

**Consolidated Financial Statements**  
with Supplemental Information in Accordance with  
Governmental Auditing Standards, OMB Circular A133  
and Other Matters

# **Southeast, Inc. and Affiliates**

June 30, 2011 and 2010

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

### **Independent Auditors' Report**

We have audited the accompanying consolidated statements of financial position of Southeast, Inc. and Affiliates as of June 30, 2011 and 2010, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, 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 audits provide 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, 2011 and 2010 and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2011 on our consideration of the Southeast, Inc. and Affiliates' internal control over financial reporting and 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 considered in assessing the results of our audit.

To the Board of Directors  
Southeast, Inc. and Affiliates  
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Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of Southeast, Inc. and Affiliates, 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. The supplementary information includes consolidating statements of financial position and activities and changes in net assets as of and for the year ended June 30, 2011. A portion of the supplementary information also 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*. Additionally, there is 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*GBQ Partners LLC*

Columbus, Ohio  
November 11, 2011

## SOUTHEAST, INC. AND AFFILIATES

## Consolidated Statements of Financial Position

June 30, 2011 and 2010

<b>ASSETS</b>		
	<u>2011</u>	<u>2010</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,186,092	\$ 7,232,334
Investments	7,930,138	6,726,648
Accounts receivable	3,697,892	3,465,594
Inventory	237,282	273,088
Other current assets	320,337	65,045
Total current assets	<u>19,371,741</u>	<u>17,762,709</u>
<b>Property and Equipment, net</b>	<b>4,074,127</b>	<b>4,293,698</b>
<b>Artwork</b>	<u>75,847</u>	<u>75,847</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 23,521,715</u></u>	<u><u>\$ 22,132,254</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Notes payable, current portion	\$ 129,397	\$ 139,377
Capital lease obligations, current portion	28,786	26,280
Accounts payable	219,248	328,393
Amounts held in trust	325,096	455,207
Accrued payroll and related liabilities	1,692,177	1,569,915
Total current liabilities	<u>2,394,704</u>	<u>2,519,172</u>
<b>Long-Term Notes Payable, net of current portion</b>	<b>1,426,752</b>	<b>1,493,100</b>
<b>Long-Term Capital Lease Obligations, net of current portion</b>	<u>49,245</u>	<u>78,030</u>
Total liabilities	<u>3,870,701</u>	<u>4,090,302</u>
<b>Net Assets</b>		
Unrestricted		
Undesignated	17,662,010	16,038,517
Board designated	1,886,663	1,899,934
Total unrestricted net assets	<u>19,548,673</u>	<u>17,938,451</u>
Temporarily restricted	<u>102,341</u>	<u>103,501</u>
Total net assets	<u>19,651,014</u>	<u>18,041,952</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 23,521,715</u></u>	<u><u>\$ 22,132,254</u></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, 2011 and 2010

	2011	2010
<b>Changes in Unrestricted Net Assets</b>		
Operating revenues and support:		
ADAMH purchase-of-service	\$ 4,045,892	\$ 4,727,017
ADAMH cost reimbursement	2,887,131	2,278,977
Medicaid - Franklin County	5,656,082	6,274,228
Medicaid match - Franklin County	3,204,638	2,259,155
Apothecare pharmacy	6,834,393	6,277,516
First and third party fees	290,519	293,428
Contracts	4,966,462	4,792,595
Medicaid - out of county	527,786	592,726
Medicaid match - out of county	300,893	214,033
Other operating income	473,458	377,731
In-kind donations	549,107	668,764
Forgiveness of advances from ODMH	50,631	58,482
Release of restrictions	33,257	34,142
	29,820,249	28,848,794
 Operating expenses:		
Clinical services	14,297,099	14,533,440
Housing	2,167,607	1,989,389
Vocational	838,843	923,505
Apothecare pharmacy	6,427,128	5,789,051
Prevention education	995,539	998,114
Homeless shelter programs	2,383,138	2,544,090
General and administrative	1,970,566	2,025,285
	29,079,920	28,802,874
 Increase in unrestricted net assets from operations	740,329	45,920
 Other income (expense):		
Interest and dividend income	254,998	229,835
Unrealized and realized gains on investments	753,827	376,582
Contributions	43,091	86,152
Other income	-	85,963
Rental income	92,680	89,786
Rental expenses	( 274,703)	( 276,899)
	869,893	591,419
 <b>Increase in Unrestricted Net Assets</b>	<b>1,610,222</b>	<b>637,339</b>
 <b>Changes in Temporarily Restricted Net Assets:</b>		
Special events, net	32,097	38,322
Release of restrictions	( 33,257)	( 34,142)
	( 1,160)	4,180
 <b>(Decrease) Increase in Temporarily Restricted Net Assets</b>	<b>( 1,160)</b>	<b>4,180</b>
 <b>Increase in Net Assets</b>	<b>1,609,062</b>	<b>641,519</b>
 <b>Net Assets, Beginning of Year</b>	<b>18,041,952</b>	<b>17,400,433</b>
 <b>Net Assets, End of Year</b>	<b>\$ 19,651,014</b>	<b>\$ 18,041,952</b>

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

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SOUTHEAST, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses**

For the Year Ended June 30, 2011

	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs
Salaries and benefits	\$ 10,858,116	\$ 1,041,861	\$ 573,346	\$ 618,869	\$ 663,246	\$ 1,412,840
Contract services	143,040	458,137	30,205	25,187	130,594	74,431
Computer expenses	93,539	8,975	4,939	5,331	5,714	12,171
Operating supplies and expenses	594,704	423,694	101,063	55,916	51,195	175,111
Office expenses	600,181	57,589	31,692	34,208	36,661	78,094
Cost of goods sold - pharmacy	-	-	-	5,550,824	-	-
Mileage / transportation	385,836	37,022	20,373	19,126	18,796	50,204
Building and grounds	952,072	91,353	50,273	54,264	58,155	123,882
Interest	32,571	3,125	1,720	1,856	1,990	4,314
Insurance expense	195,805	18,788	10,339	11,160	11,960	25,478
In-kind expenses	159,193	-	-	-	-	389,914
Other expenses	-	-	-	-	-	-
	<u>14,015,057</u>	<u>2,140,544</u>	<u>823,950</u>	<u>6,376,741</u>	<u>978,311</u>	<u>2,346,439</u>
Depreciation and amortization	<u>282,042</u>	<u>27,063</u>	<u>14,893</u>	<u>50,387</u>	<u>17,228</u>	<u>36,699</u>
Total	<u>\$ 14,297,099</u>	<u>\$ 2,167,607</u>	<u>\$ 838,843</u>	<u>\$ 6,427,128</u>	<u>\$ 995,539</u>	<u>\$ 2,383,138</u>

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

SOUTHEAST, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses (Continued)**

For the Year Ended June 30, 2011

	Total Program	General and Administrative	Rental Operations	Total Expenses
Salaries and benefits	\$ 15,168,278	\$ 1,513,674	\$ -	\$ 16,681,952
Contract services	861,594	-	-	861,594
Computer expenses	130,669	4,872	-	135,541
Operating supplies and expenses	1,401,683	115,835	-	1,517,518
Office expenses	838,425	68,167	-	906,592
Cost of goods sold - pharmacy	5,550,824	-	-	5,550,824
Mileage / transportation	531,357	-	-	531,357
Building and grounds	1,329,999	85,712	193,342	1,609,053
Interest	45,576	3,091	-	48,667
Insurance expense	273,530	139,453	27,725	440,708
In-kind expenses	549,107	-	-	549,107
Other expenses	-	15,256	-	15,256
	<u>26,681,042</u>	<u>1,946,060</u>	<u>221,067</u>	<u>28,848,169</u>
Depreciation and amortization	<u>428,312</u>	<u>24,506</u>	<u>53,636</u>	<u>506,454</u>
Total	<u>\$ 27,109,354</u>	<u>\$ 1,970,566</u>	<u>\$ 274,703</u>	<u>\$ 29,354,623</u>

