

SOUTHEAST, INC.  
AND AFFILIATE  
(non profit corporations)

CONSOLIDATED  
FINANCIAL  
STATEMENTS

FOR THE  
YEAR ENDED  
JUNE 30, 2007

# SOUTHEAST, INC. AND AFFILIATE

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Independent Auditors' Report

To the Board of Directors  
Southeast, Inc.

We have audited the accompanying consolidated statement of financial position of Southeast, Inc. and Affiliate (the Organizations) (non profit corporations) as of June 30, 2007 and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the 2006 financial statements and, in our report dated November 20, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southeast, Inc. and Affiliate as of June 30, 2007 and the consolidated changes in its net assets and its cash flows for the year 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 January 9, 2008 on our consideration of the Organizations' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Independent Auditors' Report

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary financial information (pgs. 24-31) 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*, the Ohio Department of Development and the Franklin County Alcohol, Drug Addiction and Mental Health Services Board, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*SS&G Financial Services, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
Columbus, Ohio  
January 9, 2008

**SS&G** *Financial Services*  
Certified Public Accountants & Advisers

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# SOUTHEAST, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(With summarized comparative financial information for June 30, 2006)

ASSETS	JUNE 30,	
	2007	2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,078,438	\$ 5,017,981
Investments	7,167,135	6,250,051
Accounts receivable	3,858,031	4,303,633
Inventory	163,104	172,316
Other current assets	53,109	51,538
TOTAL CURRENT ASSETS	16,319,817	15,795,519
PROPERTY AND EQUIPMENT, net	3,659,309	3,281,943
ARTWORK	75,847	75,847
TOTAL ASSETS	\$ 20,054,973	\$ 19,153,309

*See accompanying notes to the financial statements.*

**SOUTHEAST, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**(With summarized comparative financial information for June 30, 2006)**

LIABILITIES AND NET ASSETS	JUNE 30,	
	2007	2006
<b>CURRENT LIABILITIES</b>		
Notes payable, current portion	\$ 39,374	\$ 19,381
Capital lease obligations, current portion	43,591	19,115
Accounts payable	160,453	134,345
Amounts held in trust	459,995	507,725
Accrued expenses and taxes	1,612,028	1,527,530
Deferred revenue	55,734	8,805
Estimated Medicaid rate adjustment	4,251	4,251
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,375,426</b>	<b>2,221,152</b>
LONG-TERM NOTES PAYABLE, net of current portion	579,445	370,284
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	85,021	74,498
<b>TOTAL LIABILITIES</b>	<b>3,039,892</b>	<b>2,665,934</b>
<b>NET ASSETS</b>		
Unrestricted:		
Undesignated	14,664,907	14,155,456
Board designated	2,305,503	2,297,376
Total unrestricted net assets	16,970,410	16,452,832
Temporarily restricted	44,671	34,543
<b>TOTAL NET ASSETS</b>	<b>17,015,081</b>	<b>16,487,375</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 20,054,973</b>	<b>\$ 19,153,309</b>

*See accompanying notes to the financial statements.*

**SOUTHEAST, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

(With summarized comparative financial information for June 30, 2006)

	FOR THE YEARS ENDED			
	JUNE 30,			
	2007	%	2006	%
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>				
<b>OPERATING REVENUES AND SUPPORT:</b>				
ADAMH purchase-of-service	\$ 6,160,371	23.1	\$ 5,775,716	23.9
ADAMH cost reimbursement	1,839,734	6.9	1,291,756	5.3
Medicaid	2,987,541	11.2	3,502,753	14.5
Medicaid match	2,298,900	8.70	1,974,964	8.2
Apothecare pharmacy	7,303,950	27.4	7,435,553	30.7
First and third party fees	201,449	0.8	255,483	1.1
Contracts	4,278,723	16.1	2,878,835	11.9
Medicaid FFP - Out of county	571,431	2.1	569,500	2.4
Medicaid match - Out of county	373,083	1.4	384,710	1.5
Other operating income	128,580	0.5	120,060	0.5
In kind shelter donations	365,695	1.4	-	-
Reduction of advances from ODMH	102,609	0.4	19,381	-
	<u>26,612,066</u>	<u>100.0</u>	<u>24,208,711</u>	<u>100.0</u>
<b>OPERATING EXPENSES:</b>				
Clinical services	12,255,038	45.6	12,149,213	50.2
Housing	2,112,208	7.8	2,187,016	9.0
Vocational	1,315,422	4.9	791,655	3.3
Apothecare pharmacy	6,896,791	25.6	6,604,538	27.3
Prevention/education	687,646	2.6	1,183,493	4.9
Homeless shelter programs	2,239,558	8.3	-	-
General and administrative	1,554,827	5.8	1,235,879	5.1
	<u>27,061,490</u>	<u>100.6</u>	<u>24,151,794</u>	<u>99.8</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS</b>	<u>\$ (449,424)</u>	<u>(1.7)</u>	<u>\$ 56,917</u>	<u>0.2</u>

*See accompanying notes to the financial statements.*

# SOUTHEAST, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF ACTIVITIES

(With summarized comparative financial information for June 30, 2006)

	FOR THE YEARS ENDED JUNE 30,			
	2007	%	2006	%
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	\$ (449,424)	(1.7)	\$ 56,917	0.2
OTHER CHANGES:				
Other income (expense)				
Interest and dividend income	356,922	1.3	339,536	1.4
Unrealized and realized gains on investments	665,606	2.6	182,350	0.8
Contributions	82,844	0.3	24,607	0.1
Special events, net	22,601	-	19,144	0.1
Other income	41,698	0.2	662,081	2.7
Rental income	71,642	0.3	63,025	0.3
Rental expenses	(284,183)	(1.1)	(303,052)	(1.3)
Net assets released from restriction	9,872	-	147,561	0.6
	<u>967,002</u>	<u>3.6</u>	<u>1,135,252</u>	<u>4.7</u>
INCREASE IN UNRESTRICTED NET ASSETS	517,578	1.9	1,192,169	4.9
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	20,000	0.1	34,543	0.2
Net assets released from restriction	(9,872)	-	(147,561)	(0.6)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>10,128</u>	<u>0.1</u>	<u>(113,018)</u>	<u>(0.4)</u>
INCREASE IN NET ASSETS	527,706	2.0	1,079,151	4.5
NET ASSETS, beginning of year	<u>16,487,375</u>		<u>15,408,224</u>	
NET ASSETS, end of year	<u>\$ 17,015,081</u>		<u>\$ 16,487,375</u>	

See accompanying notes to the financial statements.



