

Consolidated Financial Statements

with Supplemental Information in Accordance with
Governmental Auditing Standards, OMB Circular A133
and Other Matters

Southeast, Inc. and Affiliates

June 30, 2009 and 2008

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To the Board of Directors
Southeast, Inc. and Affiliates
Columbus, Ohio

Independent Auditors' Report

We have audited the accompanying consolidated statement of financial position of Southeast, Inc. and Affiliates as of June 30, 2009, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of Southeast, Inc. and Affiliates as of June 30, 2008, and for the year then ended were audited by other auditors whose report dated December 29, 2008, expressed an unqualified opinion on those statements.

We did not audit the financial statements of Alternative Lifestyles, Inc., a wholly owned subsidiary, whose statements reflect total assets of approximately \$390,000 and total revenues of approximately \$161,000 as of and for the 12 months and 29 days ended June 30, 2009. Those statements were audited by other auditors whose report thereon was furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Alternative Lifestyles, Inc. is based solely on the report of the other auditors.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southeast, Inc. and Affiliates as of June 30, 2009 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
Southeast, Inc. and Affiliates
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In accordance with *Government Auditing Standards*, we have also issued a report dated December 17, 2009 on our consideration of the Southeast, Inc.'s and Affiliates 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of Southeast, Inc. and Affiliates. A portion of the supplementary information includes the accompanying schedule of expenditures of federal awards and is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. There is also certain supplementary information required by the Franklin County Board of Alcohol, Drug Addiction and Mental Health Services, as well as for the Ohio Department of Development, that is not a required part of the basic consolidated financial statements. Such information was subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

GBQ Partners LLC

Columbus, Ohio
December 17, 2009

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SOUTHEAST, INC. AND AFFILIATES

Consolidated Statements of Financial Position

June 30, 2009 and 2008

ASSETS		
	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and cash equivalents	\$ 6,479,341	\$ 5,688,444
Investments	6,174,785	6,929,323
Accounts receivable	4,029,277	4,166,233
Inventory	204,510	174,608
Other current assets	65,141	159,631
Total current assets	<u>16,953,054</u>	<u>17,118,239</u>
Property and Equipment, net	4,770,586	4,961,550
Artwork	<u>75,847</u>	<u>75,847</u>
TOTAL ASSETS	<u>\$ 21,799,487</u>	<u>\$ 22,155,636</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable, current portion	\$ 81,886	\$ 81,831
Capital lease obligations, current portion	40,730	68,819
Accounts payable	217,455	291,679
Amounts held in trust	446,712	388,769
Accrued payroll and related liabilities	1,904,383	1,982,296
Deferred revenue	28,893	47,131
Total current liabilities	<u>2,720,059</u>	<u>2,860,525</u>
Long-Term Notes Payable, net of current portion	1,633,563	1,715,505
Long-Term Capital Lease Obligations, net of current portion	<u>45,432</u>	<u>86,162</u>
Total liabilities	<u>4,399,054</u>	<u>4,662,192</u>
Net Assets		
Unrestricted		
Undesignated	14,882,420	15,108,101
Board designated	2,418,692	2,315,754
Total unrestricted net assets	<u>17,301,112</u>	<u>17,423,855</u>
Temporarily restricted	<u>99,321</u>	<u>69,589</u>
Total net assets	<u>17,400,433</u>	<u>17,493,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,799,487</u>	<u>\$ 22,155,636</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOUTHEAST, INC. AND AFFILIATES

Consolidated Statements of Activities and Changes in Net Assets

For the Years Ended June 30, 2009 and 2008

	2009	2008
Changes in Unrestricted Net Assets		
Operating revenues:		
ADAMH purchase-of-service	\$ 7,810,223	\$ 6,131,259
ADAMH cost reimbursement	2,412,981	2,147,541
Medicaid	5,853,152	3,441,077
Medicaid match	2,856,415	2,296,980
Apothecare pharmacy	7,200,137	8,195,892
First and third party fees	358,776	311,914
Contracts	4,605,969	4,661,429
Medicaid - Out of county	626,509	646,397
Medicaid match - Out of county	265,318	419,688
Other operating income	495,145	165,210
In-kind shelter donations	576,016	421,800
Forgiveness of advance from ODMH	58,477	41,596
	33,119,118	28,880,783
Operating expenses:		
Clinical services	16,414,892	12,231,287
Housing	2,604,524	2,138,171
Vocational	1,182,332	1,168,556
Apothecare pharmacy	6,776,110	7,617,692
Prevention/education	1,174,713	1,240,007
Homeless shelter programs	2,395,068	2,307,364
General and administrative	1,891,473	1,628,400
	32,439,112	28,331,477
Increase in unrestricted net assets from operations	680,006	549,306
Other income (expense):		
Interest and dividend income	410,512	506,436
Unrealized and realized losses on investments	(1,160,316)	(607,454)
Contributions	105,184	92,887
Other income	13,962	94,182
Rental income	102,047	86,735
Rental expenses	(274,138)	(288,732)
Net assets released from restriction	-	20,085
	(802,749)	(95,861)
(Decrease) increase in unrestricted net assets	(122,743)	453,445
Changes in Temporarily Restricted Net Assets:		
Special events, net	29,732	45,003
Net assets released from restriction	-	(20,085)
	29,732	24,918
Increase in Temporarily Restricted Net Assets	29,732	24,918
(Decrease) Increase in Net Assets	(93,011)	478,363
Net Assets, Beginning of Year	17,493,444	17,015,081
Net Assets, End of Year	\$ 17,400,433	\$ 17,493,444

The accompanying notes are an integral part of the consolidated financial statements.

SOUTHEAST, INC. AND AFFILIATES

Consolidated Statements of Functional Expenses

For the Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	Clinical Services	Housing	Vocational	Pharmacy	Prevention Education	FOH Shelter Programs
Salaries and benefits	\$ 11,310,170	\$ 1,689,848	\$ 898,959	\$ 475,032	\$ 948,457	\$ 1,363,833
Contract services	1,119,662	3,324	109,254	800	46,173	320
Computer expenses	53,720	1,152	714	14,600	3,576	4,610
Operating supplies and expenses	1,079,422	720,541	96,802	53,494	92,631	84,669
Office expenses	726,465	38,124	16,825	10,901	19,921	91,867
Cost of goods sold - Pharmacy	-	-	-	6,102,498	-	-
Mileage / transportation	494,371	27,945	22,073	8,089	28,416	16,028
Building and grounds	955,803	74,130	25,733	144	30,730	254,883
Interest	36,578	14,054	-	-	-	1,458
Insurance expense	162,168	6,000	1,954	7,016	-	50,341
In-kind expenses	114,791	-	-	-	-	461,225
Other expenses	-	-	-	52,000	-	95
	<u>16,053,150</u>	<u>2,575,118</u>	<u>1,172,314</u>	<u>6,724,574</u>	<u>1,169,904</u>	<u>2,329,329</u>
Depreciation and amortization	<u>361,742</u>	<u>29,406</u>	<u>10,018</u>	<u>51,536</u>	<u>4,809</u>	<u>65,739</u>
Total	<u>\$ 16,414,892</u>	<u>\$ 2,604,524</u>	<u>\$ 1,182,332</u>	<u>\$ 6,776,110</u>	<u>\$ 1,174,713</u>	<u>\$ 2,395,068</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOUTHEAST, INC. AND AFFILIATES

Consolidated Statements of Functional Expenses (Continued)