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

SOUTHEAST, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses**

For the Year Ended June 30, 2010

	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs
Salaries and benefits	\$ 10,655,770	\$ 1,205,890	\$ 666,442	\$ 547,550	\$ 720,283	\$ 1,435,148
Contract services	677,608	79,536	43,956	36,114	47,507	94,657
Computer expenses	51,375	5,814	3,213	2,640	3,473	6,919
Operating supplies and expenses	610,088	423,694	58,215	47,829	62,918	125,362
Office expenses	604,113	68,366	37,783	31,043	40,835	81,364
Cost of goods sold - pharmacy	-	-	-	5,030,297	-	-
Mileage / transportation	362,874	41,066	22,695	18,647	24,529	48,873
Building and grounds	935,681	105,889	58,520	48,080	63,248	126,020
Interest	32,783	3,710	2,050	1,685	2,216	4,415
Insurance expense	157,758	17,853	9,867	8,106	10,664	21,248
In-kind expenses	113,394	-	-	-	-	555,370
Other expenses	-	-	-	-	-	-
	<u>14,201,444</u>	<u>1,951,818</u>	<u>902,741</u>	<u>5,771,991</u>	<u>975,673</u>	<u>2,499,376</u>
Depreciation and amortization	<u>331,996</u>	<u>37,571</u>	<u>20,764</u>	<u>17,060</u>	<u>22,441</u>	<u>44,714</u>
Total	<u>\$ 14,533,440</u>	<u>\$ 1,989,389</u>	<u>\$ 923,505</u>	<u>\$ 5,789,051</u>	<u>\$ 998,114</u>	<u>\$ 2,544,090</u>

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

SOUTHEAST, INC. AND AFFILIATES

**Consolidated Statement of Functional Expenses (Continued)**

For the Year Ended June 30, 2010

	Total Program	General and Administrative	Rental Operations	Total Expenses
Salaries and benefits	\$ 15,231,083	\$ 1,495,928	\$ -	\$ 16,727,011
Contract services	979,378	-	-	979,378
Computer expenses	73,434	4,872	-	78,306
Operating supplies and expenses	1,328,106	119,543	-	1,447,649
Office expenses	863,504	68,166	-	931,670
Cost of goods sold - pharmacy	5,030,297	-	-	5,030,297
Mileage / transportation	518,684	-	-	518,684
Building and grounds	1,337,438	85,712	194,810	1,617,960
Interest	46,859	3,091	-	49,950
Insurance expense	225,496	169,030	28,453	422,979
In-kind expenses	668,764	-	-	668,764
Other expenses	-	54,437	-	54,437
	<u>26,303,043</u>	<u>2,000,779</u>	<u>223,263</u>	<u>28,527,085</u>
Depreciation and amortization	<u>474,546</u>	<u>24,506</u>	<u>53,636</u>	<u>552,688</u>
Total	<u>\$ 26,777,589</u>	<u>\$ 2,025,285</u>	<u>\$ 276,899</u>	<u>\$ 29,079,773</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, 2011 and 2010

	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Increase in net assets	<u>\$ 1,609,062</u>	<u>\$ 641,519</u>
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	506,454	552,688
Gain on disposal of property and equipment	-	( 73,989)
Unrealized and realized gains on investments	( 753,827)	( 376,582)
Forgiveness of advances from ODMH	( 50,631)	( 58,482)
(Increase) decrease in operating assets:		
Accounts receivable	( 232,298)	563,683
Inventory	35,806	( 68,578)
Other current assets	( 255,292)	96
(Decrease) increase in operating liabilities:		
Accounts payable	( 109,145)	82,045
Amounts held in trust	( 130,111)	8,495
Accrued payroll and related liabilities	122,262	( 334,468)
Total adjustments	<u>( 866,782)</u>	<u>294,908</u>
Net cash and cash equivalents provided by operating activities	<u>742,280</u>	<u>936,427</u>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	( 286,883)	( 145,528)
Proceeds from disposal of property and equipment	-	215,170
Proceeds from sale of investments	53,307	54,034
Purchase of investments	( 502,970)	( 229,315)
Net cash and cash equivalents used in investing activities	<u>( 736,546)</u>	<u>( 105,639)</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments on notes payable	( 25,697)	( 24,490)
Principal payments on capital leases obligations	( 26,279)	( 53,305)
Net cash and cash equivalents used in financing activities	<u>( 51,976)</u>	<u>( 77,795)</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>( 46,242)</b>	<b>752,993</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u><b>7,232,334</b></u>	<u><b>6,479,341</b></u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><u><b>\$ 7,186,092</b></u></u>	<u><u><b>\$ 7,232,334</b></u></u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 48,667	\$ 49,950
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities:</b>		
Capital lease of office equipment.	\$ -	\$ 71,435
Contract scheduled forgiveness of notes payable	\$ 61,953	\$ 69,706

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

## SOUTHEAST, INC. AND AFFILIATES

### Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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#### **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. Affiliates include Alternative Lifestyles, Inc. (ALS) which owns two facilities and provides housing for the low-income community, and Friends of the Homeless, Inc. (FOH) which operates emergency shelter and other residential facilities.

In April 2010, 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 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

The consolidated statements include 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.

##### 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.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

Financial Statement Presentation (continued)

- 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, 2011 and 2010, 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 that are recorded 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.

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.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

Accounts Receivable and Revenues (continued)

Exchange Transactions (continued)

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 counseling and other related services and programs provided. The Organization also receives various block grants that are passed through these Boards. The Organization receives 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. Billing or requests for reimbursement are requested generally on a monthly-basis subsequent to the month in which service was provided. 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 and thus 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.

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.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

Charity Care

Management does not recognize or record any charity care revenue.

Inventory

Inventory consists of pharmaceutical medications recorded at the lower of cost or market using the first-in, first-out inventory accounting method.

Property and Equipment

Property and equipment are recorded at purchased cost less accumulated depreciation and amortization. Donated property and equipment are 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	15 – 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

Artwork

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

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

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, 2011 or 2010.

Amounts Held in Trust

The Organization maintains three 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.

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, 2011 and 2010, 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.

Functional Expenses Allocation

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

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

Income Taxes

Each of the corporations is a separate tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code). Management represents that the Organization had no unrelated business income during the years ended June 30, 2011 and 2010. Accordingly, no provisions for federal, state or local taxes are included in the consolidated financial statements.

The Organization performs an annual assessment for any uncertainty in income tax positions which includes an analysis of whether there are any tax positions the Organization takes with regard to unrelated business income, related deductions applied, or other activities that may jeopardize their tax exempt status and thus would meet the definition of an uncertain tax position. As of June 30, 2011, tax filing periods for the years ended 2007 and prior are closed. No tax liability accrual was recorded relating to material uncertain positions taken as management believes there are none.

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. Level 1 is the highest and most reliable level in the fair value hierarchy.   |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets or liabilities in active markets.</li><li>• Quoted prices for identical or similar assets or liabilities in inactive markets.</li><li>• Inputs other than quoted prices that are observable for the asset or liability.</li><li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> |

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.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

Fair Value Measurements (continued)

Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 is the lowest level of reliability.
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The 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.