SOUTHEAST, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2007

(With summarized comparative financial information for the year ended June 30, 2006)

	Clinical Services	Housing	Vocational	Pharmacy	Prevention/ Education	Homeless Shelter Programs	Total Program	General and Administrative	Rental Operations	2007 Total Expenses	2006 Total Expenses
Salaries and benefits	\$ 8,580,946	\$ 1,476,378	\$ 991,395	\$ 466,050	\$ 485,231	\$ 1,182,103	\$ 13,182,103	\$ 1,043,594	\$ -	\$ 14,225,697	\$ 12,684,695
Contract services	553,533	97,891	67,437	-	51,799	24,089	794,749	5,902	-	800,651	956,632
Computer expenses	120,616	195	1,042	13,001	1,565	24,334	160,753	27,435	-	188,188	152,202
Operating supplies and expenses	1,039,231	354,797	163,584	119,411	79,911	158,267	1,915,201	206,751	-	2,121,952	2,093,389
Office expenses	562,937	30,538	9,162	9,884	5,128	101,689	719,338	21,652	-	740,990	367,352
Cost of goods sold - Pharmacy	-	-	-	6,110,101	-	-	6,110,101	-	-	6,110,101	5,901,709
Mileage/transportation	205,739	13,928	24,004	11,139	43,468	9,558	307,836	362	-	308,198	324,619
Building & grounds	788,109	78,271	24,829	9,893	3,245	243,984	1,148,331	14,500	172,197	1,335,028	1,063,641
Interest	6,937	-	-	700	-	5,955	13,592	605	-	14,197	73,511
Insurance expense	101,435	21,759	14,611	6,869	7,151	53,081	204,906	135,836	46,480	387,222	319,333
In-kind expenses	-	-	-	-	-	365,695	365,695	-	-	365,695	-
Other expenses	20,152	19,068	2,523	145,516	5,798	12,998	206,055	83,956	14	290,025	132,108
Subtotal	11,979,635	2,092,825	1,298,587	6,892,564	683,296	2,181,753	25,128,660	1,540,593	218,691	26,887,944	24,069,191
Depreciation	275,403	19,383	16,835	4,227	4,350	57,805	378,003	14,234	65,492	457,729	385,655
Totals	\$ 12,255,038	\$ 2,112,208	\$ 1,315,422	\$ 6,896,791	\$ 687,646	\$ 2,239,558	\$ 25,506,663	\$ 1,554,827	\$ 284,183	\$ 27,345,673	\$ 24,454,846

See accompanying notes to the financial statements.

**SOUTHEAST, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**(With summarized comparative financial information for the year ended June 30, 2006)**

	FOR THE YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 527,706	\$ 1,079,151
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	457,729	385,655
Bad debt expense	193,776	-
Unrealized and realized gains on investments, net	(665,606)	(182,350)
Forgiveness of advance from State of Ohio	(102,609)	(19,381)
(Increase) decrease in:		
Accounts receivable	279,815	(682,287)
Inventory	9,212	473
Other current assets	(371)	(25,536)
Increase (decrease) in:		
Accounts payable	(75,362)	(80,729)
Accrued expenses and taxes	31,642	208,087
Amounts held in trust	(47,730)	213,420
Medicaid reconciliation payable	-	(6,095)
Deferred revenue	(92,077)	(621,721)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>516,125</b>	<b>268,687</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(240,930)	(240,227)
Acquisition of Friends of the Homeless	71,928	-
Proceeds from sale of investments	950,045	4,302,097
Purchase of investments	(1,201,523)	(5,198,947)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>\$ (420,480)</b>	<b>\$ (1,137,077)</b>

*See accompanying notes to the financial statements.*

**SOUTHEAST, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**(With summarized comparative financial information for the year ended June 30, 2006)**

	FOR THE YEARS ENDED JUNE 30,	
	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	\$ (1,195)	\$ (1,334,571)
Principal payments on capital lease obligations	<u>(33,993)</u>	<u>(38,155)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(35,188)</u>	<u>(1,372,726)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60,457	(2,241,116)
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,017,981</u>	<u>7,259,097</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,078,438</u>	<u>\$ 5,017,981</u>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for:

Interest	<u>\$ 14,197</u>	<u>\$ 73,511</u>
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**SUPPLEMENTAL DISCLOSURES OF NON CASH INVESTING AND  
FINANCING TRANSACTIONS**

During fiscal year 2007, Southeast, Inc.'s consolidated financial statements include a number of facilities owned by Friends of the Homeless, Inc. with existing associated mortgage debt of approximately \$133,000.

During fiscal year 2007, Southeast, Inc. entered into a new capital lease for \$68,992 for office equipment.

*See accompanying notes to the financial statements.*

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **NOTE A - Summary of significant accounting policies**

#### Organization

Southeast, Inc. and Affiliate (the Organizations) are non-profit Ohio corporations organized to develop and administer a comprehensive mental health and behavioral healthcare recovery service system, and provide services to homeless persons throughout Ohio.

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

Southeast also operates a pharmacy (Apothecare) located in the Southeast owned building at 131 N. High Street. Southeast operates Apothecare as a specialty pharmacy to serve people with cognitive and/or other mental dysfunctions.

