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

(not-for-profit corporations)

Consolidated Financial Report
with Additional Information
December 31, 2014

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

Contents

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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 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, 2014 and 2013 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 consolidated 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.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

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, 2014 and 2013 and the 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

May 28, 2015

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

Consolidated Balance Sheet

		December 31, 2014		December 31, 2013
Assets				
Current Assets				
Cash and cash equivalents	$	3,851,349	$	2,299,998
Receivables		1,440,815		2,410,907
Prepaid expenses and other current assets		6,826		30,051
Total current assets		5,298,990		4,740,956
Deposits		14,234		14,234
Investments (Note 6)		-		250,000
Property and Equipment - Net (Note 2)		124,024		167,261
Total assets	**$**	**5,437,248**	**$**	**5,172,451**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	1,079,248	$	1,022,072
Accrued liabilities and other		218,932		448,360
Total current liabilities		1,298,180		1,470,432
Net Assets				
Unrestricted		3,939,068		3,702,019
Temporarily restricted		200,000		-
Total net assets		4,139,068		3,702,019
Total liabilities and net assets	**$**	**5,437,248**	**$**	**5,172,451**

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

Consolidated 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	$ 11,629,153	$ 12,472,387
Grant revenue	476,000	491,135
Interest income	4,089	4,759
Miscellaneous income	351	7,908
Total revenue and support	12,109,593	12,976,189
Expenses:		
Salaries and wages	4,804,902	5,438,461
Employee benefits	1,375,329	1,511,610
Payroll taxes	417,474	498,282
Contracted services	3,729,147	3,967,182
Professional fees	102,420	96,705
Office supplies	133,597	151,190
Travel and lodging	144,962	161,134
Testing supplies	205,784	210,612
Telephone	137,542	92,828
Insurance	58,401	60,108
Postage and shipping	14,904	18,769
Occupancy	481,250	472,500
Depreciation	70,366	57,579
Conferences and meetings	39,009	38,592
Dues and subscriptions	12,168	3,396
Miscellaneous	52,406	63,568
Equipment	435	-
Equipment rental	74,619	71,644
Advertising	17,829	16,507
Total expenses	11,872,544	12,930,667
Increase in Unrestricted Net Assets	237,049	45,522
Changes in Temporarily Restricted Net Assets - Grant revenue	200,000	-
Increase in Net Assets	437,049	45,522
Net Assets - Beginning of year	3,702,019	3,656,497
Net Assets - End of year	**$ 4,139,068**	**$ 3,702,019**

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

Consolidated Statement of Cash Flows

	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash Flows from Operating Activities		
Increase in net assets	$ 437,049	$ 45,522
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	70,366	57,579
Gain on disposal of property and equipment	(351)	(7,908)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	970,092	(987,879)
Prepaid expenses and other receivables	23,225	(23,225)
Accounts payable	57,176	(64,000)
Accrued liabilities and other	(229,428)	138,748
Net cash provided by (used in) operating activities	1,328,129	(841,163)
Cash Flows from Investing Activities		
Purchase of property and equipment	(27,129)	(149,060)
Proceeds from the sale of property and equipment	351	7,908
Purchases of investments	(23,659)	(285,795)
Proceeds from sales and maturities of investments	273,659	285,795
Net cash provided by (used in) investing activities	223,222	(141,152)
Net Increase (Decrease) in Cash and Cash Equivalents	1,551,351	(982,315)
Cash and Cash Equivalents - Beginning of year	2,299,998	3,282,313
Cash and Cash Equivalents - End of year	**$ 3,851,349**	**$ 2,299,998**

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 $37,338,000 of these funds through December 31, 2014. 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. For CHOICES, revenue is earned based on services performed for the JAC. Services are performed on an as-needed basis.

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.

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.

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 permanently restricted net assets as of December 31, 2014 and 2013.

There were $200,000 in temporarily restricted net assets as of December 31, 2014 and no temporarily restricted net assets as of December 31, 2013. The temporarily restricted net assets for December 31, 2014 are time restricted until funds are received.

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

Use of Estimates - The preparation of consolidated 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 consolidated 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 consolidated 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 $10,475,742 and $11,400,556 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 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 2011.

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

Note 2 - Property and Equipment

Property and equipment are summarized as follows:

	2014	2013	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	458,226	431,097	3-5
Total cost	852,398	825,269	
Accumulated depreciation	728,374	658,008	
Net property and equipment	$ 124,024	$ 167,261	

Depreciation expense for the years ended December 31, 2014 and 2013 was $70,366 and $57,579, 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 2013 or 2014. Borrowings bear interest at 6.5 percentage points over the effective LIBOR and are collateralized by substantially all assets of the Organization. The line of credit expires in September 2015.