For the Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	Total Program	General and Administrative	Rental Operations	2009 Total Expenses	2008 Total Expenses
Salaries and benefits	\$ 16,686,299	\$ 1,333,354	\$ -	\$ 18,019,653	\$ 15,042,663
Contract services	1,279,533	1,000	-	1,280,533	588,740
Computer expenses	78,372	9,819	-	88,191	116,545
Operating supplies and expenses	2,127,559	196,853	-	2,324,412	2,020,804
Office expenses	904,103	109,770	-	1,013,873	856,893
Cost of goods sold - Pharmacy	6,102,498	-	-	6,102,498	6,732,516
Mileage / transportation	596,922	7,180	-	604,102	390,752
Building and grounds	1,341,423	16,053	176,982	1,534,458	1,336,449
Interest	52,090	-	-	52,090	10,828
Insurance expense	227,479	187,551	28,916	443,946	395,295
In-kind expenses	576,016	-	-	576,016	421,800
Other expenses	52,095	839	-	52,934	195,241
	<u>30,024,389</u>	<u>1,862,419</u>	<u>205,898</u>	<u>32,092,706</u>	<u>28,108,526</u>
Depreciation and amortization	<u>523,250</u>	<u>29,054</u>	<u>68,240</u>	<u>620,544</u>	<u>511,683</u>
Total	<u>\$ 30,547,639</u>	<u>\$ 1,891,473</u>	<u>\$ 274,138</u>	<u>\$ 32,713,250</u>	<u>\$ 28,620,209</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOUTHEAST, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities:		
(Decrease) increase in net assets	\$(93,011)	\$ 478,363
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	620,544	511,683
Bad debt expense	52,000	188,107
Unrealized and realized losses on investments	1,160,316	607,454
Forgiveness of advance from State of Ohio	(58,477)	(41,596)
(Increase) decrease in operating assets:		
Accounts receivable	84,956	106,857
Inventory	(29,902)	(11,504)
Other current assets	94,490	(105,985)
(Decrease) increase in operating liabilities:		
Accounts payable	(74,224)	52,155
Accrued payroll and related liabilities	(77,913)	53,957
Amounts held in trust	57,943	(71,226)
Deferred revenue	(18,238)	(12,854)
Total adjustments	1,811,495	1,277,048
 Net cash and cash equivalents provided by operating activities	 1,718,484	 1,755,411
Cash Flows from Investing Activities:		
Purchases of property and equipment	(499,860)	(449,583)
Proceeds from disposal of property and equipment	70,280	-
Acquisition of Community Mental Health Services	-	55,710
Acquisition of Alternative Lifestyles, Inc.	-	24,309
Proceeds from sale of investments	47,929	361,399
Purchase of investments	(453,707)	(731,041)
Net cash and cash equivalents used in investing activities	(835,358)	(739,206)
Cash Flows from Financing Activities:		
Line of credit payments	-	(350,000)
Principal payments on notes payable	(23,410)	(6,926)
Principal payments on capital leases obligations	(68,819)	(49,273)
Net cash and cash equivalents used in financing activities	(92,229)	(406,199)
 Net Increase in Cash and Cash Equivalents	 790,897	 610,006
Cash and Cash Equivalents - Beginning of Year	5,688,444	5,078,438
Cash and Cash Equivalents - End of Year	\$ 6,479,341	\$ 5,688,444
 Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 52,090	\$ 10,828

The accompanying notes are an integral part of the consolidated financial statements.

SOUTHEAST, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Continued)

For the Years Ended June 30, 2009 and 2008

Supplemental Disclosures of Non Cash Investing and Financing Transactions

During fiscal year 2008, Southeast, Inc. and Affiliates entered into new capital leases for \$118,449 of office equipment. Office equipment previously leased with a remaining lease obligation of \$60,831 was returned to the lessor at the time the new equipment was acquired.

Acquisition of assets from Community Mental Health Services:	
Working capital, other than cash and including line of credit	\$ 178,765
Property and equipment	(875,564)
Long-term debt assumed	<u>752,509</u>
Cash received in acquisition	<u>\$ 55,710</u>
Acquisition of Alternative Lifestyles Inc.:	
Working capital, other than cash	\$ 12,297
Property and equipment	(431,159)
Long-term debt assumed	<u>443,171</u>
Cash received in acquisition	<u>\$ 24,309</u>

The accompanying notes are an integral part of the consolidated financial statements.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Nature and Scope of Activities

Southeast, Inc. and Affiliates (the Organization) are non-profit Ohio corporations organized to develop and administer a comprehensive mental health and behavioral healthcare recovery service system, to provide services to homeless persons throughout Ohio, and to provide housing to lower-income, mentally disabled individuals. Services and programming are provided primarily in Central and Eastern Ohio locations.

In April 2007, Southeast, Inc. (Southeast) received their third accreditation from the Joint Commission. The Joint Commission accreditation is one way Southeast shows its commitment to the quality improvement of its services to the Central Ohio community.

Southeast also operates a pharmacy (Apothecare) located in the Southeast owned building in Columbus, Ohio. Southeast operates Apothecare as a specialty pharmacy to serve people with cognitive and/or other mental dysfunctions.

Summary of Significant Accounting Policies

Principles of Consolidation

Effective June 2, 2008, Community Mental Health Services of Belmont, Harrison and Monroe Counties (CMHS) and Southeast, Inc. entered into an asset purchase agreement. Through the asset purchase agreement Southeast Inc. acquired certain CMHS assets at a cost equaling liabilities of \$1,533,243 that were assumed by Southeast at the date of the transaction. CMHS provided mental health services in those counties. Associated with the asset purchase agreement was a membership transfer agreement in which Southeast obtained control of Alternative Lifestyles, Inc. (ALS), effective June 2, 2008. ALS owned facilities and provided housing for the low-income community. For purposes of consolidation, ALS was acquired at a cost equaling the existing liabilities of \$457,202 at the date of the transaction. The transactions with CMHS and ALS are reflected in these consolidated financial statements using the purchase method of accounting.

Effective July 1, 2006, Southeast acquired Friends of the Homeless, Inc. (FOH) by becoming the sole member of FOH. FOH operates emergency shelter and other residential facilities.

These statements consolidated the financial positions and results of operations of Southeast, FOH and ALS corporations. Intercompany transactions and balances were eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted (GAAP) in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support and revenue and expenses during the reporting periods. Accordingly, actual results could differ from those estimates.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Summary of Significant Accounting Policies (continued)

Financial Statement Presentation

The Organization reports information regarding its consolidated financial position and activities according to three classes of net assets:

- Unrestricted Net Assets – Unrestricted net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are available for use in the Organization's ongoing operations.
- Temporarily Restricted Net Assets – Temporarily restricted net assets are limited as to use by donor-imposed restrictions that either expire by passage of time, the receipt of funds or can be fulfilled and removed by action of the Organization pursuant to those restrictions.
- Permanently Restricted Net Assets – Permanently restricted net assets are limited as to use by donor-imposed restrictions that generally allow only the use of investment earnings for unrestricted or restricted purposes. The principal is generally not available for use. As of June 30, 2009 and 2008, there were no permanently restricted net assets.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include all cash on hand, demand deposits and highly liquid investments with original maturities of three months or less. Cash and cash equivalents also include amounts held in trust, which are described herein. Cash and cash equivalents exclude money market funds held in an investment portfolio that are reported as investments.

Investments

Investments consist of marketable securities and are stated at fair value as further described herein. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

Investments are exposed to various risks such as interest rate, market and credit risks. Accordingly, it is at least reasonably possible that changes in the values of investments may occur in the near term, which could be material.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Summary of Significant Accounting Policies (continued)

Accounts Receivable and Revenues

Exchange Transactions

The Organization's revenue is generally derived from Federal, state, county and local sources. Generally, accounts receivable and revenue are recorded in the month the related services are provided at estimated realizable values. The Organization provides services to certain consumers covered by various third-party payor arrangements that provide payments at amounts different than established billing rates. Accordingly, in most cases, accounts receivable and revenue are adjusted for contractual allowances based on third-party established rates. In certain cases, accounts receivable and revenue are recorded on the basis of preliminary estimates of the amounts to be received from third-party payors. Final adjustments are made in the period such amounts are finally determined.

The Organization contracts with the Franklin County and the Belmont, Harrison, and Monroe Counties (BHM) Alcohol, Drug Addiction and Mental Health Services Boards (ADAMH), whereby it receives funds based on billable units of mental health, alcohol and substance abuse and other related services and programs and other services and programs provided. The Organization also receives various block grants that are passed through these Boards. The Organization receives Title XIX (Medicaid) funds through ADAMH, which receives the funds from the Ohio Department of Mental Health (ODMH), and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS). The Organization also receives grant funding from the Ohio Department of Development (ODOD) used in providing services to homeless persons. Delayed collection of accounts receivable from such agencies are considered past due; however no interest can be charged to the agencies.

Contributions

Certain other grants and donations are classified as contributions, instead of exchange transactions. Unconditional contributions are appropriately recognized as revenue upon notification of approval of the grant or contribution. Conditional contributions are recognized as revenue when the contingent condition is substantially eliminated.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Summary of Significant Accounting Policies (continued)

Accounts Receivable and Revenues (continued)

Allowance for Doubtful Accounts

The Organization reports receivables at net realizable value using the allowance method. Management determines an allowance for doubtful accounts based on historical activity with funding sources, consumers and donors, as well as current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to not be collectible, they are written off.

Inventory

Inventory consists of medications recorded at the lower of cost or market using the first-in, first-out inventory accounting method, and verified by a physical count.