#### Principles of consolidation

Effective July 1, 2006 Southeast acquired Friends of the Homeless, Inc. (FOH) by becoming the sole member of FOH. The acquisition of FOH is reflected in these consolidated financial statements using the purchase method of accounting. For purposes of consolidation FOH was acquired at a cost equaling the existing liabilities of FOH at the date of the transaction (\$626,291). In consolidation, the value of FOH assets at that date were reduced from their FOH book value of \$898,689 to \$626,291, reflecting Southeast's acquisition cost under the purchase method of accounting. The assets acquired consisted of emergency shelter and other residential facilities in addition to approximately \$100,000 of cash and receivables.

These statements have consolidated the financial positions and results of operations of Southeast and FOH. FOH operations are included from July 1, 2006 through June 30, 2007. Effective July 1, 2006 Southeast took over contractual operating responsibilities for the homeless shelter programs from FOH. Intercompany transactions and balances have been eliminated in consolidation.

#### Net asset categories

Classification of the Organizations' net assets, revenues and expenses, and gains and losses is based on the existence or absence of donor-imposed restrictions. Unrestricted net assets include all resources over which the Board of Trustees has discretionary control to use in carrying on the operations of the Organizations in accordance with the limitation of its constitution and bylaws, except those required to be accounted for in another fund. The Organizations report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets.

#### Support and revenues

The Organizations' support is generally derived from Federal, state, county and local sources and is recorded as income when the related services are billed and accepted by the funder. In some cases, because of the billing and adjudication process, revenue may be recognized in a month subsequent to the actual delivery of service. Southeast contracts with the Franklin County Alcohol, Drug Addiction and Mental Health Services Board (ADAMH), whereby it receives funds based on hours of mental health and other services and programs provided (purchase-of-service) and also receives various block grants that are passed through the ADAMH Board. Southeast receives Title XIX (Medicaid) funds through ADAMH, which receives the funds from the Ohio Department of Mental Health (ODMH) and the Ohio Department of Alcohol and Drug Addiction Services (ODADAS). The Organizations also receive grant funding from the Ohio Department of Development used in providing services to homeless persons.

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE A - Summary of significant accounting policies

#### Support and revenues

Revenues allocated to and passed through ADAMH represent approximately 48% of the Organizations' total operating revenues and support. A significant reduction in the level of this support, if this were to occur, would have a significant effect on Southeast's programs and activities.

Client fees have been recognized, net of contractual allowances, as revenue during the period when the related services are provided, based on billings.

#### Special events

Special events revenue is shown net of direct fundraising event costs (\$22,569 for the year ended June 30, 2007).

#### Donor-imposed restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the 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 Organizations report the support as unrestricted.

#### Amounts held in trust

Southeast maintains a custodial bank account on behalf of clients who are unable to manage their own funds. This custodial liability, which totaled \$453,178 at June 30, 2007, accounts for cash held on behalf of, and owned by, others, and is included in "Amounts held in trust." The remaining balance of \$6,817 represents tenant deposits.

#### Income taxes

The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Rental operations are taxable as unrelated business income. No income tax was due at June 30, 2007.

#### Statement of functional expenses

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

#### Concentration of credit risk

The Organizations' financial instruments that are exposed to concentrations of credit risk consist primarily of uninsured money market and mutual fund investments (See Note B), accounts receivable (Note C), and cash in bank. The Organizations' cash is deposited in large FDIC insured banks. This limits the Organizations' exposure to concentrations of credit risk in relation to cash; however, from time to time deposits do exceed the FDIC insured limit of \$100,000.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Organizations consider cash and cash equivalents to be financial institution checking, savings and overnight sweep concentration accounts.

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE A - Summary of significant accounting policies

#### Estimating doubtful accounts

The Organizations report receivables at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and 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 through a charge against an existing allowance account or against earnings.

#### Inventory

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

#### Property and equipment

Property and equipment is recorded at cost if purchased or fair value if contributed. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years with a pro-rata partial year of depreciation being recorded in the year of acquisition. The Organizations do not assign time restrictions on the use of donated property and equipment unless a donor stipulates how long a contributed asset must be used.

The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments.

#### Artwork

Southeast capitalizes its collectible artwork in conformity with Statement of Financial Accounting Standards No. 116. If purchased, artwork is recorded at cost. If donated, artwork is capitalized at its fair value at time of donation. Gains or losses on the disposal of artwork items is classified on Statement of Activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at time of donation.

#### Comparative amounts

The amounts shown for 2006 in the accompanying financial statements are included to provide a basis for comparison with 2007 and are not intended to present all information necessary for a fair presentation of the 2006 financial statements in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Southeast, Inc.'s audited financial statements for the year ended June 30, 2006, from which the summarized information was derived.

#### Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

#### Donated services

No amounts have been reflected in the financial statements for donated services. The Organizations generally pay for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist with the homeless shelter program.

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE A - Summary of significant accounting policies

#### Donated materials

The Organizations receive 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.

### NOTE B - Investments

Southeast has monies invested in various money market and uninsured mutual funds which are stated at market in accordance with Statement of Financial Accounting Standards No. 124. Investment income and realized and unrealized gains and losses on investments are recorded as increases or decreases in unrestricted net assets. Investments are composed of the following at their fair values at June 30, 2007:

Money market	\$ 235,773
Equity mutual funds	4,007,468
Fixed income funds	<u>2,923,894</u>
	\$ <u>7,167,135</u>

### NOTE C - Accounts receivable

Accounts receivable consists of the following at June 30, 2007:

Franklin County ADAMH Board	\$ 2,368,337
Apothecare	820,414
Other grants and contracts	436,173
ODMH Out of County	147,570
Client and third party fees	28,488
HUD	18,615
Employees	20,192
Other	<u>18,242</u>
	\$ <u>3,858,031</u>

Accounts receivable for client fees, third party and Medicaid are recorded as the portion of actual billings expected to be realized. Therefore, no separate allowance for uncollectible accounts is shown.