Fair Value Measurement Accounting Standards Amendments

In May 2011, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) No. 2011-04 which provides amendments to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments change the wording used to describe many of the requirements in previously implemented U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. There are also amendments that clarify FASB's intent about the application of existing fair value measurement requirements, while others change a particular principle of requirements for measuring fair value or for disclosing information about fair value measurements. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Management does not expect a material impact on the consolidated financial statements upon implementation of this new standard.

Health Care Entities Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts

Accounting Standards Update No. 2011-07 was released specifically for health care entities and prescribes that bad debt will be reflected as a separate line item in the revenue section of the statement of activities, assuming it is material, and thus resulting in a net service revenue presentation. Previously bad debt was reported as a component of operating expenses.

The standard also provides for enhanced disclosures about policies for recognizing revenue and establishing allowances for bad debt. The standard is applicable for non-public entities for all fiscal reporting years beginning after December 15, 2012 with early application permitted. Management is in the process of assessing the implementation of this standard but does not anticipate any material effect.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**Summary of Significant Accounting Policies** (continued)

Health Care Entities Presentation of Insurance Claims and Related Insurance Recoveries

ASU No. 2010-24 was released specifically for health care entities and prescribes that the costs of asserted or unasserted malpractice claims or similar contingent liabilities, which includes costs associated with litigating or settling claims, shall be accrued when the incidents that give rise to the claims occur. The health care entity shall evaluate its exposure to losses arising from such claims and recognize an estimated liability as appropriate. The liability shall not be presented net of anticipated insurance recoveries; rather, an insurance receivable shall be recognized at the same time that the liability is recognized. Previously, health care entities had the option of showing the contingent liability and the expected insurance recoveries on a net basis. The new guidance conforms the accounting to broadly applied accounting practices of other industries. The standard is applicable for all fiscal reporting years beginning after December 15, 2010 with early application permitted. Management is in the process of assessing the implementation of this standard but does not anticipate any material effect.

**Cash and Cash Equivalents**

Cash and cash equivalents are held in sixteen accounts with three different financial institutions. Balances in these accounts may periodically exceed federally insured limits. All of the non-interest bearing cash balances were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the non-interest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposit did not exceed federally insured limits at June 30, 2011.

**Investments**

Following is a description of the valuation methodologies used for investments measured at fair value.

*Money market funds:* Valued at the net asset value of shares held by the Organization at year-end.

*Mutual funds:* Valued at the net asset value of shares held by the Organization at year-end.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

**Investments** (continued)

*Fixed income funds:* Includes asset backed securities and corporate bonds valued on the basis of evaluated prices provided by independent pricing services when such prices are believed to reflect the fair market value of such securities. Such prices may be determined by taking into account benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data.

*Certificates of deposit:* Valued at cost, which approximates fair value.

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. There have been no changes in the methodologies used at June 30, 2011 and 2010.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 231,375	\$ -	\$ -	\$ 231,375
Mutual funds:				
Growth funds	716,713	-	-	716,713
Blend funds	585,737	-	-	585,737
Value funds	515,236	-	-	515,236
Bond funds	1,640,386	-	-	1,640,386
Allocation funds	1,508,889	-	-	1,508,889
Stock funds	302,572	-	-	302,572
Emerging markets funds	27,632	-	-	27,632
Fixed income funds –				
asset backed securities	-	1,707,523	-	1,707,523
Certificates of deposit	<u>-</u>	<u>694,075</u>	<u>-</u>	<u>694,075</u>
Total assets at fair value	<u>\$ 5,528,540</u>	<u>\$ 2,401,598</u>	<u>\$ -</u>	<u>\$ 7,930,138</u>

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

**Investments** (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 311,437	\$ -	\$ -	\$ 311,437
Mutual funds:				
Growth funds	557,844	-	-	557,844
Blend funds	307,765	-	-	307,765
Value funds	391,926	-	-	391,926
Bond funds	1,439,205	-	-	1,439,205
Allocation funds	1,229,511	-	-	1,229,511
Stock funds	233,848	-	-	233,848
Emerging markets funds	208,588	-	-	208,588
Fixed income funds:				
Corporate bonds	-	744,731	-	744,731
Asset backed securities	-	1,016,093	-	1,016,093
Certificates of deposit	-	<u>285,700</u>	-	<u>285,700</u>
Total assets at fair value	<u>\$ 4,680,124</u>	<u>\$ 2,046,524</u>	<u>\$ -</u>	<u>\$ 6,726,648</u>

Accumulated unrealized gains on investments were approximately \$150,000 as of June 30, 2011. Accumulated unrealized losses on investments were approximately \$468,000 as of June 30, 2010.

Money market funds are not federally-insured. Certificates of deposit are federally-insured up to \$250,000 per certificate of deposit. As of June 30, 2011, there are no accounts over that threshold.

**Accounts Receivable**

Accounts receivable consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Franklin County ADAMH Board	<b>\$ 1,808,726</b>	\$ 1,755,231
BHM Counties ADAMH Board	<b>176,856</b>	151,924
Apothecare	<b>497,349</b>	407,475
Other grants and contracts	<b>440,913</b>	345,242
ODMH out of county	<b>538,482</b>	564,141
ODOD	<b>152,332</b>	171,858
HUD	<b>16,467</b>	3,452
Employees	<b>27,686</b>	28,984
Other	<b><u>39,081</u></b>	<u>37,287</u>
	<b><u>\$ 3,697,892</u></b>	<b><u>\$ 3,465,594</u></b>

Management estimates that accounts receivable are fully collectible, thus there is no allowance for doubtful accounts recorded as of June 30, 2011 or 2010.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

**Property and Equipment**

Property and equipment consists of the following at June 30:

	<b>2011</b>	2010
Land	<b>\$ 192,178</b>	\$ 192,178
Buildings and improvements	<b>7,424,957</b>	7,318,786
Equipment	<b>993,217</b>	910,714
Furniture	<b>170,167</b>	169,404
Software	<b>531,628</b>	506,082
Vehicles	<b>345,898</b>	273,998
Leased office equipment	<b>319,231</b>	319,231
Leasehold improvements	<b>75,695</b>	75,695
	<b>10,052,971</b>	9,766,088
Less: accumulated depreciation and amortization	<b>( 5,978,844)</b>	(5,472,390)
	<b>\$ 4,074,127</b>	\$ 4,293,698

**Notes Payable**

Notes payable consisted of the following as of June 30:

	<b>2011</b>	2010
Mortgage note payable to the City of Columbus forgiven in 10 annual installments of \$11,318 through February 2011, as long as conditions of the agreement were met. The note was interest free and was secured by real estate owned by FOH.	<b>\$ -</b>	\$ 11,318
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.	<b>2,491</b>	3,141
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.	<b>17,021</b>	17,768

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

**Notes Payable** (continued)

	<u>2011</u>	<u>2010</u>
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.	<b>10,000</b>	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.	<b>15,000</b>	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.	<b>10,000</b>	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 with a net book value of approximately \$412,000 at June 30, 2011.	<b>136,000</b>	136,000
Mortgage note payable to the ODMH 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 with a net book value of approximately \$150,000 at June 30, 2011.	<b>93,786</b>	100,074

