Juvenile Assessment Center

(parent company only)

Financial Report

December 31, 2010

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, 2010 and 2009 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 2010 and 2009 parent company-only financial statements, which include a subsidiary on the cost basis, are being issued in addition to consolidated financial statements for 2010 and 2009. Information regarding the subsidiary is disclosed in Note 8.

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, 2010 and 2009 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 3, 2011

Juvenile Assessment Center

Balance Sheet

	December 31, 2010	December 31, 2009
Assets		
Current Assets		
Cash and cash equivalents	$ 1,924,752	$ 1,156,233
Receivables	2,638,215	2,498,748
Accounts receivable - Related party (Note 8)	256,788	59,495
Prepaid expenses and other current assets	600	15,395
Total current assets	4,820,355	3,729,871
Deposits	14,234	14,234
Property and Equipment - Net (Note 2)	104,918	187,836
Investment in Subsidiary (Note 7)	1,000	1,000
Note Receivable - Related party (Note 8)	85,000	85,000
Total assets	**$ 5,025,507**	**$ 4,017,941**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,320,456	$ 1,278,175
Accounts payable - Related party (Note 8)	244,591	50,113
Current portion of long-term debt (Note 4)	3,828	3,828
Accrued liabilities and other	352,625	326,426
Total current liabilities	1,921,500	1,658,542
Long-term Debt - Net of current portion (Note 4)	2,230	6,056
Total liabilities	1,923,730	1,664,598
Net Assets - Unrestricted	3,101,777	2,353,343
Total liabilities and net assets	**$ 5,025,507**	**$ 4,017,941**

Juvenile Assessment Center

Statement of Activities and Changes in Net Assets

	Year Ended December 31, 2010	Year Ended 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
Management fees (Note 8)	22,263	14,393
Interest income	8,072	8,836
Miscellaneous income	613	150
Total revenue and support	12,974,868	12,172,490
Expenses:		
Salaries and wages	4,002,096	4,049,145
Employee benefits	1,022,356	967,231
Payroll taxes	386,146	384,761
Contracted services	5,279,554	5,115,058
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	132,205	217,369
Equipment	356	2,354
Equipment rental	71,601	60,013
Advertising	4,815	7,994
Total expenses	12,226,434	12,084,880
Increase in Net Assets	748,434	87,610
Net Assets - Beginning of year	2,353,343	2,265,733
Net Assets - End of year	**$ 3,101,777**	**$ 2,353,343**

Statement of Cash Flows

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash Flows from Operating Activities		
Increase in net assets	$ 748,434	$ 87,610
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 (used) provided 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
Net cash provided by (used in) operating activities	788,151	(779,285)
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,604)	(5,083)
Proceeds from the sale of property and equipment	613	-
Change in accounts receivable - Related party	(197,293)	(27,725)
Payment on note receivable - Related party	-	15,000
Net cash used in investing activities	(210,284)	(17,808)
Cash Flows from Financing Activities		
Payments on debt	(3,826)	(3,827)
Change in accounts payable - Related party	194,478	14,813
Net cash provided by financing activities	190,652	10,986
Net Increase (Decrease) in Cash and Cash Equivalents	768,519	(786,107)
Cash and Cash Equivalents - Beginning of year	1,156,233	1,942,340
Cash and Cash Equivalents - End of year	**$ 1,924,752**	**$ 1,156,233**

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 $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.

Significant accounting policies are as follows:

Basis of Presentation - The Organization has issued consolidated financial statements for the years ended December 31, 2010 and 2009, 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 subsidiary is on the cost basis. Net assets on a consolidated basis are $53,156 less than that shown on the parent-only financial statements. Information regarding the subsidiary is disclosed in Note 8.

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, 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 $11,029,490 and $10,892,173 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).

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 financial statements and related disclosures include evaluation of events up through and including June 3, 2011, which is the date the financial statments 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.

Note 4 - Long-term Debt

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

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

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

Years Ending December 31	Amount
2011	$ 3,828
2012	2,230
Total	$ 6,058

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:

Years Ending December 31	Amount
2011	$ 462,510
2012	71,916
2013	65,388
Total	$ 599,814

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 $75,000 and $73,000, 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, 2010 and 2009 are summarized below:

	2010	2009
Total assets	$ 289,632	$ 70,396
Total liabilities	341,788	144,495
Net deficit	$ (52,156)	$ (74,099)
Total revenue	$ 445,261	$ 287,868
Total expenses	423,318	274,395
Increase in net assets	$ 21,943	$ 13,743

Note 8 - Related Party Transactions

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

Accounts Receivable - At December 31, 2010 and 2009, the Organization had accounts receivable from CHOICES totaling $256,788 and $59,495, respectively.

Accounts Payable - At December 31, 2010 and 2009, the Organization had accounts payable to CHOICES totaling $244,591 and $50,113, respectively.

Note 8 - Related Party Transactions (Continued)

Note Receivable - At December 31, 2010 and 2009, 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 (0.32 percent at December 31, 2010).

Investment in Subsidiary - As disclosed in Note 8, at December 31, 2010 and 2009, the Organization owned $1,000 in the common stock of CHOICES.

Contracted Services - For the years ended December 31, 2010 and 2009, the Organization purchased contracted services from CHOICES, in the ordinary course of business, totaling $445,261 and $287,868, respectively.

Management Fees - For the years ended December 31, 2010 and 2009, the Organization received management fee revenue from CHOICES of $22,263 and $14,393, respectively.

Leased Employee Revenue (Contra Expense) - For the years ended December 31, 2010 and 2009, the Organization leased JAC employees to CHOICES for $400,735 and $259,081, respectively.