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE D - Property and equipment

Property and equipment consists of the following at June 30, 2007:

Land	\$ 78,832
Depreciable assets:	
Buildings and improvements	5,924,082
Vehicles	207,416
Software	400,988
Furniture	39,950
Leased equipment	286,173
Leasehold improvements	74,310
Equipment	<u>642,730</u>
	7,654,481
Less: accumulated depreciation	<u>3,995,172</u>
	\$ <u>3,659,309</u>

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

Minimum future rentals to be received on non-cancelable operating leases having terms in excess of one year as of June 30, 2007 for the remainder of the lease terms are as follows:

<u>Fiscal Year Ending June 30,</u>	
2008	\$ 74,266
2009	75,284
2010	<u>4,235</u>
	\$ <u>153,785</u>

#### Capital leases

Southeast is the lessee of office equipment under capital leases expiring in 2011. 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 depreciated over their estimated useful lives. Depreciation of assets held under capital leases is included in depreciation expense.

Following is a summary of office equipment held under the capital leases which are included in "Property and equipment" on the balance sheet:

Equipment cost	\$ 175,922
Less: accumulated depreciation	<u>52,757</u>
	\$ <u>123,165</u>



# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE D - Property and equipment

Minimum future lease payments under these capital leases as of June 30, 2007 for the remainder of the lease terms are as follows:

<u>Fiscal Year Ending June 30,</u>	
2008	\$ 50,207
2009	50,207
2010	34,264
2011	<u>6,572</u>
Total minimum lease payments	141,250
Less: amount representing interest (6.43% to 8.44%)	<u>12,638</u>
Present value of net minimum lease payments	128,612
Less: current portion	<u>43,591</u>
Long-term portion	<u>\$ 85,021</u>

### NOTE E - Notes payable

Notes payable consisted of the following as of June 30, 2007:

Mortgage note payable to the City of Columbus to be forgiven in ten annual installments of \$11,318 through February 2011 as long as conditions of the agreement are met. The note is interest free and is secured by real estate with a net book value to FOH of \$87,448 on June 30, 2007.	\$ 45,272
Mortgage note payable to the City of Columbus to be forgiven in ten annual installments of \$4,690 through October 2007 as long as conditions of the agreement are met. The note is interest free and is secured by real estate with a net book value to FOH of \$36,603 on June 30, 2007.	4,690
Mortgage note payable to the City of Columbus to be forgiven in ten annual installments of \$2,790 through September 2007 as long as conditions of the agreement are met. The note is interest free and is secured by real estate with a net book value to FOH of \$21,193 on June 30, 2007.	2,790
Installment 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 with a net book value to FOH of \$352,131 on June 30, 2007.	5,091
Installment 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 with a net book value to FOH of \$64,454 on June 30, 2007.	19,693

**SOUTHEAST, INC. AND AFFILIATE**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE E - Notes payable**

Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when the Friends of the Homeless, Inc. stops operating as a homeless facility. The note is interest free and is secured by real estate with a net book value to FOH of \$15,545 on June 30, 2007. 10,000

Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when the Friends of the Homeless, Inc. stops operating as a homeless facility. The note is interest free and is secured by real estate with a net book value to FOH of \$48,910 on June 30, 2007. 15,000

Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when the Friends of the Homeless, Inc. stops operating as a homeless facility. The note is interest free and is secured by real estate with a net book value to FOH of \$15,545 on June 30, 2007. 10,000

Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when the Friends of the Homeless, Inc. stops operating as a homeless facility. The note is interest free and is secured by real estate with a net book value to FOH of \$352,131 on June 30, 2007. 136,000

Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 480 equal monthly amounts through May 2026 as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate with a net book value to Southeast of \$231,446 on June 30, 2007. 118,938

Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 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 with a net book value to Southeast of \$105,177 on June 30, 2007. 81,851

Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 329 equal monthly amounts through September 2032 as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate with a net book value to Southeast of \$226,601 on June 30, 2007. 169,494

Less current portion 618,819  
39,374

\$579,445

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE E - Notes payable

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

<u>Fiscal years ending June 30,</u>	
2008	\$ 39,374
2009	31,894
2010	31,894
2011	31,894
2012	20,576
Thereafter	<u>463,187</u>
	<u>\$ 618,819</u>

### NOTE F - Commitments

Southeast leased office space under operating leases expiring in 2007. Parking space is now rented on a month-to-month basis. Expenses related to those leases consist of the following for the year ended June 30, 2007:

Office space	\$ 183,909
Parking space	<u>269,968</u>
	<u>\$ 453,877</u>

In addition, Southeast 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 \$50,192 for the year ended June 30, 2007.

Minimum future rental payments under non-cancelable operating leases for office space and equipment with terms in excess of one year as of June 30, 2007 for each of the next five years are as follows:

<u>Fiscal Years Ending June 30,</u>	
2008	\$ 245,830
2009	241,749
2010	241,749
2011	241,749
2012	180,774
	<u>\$ 1,151,851</u>

### NOTE G - Retirement plan

Southeast has a 401(k) defined contribution retirement plan for substantially all employees. Retirement plan expenses included in the statement of activities were \$167,288 for the year ended June 30, 2007.

In fiscal year 2003, Southeast established a 457 (b) top hat plan. The purpose of the plan is to provide deferred compensation payments for a select group of management. Southeast has not made contributions to this plan through June 30, 2007.

# SOUTHEAST, INC. AND AFFILIATE

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE G - Retirement plan

Friends of the Homeless (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.

### NOTE H - Net assets

#### Designated net assets

The Board of Trustees has designated certain net assets to be used for employee scholarships, and risk management. 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. 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.