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

**Notes Payable** (continued)

	<u>2011</u>	<u>2010</u>
Mortgage note payable to the ODMH 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 with a net book value of approximately \$164,000 at June 30, 2011.	<b>56,418</b>	62,777
Mortgage note payable to the ODMH 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 with a net book value of approximately \$207,000 at June 30, 2011.	<b>142,555</b>	149,290
Mortgage note payable to the ODMH 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 with a net book value of approximately \$651,000 at June 30, 2011.	<b>596,505</b>	627,758
Mortgage note payable to the ODMH 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. During 2010, Southeast sold the land secured by the note, but has not yet repaid the remaining amount not forgiven as of the date of the sale. The note was interest free and was secured by real estate owned by Southeast.	<b>63,248</b>	63,248

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

**Notes Payable** (continued)

	<b>2011</b>	2010
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 with a net book value of approximately \$162,000 at June 30, 2011.	<b>263,112</b>	269,404
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 with a net book value of approximately \$316,000 at June 30, 2011.	<b>150,013</b>	156,699
Total	<b>1,556,149</b>	1,632,477
Less: current portion	<b>( 129,397)</b>	( 139,377)
Long-term portion	<b><u>\$ 1,426,752</u></b>	<u>\$ 1,493,100</u>

The aggregate maturities of long-term debt through maturity as of June 30, 2011 were as follows:

2012	\$ 129,397
2013	67,528
2014	69,034
2015	70,549
2016	71,551
Thereafter	<u>1,148,090</u>
	<b><u>\$ 1,556,149</u></b>

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

**Capital Lease Obligations**

The Organization leases office equipment under capital leases expiring at various times through 2015. 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>2011</u>	<u>2010</u>
Office equipment	<b>\$ 319,231</b>	\$ 319,231
Less: accumulated amortization	<b>( 247,560)</b>	( 219,563)
	<b><u>\$ 71,671</u></b>	<u>\$ 99,668</u>

Future minimum lease payments required under the lease agreements at June 30, 2011 were as follows:

2012	\$ 34,722
2013	29,050
2014	17,706
2015	<u>7,377</u>
Total minimum lease payments	88,855
Less: amount representing interest (8.8% and 9.2%)	<u>(10,824)</u>
Present value of net minimum lease payments	78,031
Less: current portion of obligations under capital lease	<u>(28,786)</u>
Long-term capital lease obligations	<u>\$ 49,245</u>

**Operating Lease Obligations**

The Organization leases office space under operating leases expiring through 2012. Office lease expense was approximately \$123,000 and \$102,000 for the years ended June 30, 2011 and 2010, 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 for both the years ended June 30, 2011 and 2010.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

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**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 \$147,000 and \$137,000 for the years ended June 30, 2011 and 2010, 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, 2011 were as follows:

2012	\$ 233,000
2013	86,000
2014	80,000
2015	53,000
2016	50,000
Thereafter	<u>290,000</u>
	<u>\$ 792,000</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 to unrelated parties 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, 2011, for the remainder of the lease terms were as follows:

2012	\$ 64,000
2013	<u>45,000</u>
	<u>\$ 109,000</u>

Rental income was approximately \$93,000 and \$90,000 for the years ended June 30, 2011 and 2010, respectively.

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

**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. Board designated net assets are held primarily in investments and cash and cash equivalents.

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>
<b>Balance - June 30, 2009</b>	<b>\$ 298,445</b>	<b>\$ 2,033,173</b>	<b>\$ 87,074</b>	<b>\$ 2,418,692</b>
Scholarship expenditures	( 53,985)	-	-	( 53,985)
Board approved expenditures	-	( 500,000)	-	( 500,000)
Board designation	-	-	35,170	35,170
Investment income	<u>57</u>	<u>-</u>	<u>-</u>	<u>57</u>
<b>Balances - June 30, 2010</b>	<b>244,517</b>	<b>1,533,173</b>	<b>122,244</b>	<b>1,899,934</b>
Scholarship expenditures	( 53,307)	-	-	( 53,307)
Board designation	40,000	-	-	40,000
Investment income	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>
<b>Balances - June 30, 2011</b>	<b><u>\$ 231,246</u></b>	<b><u>\$ 1,533,173</u></b>	<b><u>\$ 122,244</u></b>	<b><u>\$ 1,886,663</u></b>

SOUTHEAST, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

**Net Assets** (continued)

Temporarily Restricted Net Assets

Activity in temporarily restricted net assets is summarized as follows:

	<u>Fresh A.I.R. Gallery</u>
Balance – June 30, 2009	\$ 99,321
Special events, net	38,322
Release from restrictions	<u>( 34,142)</u>
Balance – June 30, 2010	103,501
Special events, net	32,097
Release from restrictions	<u>( 33,257)</u>
<b>Balance – June 30, 2011</b>	<b><u>\$ 102,341</u></b>

Temporarily restricted net assets are held primarily in cash and cash equivalents.

**Retirement Plan**

The Organization has a 401(k) defined contribution retirement plan for substantially all employees. The Organization contributes a safe harbor matching contribution equal to 100% up to the first 3%, and 50% of the next 2%, of compensation contributed by the employee. The Organization may also make additional discretionary contributions. Retirement plan expenses included in the consolidated statements of activities were approximately \$216,000 and \$221,000 for the years ended June 30, 2011 and 2010, respectively.

Southeast has a 457(b) top hat plan 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, 2011 and 2010.

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.

SOUTHEAST, INC. AND AFFILIATES

**Notes to Consolidated Financial Statements**

June 30, 2011 and 2010

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**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.

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 2010. As of June 30, 2011 and 2010, 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 consolidated 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 funded through Franklin County ADAMH represent approximately 40% of the Organization's total operating revenues and support for both 2011 and 2010. 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, 2011 and 2010

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**Health Services Professional Insurance**

The Organization provides healthcare delivery services that are subject to potential professional liability claims. The Organization has insurance coverage applicable to such claims, should they arise. Insurance covers up to \$5,000,000 per incident with a maximum aggregate coverage of \$5,000,000 within both the premium contract years for 2011 and 2010.

**Subsequent Events – Date of Management Evaluation**

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the consolidated financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

SOUTHEAST, INC. AND AFFILIATES

**Consolidating Statement of Financial Position**

June 30, 2011

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidated Total
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 7,105,847	\$ 13,280	\$ 66,965	\$ -	\$ 7,186,092
Investments	7,930,138	-	-	-	7,930,138
Accounts receivable	3,697,651	-	241	-	3,697,892
Related party receivables	65,259	180,535	-	( 245,794)	-
Inventory	237,282	-	-	-	237,282
Other current assets	320,337	-	-	-	320,337
Total current assets	<u>19,356,514</u>	<u>193,815</u>	<u>67,206</u>	<u>( 245,794)</u>	<u>19,371,741</u>
<b>Property and Equipment, net</b>	3,402,600	252,792	418,735	-	4,074,127
<b>Artwork</b>	<u>75,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,847</u>
<b>TOTAL ASSETS</b>	<u>\$ 22,834,961</u>	<u>\$ 446,607</u>	<u>\$ 485,941</u>	<u>\$( 245,794)</u>	<u>\$ 23,521,715</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities</b>					
Notes payable, current portion	\$ 113,875	\$ 1,292	\$ 14,230	\$ -	\$ 129,397
Capital lease obligations, current portion	28,786	-	-	-	28,786
Accounts payable	219,158	-	90	-	219,248
Related party payables	98,962	-	146,832	( 245,794)	-
Amounts held in trust	323,619	-	1,477	-	325,096
Accrued payroll and related liabilities	1,692,177	-	-	-	1,692,177
Total current liabilities	<u>2,476,577</u>	<u>1,292</u>	<u>162,629</u>	<u>( 245,794)</u>	<u>2,394,704</u>
<b>Long-Term Notes Payable, net of     current portion</b>	831,777	196,080	398,895	-	1,426,752
<b>Long-Term Capital Lease Obligations,     net of current portion</b>	<u>49,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,245</u>
Total liabilities	3,357,599	197,372	561,524	( 245,794)	3,870,701
<b>Net Assets</b>					
Unrestricted:					
Undesignated	17,610,602	126,991	( 75,583)	-	17,662,010
Board designated	1,764,419	122,244	-	-	1,886,663
Total unrestricted net assets	<u>19,375,021</u>	<u>249,235</u>	<u>( 75,583)</u>	<u>-</u>	<u>19,548,673</u>
Temporarily restricted	<u>102,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,341</u>
Total net assets	<u>19,477,362</u>	<u>249,235</u>	<u>( 75,583)</u>	<u>-</u>	<u>19,651,014</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 22,834,961</u>	<u>\$ 446,607</u>	<u>\$ 485,941</u>	<u>\$( 245,794)</u>	<u>\$ 23,521,715</u>

