

CARE OF SOUTHEASTERN MICHIGAN

**ANNUAL FINANCIAL REPORT
with Supplementary Information**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2013**



CARE OF SOUTHEASTERN MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
CARE of Southeastern Michigan
Fraser, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of CARE of Southeastern Michigan (a nonprofit organization) which comprise the statement of financial position as of September 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARE of Southeastern Michigan as of September 30, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CARE of Southeastern Michigan's 2012 financial statements, and our report dated March 20, 2013 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents and presented on pages 15-18 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2014 on our consideration of CARE of Southeastern Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CARE of Southeastern Michigan's internal control over financial reporting and compliance.


Certified Public Accountants

April 15, 2014

CARE OF SOUTHEASTERN MICHIGAN

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 398,506	\$ 302,538
Investments	175,478	155,390
Accounts receivable -		
Grants	232,585	320,984
Fees and other	35,239	9,075
Prepaid expenses	36,996	30,578
Property and equipment, net of accumulated depreciation	<u>509,911</u>	<u>544,628</u>
Total Assets	<u>\$ 1,388,715</u>	<u>\$ 1,363,193</u>
LIABILITIES		
Accounts payable	\$ 32,243	\$ 3,506
Accrued payroll and related liabilities	4,907	912
Accrued paid time-off	40,588	34,406
Line of credit	75,000	-
Refundable advances	140,194	158,973
Note payable	<u>71,893</u>	<u>107,906</u>
Total Liabilities	<u>364,825</u>	<u>305,703</u>
NET ASSETS		
Unrestricted	975,969	1,013,530
Temporarily restricted	<u>47,921</u>	<u>43,960</u>
Total Net Assets	<u>1,023,890</u>	<u>1,057,490</u>
Total Liabilities and Net Assets	<u>\$ 1,388,715</u>	<u>\$ 1,363,193</u>

See Notes to Financial Statements

CARE OF SOUTHEASTERN MICHIGAN
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013	2012
Unrestricted Net Assets:		
Revenues, Gains, and Other Support:		
Grants and awards -		
Governmental Agencies -		
MCOSA	\$ 1,109,570	\$ 934,761
Other	586,509	756,539
Other grants and awards	103,083	82,138
	1,799,162	1,773,438
MCOSA fees -		
Participant fees	70,762	87,748
Medicaid/Adult Benefit Waiver	224,430	165,548
Other fees	388,505	356,482
Miscellaneous	64,271	67,082
In-kind revenues	43,500	-
Interest	4,851	11,315
	2,595,481	2,461,613
Expenses and Losses:		
Program services	2,472,429	2,324,430
Supporting services	215,613	99,474
	2,688,042	2,423,904
Sewage loss (recovery)	(55,000)	50,679
	2,633,042	2,474,583
Change in Unrestricted Net Assets	(37,561)	(12,970)
Unrestricted Net Assets at the beginning of the year	1,013,530	1,026,500
Unrestricted Net Assets at the end of the year	975,969	1,013,530
Temporarily Restricted Net Assets:		
Revenues, Gains, and Other Support:		
Other	3,961	5,841
	3,961	5,841
Change in Temporarily Restricted Net Assets	3,961	5,841
Temporarily Restricted Net Assets at the beginning of the year	43,960	38,119
Temporarily Restricted Net Assets at the end of the year	47,921	43,960
Total Net Assets at the end of the year	\$ 1,023,890	\$ 1,057,490