Property and equipment

Purchased property and equipment are recorded at cost purchased less accumulated depreciation and amortization. Donated property and equipment is recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a pro-rata partial year of depreciation being recorded in the year of acquisition. The Organization does not assign time restrictions on the use of donated property and equipment unless a donor stipulates how long a contributed asset must be used for a specific purpose.

The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. Upon disposal of assets, the cost and related accumulated depreciation or amortization is removed from the accounts and any gain or loss is included in income.

Depreciation and amortization are provided over the estimated useful lives of the assets as follows:

Buildings and improvements	5 - 39 years
Equipment	3 - 7 years
Furniture	5 - 20 years
Software	3 years
Vehicles	5 years
Leased office equipment	3 - 5 years
Leasehold improvements	3 years

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Summary of Significant Accounting Policies (continued)

Artwork

The Organization capitalizes collectible artwork in conformity with GAAP. If purchased, artwork is recorded at cost. If donated, artwork is capitalized at its fair value at time of donation. Gains or losses on the disposal of artwork items are classified on consolidated statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at time of donation.

Impairment of Assets

The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management determined that no impairment existed at June 30, 2009 or 2008.

Amounts Held in Trust

The Organization maintains two custodial bank accounts held on behalf of clients who are unable to manage their own funds. The corresponding liabilities are included in amounts held in trust and funds held are included in cash and cash equivalents on the consolidated statements of financial position, respectively.

Donated Services

Donated services are recognized as contributions only if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased. For the years ended June 30, 2009 and 2008, there were no donated services identified that met this criteria. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist with the homeless shelter program fundraising events and other initiatives.

Donated Materials

The Organization receives donated food, paper goods and other supplies for use by individuals receiving services in the homeless shelter programs. The value of donated materials is estimated based on a historical cost estimate (\$6 per individual per day) multiplied by the number of individuals served during the year. The value of the donated materials is recorded as in-kind revenue and in-kind expense.

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Summary of Significant Accounting Policies (continued)

Functional Expenses Allocation

Indirect expenses are allocated to the various program services based on full-time equivalents assigned to the programs.

Income Taxes

Each of the Organizations is a separate not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provisions for federal, state or local taxes are included in the consolidated financial statements.

Fair Value Measurements

GAAP establishes a framework for measuring fair value of assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Highest priority.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Lowest priority.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

A new accounting pronouncement clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with prior guidance about accounting for income taxes. The new guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Guidance is also provided on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The new guidance contemplates positions that may be taken by non-profit organizations. The implementation of the new guidance is now applicable for fiscal years beginning after December 15, 2008. Management expects that there will be minimal to no financial reporting impact that would result from the application of this accounting pronouncement.

Reclassifications

Certain reclassifications were made to the consolidated financial statements for the year ended June 30, 2008 to conform to current year presentation.

Subsequent Events

The Organization evaluated subsequent events through the date of the independent auditors' report, which is the date the consolidated financial statements were available to be issued.

Cash

The Organization maintains 15 bank accounts with 3 financial institutions. Balances in these accounts may periodically exceed federally insured limits.

Investments

The following is a summary of investments for the years ended June 30:

	<u>2009</u>	<u>2008</u>
Money market funds	\$ 549,415	\$ 311,089
Fixed income	2,605,942	3,687,051
Mutual funds	<u>3,019,428</u>	<u>2,931,183</u>
	<u>\$ 6,174,785</u>	<u>\$ 6,929,323</u>

Accumulated unrealized (losses) gains on investments were approximately \$(828,000) and \$230,000 as of June 30, 2009 and 2008, respectively.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Investments (continued)

Following is a description of the valuation methodologies used for investments measured at fair value. There have been no changes in the methodologies used at June 30, 2009 and 2008.

- Money market funds:* Valued at cost, which approximates fair value.
- Fixed income securities:* Valued at amortized cost, which approximates fair value.
- Mutual funds:* Valued at the net asset value (NAV) of shares held by the Organization at year-end, as calculated using the underlying corporate securities quoted market values.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments at fair value as of June 30, 2009

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 549,415	\$ -	\$ -	\$ 549,415
Fixed income	2,605,942	-	-	2,605,942
Mutual funds	<u>3,019,428</u>	<u>-</u>	<u>-</u>	<u>3,019,428</u>
Total assets at fair value	<u>\$ 6,174,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,174,785</u>

Investments at fair value as of June 30, 2008

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 311,089	\$ -	\$ -	\$ 311,089
Fixed income	3,687,051	-	-	3,687,051
Mutual funds	<u>2,931,183</u>	<u>-</u>	<u>-</u>	<u>2,931,183</u>
Total assets at fair value	<u>\$ 6,929,323</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,929,323</u>

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Accounts Receivable

Accounts receivable consists of the following for the years then ended June 30:

	<u>2009</u>	<u>2008</u>
Franklin County ADAMH Board	\$ 2,137,492	\$ 2,008,785
BHM Counties ADAMH Board	256,670	451,621
Apothecare	490,452	726,831
Other grants and contracts	296,271	425,870
ODMH Out of County	627,381	323,781
First and third party fees	16,995	30,269
ODOD	138,980	131,513
HUD	14,336	3,072
Employees	33,987	20,373
Other	<u>16,713</u>	<u>44,118</u>
	<u>\$ 4,029,277</u>	<u>\$ 4,166,233</u>

Management estimates that accounts receivable are fully collectible, thus there is no allowance for doubtful accounts recorded as of June 30, 2009 or 2008.

Property and Equipment

Property and equipment consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Land	\$ 235,269	\$ 237,067
Buildings and improvements	7,351,979	7,292,141
Equipment	882,661	712,996
Furniture	167,755	64,342
Software	497,550	463,798
Vehicles	244,216	264,702
Leased office equipment	297,691	297,691
Leasehold improvements	<u>75,695</u>	<u>74,310</u>
	9,752,816	9,407,047
Less: accumulated depreciation	<u>(4,982,230)</u>	<u>(4,445,497)</u>
	<u>\$ 4,770,586</u>	<u>\$ 4,961,550</u>

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Notes Payable

Notes payable consisted of the following as of June 30:

	<u>2009</u>	<u>2008</u>
Mortgage note payable to the City of Columbus to be forgiven in ten annual installments of \$11,318 through February 2011, as long as conditions of the agreement are met. The note is interest free and is secured by real estate owned by FOH.	\$ 22,636	\$ 33,954
Mortgage note payable to the City of Columbus in 360 monthly installments of \$54 through March 2015. The note is interest free and is secured by real estate owned by FOH.	3,791	4,441
Mortgage note payable to a commercial bank in 360 monthly installments of \$175 through April 2024. The note bears interest at 7.75% and is secured by real estate owned by FOH.	18,459	19,101
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	10,000	10,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	15,000	15,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	10,000	10,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	136,000	136,000

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Notes Payable (continued)

	<u>2009</u>	<u>2008</u>
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 480 equal monthly amounts through May 2026, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	106,362	112,650
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 480 equal monthly amounts through April 2019, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	69,135	75,493
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 329 equal monthly amounts through September 2032, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	156,025	162,760
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 480 equal monthly amounts through August 2030, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	659,004	690,259
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 480 equal monthly amounts through July 2018, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	71,099	78,946

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Notes Payable (continued)

	2009	2008
Mortgage note payable to the United States Department of Housing and Urban Development in 480 monthly installments of \$2,579 through March 2028. The note bears interest at 9.25% and is secured by real estate owned by ALS.	275,142	280,375
Mortgage note payable to the United States Department of Housing and Urban Development in 480 monthly installments of \$1,742 through March 2023. The note bears interest at 9.25% and is secured by real estate owned by ALS.	<u>162,796</u>	<u>168,357</u>
Total	1,715,449	1,797,336
Less: current portion	<u>81,886</u>	<u>81,831</u>
Long-term portion	<u>\$ 1,633,563</u>	<u>\$ 1,715,505</u>

The aggregate maturities of long-term debt through maturity as of June 30 are as follows:

2010	\$ 81,886
2011	81,886
2012	70,568
2013	70,568
2014	70,568
Thereafter	<u>1,339,973</u>
	<u>\$ 1,715,449</u>

Note Payable - Line of Credit

The Organization has a revolving line of credit agreement with a bank that provides for borrowings of up to \$2,000,000. Interest is charged on any outstanding balance at the one-month LIBOR rate (0.32% and 2.47%) plus 2% and 1.9% at June 30, 2009 and 2008, respectively. The line of credit is secured by all property of the Organization. The line of credit agreement expires on December 31, 2009. Management is currently negotiating with the bank to renew the line of credit agreement.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Capital Lease Obligations

The Organization leases office equipment under capital leases expiring in 2013. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated useful lives. Amortization of assets held under capital leases is included in depreciation and amortization expense.