Note 4 - 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 $563,750 and $551,088 for the years ended December 31, 2014 and 2013, respectively.

Future minimum rental commitments are as follows:

Years Ending December 31	Amount
2015	$ 574,089
2016	550,887
Total	$ 1,124,976

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 2014 and 2013 were approximately $79,000 and $76,000, respectively.

Note 6 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated 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, 2013 and the valuation techniques used by the Organization to determine those fair values.

During 2014, the Organization sold all of its investments. 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.

Note 6 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	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, 2013
Investment securities:				
U.S. government and federal agency bonds	$ -	$ 20,819	$ -	$ 20,819
Municipal bonds	-	98,334	-	98,334
Corporate bonds	-	115,810	-	115,810
Money market mutual funds	15,037	-	-	15,037
Total	$ 15,037	$ 234,963	$ -	$ 250,000

The fair value of debt securities at December 31, 2013 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.

Additional Information

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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, 2014 and 2013. 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

May 28, 2015

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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

Consolidating Balance Sheet
December 31, 2014

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 3,598,804	$ 252,545	$ -	$ 3,851,349
Receivables	1,440,815	-	-	1,440,815
Related party receivable	468,624	290,497	(759,121)	-
Prepaid expenses and other current assets	6,826	-	-	6,826
Total current assets	5,515,069	543,042	(759,121)	5,298,990
Deposits	14,234	-	-	14,234
Property and Equipment - Net	124,024	-	-	124,024
Investment in Subsidiary	1,000	-	(1,000)	-
Total assets	**$ 5,654,327**	**$ 543,042**	**$ (760,121)**	**$ 5,437,248**
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 1,079,248	$ -	$ -	$ 1,079,248
Trade payables to related parties	290,497	468,624	(759,121)	-
Accrued liabilities and other	218,932	-	-	218,932
Total current liabilities	1,588,677	468,624	(759,121)	1,298,180
Net Assets	-	-	-	-
Unrestricted	3,865,650	74,418	(1,000)	3,939,068
Temporarily restricted	200,000	-	-	200,000
Total net assets	4,065,650	74,418	(1,000)	4,139,068
Total liabilities and net assets	**$ 5,654,327**	**$ 543,042**	**$ (760,121)**	**$ 5,437,248**

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

Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2014

	Juvenile Assessment Center	CHOICES	Eliminating Entries	Total
Changes in Unrestricted Net Assets				
Revenue and support:				
Contracted services	$ 11,629,153	$ 1,171,269	$ (1,171,269)	$ 11,629,153
Grant revenue	476,000	-	-	476,000
Management fees	87,845	-	(87,845)	-
Interest income	4,089	-	-	4,089
Miscellaneous income	351	-	-	351
Total revenue and support:	12,197,438	1,171,269	(1,259,114)	12,109,593
Expenses:				
Salaries and wages	3,750,759	-	1,054,143	4,804,902
Employee benefits	1,375,329	-	-	1,375,329
Payroll taxes	417,474	-	-	417,474
Contracted services	4,900,416	-	(1,171,269)	3,729,147
Professional fees	102,420	-	-	102,420
Office supplies	133,597	-	-	133,597
Management fees	-	87,845	(87,845)	-
Travel and lodging	144,962	-	-	144,962
Leased employees	-	1,054,143	(1,054,143)	-
Testing supplies	205,784	-	-	205,784
Information technology	137,542	-	-	137,542
Insurance	58,401	-	-	58,401
Postage and shipping	14,904	-	-	14,904
Occupancy	481,250	-	-	481,250
Depreciation	70,366	-	-	70,366
Conferences and meetings	39,009	-	-	39,009
Dues and subscriptions	12,168	-	-	12,168
Miscellaneous	52,406	-	-	52,406
Equipment	435	-	-	435
Equipment rental	74,619	-	-	74,619
Advertising	17,829	-	-	17,829
Total expenses	11,989,670	1,141,988	(1,259,114)	11,872,544
Increase in Temporarily Restricted Net Assets - Grant revenue	200,000	-	-	200,000
Increase in Net Assets	407,768	29,281	-	437,049
Net Assets - Beginning of year	3,657,882	45,137	(1,000)	3,702,019
Net Assets - End of year	**$ 4,065,650**	**$ 74,418**	**$ (1,000)**	**$ 4,139,068**