CARE OF SOUTHEASTERN MICHIGAN

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Program Services					
	MCOSA Programs					Other Programs
	Prevention	Access Management	Case Management	DHS Collaborative	Peer Recovery Coaching	
Wages and salaries	\$ 403,918	\$ 255,250	\$ 77,454	\$ 150,363	\$ 182,694	\$ 580,293
Fringe benefits	98,121	60,150	19,791	49,763	37,782	171,890
	<u>502,039</u>	<u>315,400</u>	<u>97,245</u>	<u>200,126</u>	<u>220,476</u>	<u>752,183</u>
Supplies and materials -						
Office	19,208	6,367	2,408	4,611	4,688	24,817
Education/training	19,258	-	-	-	-	13,114
Printing	878	189	129	88	160	2,500
Cleaning supplies	2,522	1,196	315	590	362	2,745
Postage	2,193	1,711	271	334	236	1,944
Travel -						
Mileage and parking	10,361	504	2,226	5,527	11,339	12,812
Airfare	-	-	-	-	-	-
Lodging	252	89	31	-	229	733
Per diem	58	3	2	-	3	10
Ground transportation	-	-	-	-	-	-
Conferences	793	187	92	-	944	652
Other -						
Affiliate network	-	-	-	-	-	14,770
Assistance to clients	-	-	2,978	9,500	2,455	7,079
Organizational expenses	3,461	1,928	608	1,459	1,361	5,385
Contractual labor	13,435	33	8	13	13	5,211
Computer labor/hardware/software	8,009	8,228	3,263	2,169	3,146	20,018
Insurance	3,676	2,394	823	1,352	1,998	5,602
Rent	2,617	1,259	326	585	361	11,881
Trainer	-	-	-	-	-	2,538
Utilities	5,896	2,864	753	1,358	889	5,178
Maintenance and repair	2,544	1,279	332	573	387	2,297
In-kind expenses	-	-	-	-	-	-
Other	11,270	1,451	1,553	3,367	3,692	13,268
Depreciation	5,792	2,760	720	1,307	801	5,006
Total Expenses	<u>\$ 614,262</u>	<u>\$ 347,842</u>	<u>\$ 114,083</u>	<u>\$ 232,959</u>	<u>\$ 253,540</u>	<u>\$ 909,743</u>

See Notes to Financial Statements

	Program Services	Supporting Services			Total	
	Total	General and Administrative	Fundraising	Total	2013	2012
Wages and salaries	\$ 1,649,972	\$ 5,742	\$ 70,185	\$ 75,927	\$ 1,725,899	\$ 1,562,915
Fringe benefits	437,497	439	17,454	17,893	455,390	387,705
	<u>2,087,469</u>	<u>6,181</u>	<u>87,639</u>	<u>93,820</u>	<u>2,181,289</u>	<u>1,950,620</u>
Supplies and materials -						
Office	62,099	-	5,137	5,137	67,236	77,573
Education/training	32,372	-	-	-	32,372	21,047
Printing	3,944	-	3,501	3,501	7,445	8,602
Cleaning supplies	7,730	-	440	440	8,170	7,493
Postage	6,689	-	2,919	2,919	9,608	8,216
Travel -						
Mileage and parking	42,769	-	1,044	1,044	43,813	35,953
Airfare	-	-	-	-	-	835
Lodging	1,334	-	21	21	1,355	2,539
Per diem	76	-	1	1	77	608
Ground transportation	-	-	-	-	-	1,500
Conferences	2,668	-	499	499	3,167	4,243
Other -						
Affiliate network	14,770	-	-	-	14,770	-
Assistance to clients	22,012	-	-	-	22,012	28,812
Organizational expenses	14,202	23,510	718	24,228	38,430	26,894
Contractual labor	18,713	961	9	970	19,683	30,918
Computer labor/hardware/software	44,833	-	1,147	1,147	45,980	52,032
Insurance	15,845	-	522	522	16,367	15,151
Rent	17,029	-	464	464	17,493	19,587
Trainer	2,538	-	-	-	2,538	-
Utilities	16,938	-	1,039	1,039	17,977	17,233
Maintenance and repair	7,412	1,275	449	1,724	9,136	9,500
In-kind expenses	-	43,500	-	43,500	43,500	-
Other	34,601	5,495	10,811	16,306	50,907	68,132
Depreciation	16,386	17,308	1,023	18,331	34,717	36,416
Total Expenses	<u>\$ 2,472,429</u>	<u>\$ 98,230</u>	<u>\$ 117,383</u>	<u>\$ 215,613</u>	<u>\$ 2,688,042</u>	<u>\$ 2,423,904</u>