Following is a summary of office equipment held under the capital leases at June 30:

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 297,691	\$ 297,691
Less: accumulated amortization	<u>(215,613)</u>	<u>(159,589)</u>
	<u>\$ 82,078</u>	<u>\$ 138,102</u>

Future minimum lease payments required under the lease agreements at June 30, 2009 are as follows:

2010	\$ 46,599
2011	22,419
2012	17,016
2013	<u>11,344</u>
Total minimum lease payments	97,378
Less: amount representing interest (2.6% to 9.2%)	<u>11,216</u>
Present value of net minimum lease payments	86,162
Less: current maturities of obligations under capital lease	<u>40,730</u>
Long-term capital lease obligations	<u>\$ 45,432</u>

Operating Lease Obligations

The Organization leases office space under operating leases expiring through 2012. Office lease expense was approximately \$248,000 and \$227,000 for the years ended June 30, 2009 and 2008, respectively.

In addition, the Organization leases four parcels of land at its 131 North High Street location. These leases have ninety-nine year lease terms and are renewable indefinitely. Land lease expense associated with these leases was approximately \$50,000 and \$49,000 for the years ended June 30, 2009 and 2008, respectively.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Operating Lease Obligations (continued)

The Organization leases phone and video equipment under two separate five year operating leases expiring in April 2012 and April 2014. Phone and video lease expense was approximately \$119,000 and \$102,000 for the years ended June 30, 2009 and 2008, respectively.

Approximate minimum future lease obligations under non-cancelable operating leases for office space, land and equipment with terms in excess of one year as of June 30, 2009 are as follows:

2010	\$ 302,000
2011	299,000
2012	238,000
2013	86,000
2014	80,000
Thereafter	<u>386,000</u>
	<u>\$ 1,391,000</u>

Rental Income

One of the buildings that the Organization owns is a 66,000 square foot building located at 131 North High Street in Columbus. Southeast occupies approximately 70% of this building and the remainder is leased or available for lease.

Approximate minimum future rentals to be received on non-cancelable operating leases having terms in excess of one year as of June 30, 2009, for the remainder of the lease terms are as follows:

2010	\$ 34,000
2011	30,000
2012	30,000
2013	<u>12,000</u>
	<u>\$ 106,000</u>

Rental income was approximately \$102,000 and \$87,000 for the years ended June 30, 2009 and 2008, respectively.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Net Assets

Board Designated net assets

The Board of Directors has designated certain net assets to be used for employee scholarships, risk management and a capital campaign fund. The Scholarship Fund represents resources that are to be used for scholarships to employees taking accredited courses directly applicable to their professional employment or development plans at Southeast, Inc. and Affiliates. The Risk Management Fund represents resources that are reserved to manage the risk associated with providing services funded by multiple revenue streams, which may prove to be inadequate to cover the cost associated with uncompensated care. In addition, funds are set aside to allow for successful transitions to newly mandated funding mechanisms. The Capital Campaign Fund represents resources that are to be used for the building of a new homeless shelter for women, to be named Rebecca's House.

Activity in board designated net assets is summarized as follows:

	<u>Scholarship Fund</u>	<u>Risk Management Fund</u>	<u>Capital Campaign Fund</u>	<u>Total Designated Net Assets</u>
Balance - June 30, 2007	\$ 272,330	\$ 2,033,173	\$ -	\$ 2,305,503
Scholarship expenditures	(50,332)	-	-	(50,332)
Board designation	50,000	-	-	50,000
Investment income	<u>10,583</u>	<u>-</u>	<u>-</u>	<u>10,583</u>
Balance - June 30, 2008	282,581	2,033,173	-	2,315,754
Scholarship expenditures	(45,761)	-	-	(45,761)
Board designation	60,000	-	87,074	147,074
Investment income	<u>1,625</u>	<u>-</u>	<u>-</u>	<u>1,625</u>
Balances - June 30, 2009	<u>\$ 298,445</u>	<u>\$ 2,033,173</u>	<u>\$ 87,074</u>	<u>\$ 2,418,692</u>

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Net Assets (continued)

Temporarily restricted net assets

Activity in temporarily restricted net assets is summarized as follows:

	Fresh A.I.R. Gallery	Motivational Speaking	Total Temporarily Restricted Net Assets
Balance – June 30, 2007	\$ 24,586	\$ 20,085	\$ 44,671
Special events, net	45,003	-	45,003
Released from restrictions	<u>-</u>	<u>(20,085)</u>	<u>(20,085)</u>
Balance - June 30, 2008	69,589	-	69,589
Special events, net	<u>29,732</u>	<u>-</u>	<u>29,732</u>
Balance - June 30, 2009	<u>\$ 99,321</u>	<u>\$ -</u>	<u>\$ 99,321</u>

Retirement Plan

The Organization has a 401(k) defined contribution retirement plan for substantially all employees. Retirement plan expenses included in the consolidated statements of activities were approximately \$213,000 and \$176,000 for the years ended June 30, 2009 and 2008, respectively.

In fiscal year 2003, Southeast established a 457 (b) top hat plan. The purpose of the Plan is to provide deferred compensation payments for a select group of management. Southeast did not make any contributions to this Plan for the years ended June 30, 2009 and 2008.

FOH maintained a 401(k) defined contribution retirement plan which allowed full-time employees that had one year of service and who were at least 21 years old to participate. Due to the acquisition of FOH by Southeast, Inc. all FOH employees became Southeast, Inc. employees, effectively freezing the Plan. Management is researching the possibility of terminating the Plan.

Governmental Funding

Medicaid Reimbursement

The Organization is required to file an annual cost report with ADAMH that documents actual costs of services rendered on a per-unit cost basis. The Organization is contingently liable for the excess of payments received on direct ADAMH program claims and Medicaid claims that exceed actual costs.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Governmental Funding (continued)

Medicaid Reimbursement (continued)

Management estimates that there are no material amounts due for any other open cost report periods. The actual amount of the liability may change upon finalization of the cost reports.

The Organization is also subject to annual Medicaid compliance audits by ODMH and ODADAS. These audits consist of reviewing claim files for documentation sufficiency. Any findings may result in amounts due to the program. Compliance audits were finalized through April 2009. As of June 30, 2009 and 2008, management estimated that no amounts were due to the Medicaid program relating to any open compliance audit periods.

Laws and Regulations

Laws and regulations governing the Medicaid, Medicare and other governmental funding programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the programs. No accrual was recorded in the financial statements for any potential liability.

Concentration Risk

The Organization has contracts with the various county ADAMH's referred to above through which it receives direct support based on units of mental health as well as other services and programs provided. The Organization also receives Medicaid funds through ADAMH, which are pass-through funds from ODMH and ODADAS. Revenues allocated to and passed through Franklin County ADAMH represent approximately 45% and 48% of the Organization's total operating revenues and support for 2009 and 2008, respectively. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the Organization's programs and activities.

The operations of the Organization are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Health and Human Services, ADAMH, ODMH and ODADAS. Such administrative directives, rules, regulations and budgetary funding levels are subject to change by an act of Congress, the passage of laws by the Ohio General Assembly, or an administrative change mandated by one of the executive branch agencies. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with a change.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

Contingent Liabilities

The Organization is subject to several claims and lawsuits arising out of the provision of its services. In the opinion of management, all matters are adequately covered by insurance or, if not covered, are without merit and/or involve such amounts as would not have a material effect on the consolidated financial position of the Organization if disposed of unfavorably.