*See Independent Auditors' Report.*

SOUTHEAST, INC. AND AFFILIATES

**Consolidating Statement of Activities and Changes in Net Assets**

For the Year Ended June 30, 2011

	<u>Southeast, Inc.</u>	<u>Friends of the Homeless, Inc.</u>	<u>Alternative Lifestyles, Inc.</u>	<u>Consolidating/ Eliminating</u>	<u>Consolidated Total</u>
<b>Changes in Unrestricted Net Assets</b>					
Operating revenues and support:					
ADAMH purchase-of-service	\$ 4,045,892	\$ -	\$ -	\$ -	\$ 4,045,892
ADAMH cost reimbursement	2,887,131	-	-	-	2,887,131
Medicaid - Franklin	5,656,082	-	-	-	5,656,082
Medicaid match - Franklin	3,204,638	-	-	-	3,204,638
Apothecare pharmacy	6,834,393	-	-	-	6,834,393
First and third party fees	290,519	-	-	-	290,519
Contracts	4,966,462	-	-	-	4,966,462
Medicaid - out of county	527,786	-	-	-	527,786
Medicaid match - out of county	300,893	-	-	-	300,893
Other operating income	326,125	9,845	137,488	-	473,458
In kind donations	159,193	389,914	-	-	549,107
Forgiveness of advances from ODMH	50,631	-	-	-	50,631
Release of restrictions	33,257	-	-	-	33,257
	<u>29,283,002</u>	<u>399,759</u>	<u>137,488</u>	<u>-</u>	<u>29,820,249</u>
Operating expenses:					
Clinical services	14,297,099	-	-	-	14,297,099
Housing	2,010,855	-	156,752	-	2,167,607
Vocational	838,843	-	-	-	838,843
Apothecare pharmacy	6,427,128	-	-	-	6,427,128
Prevention education	995,539	-	-	-	995,539
Homeless shelter programs	1,944,172	438,966	-	-	2,383,138
General and administrative	1,970,566	-	-	-	1,970,566
	<u>28,484,202</u>	<u>438,966</u>	<u>156,752</u>	<u>-</u>	<u>29,079,920</u>
Increase (decrease) in unrestricted net assets from operations	<u>798,800</u>	<u>( 39,207)</u>	<u>( 19,264)</u>	<u>-</u>	<u>740,329</u>
Other income (expense):					
Interest and dividend income	254,978	-	20	-	254,998
Unrealized and realized gains on investments	753,827	-	-	-	753,827
Contributions	6,531	36,560	-	-	43,091
Rental income	92,680	-	-	-	92,680
Rental expenses	<u>( 274,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 274,703)</u>
	<u>833,313</u>	<u>36,560</u>	<u>20</u>	<u>-</u>	<u>869,893</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>1,632,113</u>	<u>( 2,647)</u>	<u>( 19,244)</u>	<u>-</u>	<u>1,610,222</u>
<b>Changes in Temporarily Restricted Net Assets:</b>					
Special events, net	32,097	-	-	-	32,097
Release of restrictions	<u>( 33,257)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 33,257)</u>
	<u>( 1,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,160)</u>
<b>Decrease (Increase) in Temporarily Restricted Net assets</b>	<u>( 1,160)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 1,160)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>1,630,953</u>	<u>( 2,647)</u>	<u>( 19,244)</u>	<u>-</u>	<u>1,609,062</u>
<b>Net Assets, Beginning of Year</b>	<u>17,846,409</u>	<u>251,882</u>	<u>( 56,339)</u>	<u>-</u>	<u>18,041,952</u>
<b>Net Assets, End of Year</b>	<u>\$ 19,477,362</u>	<u>\$ 249,235</u>	<u>\$( 75,583)</u>	<u>\$ -</u>	<u>\$ 19,651,014</u>

*See Independent Auditors' Report.*

SOUTHEAST, INC. AND AFFILIATES

**Schedule of Expenditures of Federal Awards**

For the Year Ended June 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U.S. Department of Health and Human Services:		
Substance Abuse and Mental Health Services Administration (SAMHSA):		
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Board:		
Project for Assistance in Transition from Homeless (PATH)	93.150	\$ 286,415
Homeless Veterans Outreach & Engagement	93.150	93,684
Passed through the Ohio Department of Health:		
Ryan White Federal HIV Care	93.917	154,741
Substance Abuse and Mental Health Services Administration:		
Passed through the Ohio Department of Mental Health and the Lorain County Board of Mental Health:		
Wellness Management and Recovery	93.958	329,000
Passed through the Franklin County Job and Family Services:		
Temporary Assistance for Needy Families (TANF) Prevention, Retention, Contingency Services	93.558	278,855
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	16,404
Substance Abuse and Mental Health Services Administration:		
Health is Primary	93.243	511,324
Integrated Healthcare	93.243	612,153
Alcohol and Other Drugs	93.243	350,900
Total U.S. Department of Health and Human Services		<u>2,633,476</u>
U.S. Department of Justice:		
Passed through the Franklin County Commissioners:		
Violence Against Women Formula Grant (Stalking Victims Grant)	16.588	<u>36,776</u>
Total U.S. Department of Justice		<u>36,776</u>

*See Independent Auditors' Report.*

SOUTHEAST, INC. AND AFFILIATES

**Schedule of Expenditures of Federal Awards** (Continued)

For the Year Ended June 30, 2011

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	170,454
Direct: Supportive Housing Program	14.235	260,680
Direct: Rebuilding Lives Through Good Samaritan Housing	14.235	119,254
Passed through the Community Shelter Board:		
Rebuilding Lives Through Good Samaritan Housing	14.235	67,727
Passed through the Ohio Department of Development Homeless Assistance Grant Program:		
Emergency Shelter Grants Program	14.231	<u>199,055</u>
Total U.S. Department of Housing and Urban Development		<u>817,170</u>
Total Expenditures of Federal Awards		<u>\$ 3,487,422</u>

**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Southeast, Inc. and Affiliates 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 consolidated financial statements.

Southeast's controlled affiliate, Alternative Lifestyles, Inc., is subject to a separate audit performed in accordance with *Government Auditing Standards* and with the *Consolidated Audit Guide for Audits of HUD Programs*. The audited reporting package is submitted to the U.S. Department of Housing and Urban Development. Related amounts considered to be federal awards were excluded from the Schedule.