CARE OF SOUTHEASTERN MICHIGAN

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013	2012
Cash Flows from Operating Activities:		
Change in Net Assets	\$(33,600)	\$(7,129)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation expense	34,717	36,416
Changes in assets and liabilities:		
(Increase) decrease in -		
Receivables	62,235	30,620
Prepaid expenses	(6,418)	8,049
Increase (decrease) in -		
Accounts payable	28,737	(42,194)
Accrued liabilities	10,177	2,329
Refundable advances	(18,779)	(182,500)
Net Cash Provided by (Used in) Operating Activities	77,069	(154,409)
Cash Flows from Investing Activities:		
Sale (purchase) of investments	(20,088)	28,191
Cash Flows from Financing Activities:		
Draws on line of credit	75,000	-
Payments on note payable	(36,013)	(33,922)
Net Cash Provided by (Used in) Financing Activities	38,987	(33,922)
Increase (decrease) in Cash and Cash Equivalents	95,968	(160,140)
Cash and Cash Equivalents at beginning of year	302,538	462,678
Cash and Cash Equivalents at end of year	\$ 398,506	\$ 302,538
Supplementary Information for Statement of Cash Flows:		
Interest paid on long-term debt	\$ 5,495	\$ 7,586

See Notes to Financial Statements

CARE OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF ORGANIZATION:

CARE of Southeastern Michigan's mission is to educate, link, and support individuals, families, businesses and communities affected by family concerns, workplace challenges, mental health conditions, and the misuse of alcohol, tobacco, and other drugs.

SIGNIFICANT ACCOUNTING POLICIES:

The Organization's accounting policies are in accordance with accounting principles generally accepted in the United States of America. The following is a summary of policies, which are considered significant to the Organization:

BASIS OF ACCOUNTING - The financial statements of the Organization are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations.

BASIS OF PRESENTATION - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its **Accounting Standards Codification (ASC) Statement 958**. In accordance with ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

A description of the types of programs utilized by the Organization is as follows:

Macomb County Office of Substance Abuse (MCOSA) Programs -

- Prevention Program – Provides education and training to individuals, families, and community groups to reduce the misuse of alcohol, tobacco, and other drugs.
- Access Management Services – Provides screenings, referrals, and coordination of substance abuse treatment for the uninsured/underinsured and Medicaid eligible population in Macomb County. Other services also include authorization of substance abuse treatment and general information and referrals for community resources.
- Case Management Services – Provides assessment, planning, service coordination, and recovery support for individuals involved with methadone treatment and women seeking substance abuse treatment.
- DHS Collaborative Project – This project is a collaboration between MCOSA and the Department of Human Services (DHS) to operate the Substance Abuse Supportive Services (SASS) Program. Case managers are employed to provide intensive case management services to parents referred by DHS. Case managers provide assessments and referrals for treatment, aftercare support, and crisis intervention.

CARE OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

- Peer Recovery Coaching – Provides peer recovery coaches to act as mentors, motivators, allies, role models, problem solvers, and advocates to the individuals being served to better develop and enhance their resources and skills to manage their recovery.

Other Programs -

- CARE provides a number of programs funded through grants, contracts, contractual agreements, fees, and fundraising efforts. Additional funding sources include contractual agreements with businesses and schools to provide employee assistance and student assistance services, Southeast Michigan Community Alliance, the Substance Abuse and Mental Health Administration, Department of Human Services, Prisoner Re-entry, Macomb Intermediate School District – Great Start Initiative, and the United Way.

CASH AND CASH EQUIVALENTS - The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

INVESTMENTS - The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the Statement of Activities. Donated investments are recorded at the “fair” value on the date received and thereafter carried in accordance with the above provisions. Investments are composed of mutual funds carried at fair value, and fixed annuities carried at contract value, which approximates fair value.

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

ACCOUNTS RECEIVABLE - Accounts receivable consists of amounts due from funding sources as of September 30, for the reimbursement of allowable grant expenditures for services and goods incurred by the Organization.