SUPPLEMENTARY INFORMATION

SOUTHEAST, INC. AND AFFILIATES

Consolidating Statement of Financial Position

June 30, 2009

ASSETS	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidating Total
Current Assets					
Cash and cash equivalents	\$ 6,477,715	\$ 1,626	\$ -	\$ -	\$ 6,479,341
Investments	6,174,785	-	-	-	6,174,785
Accounts receivable	3,970,332	50,476	8,469	-	4,029,277
Related party receivable	208,103	37,691	-	(245,794)	-
Inventory	204,510	-	-	-	204,510
Other current assets	63,399	-	1,742	-	65,141
Total current assets	<u>17,098,844</u>	<u>89,793</u>	<u>10,211</u>	<u>(245,794)</u>	<u>16,953,054</u>
Property and Equipment, net	3,941,567	593,384	352,969	(117,334)	4,770,586
Artwork	<u>75,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,847</u>
TOTAL ASSETS	<u>\$ 21,116,258</u>	<u>\$ 683,177</u>	<u>\$ 363,180</u>	<u>\$(363,128)</u>	<u>\$ 21,799,487</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Notes payable, current portion	\$ 58,482	\$ 12,610	\$ 10,794	\$ -	\$ 81,886
Capital lease obligations, current portion	40,730	-	-	-	40,730
Accounts payable	217,182	-	273	-	217,455
Related party payables	178,041	40,032	27,721	(245,794)	-
Amounts held in trust	445,647	-	1,065	-	446,712
Accrued payroll and related liabilities	1,904,383	-	-	-	1,904,383
Deferred revenue	28,486	-	407	-	28,893
Total current liabilities	<u>2,872,951</u>	<u>52,642</u>	<u>40,260</u>	<u>(245,794)</u>	<u>2,720,059</u>
Long-term Notes Payable, net of current portion	1,000,908	205,511	427,144	-	1,633,563
Long-Term Capital Lease Obligations, net of current portion	<u>45,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,432</u>
Total liabilities	3,919,291	258,153	467,404	(245,794)	4,399,054
Net Assets					
Unrestricted:					
Undesignated	14,766,028	337,950	(104,224)	(117,334)	14,882,420
Board designated	2,331,618	87,074	-	-	2,418,692
Total unrestricted net assets	<u>17,097,646</u>	<u>425,024</u>	<u>(104,224)</u>	<u>(117,334)</u>	<u>17,301,112</u>
Temporarily restricted	<u>99,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,321</u>
Total net assets	<u>17,196,967</u>	<u>425,024</u>	<u>(104,224)</u>	<u>(117,334)</u>	<u>17,400,433</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,116,258</u>	<u>\$ 683,177</u>	<u>\$ 363,180</u>	<u>\$(363,128)</u>	<u>\$ 21,799,487</u>

See Independent Auditors' Report.

SOUTHEAST, INC. AND AFFILIATES

Consolidating Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2009

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidating Total
Changes in Unrestricted Net Assets					
Operating Revenues and Support:					
ADAMH purchase-of-service	\$ 7,810,223	\$ -	\$ -	\$ -	\$ 7,810,223
ADAMH cost reimbursement	2,412,981	-	-	-	2,412,981
Medicaid	5,853,152	-	-	-	5,853,152
Medicaid match	2,856,415	-	-	-	2,856,415
Apothecare pharmacy	7,200,137	-	-	-	7,200,137
First and third party fees	358,776	-	-	-	358,776
Contracts	4,587,385	15,584	3,000	-	4,605,969
Medicaid FFP - Out of county	626,509	-	-	-	626,509
Medicaid match - Out of county	265,318	-	-	-	265,318
Other operating income	347,029	10,375	137,741	-	495,145
In kind shelter donations	576,016	-	-	-	576,016
Reduction of advances from ODMH	58,477	-	-	-	58,477
	<u>32,952,418</u>	<u>25,959</u>	<u>140,741</u>	<u>-</u>	<u>33,119,118</u>
Operating expenses:					
Clinical services	16,414,892	-	-	-	16,414,892
Housing	2,457,056	-	147,468	-	2,604,524
Vocational	1,182,332	-	-	-	1,182,332
Apothecare pharmacy	6,776,110	-	-	-	6,776,110
Prevention/education	1,174,713	-	-	-	1,174,713
Homeless shelter programs	2,318,016	77,052	-	-	2,395,068
General and administrative	1,909,633	-	-	(18,160)	1,891,473
	<u>32,232,752</u>	<u>77,052</u>	<u>147,468</u>	<u>(18,160)</u>	<u>32,439,112</u>
Increase (decrease) in unrestricted net assets from operations	719,666	(51,093)	(6,727)	18,160	680,006
Other Changes:					
Other income (expense):					
Interest and dividend income	410,439	-	73	-	410,512
Unrealized and realized losses on investments	(1,160,316)	-	-	-	(1,160,316)
Contributions	24,949	80,235	-	-	105,184
Other income	118	13,844	-	-	13,962
Rental income	102,047	-	-	-	102,047
Rental expenses	(274,138)	-	-	-	(274,138)
	<u>(896,901)</u>	<u>94,079</u>	<u>73</u>	<u>-</u>	<u>(802,749)</u>
(Decrease) increase in unrestricted net assets	(177,235)	42,986	(6,654)	18,160	(122,743)
Changes in Temporarily Restricted Net Assets:					
Special events, net	29,732	-	-	-	29,732
Increase in Temporarily Restricted Net assets	<u>29,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,732</u>
(Decrease) Increase in Net Assets	(147,503)	42,986	(6,654)	18,160	(93,011)
Net Assets, Beginning of Year	<u>17,344,470</u>	<u>382,038</u>	<u>(97,570)</u>	<u>(135,494)</u>	<u>17,493,444</u>
Net Assets, End of Year	<u>\$ 17,196,967</u>	<u>\$ 425,024</u>	<u>\$(104,224)</u>	<u>\$(117,334)</u>	<u>\$ 17,400,433</u>

See Independent Auditors' Report.

SOUTHEAST, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U.S. Department of Health and Human Services:		
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Services Board: Project for Assistance in Transition from Homeless (PATH)	93.150	\$ 273,298
Passed through the Ohio Department of Health: Ryan White Federal HIV Care	93.917	175,726
Passed through the Ohio Department of Mental Health and the Lorain County Board of Mental Health: Wellness Management and Recovery	93.958	346,100
Passed through the Franklin County Job and Family Services: Temporary Assistance for Needy Families (TANF) Prevention, Retention, Contingency Services	93.558	203,048
Passed through the Ohio Department of Alcohol and Drug Addiction Services and the Franklin County ADAMH Board Block Grant for Prevention and Treatment of Substance Abuse	93.959	32,808
Substance Abuse and Mental Health Services Administration (SAMHSA):		
Rebuilding Lives PACT Team Initiative	93.230	19,142
Health is Primary	93.243	513,031
Act Outreach	93.243	<u>400,001</u>
Total U.S. Department of Health and Human Services		<u>1,963,154</u>
U.S. Department of Justice:		
Passed through the Franklin County Commissioners: Violence Against Women Formula Grant (Stalking Victims Grant)	16.588	<u>30,304</u>
Total U.S. Department of Justice		<u>30,304</u>

See Independent Auditors' Report.

SOUTHEAST, INC. AND AFFILIATES

Schedule of Expenditures of Federal Awards (Continued)

For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U.S. Department of Housing and Urban Development: Passed through City of Columbus Department of Development: Home Investment Partnership Program	14.239	207,796
Direct: Supportive Housing Program	14.235	260,680
Direct: Supportive Housing Program	93.778	26,005
Direct: Supportive Housing Program	14.157	26,049
Passed through the Ohio Department of Development Homeless Assistance Grant Program: Emergency Shelter Grants Program	14.231	<u>310,649</u>
Total U.S. Department of Housing and Urban Development		<u>831,179</u>
Total Expenditures of Federal Awards		<u>\$ 2,824,637</u>

Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Southeast, Inc. and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the accompanying financial statements.

Southeast's controlled affiliate, Alternative Lifestyles, Inc., is subject to a separate audit performed in accordance with OMB Circular A-133 which is submitted to the U.S. Department of Housing and Urban Development.

See Independent Auditors' Report.

AGENCY REVENUE (All Services)

Budget Actual

Agency Name: SOUTHEAST, INC
 Executive Director: BILL LEE
 Agency UPI#: 06723
 Address: 16 W. LONG ST. COL. OH 43215
 Agency Phone #: 614-225-0980