*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, 2010  
 To: June 30, 2011

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 Diag. Interview
<b>ADAMH Non-Medicaid Claims</b>	56,856	63,138	91	131,594	16,827	21,859			876,141	105,252	26,068
<b>ADAMH Block Grants (Identify by program):</b>											
(1) AD PREVENTION C&A							36,039				
(2) MH PREVENTION - ADULT											
(3) MH SMD (CMTY LVG SP)											
(4) MH SMD (Briggsdale)											
(5) MH Tx SMD (Project Work)											
(7) AD Adult (TANF)								96,924			
(8) MH RFR Crimmial Justice											
(9) Consumer Outcomes Group											
(10) Homeless Outreach											
(11) MH Treatment (IDDT)											
(12) Residential											
(13) COTS									1,230		
<b>Other ADAMH Funds (Identify):</b>											
Incentive Funds											
ADAMH/ODMH Central Pharmacy											
Other (1) Other ADAMH											
Other (2)											
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>	<b>56,856</b>	<b>63,138</b>	<b>91</b>	<b>131,594</b>	<b>16,827</b>	<b>21,859</b>	<b>36,039</b>	<b>96,924</b>	<b>877,371</b>	<b>105,252</b>	<b>26,068</b>
Medicaid - MH									1,521,120	230,214	62,586
Medicaid - AD	34,781	107,874	479	63,953	19,071	54,646					
<b>Total Franklin County Medicaid</b>	<b>34,781</b>	<b>107,874</b>	<b>479</b>	<b>63,953</b>	<b>19,071</b>	<b>54,646</b>			<b>1,521,120</b>	<b>230,214</b>	<b>62,586</b>
<b>Other Provider Funding</b>											
General Assistance									34,949		
1st/3rd Party Fees	495			1,226	505	56			95,718	2,498	6,670
Other External Revenue (list):											
(1) FCCS Revenue											
(2) United Way Revenue											
(3) Contracts & Grants	12,800			34,250	29,500	12,500		278,855	58,400	44,500	
(4) Pharmacy Sales											
Other Provider Funding				3,000			15,000		132,450	16,850	15,000
Other Belmont MHRB									46,678	17,178	2,463
<b>Out of County Medicaid</b>									623,503	145,640	37,335
<b>Total Other Provider Funding</b>	<b>13,295</b>			<b>38,476</b>	<b>30,005</b>	<b>12,556</b>	<b>15,000</b>	<b>278,855</b>	<b>991,698</b>	<b>226,666</b>	<b>61,468</b>
<b>GRAND TOTAL REVENUES</b>	<b>104,932</b>	<b>171,012</b>	<b>570</b>	<b>234,023</b>	<b>65,903</b>	<b>89,061</b>	<b>51,039</b>	<b>375,779</b>	<b>3,390,189</b>	<b>562,132</b>	<b>150,122</b>
<b>TOTAL EXPENSES from UCR-047(s)</b>	<b>104,050</b>	<b>196,213</b>	<b>766</b>	<b>233,858</b>	<b>65,581</b>	<b>89,161</b>	<b>52,139</b>	<b>232,288</b>	<b>3,385,856</b>	<b>555,571</b>	<b>147,734</b>
<b>Operating Profit/Loss</b>	<b>882</b>	<b>-25,201</b>	<b>-196</b>	<b>165</b>	<b>322</b>	<b>-100</b>	<b>-1,100</b>	<b>143,491</b>	<b>4,333</b>	<b>6,561</b>	<b>2,388</b>

See Independent Auditor's Report

**AGENCY REVENUE (All Services)**

FCADAMH-FIS-052AS

Agency Name: SOUTHEAST, INC	Reporting Period:
Agency UPI#: 06723	From: July 1, 2010
Address: 16 W. LONG ST. COL, OH 43215	To: June 30, 2011

1. Revenue Source	H0004 MH BH Couns. & Therapy (Ind.)	H0004 MH BH Couns. & Therapy (Grp.)	S9484 MH Crisis Intervention	S0201 MH Partial Hospitalization	H0036 MH Comm Psych Sppt Tx (Ind)	H0036 MH Comm Psych Sppt Tx (Grp)	H0038 MH Self-Help/ Peer Svcs	M4120 MH Consultation	M1620 MH Employment	M4140/41 MH Education	M2240 MH Community Residence	M2200 MH Residential Care
<b>ADAMH Non-Medicaid Claims</b>	81,348	90,629	4,183	22,778	1,266,515	106,314	2,795					
<b>ADAMH Block Grants (Identify by program):</b>												
(1) AD PREVENTION C&A												
(2) MH PREVENTION - ADULT								14,553		38,811		
(3) MH SMD (CMTY LVG SP)					5,000							
(4) MH SMD (Briggsdale)												
(5) MH Tx SMD (Project Work)									373,419			
(7) AD Adult (TANF)												
(8) MH RFR Crimmial Justice					188,000							
(9) Consumer Outcomes Group										42,056		
(10) Homeless Outreach												
(11) MH Treatment (IDDT)												
(12) Residential												833,799
(13) COTS												
<b>Other ADAMH Funds (Identify):</b>												
Incentive Funds												
ADAMH/ODMH Central Pharmacy												
Other (1) Other ADAMH												
Other (2)												
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>	<b>81,348</b>	<b>90,629</b>	<b>4,183</b>	<b>22,778</b>	<b>1,459,515</b>	<b>106,314</b>	<b>2,795</b>	<b>14,553</b>	<b>415,475</b>	<b>38,811</b>		<b>833,799</b>
Medicaid - MH	347,558	256,990	6,637	74,058	3,335,072	372,381						
Medicaid - AD												
<b>Total Franklin County Medicaid</b>	<b>347,558</b>	<b>256,990</b>	<b>6,637</b>	<b>74,058</b>	<b>3,335,072</b>	<b>372,381</b>						
<b>Other Provider Funding</b>												
General Assistance												
1st/3rd Party Fees	63,472	40,365			42,607	43						26,782
Other External Revenue (list):												
(1) FCCS Revenue												
(2) United Way Revenue												
(3) Contracts & Grants									196,193	329,000		
(4) Pharmacy Sales												
Other Provider Funding	105,000	65,000	30,000	65,000			10,000		60,000	50,000		
Other Belmont MHRB	24,838	1,165	76,800	43,570	135,867	117					498,189	
<b>Out of County Medicaid</b>	<b>515,969</b>	<b>5,369</b>	<b>20,390</b>	<b>541,181</b>	<b>1,277,113</b>	<b>528</b>						
<b>Total Other Provider Funding</b>	<b>709,279</b>	<b>111,899</b>	<b>127,190</b>	<b>649,751</b>	<b>1,455,587</b>	<b>688</b>	<b>10,000</b>		<b>256,193</b>	<b>379,000</b>	<b>498,189</b>	<b>26,782</b>
<b>GRAND TOTAL REVENUES</b>	<b>1,138,185</b>	<b>459,518</b>	<b>138,010</b>	<b>746,587</b>	<b>6,250,174</b>	<b>479,383</b>	<b>12,795</b>	<b>14,553</b>	<b>671,668</b>	<b>417,811</b>	<b>498,189</b>	<b>860,581</b>
<b>TOTAL EXPENSES from UCR-047(s)</b>	<b>1,212,553</b>	<b>464,098</b>	<b>154,223</b>	<b>764,033</b>	<b>6,165,772</b>	<b>509,028</b>	<b>14,783</b>	<b>15,048</b>	<b>674,890</b>	<b>418,490</b>	<b>477,823</b>	<b>768,217</b>
<b>Operating Profit/Loss</b>	<b>-74,368</b>	<b>-4,580</b>	<b>-16,213</b>	<b>-17,446</b>	<b>84,402</b>	<b>-29,645</b>	<b>-1,988</b>	<b>-495</b>	<b>-3,222</b>	<b>-679</b>	<b>20,366</b>	<b>92,364</b>