Activity in designated net assets for the year ending June 30, 2007 is summarized as follows:

	Scholarship Fund	Risk Management Fund	Total Designated Net Assets
Balances, June 30, 2006	\$ 264,203	\$2,033,173	\$2,297,376
2007 Scholarship expenditures	(28,037)	-	(28,037)
2007 Contributions	1,000	-	1,000
2007 Board designation	25,000	-	25,000
2007 Investment income	<u>10,164</u>	<u>-</u>	<u>10,164</u>
Balances, June 30, 2007	<u>\$ 272,330</u>	<u>\$2,033,173</u>	<u>\$2,305,503</u>

#### Temporarily restricted net assets

Temporarily restricted net assets at the end of the fiscal year were all restricted to funding the Fresh A.I.R. Gallery, motivational speaking, shelter operations and homeless populations.

### NOTE I - Contingent liabilities

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

## **SOUTHEAST, INC. AND AFFILIATE**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

#### **NOTE J - Subsequent Event**

In September 2007 Southeast's Board of Directors authorized management to enter into a discussion with a community mental health organization in Southeastern Ohio regarding their desire to engage in a process whereby that organization would become an acquisition of Southeast. The community health center provides comprehensive mental health services for the mental health concerns of adults, children and adolescents in Belmont, Harrison and Monroe Counties. The Board of Directors of that organization passed a motion of approval for Southeast to acquire the organization. On October 29, 2007, Southeast's Board of Directors approved beginning the acquisition process as well. The attorneys of both corporations have begun the discussions including due diligence investigation, for the acquisition process to continue with the intent that the acquisition be completed prior to June 30, 2008, assuming no unexpected problems arise.

**SOUTHEAST, INC. AND AFFILIATE**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

	JUNE 30, 2007			
ASSETS	Southeast, Inc.	Friends of the Homeless	Consolidating/ Eliminating	Consolidating Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 4,994,282	\$ 84,156	\$ -	\$ 5,078,438
Investments	7,167,135	-	-	7,167,135
Accounts receivable	4,115,309	37,691	(294,969)	3,858,031
Inventory	163,104	-	-	163,104
Other current assets	51,909	1,200	-	53,109
<b>TOTAL CURRENT ASSETS</b>	<u>16,491,739</u>	<u>123,047</u>	<u>(294,969)</u>	<u>16,319,817</u>
<b>PROPERTY AND EQUIPMENT, net</b>	3,187,970	725,577	(254,238)	3,659,309
<b>ARTWORK</b>	<u>75,847</u>	<u>-</u>	<u>-</u>	<u>75,847</u>
<b>TOTAL ASSETS</b>	<u>\$ 19,755,556</u>	<u>\$ 848,624</u>	<u>\$ (549,207)</u>	<u>\$ 20,054,973</u>

*See accompanying independent auditors' report.*

SOUTHEAST, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

	JUNE 30, 2007			
LIABILITIES AND NET ASSETS	Southeast, Inc.	Friends of the Homeless	Consolidating/ Eliminating	Consolidated Total
<b>CURRENT LIABILITIES</b>				
Notes payable, current portion	\$ 19,381	\$ 19,993	\$ -	\$ 39,374
Capital lease obligation, current portion	43,591	-	-	43,591
Accounts payable	198,143	257,279	(294,969)	160,453
Amounts held in trust	459,995	-	-	459,995
Accrued expenses and taxes	1,612,028	-	-	1,612,028
Deferred revenue	55,734	-	-	55,734
Estimated Medicaid rate adjustment	4,251	-	-	4,251
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,393,123</b>	<b>277,272</b>	<b>(294,969)</b>	<b>2,375,426</b>
 LONG-TERM NOTES PAYABLE, net of current portion	 350,902	 228,543	 -	 579,445
 LONG-TERM CAPITAL LEASE OBLIGATION, net of current portion	 85,021	 -	 -	 85,021
<b>TOTAL LIABILITIES</b>	<b>2,829,046</b>	<b>505,815</b>	<b>(294,969)</b>	<b>3,039,892</b>
<b>NET ASSETS</b>				
Unrestricted:				
Undesignated	14,576,336	2,598	85,973	14,664,907
Board designated	2,305,503	-	-	2,305,503
Total unrestricted net assets	16,881,839	2,598	85,973	16,970,410
 Temporarily restricted	 44,671	 340,211	 (340,211)	 44,671
<b>TOTAL NET ASSETS</b>	<b>16,926,510</b>	<b>342,809</b>	<b>(254,238)</b>	<b>17,015,081</b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b>\$ 19,755,556</b>	 <b>\$ 848,624</b>	 <b>\$ (549,207)</b>	 <b>\$ 20,054,973</b>

See accompanying independent auditors' report.

SOUTHEAST, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	Southeast, Inc.	Friends of the Homeless	Consolidating/ Eliminating	Consolidated Total
CHANGES IN UNRESTRICTED NET ASSETS				
OPERATING REVENUES AND SUPPORT:				
ADAMH purchase-of-service	\$ 6,160,371	\$ -	\$ -	\$ 6,160,371
ADAMH cost reimbursement	1,839,734	-	-	1,839,734
Medicaid	2,987,541	-	-	2,987,541
Medicaid match	2,298,900	-	-	2,298,900
Apothecare pharmacy	7,303,950	-	-	7,303,950
First and third party fees	201,449	-	-	201,449
Contracts	4,278,723	-	-	4,278,723
Medicaid FFP - Out of county	571,431	-	-	571,431
Medicaid match - Out of county	373,083	-	-	373,083
Other operating income	128,580	-	-	128,580
In kind shelter donations	365,695	-	-	365,695
Reduction of advances from ODMH	19,381	83,228	-	102,609
	<u>26,528,838</u>	<u>83,228</u>	<u>-</u>	<u>26,612,066</u>
OPERATING EXPENSES:				
Clinical services	12,255,038	-	-	12,255,038
Housing	2,112,208	-	-	2,112,208
Vocational	1,315,422	-	-	1,315,422
Apothecare pharmacy	6,896,791	-	-	6,896,791
Prevention/education	687,646	-	-	687,646
Homeless shelter programs	2,176,042	81,676	(18,160)	2,239,558
General and administrative	1,544,602	10,225	-	1,554,827
	<u>26,987,749</u>	<u>91,901</u>	<u>(18,160)</u>	<u>27,061,490</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS FROM OPERATIONS	\$ (458,911)	\$ (8,673)	\$ 18,160	\$ (449,424)

See accompanying independent auditors' report.