PROPERTY AND EQUIPMENT - Property and equipment consists of building, building improvements, furniture and fixtures, and computer equipment and are stated at cost at the date of purchase or at fair market value at the date of donation. Assets are defined by the Organization as assets with an initial individual cost of more than \$5,000. Major additions are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Gains and losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the life of the assets. For grant reporting purposes, equipment purchases are reported as an expenditure.

The estimated useful lives of the assets are as follows:

Building and improvements	7 - 40 years
Furniture and fixtures	5 - 7 years
Computer and software	3 - 7 years

CARE OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

ACCRUED PAID TIME-OFF - Individual employees have vested rights upon lay-off to receive payments for unused time-off under limits and conditions specified in the personnel policies of the Organization.

INCOME TAXES - The Organization is a nonprofit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. The Organization accounts for tax positions in accordance with the provisions of Financial Accounting Standards Board (FASB) Codification Section 740-10.

REFUNDABLE ADVANCES - Refundable advances represent unexpended grant funds received at the Organization's year-end. The funds are approved for use in future or ongoing programs and are not earned in the current year.

GRANT REVENUES - The major source of revenue from the Organization is from grants. The funds available under grants and contracts are recognized as revenue in the accounting period when the expenditures are incurred and the grant funds earned.

IN-KIND SERVICES - No amounts have been recorded in the financial statements for donated services by individuals other than professionals. The Agency pays for most services requiring specific expertise. However, the Agency has participated and won a contest for a redesign of the Agency's logo, website, etc. The estimated value of the service is recorded as in-kind revenue and an in-kind expense.

FUNCTIONAL EXPENSES - Expenses are charged directly to a program based on specific identification. The Organization operates predominately based on grants and performs fundraising activities for special events related to the grant programs. Indirect expenditures have been allocated based on a percentage of wages of direct program personnel for each program to the total wages of direct program personnel, the number of clients served, or building square footage, whichever most directly applies.

ESTIMATES - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATION - The Parenting Conference fees have been reclassified on the 2012 statement of activities to the unrestricted classification. The reclassification resulted in an increase to unrestricted net assets and a decrease to temporarily restricted net assets of \$18,616 to the amount previously reported as of September 30, 2012.

CARE OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

COMPARATIVE DATA - The financial statements include certain prior-year summarized comparative information in total but not by the functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2012 from which the summarized information was derived.

SUBSEQUENT EVENTS - In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 15, 2014, the date the financial statements were available to be issued.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS:

Concentration of Credit Risk -

Financial instruments that potentially subject CARE of Southeastern Michigan to credit risk include cash and cash equivalents on deposits with financial institutions. At September 30, 2013, the Organization had bank balances of \$380,571 at financial institutions, all of which was covered by depository insurance.

Investments -

At September 30, investments of the Organization consist of the following:

	<u>2013</u>	<u>2012</u>
Mutual Funds	\$ 112,472	\$ 58,167
Preferred Stocks	-	36,200
Annuities	<u>63,006</u>	<u>61,023</u>
Total	<u>\$ 175,478</u>	<u>\$ 155,390</u>

The Organization had the following return on investment for the year ended September 30:

	<u>2013</u>	<u>2012</u>
Interest and Dividends	\$ 2,182	\$ 5,168
Unrealized Gain (Loss) on Investments	<u>865</u>	<u>2,213</u>
Total	<u>\$ 3,047</u>	<u>\$ 7,381</u>

NOTE 3 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

CARE of Southeastern Michigan's operations are concentrated in substance abuse funded by Macomb County Office of Substance Abuse (MCOSA). MCOSA grants and fees represent \$1,404,762 or 54% of total revenue for the year ended September 30, 2013. Receivables from MCOSA of \$165,999 represents 71% of total grant receivables at September 30, 2013.

CARE OF SOUTHEASTERN MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - CAPITAL ASSETS:

The following is a summary of capital assets at September 30, 2013:

Building and improvements	\$ 761,071
Furniture and fixtures	57,525
Computer and software	<u>132,621</u>
	951,217
Accumulated depreciation	<u>(441,306)</u>
	<u>\$ 509,911</u>

Depreciation expense for the year ended September 30, 2013 was \$34,717.