See Independent Auditor's Report

**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	M2203 MH Residential Care	M3140 MH Other Serv NON HC	M3142 MH OTHER Briggsdale	M3143 MH OTHER	MH OTHER CP	M3147 MH Other Serv SHINE	PASARR
<b>ADAMH Non-Medicaid Claims</b>					87,067			
<b>ADAMH Block Grants (Identify by program):</b>								
(1) AD PREVENTION C&A								
(2) MH PREVENTION - ADULT								
(3) MH SMD (CMTY LVG SP)								
(4) MH SMD (Briggsdale)				63,706				
(5) MH Tx SMD (Project Work)								
(7) AD Adult (TANF)								
(8) MH RFR Crimmial Justice								
(9) Consumer Outcomes Group								
(10) Homeless Outreach			573,718					
(11) MH Treatment (IDDT)							41,050	
(12) Residential	512,484							
(13) COTS								
<b>Other ADAMH Funds (Identify):</b>								
Incentive Funds								
ADAMH/ODMH Central Pharmacy						61,172		
Other (1) Other ADAMH								
Other (2)								
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>	<b>512,484</b>		<b>573,718</b>	<b>63,706</b>	<b>87,067</b>	<b>61,172</b>	<b>41,050</b>	
Medicaid - MH								
Medicaid - AD								
<b>Total Franklin County Medicaid</b>								
<b>Other Provider Funding</b>								
General Assistance								
1st/3rd Party Fees	10,083							
Other External Revenue (list):								
(1) FCCS Revenue								
(2) United Way Revenue								
(3) Contracts & Grants								
(4) Pharmacy Sales								
Other Provider Funding		51,615						
Other Belmont MHRB		239,061				68,879		520
<b>Out of County Medicaid</b>								
<b>Total Other Provider Funding</b>	<b>10,083</b>	<b>290,676</b>				<b>68,879</b>		<b>520</b>
<b>GRAND TOTAL REVENUES</b>	<b>522,567</b>	<b>290,676</b>	<b>573,718</b>	<b>63,706</b>	<b>87,067</b>	<b>130,051</b>	<b>41,050</b>	<b>520</b>
<b>TOTAL EXPENSES from UCR-047(s)</b>	<b>554,156</b>	<b>438,051</b>	<b>566,539</b>	<b>59,800</b>	<b>84,072</b>	<b>130,051</b>	<b>44,844</b>	<b>516</b>
<b>Operating Profit/Loss</b>	<b>-31,589</b>	<b>-147,375</b>	<b>7,179</b>	<b>3,906</b>	<b>2,995</b>	<b>0</b>	<b>-3,794</b>	

See Independent Auditor's Report

AGENCY REVENUE (All Services)		pb: atwood 09/09/11	
Agency Name: SOUTHEAST, INC		From:	July 1, 2010
Agency UPI#: 06723		To:	June 30, 2011
Address: 16 W. LONG ST. COL, OH 43215			
<b>1. Revenue Source</b>	<b>NON ODMH/ODADAS Services</b>	<b>3. TOTAL</b>	
<b>ADAMH Non-Medicaid Claims</b>		<b>2,959,455</b>	
<b>ADAMH Block Grants (Identify by program):</b>			
(1) AD PREVENTION C&A		36,039	
(2) MH PREVENTION - ADULT		53,364	
(3) MH SMD (CMTY LVG SP)		5,000	
(4) MH SMD (Briggsdale)		63,706	
(5) MH Tx SMD (Project Work)		373,419	
(7) AD Adult (TANF)		96,924	
(8) MH RFR Crimmial Justice		188,000	
(9) Consumer Outcomes Group		42,053	
(10) Homeless Outreach		573,718	
(11) MH Treatment (IDDT)		41,050	
(12) Residential		1,346,283	
(13) COTS		1,230	
<b>Other ADAMH Funds (Identify):</b>			
Incentive Funds			
ADAMH/ODMH - Central Pharmacy		61,172	
Other (1) Other ADAMH			
Other (2)			
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>		<b>5,841,413</b>	
Medicaid - MH		6,206,616	
Medicaid - AD		280,804	
<b>Total Franklin County Medicaid</b>		<b>6,487,420</b>	
<b>Other Provider Funding</b>			
General Assistance		34,949	
1st/3rd Party Fees		290,520	
Other External Revenue (Iist):			
(1) FCCS Revenue			
(2) United Way Revenue			
(3) Contracts & Grants	3,906,758	4,902,756	
(4) Pharmacy Sales	6,834,393	6,834,393	
Other Provider Funding	1,662,476	2,281,391	
Other Belmont MHRB		1,155,325	
<b>Out of County Medicaid</b>		<b>3,167,028</b>	
<b>Total Other Provider Funding</b>	<b>12,403,627</b>	<b>18,666,362</b>	
<b>GRAND TOTAL REVENUES</b>	<b>12,403,627</b>	<b>30,995,195</b>	
<b>TOTAL EXPENSES from UCR-047(s)</b>	<b>10,444,287</b>	<b>29,024,491</b>	
<b>Operating Profit/Loss</b>	<b>1,959,341</b>	<b>1,970,705</b>	
	Unallowable Expense	361,635	

See Independent Auditor's Report

FORM A-1, UNIFORM COST REPORT (UCR)