SOUTHEAST, INC. AND AFFILIATE

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	Southeast, Inc.	Friends of the Homeless	Consolidating/ Eliminating	Consolidated Total
OTHER CHANGES:				
Other income (expense)				
Interest and dividend income	\$ 356,922	\$ -	\$ -	\$ 356,922
Unrealized and realized gains on investments	665,606	-	-	665,606
Contributions	3,760	-	79,084	82,844
Special events, net	22,601	-	-	22,601
Other income	41,698	-	-	41,698
Rental income	71,642	-	-	71,642
Rental expenses	(284,183)	-	-	(284,183)
Net assets released from restriction	9,872	-	-	9,872
	<u>887,918</u>	<u>-</u>	<u>79,084</u>	<u>967,002</u>
INCREASE IN UNRESTRICTED NET ASSETS	429,007	(8,673)	97,244	517,578
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	20,000	79,084	(79,084)	20,000
Net assets released from restriction	(9,872)	-	-	(9,872)
	<u>10,128</u>	<u>79,084</u>	<u>(79,084)</u>	<u>10,128</u>
RESTRICTED NET ASSETS	10,128	79,084	(79,084)	10,128
INCREASE IN NET ASSETS	439,135	70,411	18,160	527,706
NET ASSETS, beginning of year	<u>16,487,375</u>	<u>-</u>	<u>-</u>	<u>16,487,375</u>
NET ASSETS, end of year	<u>\$ 16,926,510</u>	<u>\$ 70,411</u>	<u>\$ 18,160</u>	<u>\$ 17,015,081</u>

See accompanying independent auditors' report.

**SOUTHEAST, INC. (PARENT ONLY)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services: Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Services Board: Medical Assistance Program (Medicaid; Title XIX)	93.778	\$ 2,868,877
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Services Board: Children's Insurance Program (Medicaid; Title XIX)	93.767	38,659
Passed through the Ohio Department of Alcohol and Drug Addiction Services and the Franklin County ADAMH Services Board: Medical Assistance Program (Medicaid; Title XIX)	93.778	80,005
Passed through various - Out of County Medicaid: Medical Assistance Program (Medicaid; Title XIX)	93.778	<u>571,431</u>
Subtotal Medical Assistance Program		<u>3,558,972</u>
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Services Board: Project for Assistance in Transition from Homeless (PATH)	93.150	274,380
Passed through the Ohio Department of Health: Ryan White Federal HIV Care	93.917	96,179
Passed through the Ohio Department of Mental Health and the Lorain County Board of Mental Health: Wellness Management and Recovery	93.958	\$ 346,100

*See accompanying independent auditors' report.*

**SOUTHEAST, INC. (PARENT ONLY)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2007**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Passed through the Franklin County Job and Family Services: TANF (Prevention, Retention, Contingency Services)	93.558	\$ 542,310
Passed through the Ohio Department of Alcohol and Drug Addiction Services and the Franklin County ADAMH Services Board: Block Grant for Prevention and Treatment of Substance Abuse	93.959	28,623
Substance Abuse and Mental Health Services Administration (SAMHSA) Rebuilding Lives PACT Team Initiative	93.230	47,862
Health is Primary	93.243	304,051
Act Outreach	93.243	<u>383,657</u>
Total U.S. Department of Health and Human Services		<u>2,023,162</u>
U.S. Department of Justice: Passed through the Franklin County Commissioners: Violence Against Women Formula Grant (Stalking Victims Grant)	16.588	<u>30,980</u>
Total U.S. Department of Justice		<u>30,980</u>
U.S. Department of Housing and Urban Development: Passed through City of Columbus Department of Development: Home Assistance Funds	14.239	137,011
Transitional Housing	14.235	<u>267,916</u>
Total U.S. Department of Housing and Urban Development		<u>404,927</u>
Total Expenditures of Federal Awards		\$ <u>6,018,041</u>

Basis of presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southeast, Inc. and is presented on the accrual basis of accounting. The information in this 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 this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. Medicaid expenditures reflect net Medicaid revenues, also accounted for on an accrual basis. Medicaid payments of \$3,218,388 to Southeast, Inc. for filling pharmacy subscriptions to Medicaid eligible individuals are not considered Federal awards, therefore, these payments have been excluded from the schedule of expenditures of federal awards.