NOTE 5 - FAIR VALUE MEASUREMENTS:

In accordance with ASC 820, CARE of Southeastern Michigan uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable and allowed in situations where there is little, if any, market activity for the assets or liability at the measurement date. These inputs reflect the reporting entity’s own assumptions about assumptions that would be used by market participants.

The following table presents the Organization’s fair value hierarchy for the assets and liabilities measured at fair value as of September 30, 2013:

Assets Measured at Fair Value on a Recurring Basis:

	Total	Level 1	Level 2	Level 3
Investments -				
Mutual Funds	\$ 112,472	\$ 112,472	\$ -	\$ -
Annuities	<u>63,006</u>	<u>-</u>	<u>-</u>	<u>63,006</u>
	<u>\$ 175,478</u>	<u>\$ 112,472</u>	<u>\$ -</u>	<u>\$ 63,006</u>

Level 1 classification consists of mutual funds with observable market prices.

Level 3 classification consists of annuities which are based on information provided directly from the insurance company.

CARE OF SOUTHEASTERN MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 5 - FAIR VALUE MEASUREMENTS - (cont'd):

The following table presents a reconciliation of the beginning and ending balance of Level 3 investment activity that is measured at fair value using unobservable inputs:

	<u>Investments</u>
Beginning balance	\$ 61,023
Realized/unrealized gain	<u>1,983</u>
Ending balance	<u>\$ 63,006</u>

The realized and unrealized gain on investments listed above is included in the investment income on the statement of activities.

NOTE 6 - NOTES PAYABLE:

The note payable consists of a fixed rate term note, dated October 12, 2004, payable in monthly installments of \$3,459 including interest of 6.0% with the balance due August 1, 2015. The loan is secured by the building at 31900 Utica Road, Fraser, Michigan that has a book value of \$325,524 at September 30, 2013. The balance of the note at September 30, 2013 is \$71,893.

The principal maturities at September 30, 2013 are as follows:

2014	\$ 38,236
2015	<u>33,657</u>
	<u>\$ 71,893</u>

The Organization has a line of credit dated April 19, 2012 with a maximum amount to draw of \$200,000 through April 19, 2014 and extended after the end of the year through April 19, 2015. The line of credit has a variable interest rate and any outstanding obligation is collateralized by the assets of the Organization. At September 30, 2013, the Organization had \$75,000 drawn.

NOTE 7 - CONTINGENT LIABILITIES:

In the normal course of operations, the Organization participates in various federal or state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although management believes the amount, if any, would not be material.

CARE OF SOUTHEASTERN MICHIGAN

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2013

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets represent restricted programs in which the net assets must be used for purposes in which the grants pertain.

In 2004, Nonprofit Finance Fund awarded CARE a conditional grant in the amount of \$39,360 over ten years (June 1, 2004 thru May 31, 2014) to support the creation of a building reserve fund to be used to carry out specified building system replacements. In addition, it awarded CARE annual matching grants of up to \$2,000 for reimbursement of preventative maintenance contract expenses. Receipt of these funds is conditional upon: 1) meeting 1:1 matching grant requirements by depositing funds into a designated building reserve account; and 2) carrying out specified building system replacements or preventative maintenance as approved by the grantor. At September 30, 2013, CARE had accumulated grants and matching amounts of \$47,921, which is held in a separate bank account.

NOTE 9 - SEWAGE RECOVERY/LOSS:

During 2012, the basement of CARE of Southeastern Michigan's primary location backed up with sewage and required significant cleaning and repairs to bring it back to usable space. A net loss was recorded of \$50,679 representing the costs of the clean-up, an in-kind contribution and insurance proceeds. The in-kind contribution is from a vendor that carried out a portion of the clean-up process. CARE of Southeastern Michigan pursued legal action against the City to recover the above loss and additional damages associated with the clean-up process, damaged items, staff time, and other business losses. CARE of Southeastern Michigan and the City reached an agreement in 2013 and settled for \$55,000 for damages.