AGENCY EXPENSE REPORT

ODADAS-FIS-047

31-0940189

MACSIS UPI: 06723 & 03040

AGENCY NAME: SOUTHEAST, INC

Budget

XXX Actual

REPORTING PERIOD: JULY 1, 2010 to JUNE 30, 2011

AGENCY ADDRESS: 16 w. Long Street, Columbus, Oh 43215

AGENCY TELEPHONE NO: 614-225-0980

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 of Administrative Overhead	8. Total Costs	9. Cost Per Unit	10. Unallowable Costs	11. Total Allowable Costs	12. Allowable Cost Per Unit
		Direct Service (a)	Support Service (b)	Direct Service (a)	Support Service (b)								
<b>TREATMENT SERVICES</b>													
Acute Hospital Detoxification - H0009													
Ambulatory Detoxification - H0014													
Assessment - H0001	965.2	1.31	0.24	\$59,147	\$9,772	\$26,690	\$95,609	\$9,238	\$104,847	\$108.63	\$797	\$104,050	\$107.80
Case Management - H0006	2,237.9	2.02	0.32	\$78,729	\$28,615	\$77,223	\$184,567	\$13,951	\$198,518	\$88.71	\$2,305	\$196,213	\$87.68
Crisis Intervention - H0007	4.4	0.00	0.00	\$194		\$578	\$772	\$11	\$783	\$177.95	\$17	\$766	\$174.09
Family Counseling - T1006													
Group Counseling - H0005	20,837	1.74	1.23	\$73,959	\$68,752	\$75,695	\$218,406	\$17,711	\$236,117	\$11.33	\$2,259	\$233,858	\$11.22
Individual Counseling - H0004	1,657	0.96	0.31	\$33,046	\$11,949	\$13,390	\$58,385	\$7,596	\$65,981	\$39.82	\$400	\$65,581	\$39.58
Intensive Outpatient - H0015													
Laboratory Urinalysis - H0003													
Medical Somatic - H0016	438.4	0.38	0.02	\$33,586	\$710	\$54,121	\$88,417	\$2,359	\$90,776	\$207.06	\$1,615	\$89,161	\$203.38
Methadone Administration - H0020													
Sub Acute Detoxification - H0012													
23 Hour Observation Bed - 99236													
Urine Dip Screen - A0780													
<b>COMMUNITY RESIDENTIAL TREATMENT Includes Room &amp; Board costs</b>													
Medical Community Residential Treatment - Hospital Setting - A1210													
Medical Community Residential Treatment - Non-Hospital Setting - A0230													
Non-Medical Community Residential Treatment - A1220													
<b>BH COMMUNITY RESIDENTIAL TREATMENT Excludes Room &amp; Board costs</b>													
BH Medical Community Residential Treatment - Hospital Setting - H0017													
BH Medical Community Residential Treatment - Non-Hospital Setting - H0018													
BH Non-Medical Community Residential Treatment - H0019													
<b>COMMUNITY SERVICES</b>													
Consultation - A0560													
Hotline - H0030													
Intervention - H0022													
Outreach - H0023													
Referral and Information - A0510													
Training - H0021													
<b>PREVENTION SERVICES</b>													
Alternatives - A0660													
Community-Based Process - A0630													
Education - A0620	633.5	0.50	0.16	\$27,384	\$14,334	\$6,685	\$48,403	\$3,936	\$52,339	\$82.62	\$200	\$52,139	\$82.30
Environmental - A0640													
Information Dissemination - A0610													
Problem Identification and Referral - A0650													
<b>ADJUNCTIVE ALCOHOL AND DRUG SERVICES</b>													
Child Care - T1009													
Meals - T1010													
Room and Board - A0740													
Transportation - A0750													
AOD Services Not Otherwise Classified - H0047	305.2	1.50	1.00	\$62,283	\$53,730	\$104,499	\$220,512	\$14,895	\$235,407	\$771.32	\$3,119	\$232,288	\$761.10
<b>DRIVER INTERVENTION PROGRAMS</b>													
Non-Residential DIP													
Residential DIP - 48 Hour													
Residential DIP - 72 Hour													
<b>OTHER</b>													
Administrative Overhead			20.48		\$1,513,674	\$456,892	\$1,970,566						
Mental Health Services		186.16	59.77	\$9,081,261	\$2,692,665	\$4,497,234	\$16,271,160	\$1,465,325	\$17,736,485		\$130,335	\$17,606,150	
Title IV-E Services													
Non AOD/MH/Title IV-E Services		64.58	8.52	\$2,313,891	\$524,271	\$7,391,169	\$10,229,331	\$435,544	\$10,664,875		\$220,589	\$10,444,286	
<b>TOTALS</b>													
TOTALS FOR AOD SERVICES	27,078.6	8.41	3.29	\$368,328	\$187,862	\$358,881	\$915,071	\$69,697	\$984,768		\$10,712	\$974,056	
TOTALS FOR AGENCY		259.16	92.05	\$11,763,480	\$4,918,471	\$12,704,176	\$29,386,127	\$1,970,566	\$29,386,127		\$361,636	\$29,024,491	

I certify that this UCR and all supporting documentation (including Forms A-2, A-3 and A-4 or their equivalents) have been completed in accordance with OAC 3793:2-1-09

Name/Title: Steven Atwood - CFO

Date: September 10, 2011

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SOUTHEAST, INC. AND AFFILIATES

**ADAMH Key Performance Indicators**

For the Year Ended June 30, 2011  
(with comparative totals for the year ended June 30, 2010)

			<u>2011</u>	<u>2010</u>
<b>Current Ratio:</b>				
<u>Current assets</u>	19,371,741	=	<b>8.09</b>	7.05
Current liabilities	<u>2,394,704</u>			
<b>Debt to Equity Ratio:</b>				
<u>Total liabilities</u>	3,870,701	=	<b>0.20</b>	0.23
Total equity	<u>19,651,014</u>			
<b>Administrative Costs to Expense:</b>				
<u>Total administrative costs</u>	1,970,566	=	<b>0.07</b>	0.07
Total expenses	<u>29,354,623</u>			
<b>Total Revenue to Total Expenses:</b>				
<u>Total revenue</u>	30,964,845	=	<b>1.05</b>	1.02
Total expenses	<u>29,354,623</u>			
<b>Fund Balance Reserve Ratio:</b>				
<u>Total fund balance</u>	19,651,014	=	<b>8.03</b>	7.44
Total expenses / 12	<u>2,446,219</u>			
<b>Percent of ADAMH Funding:</b>				
<u>Total revenue from Franklin County ADAMH (including Medicaid)</u>	12,265,129	=	<b>0.40</b>	0.40
Total revenue	<u>30,964,845</u>			

*See Independent Auditors' Report.*

SOUTHEAST, INC. AND AFFILIATES

**Schedule of Ohio Department of Development Grants**

For the Year Ended June 30, 2011

<u>Division Name, Grant Name</u>	<u>Grant Number</u>	<u>Beginning Balance</u>	<u>2011 Cash Receipts</u>	<u>2011 Expenditures</u>	<u>Ending Receivable Balance</u>
<b>Office of Housing and Community Partnerships</b>					
ESG Shelter (Men's & Women's)	N-H-10-7OZ-1	\$ 147,430	\$ 194,153	\$ 173,623	\$ 126,900
Supportive Housing Category	S-H-10-7OZ-1	24,428	24,428	19,132	19,132
ESGP Discretionary Program	S-D-10-7OZ-1	-	-	6,300	6,300
<b>GRAND TOTAL</b>		<u>\$ 171,858</u>	<u>\$ 218,581</u>	<u>\$ 199,055</u>	<u>\$ 152,332</u>

**Presentation:**

This schedule is required by the Ohio Department of Development to be included in the annual consolidated 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 Auditors' 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, 2011, and have issued our report thereon dated November 11, 2011. 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 us in separately issued financial statements and thus was excluded from our auditing procedures considered within this report. We 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, for Alternative Lifestyles, Inc. for the year ended June 30, 2011.

**Internal Control over Financial Reporting**

Management of Southeast, Inc. and Affiliates is responsible for establishing and maintaining effective 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

This report is intended solely for the information and use of management, the Board of Directors and the finance committee of the Organization, 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  
November 11, 2011



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

**Independent Auditors' Report on Compliance with Requirements  
that could have a Direct and Material Effect on 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 could have a direct and material effect on each of Southeast, Inc. and Affiliates' major federal programs for the year ended June 30, 2011. The Organization's 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 the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

Southeast, Inc. and Affiliates includes Alternative Lifestyles, Inc., the financial statements of which were audited by us 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 an 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 the Organization's 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 the Organization's compliance with those requirements.

In our opinion, Southeast, Inc. and Affiliates complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not 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 of the Organization's internal control over compliance.

Southeast, Inc. and Affiliates includes Alternative Lifestyles, Inc., the financial statements of which were audited by us 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 an audit.

A deficiency in control internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 finance committee of the Organization, 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, 2011

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**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
93.243	U.S. Department of Health and Human Services; Substance Abuse and Mental Health Services Administration; Integrated Healthcare

SOUTHEAST, INC. AND AFFILIATES

**Schedule of Findings and Questioned Costs (Continued)**

For the Year Ended June 30, 2011

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**Section I – Summary of Auditors’ Results (continued)**

<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; Alcohol and Other Drug
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**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**

None noted.