Reporting Period:
 From: July 1, 2008
 To: June 30, 2009

1. Revenue Source	H0001 AD Assessment	H0006 AD Case Mgt.	H0007 AD Crisis Intervention	H0005 AD Grp. Counseling	H0004 AD Ind Counseling	H0016 AD Medical Somatic	A0620 AD Education	H0047 AD TANF	90862 MH Pharm. Mgt.	H0031 MH Mental Health Assessment	90801 MH Psychiatric Diagn. Interview
ADAMH Non-Medicaid Claims (Identify by program):	55,471	21,956	149	164,705	19,067	2,115			919,173	190,858	41,804
ADAMH Block Grants (Identify by program):							33,664				
(1) AD PREVENTION C&A											
(2) MH PREVENTION - ADULT											
(3) MH SMD (CMTY LVG SP)											
(4) MH SMD (Briggsdale)											
(5) MH Tx SMD (Protect Work)											
(6) MH FLEX FUND (SMD)											
(7) AD Adult (TANF)		1,170		1,156				189,508	18,210	4,966	5,250
(8) MH RFR Criminal Justice											
(9) Consumer Outcomes Group											
(10) Homeless Outreach											
(11) MH Treatment (IDDT)											
(12) COTS											
(13) ODMH Transitional Housing											
Other ADAMH Funds (Identify):											
ADAMH/ODMH - Central Pharmacy											
Other (1) Other ADAMH									262,145	14,450	18,948
Other (2) Belmont MHRB											
Total Franklin County ADAMH --	55,471	23,126	149	165,861	19,067	2,115	33,664	189,508	1,199,528	210,274	66,002
Allocation Contract Amount											
Medicaid - MH									1,512,276	184,352	37,425
Medicaid - AD	20,506	56,016	111	68,682	18,625	1,604					
Total Franklin County Medicaid	20,506	56,016	111	68,682	18,625	1,604			1,512,276	184,352	37,425
Other Provider Funding											
General Assistance											
1st/3rd Party Fees	232			702	39				95,407	1,991	2,406
Other External Revenue (list):									26,609		2,421
(1) FCCS Revenue											
(2) United Way Revenue				10,000	5,000				6,500	8,500	4,600
(3) Contracts & Grants											
(4) Pharmacy Sales											
Other Provider Funding											
Out of County Medicaid									553,581	121,198	67,858
Total Other Provider Funding	232			10,702	5,039				682,097	131,689	77,285
GRAND TOTAL REVENUES	76,209	79,142	260	245,245	42,731	3,719	33,664	189,508	3,393,901	526,315	180,712
TOTAL EXPENSES from UCR-047(s)	86,542	84,212	717	261,629	50,690	4,874	48,850	166,522	3,594,751	726,396	224,589
Operating Profit/Loss	-10,333	-5,070	-457	-16,384	-7,959	-1,155	-15,186	22,986	-200,850	-200,081	-43,877

AGENCY REVENUE (All Services)
 Agency Name: SOUTHEAST, INC
 Agency UPI#: 06723
 Address: 16 W. LONG ST. COL, OH 43215

From: July 1, 2008
 To: June 30, 2009

1. Revenue Source	H0004 MH BH Couns. & Therapy (Ind.)	H0004 MH BH Couns. & Therapy (Grip.)	S9484 MH Crisis Intervention	S0201 MH Partial Hospitalization	H0036 MH Comm Psych Spt Tx (Ind)	H0036 MH Comm Psych Spt Tx (Grip)	H0038 MH Self-Help/ Peer Svcs	M4120 MH Consultation	M1620 MH Employment	M1621 MH Employment CLS	M4140/41 MH Education	M2240 MH Community Residence	M2200 MH Residential Care
ADAMH Non-Medicaid Claims	250,434	262,376	2,135	9,929	1,643,421	127,782			470,874				1,003,709
ADAMH Block Grants (Identify by program):													
(1) AD PREVENTION C&A													
(2) MH PREVENTION - ADULT													
(3) MH SMD (CMTY LGV SP)							42,000	4,000		130,201	57,140		
(4) MH SMD (Briggsdale)									194,959				
(5) MH Tx SMD (Project Work)													
(6) MH FLEX FUND (SMD)													
(7) AD Adult (TANF)													
(8) MH RFR Criminal Justice	29,475	1,140			97,507	750			5,912				
(9) Consumer Outcomes Group													
(10) Homeless Outreach													
(11) MH Treatment (IDDT)					20,521								
(12) COTS													
(13) ODMH Transitional Housing													
Other ADAMH Funds (Identify):													
Incentive Funds													
ADAMH/ODMH Central Pharmacy													
Other (1) Other ADAMH	49,346	2,837	153,087	173,930	169,694	57						458,952	
Other (2) Belmont MHRB													
Total Franklin County ADAMH --	329,255	266,353	155,222	183,859	1,931,143	128,589	42,000	4,000	671,745	130,201	57,140	458,952	1,003,709
Allocation Contract Amount													

Medicaid - MH	426,152	240,425	3,900	30,487	3,127,876	267,232							
Medicaid - AD													
Total Franklin County Medicaid	426,152	240,425	3,900	30,487	3,127,876	267,232							
Other Provider Funding													
General Assistance	5,355	1,094											
1st/3rd Party Fees	100,529	42,167		4,590									47,422
Other External Revenue (list):													
(1) FCCS Revenue													
(2) United Way Revenue					175,100								
(3) Contracts & Grants	42,500	3,500											
(4) Pharmacy Sales													
Other Provider Funding													
Out of County Medicaid	606,276	12,090	65,725	415,573	1,706,359	4,487							
Total Other Provider Funding	754,660	58,851	65,725	420,163	1,881,459	4,487							47,422
GRAND TOTAL REVENUES	1,510,067	565,629	224,847	634,509	6,940,478	400,308	42,000	4,000	671,745	130,201	57,140	458,952	1,051,131
TOTAL EXPENSES from UCR-047(s)	1,576,115	677,026	322,867	716,121	6,942,839	448,456	181,842	3,855	479,205	11,000	86,474	455,820	948,916
Operating Profit/Loss	-66,048	-111,397	-98,020	-81,612	-2,361	-48,148	-139,842	145	192,540	119,201	-29,334	3,132	102,215

AGENCY REVENUE (All Services)

Agency Name: SOUTHEAST, INC
 Agency UPI #: 06723
 Address: 16 W. LONG ST. COL, OH 43215

1. Revenue Source	M2201 MH Residential Care	M2202 MH Residential Care	M2203 MH Residential Care	M3140 MH Other Serv NON_HC	MH CCOE	M3141 MH OTHER Engagement	M3142 MH OTHER Briggsdale	M3143 MH OTHER	MH OTHER CP	M3145 MH Other Serv FLEX FUNDS	M3147 MH Other Serv IDDT	PASARR
ADAMH Non-Medicaid Claims	514,978	354,021				1,201		99,641				
ADAMH Block Grants (Identify by program):												
(1) AD PREVENTION C&A												
(2) MH PREVENTION - ADULT												
(3) MH SMD (CMTY LVG SP)							143,108					
(4) MH SMD (Briggsdale)												
(5) MH Tx SMD (Project Work)										80,169		
(6) MH FLEX FUND (SMD)												
(7) AD Adult (TANF)												
(8) MH RFR Criminal Justice												
(9) Consumer Outcomes Group				564,225								
(10) Homeless Outreach												
(11) MH Treatment (IDDT)												
(12) COTS												
(13) ODMH Transitional Housing												
Other ADAMH Funds (Identify):												
ADAMH/ODMH Central Pharmacy									806,521			
Other (1) Other ADAMH			350,118									
Other (2) Belmont MHRB												860
Total Franklin County ADAMH -- Allocation Contract Amount	514,978	354,021	350,118	564,225		1,201	143,108	99,641	806,521	80,169		860

Medicaid - MH												
Medicaid - AD												
Total Franklin County Medicaid												
Other Provider Funding												
General Assistance												
1st/3rd Party Fees	10,550	30,769										
Other External Revenue (list):												
(1) FCCS Revenue												
(2) United Way Revenue												
(3) Contracts & Grants					346,100							
(4) Pharmacy Sales												
Other Provider Funding												
Out of County Medicaid												
Total Other Provider Funding	10,550	30,769			346,100							
GRAND TOTAL REVENUES	525,528	384,790	350,118	564,225	346,100	1,201	143,108	99,641	806,521	80,169		860
TOTAL EXPENSES from UCR-047(s)	637,309	444,779	390,412	516,776	325,888	13,156	163,737	101,027	806,522	80,169		520
Operating Profit/Loss	-111,781	-59,989	-40,294	47,449	20,212	-11,955	-20,629	-1,386	-1			

AGENCY REVENUE (All Services)