SUPPLEMENTARY FINANCIAL INFORMATION

CARE OF SOUTHEASTERN MICHIGAN

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES - OTHER PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	NAAR	FASD	WorkLife Solutions	Student Assistance Center	Prisoner Re-entry	Project CHOICES
Wages and salaries	\$ 32,233	\$ 7,289	\$ 150,389	\$ 65,723	\$ 137,074	\$ 2,052
Fringe benefits	8,995	1,512	45,726	17,037	45,270	167
	<u>41,228</u>	<u>8,801</u>	<u>196,115</u>	<u>82,760</u>	<u>182,344</u>	<u>2,219</u>
Supplies and materials -						
Office	1,637	191	7,056	2,121	3,605	10
Education and training	-	133	755	-	-	-
Printing	20	10	1,523	380	86	-
Cleaning supplies	365	-	774	388	4	-
Postage	198	47	527	695	116	-
Travel -						
Mileage and parking	65	203	1,772	247	1,442	-
Lodging	11	-	579	20	66	-
Per diem	1	-	2	1	3	-
Conferences	28	1	329	35	106	-
Other -						
Affiliate network	-	-	14,770	-	-	-
Assistance to clients	-	300	-	-	-	-
Organizational expenses	289	-	1,465	444	1,486	-
Contractual labor	7	1	18	385	1	-
Computer labor hardware/software	645	64	12,585	1,002	2,096	-
Insurance	319	-	1,419	572	1,515	-
Rent	385	-	824	405	-	-
Trainer	-	-	2,538	-	-	-
Utilities	857	-	1,860	963	-	-
Maintenance and repair	380	1	823	401	22	-
Other	540	248	4,702	3,888	140	-
Depreciation	851	-	1,811	891	-	-
Total Expenses	<u>\$ 47,826</u>	<u>\$ 10,000</u>	<u>\$ 252,247</u>	<u>\$ 95,598</u>	<u>\$ 193,032</u>	<u>\$ 2,229</u>

	United Way	SEMCA	SOF	Special Projects	Total
Wages and salaries	\$ 51,540	\$ 62,973	\$ 34,017	\$ 37,003	\$ 580,293
Fringe benefits	18,725	12,572	13,510	8,376	171,890
	<u>70,265</u>	<u>75,545</u>	<u>47,527</u>	<u>45,379</u>	<u>752,183</u>
Supplies and materials -					
Office	1,647	4,039	1,601	2,910	24,817
Education and training	242	1,113	-	10,871	13,114
Printing	33	377	21	50	2,500
Cleaning supplies	186	660	-	368	2,745
Postage	67	123	44	127	1,944
Travel -					
Mileage and parking	3,768	2,983	2,045	287	12,812
Lodging	20	26	-	11	733
Per diem	1	1	-	1	10
Conferences	39	88	-	26	652
Other -					
Affiliate network	-	-	-	-	14,770
Assistance to clients	4,979	-	-	1,800	7,079
Organizational expenses	450	648	297	306	5,385
Contractual labor	5	4	2,951	1,839	5,211
Computer labor					
hardware/software	822	1,210	796	798	20,018
Insurance	509	657	334	277	5,602
Rent	204	9,656	-	407	11,881
Trainer	-	-	-	-	2,538
Utilities	457	149	-	892	5,178
Maintenance and repair	207	72	-	391	2,297
Other	696	2,261	548	245	13,268
Depreciation	445	122	-	886	5,006
Total Expenses	<u>\$ 85,042</u>	<u>\$ 99,734</u>	<u>\$ 56,164</u>	<u>\$ 67,871</u>	<u>\$ 909,743</u>

