Juvenile Assessment Center
(parent company only)

Financial Report
December 31, 2012

Contents

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Independent Auditor's Report

To the Board of Directors
Juvenile Assessment Center

We have audited the accompanying financial statements of Juvenile Assessment Center (parent company only) (the "Organization") which comprise the balance sheet as of December 31, 2012 and 2011 and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Juvenile Assessment Center

Opinion

Consolidated financial statements are required for conformity with accounting principles generally accepted in the United State of America. As discussed in Note 1, the 2012 and 2011 parent company-only financial statements, which include a subsidiary on the cost basis, are being issued in addition to consolidated financial statements for 2012 and 2011. 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 financial position of Juvenile Assessment Center as of December 31, 2012 and 2011 and the results of its operations and its 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

Balance Sheet

	December 31, 2012	December 31, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 3,174,113	$ 2,308,312
Receivables	1,423,028	2,495,311
Intercompany receivable (Note 8)	135,298	118,981
Prepaid expenses and other current assets	6,826	600
Total current assets	4,739,265	4,923,204
Deposits	14,234	14,234
Investments (Note 9)	250,000	-
Property and Equipment - Net (Note 2)	75,780	49,553
Investment in Joint Venture (Notes 7 and 8)	1,000	1,000
Other Assets - Related party (Note 8)	50,000	85,000
Total assets	**$ 5,130,279**	**$ 5,072,991**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,086,072	$ 1,289,700
Trade payables to related parties (Note 8)	114,848	132,201
Current portion of long-term debt (Note 4)	-	2,230
Accrued liabilities and other	309,612	275,029
Total current liabilities	1,510,532	1,699,160
Net Assets - Unrestricted	3,619,747	3,373,831
Total liabilities and net assets	**$ 5,130,279**	**$ 5,072,991**

See Notes to Financial Statements.

Juvenile Assessment Center

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
Revenue (Note 8)	31,895	29,025
Interest income	6,955	8,141
Miscellaneous income	1,273	17
Total revenue and support	12,403,670	12,399,664
Expenses:		
Salaries and wages	4,158,252	3,851,499
Employee benefits	1,240,065	1,096,916
Payroll taxes	409,010	395,471
Contracted services	4,972,193	5,424,051
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	12,157,754	12,127,610
Increase in Net Assets	245,916	272,054
Net Assets - Beginning of year	3,373,831	3,101,777
Net Assets - End of year	**$ 3,619,747**	**$ 3,373,831**

Juvenile Assessment Center

Statement of Cash Flows

	Year Ended December 31, 2012	Year Ended December 31, 2011
Cash Flows from Operating Activities		
Increase in net assets	$ 245,916	$ 272,054
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	(1,274)	(17)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	1,072,283	142,904
Related party payable	(17,353)	(112,390)
Related party receivable	(16,317)	137,807
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	1,153,968	395,267
Cash Flows from Investing Activities		
Purchase of property and equipment	(72,211)	(7,896)
Proceeds from the sale of property and equipment	1,274	17
Purchases of investments	(250,000)	-
Payment on note receivable - Related party	35,000	-
Net cash used in investing activities	(285,937)	(7,879)
Cash Flows from Financing Activities - Payments on debt	(2,230)	(3,828)
Net Increase in Cash and Cash Equivalents	865,801	383,560
Cash and Cash Equivalents - Beginning of year	2,308,312	1,924,752
Cash and Cash Equivalents - End of year	**$ 3,174,113**	**$ 2,308,312**

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.

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 provided for a not-to-exceed amount of $61,656,231. 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.

Significant accounting policies are as follows:

Basis of Presentation - The Organization has issued consolidated financial statements for the years ended December 31, 2012 and 2011, 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 $36,750 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.

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 deposits 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 $10,877,858 and $10,929,214 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 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.

Reclassification - Certain reclassifications were made to amounts in the 2011 financial statements to conform to the classifications used in 2012.

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

	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 2011 or 2012. 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 the vehicle, noninterest-bearing, requiring monthly payments of $319 through 2012	$ -	$ 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 $460,600 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	$ 544,659
2014	485,764
2015	481,250
2016	481,250
Total	$ 1,992,923

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 - 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, 2012 and 2011 are summarized below:

	2012	2011
Total assets	$ 223,048	$ 209,876
Total liabilities	185,298	203,981
Net equity	$ 37,750	$ 5,895
Total revenue	$ 637,902	$ 580,506
Total expenses	606,047	522,455
Increase in net assets	$ 31,855	$ 58,051

Note 8 - Related Party Transactions

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

Accounts Receivable - At December 31, 2012, the Organization had accounts receivable from CHOICES totaling $135,298 and $118,981, respectively.

Accounts Payable - At December 31, 2012, the Organization had accounts payable to CHOICES totaling $114,848 and $132,201, respectively.

Note Receivable - At December 31, 2012 and 2011, the Organization had a note receivable due from CHOICES totaling $50,000 and $85,000, respectively. 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, 2012).

Investment in Subsidiary - As disclosed in Note 7, at December 31, 2012 and 2011, 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, 2012 and 2011, the Organization purchased contracted services from CHOICES, in the ordinary course of business, totaling $637,902 and $580,506, respectively.

Management Fees - For the years ended December 31, 2012 and 2011, the Organization received management fee revenue from CHOICES of $31,895 and $29,025, respectively.

Leased Employee Revenue (Contra Expense) - For the years ended December 31, 2012 and 2011, the Organization leased JAC employees to CHOICES for $574,152 and $493,430, respectively.

Note 9 - 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 or liabilities 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 and liabilities 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 or liability.

Note 9 - Fair Value Measurements (Continued)

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
Assets				
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

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.