*See accompanying independent auditors' report.*

**AGENCY REVENUE (All Services)**       Budget     Actual

Agency Name: SOUTHEAST, INC      Executive Director: BILL LEE

Agency UPL#: 06723      Agency Phone #: 614-225-0980

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

Reporting Period: July 1, 2006 to June 30, 2007

1. Revenue Source	H0001 AD Assessment	H0006 AD Case Mgt	H0007 AD Crisis Intervention	H0005 AD Grrp Counseling	H0004 AD Ind Counseling	T1006 AD Family Couns	H0016 AD Medical Somatic	A0620 AD Education	A0621 AD TANF	90562 MH Pharm. Mgt.	H0031 MH Mental Health Assessment	90801 MH Psychiatric Diag. Interview
ADAMH Non-Medicaid Claims	49,113	27,650	140	152,206	17,915	286	3,448			1,031,960	175,665	60,181
ADAMH Block Grants (Identify by program):												
(1) AD PREVENTION C&A								28,623				
(2) MH PREVENTION - ADULT												
(3) MH SMD (CMTY LUG SF)												
(4) MH SMD (Briggsdale)				2,340						53,340	6,500	
(5) MH Tx SMD (Act)									191,487			
(6) MH FLEX FUND (T3 SMD)												
(7) AD Adult (T6-TANF)												
(8) MH RFR Criminal Justice											1,111	5,544
(9) Consumer Outcomes Group												
(10) Homeless Outreach												
Other ADAMH Funds (Identify):												
Incentive Funds												
ADAMH/ODMH: Central Pharmacy												
Other (1) Other ADAMH (reconciliation CY07)												
Other (2)												
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>	49,113	27,650	140	154,546	17,915	286	3,448	28,623	191,487	1,085,500	185,296	65,725
Medicaid - MH												
Medicaid - AD	19,703	27,987		72,602	11,383		245			1,299,968	202,363	59,912
<b>Total Franklin County Medicaid</b>	19,703	27,987		72,602	11,383		245			1,299,968	202,363	59,912
<b>Other Provider Funding</b>												
General Assistance	2,300											
1st/3rd Party Fees				1,355						240,200	145,600	800
Other External Revenue (list):										23,220	52,183	4,150
(1) FCCS Revenue												
(2) United Way Revenue												
(3) Contracts & Grants	14,500	8,760		11,995						2,500	19,500	
(4) Pharmacy Sales												
Other Provider Funding												
<b>Out of County Medicaid</b>	173			258						172,148	23,173	7,522
<b>Total Other Provider Funding</b>	16,973	8,760		13,608						438,068	240,456	12,472
<b>GRAND TOTAL REVENUES</b>	85,789	64,397	140	240,756	29,298	286	3,693	28,623	191,487	2,823,336	626,115	138,109
<b>TOTAL EXPENSES FROM UCR-047(s)</b>	88,685	66,966	140	240,878	31,188	294	3,790	47,628	188,734	2,829,512	671,494	141,630
<b>Operating Profit/Loss</b>	-2,896	-2,569		-122	-1,890	-8	-97	-19,005	2,753	-6,176	-45,379	-3,521

See accompanying independent auditors' report.

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**AGENCY REVENUE (All Services)**

FCADAMH-FIS-052AS

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

Reporting Period:  
 From: July 1, 2006  
 To: June 30, 2007

1. Revenue Source	H0004 MH BH Couns. & Therapy (Ind.)	H0004 MH BH Couns. & Therapy (Grp.)	S9484 MH Crisis Intervention	H0036 MH Comm Psych Sppt Tx (Ind)	H0036 MH Comm Psych Sppt Tx (Grp)	M4120 MH Consultation	M1620 MH Employment	M1621 MH Employment CLS	M4140/41 MH Education	M2200 MH Residential Care	M2201 MH Residential Care
ADAMH Non-Medicaid Claims	180,289	205,127	806	1,674,631	59,739		946,635			946,635	408,243
ADAMH Block Grants (Identify by program):											
(1) AD PREVENTION C&A											
(2) MH PREVENTION - ADULT									85,194		
(3) MH SMD (CMTY LVG SP)								195,881			
(4) MH SMD (Briggsdale)											
(5) MH Tx SMD (Acct)	1,080			96,210	1,977		6,420				
(6) MH FLEX FUND (T3 SMD)											
(7) AD Adult (T6-TANF)											
(8) MH RFR Criminal Justice				11,305							
(9) Consumer Outcomes Group											
(10) Homeless Outreach											
Other ADAMH Funds (Identify):											
Incentive Funds											
ADAMH/ODMH Central Pharmacy											
Other (1) Other ADAMH (reconciliation CY07)				140,673							
Other (2)											
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>	181,369	205,127	806	1,922,819	61,716		533,326	195,881	85,194	946,635	408,243

Medicaid - MH	362,445	181,155	3,745	2,608,710	87,867						
Medicaid - AD											
<b>Total Franklin County Medicaid</b>	362,445	181,155	3,745	2,608,710	87,867						
<b>Other Provider Funding</b>											
General Assistance	14,147										
1st/3rd Party Fees	35,850	29,215	785								
Other External Revenue (list):											
(1) FCCS Revenue											
(2) United Way Revenue											
(3) Contracts & Grants	12,750			7,500	5,000		135,942				
(4) Pharmacy Sales											
Other Provider Funding											
<b>Out of County Medicaid</b>	97,154	7,605	140	633,897	2,444						
<b>Total Other Provider Funding</b>	159,901	36,820	925	641,397	7,444		135,942				
<b>GRAND TOTAL REVENUES</b>	705,715	423,102	5,476	5,172,926	157,027		669,268	195,881	85,194	946,635	408,243
<b>TOTAL EXPENSES from UCR-047(S)</b>	704,860	425,044	9,598	5,184,702	164,704	1,186	601,667	197,457	99,203	889,440	514,336
<b>Operating Profit/Loss</b>	-1,145	-1,942	-4,122	-11,776	-7,677	-1,186	67,601	-1,576	-14,009	57,195	-106,093

See accompanying independent auditors' report.