CARE OF SOUTHEASTERN MICHIGAN

**SCHEDULE OF BUDGETED, REPORTED, AND AUDITED AMOUNTS - MCOSA PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Final Budget</u>	<u>Reported Amounts</u>	<u>Audited Amounts</u>	<u>Variance</u>
PREVENTION				
Expenses:				
Salaries and wages	\$ 421,579	\$ 403,918	\$ 403,918	\$ -
Fringe benefits	103,164	98,121	98,121	-
Supplies and materials	30,582	44,059	44,059	-
Travel and conferences	9,100	11,464	11,464	-
Other	58,614	56,700	56,700	-
Total Expenses	<u>\$ 623,039</u>	<u>\$ 614,262</u>	<u>\$ 614,262</u>	<u>\$ -</u>
Funding Sources:				
Macomb County Office of Substance Abuse	\$ 543,500	\$ 543,500	\$ 543,500	\$ -
Fees and collections	79,539	70,762	70,762	-
Total Funding Sources	<u>\$ 623,039</u>	<u>\$ 614,262</u>	<u>\$ 614,262</u>	<u>\$ -</u>
ACCESS MANAGEMENT				
Expenses:				
Salaries and wages	\$ 256,203	\$ 255,250	\$ 255,250	\$ -
Fringe benefits	62,794	60,150	60,150	-
Supplies and materials	8,545	9,275	9,463	(188)
Travel and conferences	1,082	783	783	-
Other	19,219	22,384	22,196	188
Total Expenses	<u>\$ 347,843</u>	<u>\$ 347,842</u>	<u>\$ 347,842</u>	<u>\$ -</u>
Funding Sources:				
Macomb County Office of Substance Abuse	\$ 215,662	\$ 215,662	\$ 215,662	\$ -
Fees and collections - Medicaid/Adult Benefit Waiver	132,180	132,180	132,180	-
Total Funding Sources	<u>\$ 347,842</u>	<u>\$ 347,842</u>	<u>\$ 347,842</u>	<u>\$ -</u>
CASE MANAGEMENT				
Expenses:				
Salaries and wages	\$ 76,600	\$ 77,454	\$ 77,454	\$ -
Fringe benefits	20,099	19,791	19,791	-
Supplies and materials	5,992	6,100	3,123	2,977
Travel and conferences	3,456	2,351	2,351	-
Other	7,936	8,387	11,364	(2,977)
Total Expenses	<u>\$ 114,083</u>	<u>\$ 114,083</u>	<u>\$ 114,083</u>	<u>\$ -</u>
Funding Sources:				
Macomb County Office of Substance Abuse	\$ 114,083	\$ 114,083	\$ 114,083	\$ -

CARE OF SOUTHEASTERN MICHIGAN

**SCHEDULE OF BUDGETED, REPORTED, AND AUDITED AMOUNTS - MCOSA PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Final Budget</u>	<u>Reported Amounts</u>	<u>Audited Amounts</u>	<u>Variance</u>
DHS COLLABORATIVE				
Expenses:				
Salaries and wages	\$ 153,641	\$ 150,144	\$ 150,363	\$(219)
Fringe benefits	53,355	49,746	49,763	(17)
Supplies and materials	3,963	3,694	5,623	(1,929)
Travel and conferences	5,896	5,527	5,527	-
Other	21,603	23,886	21,683	2,203
	<u>\$ 238,458</u>	<u>\$ 232,997</u>	<u>\$ 232,959</u>	<u>\$ 38</u>
Funding Sources:				
Macomb County Office of Substance Abuse	\$ -	\$ 75,035	\$ 75,035	\$ -
Department of Human Services	-	157,960	157,957	3
	<u>\$ -</u>	<u>\$ 232,995</u>	<u>\$ 232,992</u>	<u>\$ 3</u>
PEER RECOVERY COACHING				
Expenses:				
Salaries and wages	\$ 191,768	\$ 182,694	\$ 182,694	\$ -
Fringe benefits	38,814	37,782	37,782	-
Supplies and materials	4,951	5,446	5,446	-
Travel and conferences	14,735	12,515	12,515	-
Other	13,732	15,103	15,103	-
	<u>\$ 264,000</u>	<u>\$ 253,540</u>	<u>\$ 253,540</u>	<u>\$ -</u>
Funding Sources:				
Macomb County Office of Substance Abuse	\$ 171,750	\$ 161,290	\$ 161,290	\$ -
Fees and collections - Medicaid/Adult Benefit Waiver	92,250	92,250	92,250	-
	<u>\$ 264,000</u>	<u>\$ 253,540</u>	<u>\$ 253,540</u>	<u>\$ -</u>