From: July 1, 2008

To: June 30, 2009

Agency Name: SOUTHEAST, INC

Agency UPI#: 06723

Address: 16 W. LONG ST. CO., OH 43215

1. Revenue Source	NON ODMH/ODADAS Services	3. TOTAL
ADAMH Non-Medicaid Claims		6,155,799
ADAMH Block Grants (Identify by program):		
(1) AD PREVENTION C&A		33,664
(2) MH PREVENTION - ADULT		61,140
(3) MH SMD (CMTY LVG SP)		172,201
(4) MH SMD (Bliggdale)		143,108
(5) MH TX SMD (Project Work)		194,959
(6) MH FLEX FUND (SMD)		80,169
(7) AD Adult (TANF)		189,508
(8) MH RFR Criminal Justice		165,536
(9) Consumer Outcomes Group	26,294	26,294
(10) Homeless Outreach		564,225
(11) MH Treatment (IDDT)		20,521
(12) COITS	66,668	66,668
(13) ODMH Transitional Housing	31,575	31,575
Other ADAMH Funds (Identify):		
Incentive Funds		
ADAMH/ODMH - Central Pharmacy		806,521
Other (1) Other ADAMH		
Other (2) Belmont MHRB		1,654,424
Total Franklin County ADAMH --		10,366,312
Allocation Contract Amount	124,537	
Medicaid - MH		5,830,125
Medicaid - AD		165,544
Total Franklin County Medicaid		5,995,669
Other Provider Funding		
General Assistance		104,262
1st/3rd Party Fees	39,070	307,091
Other External Revenue (list):		
(1) FCCS Revenue		
(2) United Way Revenue		
(3) Contracts & Grants	3,861,061	4,462,861
(4) Pharmacy Sales	7,200,137	7,200,137
Other Provider Funding	630,760	630,760
Out of County Medicaid		3,553,147
Total Other Provider Funding	11,731,028	16,258,258
GRAND TOTAL REVENUES	11,855,565	32,620,239
TOTAL EXPENSES from UCR-047(s)	11,132,646	32,713,250
Operating Profit/Loss	722,919	-93,011
	Unallowable Expense	406,016

Uniform Cost Report (UCR)
DMH-FIS-047

Agency Name: SOUTHEAST, INC.
Agency Address: 16 W. LONG STREET
COLUMBUS, OH 43215

MACSIS UPI: 06723

Budget Actual XXX

Agency Telephone No: 614-225-0980
Owner Federal Tax I.D. Number: 31-0940189

REPORTING PERIOD: From: July 1, 2008
To: June 30, 2009

HCPCS / Procedure Code	Unit Definition	No. of Units	No. FTE Assigned		Personnel Costs		Service Non-Personnel Costs	Service Total Costs	\$ Allocation of Admin. Overhead	Total Costs	Cost/Unit	Un-Allowable Costs	Total Allowable Cost	Allowable Cost/Unit
			Direct Service (A)	Support Service (B)	Direct Service (A)	Support Service (B)								
M	Pharmacological Mgt. (Medication/Somatic)	15,902.6	17.04	9.91	\$2,121,626	\$71,570	\$742,349	\$3,635,545	\$159,206	\$3,594,751	\$226.05	\$62,521	\$3,532,230	\$222.12
C	Mental Health Assessment (non-physician) (Diag. Assess.)	4,011.8	5.96	3.87	\$333,311	\$212,602	\$122,399	\$668,312	\$38,084	\$726,396	\$181.06	\$12,634	\$713,762	\$177.92
D	Psychiatric Diagnostic Interview (Physician) (Diag. Assess.)	807.4	0.61	0.48	\$186,711	\$19,602	\$11,836	\$218,149	\$6,440	\$224,589	\$278.16	\$3,906	\$220,683	\$273.35
C	BH Counseling and Therapy (Ind.) (Ind. Counseling)	60,876	15.77	8.39	\$840,431	\$347,827	\$245,179	\$1,433,437	\$142,678	\$1,576,115	\$25.89	\$27,412	\$1,548,703	\$25.44
S	BH Counseling and Therapy (Gp.) (Gp. Counseling)	54,339	4.53	4.69	\$265,269	\$264,681	\$92,629	\$622,579	\$54,447	\$677,026	\$12.46	\$11,775	\$665,251	\$12.21
S	Crisis Intervention MH Services (Crisis Intervention)	943.2	3.02	1.08	\$180,736	\$74,716	\$43,216	\$298,662	\$24,205	\$322,867	\$342.31	\$5,615	\$317,252	\$336.36
V	Partial Hospitalization, less than 24 hr. (Partial Hospitalization)	5,992.4	8.14	3.42	\$352,039	\$123,157	\$172,629	\$647,825	\$68,296	\$716,121	\$119.50	\$12,455	\$703,666	\$117.43
C	Community Psychiatric Supportive Treatment (Ind.) (Ind. CSP)	318,906.3	74.25	23.59	\$3,120,400	\$1,066,175	\$2,180,356	\$6,366,931	\$575,908	\$6,942,839	\$21.77	\$120,787	\$6,822,052	\$21.39
S	Community Psychiatric Supportive Treatment (Gp.) (Gp. CSP)	43,894.0	3.23	3.12	\$144,606	\$132,779	\$133,583	\$410,970	\$37,486	\$448,456	\$10.22	\$7,800	\$440,656	\$10.04
O	Behavioral Health Hotline Service (Hotline)	60 Min.												
H	Other MH Svc., not otherwise specified (billcare) (Other MH Svc.)	60 Min.												
H	Self-Help/Peer Svc. (Peer Support)	60 Min.												
N	Adjunctive Therapy (Same)	60 Min.												
O	Adult Education (Same)	60 Min.												
N	Consultation (Same)	60 Min.												
N	Consumer Operated Service (Same)	60 Min.												
H	Employment (Employment/Vocational)	60 Min.												
E	Employment (CLS)	60 Min.												
A	Mental Health Education	1,079.2	1.08	0.15	\$51,966	\$16,765	\$79,176	\$110,000	\$39,375	\$479,205	\$59.12	\$8,335	\$470,870	\$58.09
T	Other MH Svc., non-healthcare services (Other MH Svc.)	60 Min.												
H	Other MH Svc., non-healthcare services (ENGL/GEMENT)	60 Min.												
C	Other MH Svc., non-healthcare services (MH Other - Flex Funds)	61 Min.												
A	Other MH Svc., non-healthcare services (Acup)	24 Hours												
R	Other MH Svc., non-healthcare services (Briggdale)	60 Min.												
E	Prevention (Same)	60 Min.												
R	School Psychology (Same)	60 Min.												
R	Social & Recreational Service (Same)	60 Min.												
R	Community Residence (Same)	24 Hours												
E	Crisis Care (Crisis Bed)	24 Hours												
S	Foster Care (Same)	24 Hours												
I	Residential Care (Redmond)	24 Hours												
D	Residential Care (Carpenter)	24 Hours												
D	Residential Care (Parker Morrow)	24 Hours												
D	Residential Care (4 Oaks)	24 Hours												
**	Forensic Evaluation (Same)	60 Min.												
**	PASARR (Same)	60 Min.												
**	Other MH Services (CP)	60 Min.												
Total MH Services														
Ohio Department of Alcohol and Drug Addiction Services														
Title IV-E Services														
Other Non-Mental Health Services														
Total Agency Service Total														
Total Administration														
AGENCY TOTAL														

I certify that this UCR and all supporting documentation have been completed in accordance with OAC 5122-26-19

Name/Title: _____

Date: December 11, 2009

CFO

See Independent Auditors' Report.

AGENCY NAME: Southeast, Inc.
16 W. Long Street
Columbus, Oh 43215

Budget Actual XXX
Agency Telephone No: 614-225-0980
Owner Federal Tax I.D. Number: 31-0940189

