Juvenile Assessment Center
(parent company only)

Financial Report
December 31, 2011

Contents

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Independent Auditor's Report

To the Board of Directors
Juvenile Assessment Center

We have audited the accompanying balance sheet of Juvenile Assessment Center (parent company only) (the "Organization") as of December 31, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 our audits provide a reasonable basis for our opinion.

Consolidated financial statements are required for conformity with accounting principles generally accepted in the United States of America. As discussed in Note 1, the 2011 and 2010 parent company-only financial statements, which include a subsidiary on the cost basis, are being issued in addition to consolidated financial statements for 2011 and 2010. Information regarding the subsidiary is disclosed in Note 7.

In our opinion, except for the effects of not consolidating the subsidiary as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the individual financial position of Juvenile Assessment Center at December 31, 2011 and 2010 and the results of its individual operations and its 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

Balance Sheet

	December 31, 2011	December 31, 2010
Assets		
Current Assets		
Cash and cash equivalents	$ 2,308,312	$ 1,924,752
Receivables	2,495,311	2,638,215
Accounts receivable - Related party (Note 8)	118,981	256,788
Prepaid expenses and other current assets	600	600
Total current assets	4,923,204	4,820,355
Deposits	14,234	14,234
Property and Equipment - Net (Note 2)	49,553	104,918
Investment in Subsidiary (Note 7)	1,000	1,000
Note Receivable - Related party (Note 8)	85,000	85,000
Total assets	**$ 5,072,991**	**$ 5,025,507**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,289,700	$ 1,320,456
Accounts payable - Related party (Note 8)	132,201	244,591
Current portion of long-term debt (Note 4)	2,230	3,828
Accrued liabilities and other	275,029	352,625
Total current liabilities	1,699,160	1,921,500
Long-term Debt - Net of current portion (Note 4)	-	2,230
Total liabilities	1,699,160	1,923,730
Net Assets - Unrestricted	3,373,831	3,101,777
Total liabilities and net assets	**$ 5,072,991**	**$ 5,025,507**

Juvenile Assessment Center

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2011	Year Ended 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
Management fees (Note 8)	29,025	22,263
Interest income	8,141	8,072
Miscellaneous income	17	613
Total revenue and support	12,399,664	12,974,868
Expenses:		
Salaries and wages	3,851,499	4,002,096
Employee benefits	1,096,916	1,022,356
Payroll taxes	395,471	386,146
Contracted services	5,424,051	5,279,554
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	126,131
Equipment	625	356
Equipment rental	70,643	71,601
Advertising	12,596	11,114
Total expenses	12,127,610	12,226,434
Increase in Net Assets	272,054	748,434
Net Assets - Beginning of year	3,101,777	2,353,343
Net Assets - End of year	**$ 3,373,831**	**$ 3,101,777**

Statement of Cash Flows

	Year Ended December 31, 2011	Year Ended December 31, 2010
Cash Flows from Operating Activities		
Increase in net assets	$ 272,054	$ 748,434
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	369,850	788,151
Cash Flows from Investing Activities		
Purchase of property and equipment	(7,896)	(13,604)
Proceeds from the sale of property and equipment	17	613
Change in accounts receivable - Related party	137,807	(197,293)
Net cash provided by (used in) investing activities	129,928	(210,284)
Cash Flows from Financing Activities		
Payments on debt	(3,828)	(3,826)
Change in accounts payable - Related party	(112,390)	194,478
Net cash (used in) provided by financing activities	(116,218)	190,652
Net Increase in Cash and Cash Equivalents	383,560	768,519
Cash and Cash Equivalents - Beginning of year	1,924,752	1,156,233
Cash and Cash Equivalents - End of year	**$ 2,308,312**	**$ 1,924,752**

See Notes to Financial Statements.

Note 1 - Nature of Activities and Significant Accounting Policies

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

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. 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. 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.

Significant accounting policies are as follows:

Basis of Presentation - The Organization has issued consolidated financial statements for the years ended December 31, 2011 and 2010, which include the activity of Community Health Outreach, Intervention & Clinical Engagement Services (CHOICES), a wholly owned subsidiary of JAC. In addition to consolidated financial statements, the accompanying financial statements are being issued for the benefit of third parties who have a need for financial information of the Organization independent of the Organization's subsidiary. In the accompanying financial statements, the investment in the subsidiary is on the cost basis. Net assets on a consolidated basis are $4,895 greater than that shown on the parent-only financial statements. Information regarding the subsidiary is disclosed in Note 7.

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.

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 $10,929,214 and $11,029,490 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).

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 financial statements and related disclosures include evaluation of events up through and including June 1, 2012, which is the date the 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.

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:

	2011	2010
Vehicle loan, payable to a bank, collateralized by the vehicle, noninterest-bearing, requiring monthly payments of $319 through 2012	$ 2,230	$ 6,058
Less current portion	2,230	3,828
Long-term 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 $468,000 and $469,000 for the years ended December 31, 2011 and 2010, respectively.

Future minimum rental commitments are as follows:

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

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.

Note 7 - Information Regarding Subsidiary

During 2008, the Organization started a wholly owned subsidiary, Community Health Outreach, Intervention & Clinical Engagement Services (CHOICES), with an initial investment of $1,000. CHOICES is a not-for-profit stock corporation. 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. The Organization is the sole stockholder of CHOICES. An investment in CHOICES has been recorded at cost.

The results of the operations of CHOICES as of and for the years ended December 31, 2011 and 2010 are summarized below:

	2011	2010
Total assets	$ 209,876	$ 289,632
Total liabilities	203,981	341,788
Net equity (deficit)	$ 5,895	$ (52,156)
Total revenue	$ 580,506	$ 445,261
Total expenses	522,455	423,318
Increase in net assets	$ 58,051	$ 21,943

Note 8 - Related Party Transactions

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

Accounts Receivable - At December 31, 2011 and 2010, the Organization had accounts receivable from CHOICES totaling $118,981 and $256,788, respectively.

Accounts Payable - At December 31, 2011 and 2010, the Organization had accounts payable to CHOICES totaling $132,201 and $244,591, respectively.

Note Receivable - At December 31, 2011 and 2010, the Organization had a note receivable due from CHOICES totaling $85,000. The note is due on demand and bears interest on unpaid principal at a rate per annum equal to the lowest applicable federal rate determined under the Internal Revenue Code (0.20 percent at December 31, 2011).

Investment in Subsidiary - As disclosed in Note 7, at December 31, 2011 and 2010, the Organization owned $1,000 in the common stock of CHOICES.

Note 8 - Related Party Transactions (Continued)

Contracted Services - For the years ended December 31, 2011 and 2010, the Organization purchased contracted services from CHOICES, in the ordinary course of business, totaling $580,506 and $445,261, respectively.

Management Fees - For the years ended December 31, 2011 and 2010, the Organization received management fee revenue from CHOICES of $29,025 and $22,263, respectively.

Leased Employee Revenue (Contra Expense) - For the years ended December 31, 2011 and 2010, the Organization leased JAC employees to CHOICES for $493,430 and $400,735, respectively.