-	8,022
Total	$ 8,022	$ 241,978	$ -	$ 250,000

Note 7 - Fair Value Measurements (Continued)

The fair value of debt securities at December 31, 2012 was determined primarily based on Level 2 inputs. The Organization estimates the fair value of these investments based on other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.

The Organization's policy is to recognize transfers between levels of fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during 2012.

Additional Information

Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

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, 2012 and 2011. 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 3, 2013

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

Consolidating Balance Sheet
December 31, 2012

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 3,174,113	$ 108,200	$ -	$ 3,282,313
Receivables	1,423,028	-	-	1,423,028
Accounts receivable - Related party	135,298	114,848	(250,146)	-
Prepaid expenses and other current assets	6,826	-	-	6,826
Total current assets	4,739,265	223,048	(250,146)	4,712,167
Deposits	14,234	-	-	14,234
Investments	250,000	-	-	250,000
Property and Equipment - Net	75,780	-	-	75,780
Investment in Subsidiary	1,000	-	(1,000)	-
Note Receivable - Related party	50,000	-	(50,000)	-
Total assets	**$ 5,130,279**	**$ 223,048**	**$ (301,146)**	**$ 5,052,181**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 1,086,072	$ -	$ -	$ 1,086,072
Accounts payable - Related party	114,848	135,298	(250,146)	-
Note payable - Related party	-	50,000	(50,000)	-
Accrued liabilities and other	309,612	-	-	309,612
Total current liabilities	1,510,532	185,298	(300,146)	1,395,684
Net Assets - Unrestricted	3,619,747	37,750	(1,000)	3,656,497
Total liabilities and net assets	**$ 5,130,279**	**$ 223,048**	**$ (301,146)**	**$ 5,052,181**

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

Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2012

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Changes in Unrestricted Net Assets				
Revenue and support:				
Contracted services	$ 11,970,294	$ 637,902	$ (637,902)	$ 11,970,294
Grant revenue	393,253	-	-	393,253
Management fees	31,895	-	(31,895)	-
Interest income	6,955	-	-	6,955
Miscellaneous income	1,273	-	-	1,273
Total revenue and support:	12,403,670	637,902	(669,797)	12,371,775
Expenses:				
Salaries and wages	4,158,252	-	574,152	4,732,404
Employee benefits	1,240,065	-	-	1,240,065
Payroll taxes	409,010	-	-	409,010
Contracted services	4,972,193	-	(637,902)	4,334,291
Professional fees	167,499	-	-	167,499
Office supplies	162,140	-	-	162,140
Management fees	-	31,895	(31,895)	-
Travel and lodging	152,775	-	-	152,775
Leased employees	-	574,152	(574,152)	-
Testing supplies	185,700	-	-	185,700
Telephone	76,814	-	-	76,814
Insurance	43,765	-	-	43,765
Postage and shipping	17,440	-	-	17,440
Occupancy	390,000	-	-	390,000
Depreciation	45,984	-	-	45,984
Conferences and meetings	168	-	-	168
Dues and subscriptions	2,865	-	-	2,865
Miscellaneous	52,510	-	-	52,510
Equipment	1,438	-	-	1,438
Equipment rental	64,459	-	-	64,459
Advertising	14,677	-	-	14,677
Total expenses	12,157,754	606,047	(669,797)	12,094,004
Increase in Net Assets	245,916	31,855	-	277,771
Net Assets - Beginning of year	3,373,831	5,895	(1,000)	3,378,726
Net Assets - End of year	**$ 3,619,747**	**$ 37,750**	**$ (1,000)**	**$ 3,656,497**