REPORTING PERIOD: From: July 1, 2008
To: June 30, 2009

1. Service Taxonomy and MACSIS Procedure Codes	2. Number of Units	3. Number of FTE Assigned		4. Personnel Costs		5. Service Non-Personnel Costs	6. Service Total Costs	7. Allocation Administrative Overhead	8. Total Costs	9. Cost Per Unit	10. Unallowable Costs	11. Total Allowable Costs	12. Allowable Cost Per Unit
		(a) Direct Service	(b) Support Service	(a) Direct Service	(b) Support Service								
Acute Hospital Detoxification - H0009													
Ambulatory Detoxification - H0014													
Assessment - H0001	809.0	1.104	0.238	\$55,017	\$10,658	\$12,954	\$78,629	\$7,913	\$86,542	\$106.97	\$1,505	\$85,037	\$105.11
Case Management - H0006	1,005.3	0.975	0.219	\$49,879	\$13,741	\$13,538	\$77,158	\$7,054	\$84,212	\$83.77	\$1,465	\$82,747	\$82.31
Crisis Intervention - H0007	2.1	0.002	0.000	\$186	\$0	\$520	\$706	\$11	\$717	\$341.43	\$12	\$705	\$335.71
Family Counseling - T1006						\$0							
Group Counseling - H0005	27,189.0	1.781	1.270	\$65,204	\$81,423	\$97,101	\$243,728	\$17,901	\$261,629	\$9.62	\$4,550	\$257,079	\$9.45
Individual Counseling - H0004	1,783.0	0.325	0.257	\$16,837	\$10,527	\$19,889	\$47,253	\$3,437	\$50,690	\$28.43	\$882	\$49,808	\$27.93
Intensive Outpatient - H0015													
Laboratory Urinalysis - H0003													
Medical Sonography - H0016	21.1	0.025		\$2,816	\$0	\$1,910	\$4,726	\$148	\$4,874	\$231.00	\$85	\$4,789	\$226.97
Methadone Administration - H0020													
Sub Acute Detoxification - H0012													
23 Hour Observation Bed - 99236													
Urine Dip Screen - A0780													
COMMUNITY RESIDENTIAL TREATMENT Includes: Rmgn & Board care													
Medical Comm Res Treatment-Hospital Set - A1210													
Medical Comm Res Treatment-Non-Hosp. Setting - A0230													
Non-Medical Comm Res Treatment - A1220													
IN COMMUNITY RESIDENTIAL TREATMENT EXCLUDES: Board & Board care													
BH Medical Comm Res Treatment-Hospital Set - H0017													
BH Medical Comm Res Treatment-Non-Hosp. Set - H0018													
Non-Medical Comm Res Treatment - H0019													
COMMUNITY SERVICES													
Consultation - A0560													
Holism - H0030													
Intervention - H0022													
Outreach - H0023													
Referral and Information - A0510													
Training - H0021													
PREVENTION SERVICES													
Alternatives - A0660													
Community-Based Process - A0630													
Education - A0620	707.5	0.50	0.15	\$26,948	\$12,480	\$5,625	\$45,033	\$3,817	\$48,850	\$69.05	\$850	\$48,000	\$67.84
Education (TANF) - A0621													
Information Dissemination - A0610													
Problem Identification and Referral - A0650													
ADJUNCTIVE ALCOHOL AND DRUG SERVICES													
Child Care - T1009													
Meals - T1010													
Room and Board - A0740													
Transportation - A0750													
AD Services Not Otherwise Classified - H0047	257.6	1	1.01	\$42,586	\$95,375	\$16,665	\$154,626	\$11,896	\$166,522	\$646.43	\$2,896	\$163,626	\$635.19
DRIVER INTERVENTION PROGRAMS													
Non-Residential DIP - A0800													
Residential DIP - 48 Hour - A0848													
Residential DIP - 72 Hour - A0872													
OTHER													
Administrative Overhead			22.02	\$1,543,983	\$2,090,378	\$546,385	\$2,090,378						
Mental Health Services		195.76	69.45	\$10,088,685	\$3,297,493	\$5,923,838	\$19,310,016	\$1,566,552	\$20,876,568			\$341,771	\$20,534,797
Title IV-E Services													
Non AODM/Title IV-E Services		69.71	10.14	\$2,436,807	\$482,692	\$7,741,689	\$10,660,997	\$471,649	\$11,132,646			\$52,000	\$11,080,646
TOTALS FOR AGENCY													
TOTALS FOR AOD SERVICES	31,784.80	5.69	3.14	\$279,473	\$204,184	\$168,202	\$661,859	\$52,177	\$704,036			\$12,245	\$691,791
TOTALS FOR AGENCY		271.16	104.75	\$19,804,765	\$5,528,362	\$14,380,123	\$32,713,250	\$2,090,378	\$32,713,250			\$4,06,016	\$32,307,234

I certify that this UCR and all supporting documentation have been completed in accordance with OAC 3793.2-1-09

Name/Title:

CFO

Date: December 11, 2009

SOUTHEAST, INC. AND AFFILIATES

ADAMH Key Performance Indicators

For the Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

			<u>2009</u>	<u>2008</u>
Current Ratio:				
<u>Current assets</u>	16,953,054	=	6.23	5.98
Current liabilities	<u>2,720,059</u>			
Debt to Equity Ratio:				
<u>Total liabilities</u>	4,399,054	=	0.25	0.27
Total equity	<u>17,400,433</u>			
Administrative Costs to Expense:				
<u>Total administrative costs</u>	1,891,473	=	0.06	0.06
Total expenses	<u>32,713,250</u>			
Total Revenue to Total Expenses:				
<u>Total revenue</u>	32,620,239	=	1.00	1.02
Total expenses	<u>32,713,250</u>			
Fund Balance Reserve Ratio:				
<u>Total fund balance</u>	17,400,433	=	6.38	7.33
Total expenses / 12	<u>2,726,104</u>			
Percent of ADAMH Funding:				
<u>Total revenue from Franklin County ADAMH (including Medicaid)</u>	14,530,688	=	0.45	0.48
Total revenue	<u>32,620,239</u>			

See Independent Auditors' Report.

SOUTHEAST, INC. AND AFFILIATES

Schedule of Ohio Department of Development Grants

For the Year Ended June 30, 2009

<u>Division Name, Grant Name</u>	<u>Grant Number</u>	<u>Beginning Balance</u>	<u>2009 Cash Receipts</u>	<u>2009 Expenditures</u>	<u>Ending Receivable Balance</u>
Office of Housing & Community Partnerships					
Homeless Assistance Grant	N-H-06-861-1	\$ 4,100	\$ 4,100	\$ -	\$ -
New Horizons Grant	N-D-07-861-1	127,413	299,082	310,649	138,980
GRAND TOTAL		<u>\$ 131,513</u>	<u>\$ 303,182</u>	<u>\$ 310,649</u>	<u>\$ 138,980</u>

Presentation:

This schedule is required by the Ohio Department of Development to be included in the annual financial statements reporting package in accordance with grant funding contracts.

See Independent Auditors' Report.



To the Board of Directors
Southeast, Inc. and Affiliates
Columbus, Ohio

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

We have audited the consolidated financial statements of Southeast, Inc. and Affiliates as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 2009. 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.

The consolidated financial statements of Southeast, Inc. and Affiliates include Alternative Lifestyles, Inc., the financial statements of which were audited by other auditors and thus was excluded from our auditing procedures considered within this report. The other auditors did conduct an audit in accordance with the standards applicable to financial audits contained by *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Southeast Inc. and Affiliates' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Inc. and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Inc. and Affiliates' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southeast Inc. and Affiliates' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Southeast Inc. and Affiliates' consolidated financial statements that is more than inconsequential will not be prevented or detected by Southeast Inc. and Affiliates' internal control.

To the Board of Directors
Southeast, Inc. and Affiliates
Page 2

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the consolidated financial statements will not be prevented or detected by Southeast Inc. and Affiliates' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast, Inc. and Affiliates' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Southeast, Inc. and Affiliates in a separate letter dated December 17, 2009.

This report is intended solely for the information and use of management, the Board of Directors and the audit committee of the Organization, as well as federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GBQ Partners LLC

Columbus, Ohio
December 17, 2009



To the Board of Directors
Southeast, Inc. and Affiliates
Columbus, Ohio

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Compliance

We have audited the compliance of Southeast, Inc. and Affiliates with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Southeast, Inc. and Affiliates' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southeast, Inc.'s management. Our responsibility is to express an opinion on Southeast, Inc.'s compliance based on our audit.

Southeast, Inc. and Affiliates includes Alternative Lifestyles, Inc., the financial statements of which were audited by other auditors as a separate component and thus was excluded from our auditing procedures considered for federal award compliance. Alternative Lifestyles, Inc. did not have an audit in accordance with the OMB Circular A-133 Compliance Supplement because the federal awards were less than the amount that obligates such audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Inc. and Affiliates' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Southeast Inc. and Affiliates' compliance with those requirements.

In our opinion, Southeast, Inc. and Affiliates complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Southeast, Inc. and Affiliates is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeast, Inc. and Affiliates' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness Southeast Inc. and Affiliates' internal control over compliance.

Southeast, Inc. and Affiliates includes Alternative Lifestyles, Inc., the financial statements of which were audited by other auditors as a separate component and thus was excluded from our auditing procedures considered for federal awards internal control over compliance. Alternative Lifestyles, Inc. did not have an audit in accordance with the OMB Circular A-133 Compliance Supplement because the federal awards were less than the amount that obligates such audit.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors and the audit committee of the Organization, as well as federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

GBQ Partners LLC

SOUTHEAST, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

Type of auditor’s report issued on compliance for major programs: unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.243	U.S. Department of Health and Human Services; Substance Abuse and Mental Health Services Administration; Health is Primary (HIP)
93.243	U.S. Department of Health and Human Services; Substance Abuse and Mental Health Services Administration; Act Outreach

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes No

SOUTHEAST, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2009

Section II – Financial Statements Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary of Status of Prior Year Findings

The prior year audit disclosed no findings and questioned costs relative to the federal awards, and no uncorrected or unresolved findings exist from the prior audit's Summary Schedule of Prior Audit Findings.