**AGENCY REVENUE (All Services)**

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

pb: stwood 9/11/07

From: July 1, 2006  
 To: June 30, 2007

1. Revenue Source	M2202 MH Residential Care	M3140 MH Other Serv NOX - HC	MH CCOE	M3141 MH OTHER Engagement	M3142 MH OTHER Briggsdale	M3143 MH OTHER	MH OTHER CP	M3145 MH Other Serv FLEX FUNDS	NON ODMH/ODADAS Services	3. TOTAL
<b>ADAMH Non-Medicaid Claims</b>	283,046	228,680		193		127,492				6,160,371
<b>ADAMH Block Grants (Identify by program):</b>										
(1) AD PREVENTION C&A										28,623
(2) MH PREVENTION - ADULT										85,194
(3) MH SMD (CMTY LVG SP)					109,893					195,881
(4) MH SMD (Briggsdale)										109,893
(5) MH Tx SMD (Act)		34,564								202,431
(6) MH FLEX FUND (T3 SMD)								107,236		107,236
(7) AD Adult (T6-TANF)										191,487
(8) MH RFR Criminal Justice									16,447	17,960
(9) Consumer Outcomes Group										16,447
(10) Homeless Outreach									16,447	16,447
<b>Other ADAMH Funds (Identify):</b>		275,876								275,876
Incentive Funds										
ADAMH/ODMH Central Pharmacy							468,033			468,033
Other (1) Other ADAMH (reconciliation CY07)										140,673
Other (2)										
<b>Total Franklin County ADAMH -- Allocation Contract Amount</b>	283,046	539,120		193	109,893	127,492	468,033	107,236	16,447	8,000,105
Medicaid - MH										4,806,165
Medicaid - AD										131,920
<b>Total Franklin County Medicaid</b>										4,938,085
<b>Other Provider Funding</b>										
General Assistance										403,047
1st/3rd Party Fees										146,758
Other External Revenue (list):										
(1) FCCS Revenue										
(2) United Way Revenue		57,500	346,100		71,007					4,278,723
(3) Contracts & Grants									3,585,669	7,303,950
(4) Pharmacy Sales									1,348,130	1,348,130
Other Provider Funding										
<b>Out of County Medicaid</b>										
<b>Total Other Provider Funding</b>		57,500	346,100		71,007				12,237,749	944,514
<b>GRAND TOTAL REVENUES</b>	283,046	596,620	346,100	193	180,900	127,492	468,033	107,236	12,254,196	14,425,122
<b>TOTAL EXPENSES from UCR-047(s)</b>	326,066	622,651	358,160	1,062	159,984	106,298	468,033	107,278	11,161,526	27,363,312
<b>Operating Profit/Loss</b>	-43,020	-26,031	-12,060	-869	20,916	21,194		-42	1,092,670	26,414,194
										949,118

See accompanying independent auditors' report.

**SOUTHEAST, INC. (PARENT ONLY)**

**RECONCILIATION OF REVENUE REPORTED ON  
FIS-052 TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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Total revenues per FIS 052	\$	27,363,312
Add in-kind shelter contributions not included on FIS-052		365,695
Add in-kind special event contributions not included on FIS-052		11,775
Less special event expenses netted against special event revenue for financial statement purposes		<u>(29,715)</u>
Total revenue reported in financial statements (Parent only)	\$	<u><u>27,711,067</u></u>

*See accompanying independent auditors' report.*

**SOUTHEAST, INC. AND AFFILIATE**

**ADAMH KEY PERFORMANCE INDICATORS**

**FOR THE YEAR ENDED JUNE 30, 2007**

**(With comparative totals for the year ended June 30, 2006)**

			<u>2007</u>	<u>2006</u>
1. <u>Current Ratio:</u>				
<u>Current Assets</u>	<u>16,319,817</u>	=	6.87	7.11
Current Liabilities	2,375,426			
2. <u>Debt to Equity Ratio:</u>				
<u>Total Liabilities</u>	<u>3,039,892</u>	=	0.18	0.16
Total Equity	17,015,081			
3. <u>Administrative Costs to Expense:</u>				
<u>Total Administrative Costs</u>	<u>1,554,827</u>	=	0.06	0.05
Total Expenses	27,345,673			
4. <u>Total Revenue to Total Expenses:</u>				
<u>Total Revenue</u>	<u>27,873,377</u>	=	1.02	1.04
Total Expenses	27,345,673			
5. <u>Fund Balance Reserve Ratio:</u>				
<u>Total Fund Balance</u>	<u>17,015,081</u>	=	7.47	8.09
Total Expenses / 12	2,278,806			
6. <u>Percent of ADAMH Funding:</u>				
<u>Total Revenue from ADAMH (including Medicaid)</u>	<u>13,286,546</u>	=	0.48	0.49
Total Revenue	27,873,377			

*See accompanying independent auditors' report.*



SOUTHEAST, INC.

SCHEDULE OF OHIO DEPARTMENT OF DEVELOPMENT GRANTS

JUNE 30, 2007

<u>Division Name, Grant Name</u>	<u>Grant Number</u>	<u>Beginning Balance</u>	<u>2007 Cash Receipts</u>	<u>2007 Expenditures</u>	<u>Ending Balance</u>
Office of Housing & Community Partnerships					
Low and Moderate Income Housing Trust Fund Program	R-04-704-1	\$ 29,578	\$ 18,750	\$ 48,328	\$ -
Homeless Assistance Grant	H-05-704-1	83,401	78,700	162,101	-
Homeless Assistance Grant	H-06-861-1	-	182,150	173,811	8,339
Grand Total		\$ 112,979	\$ 279,600	\$ 384,240	\$ 8,339

See accompanying independent auditors' report.

**SOUTHEAST, INC. (PARENT ONLY)**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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

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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*

The Board of Directors  
Southeast, Inc.

We have audited the financial statements of Southeast, Inc. and Affiliate as of and for the year ended June 30, 2007, and have issued our report thereon dated January 9, 2008. 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.

*Internal Control over Financial Reporting*

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

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

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

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

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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*

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Southeast, Inc. and Affiliate's 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 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 the audit committee, management, Board of Directors, 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.

*SS&G Financial Services, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
Columbus, Ohio  
January 9, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

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The Board of Directors  
Southeast, Inc.

Compliance

We have audited the compliance of Southeast, Inc. (parent only) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Southeast, Inc.'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 Southeast, Inc.'s management. Our responsibility is to express an opinion on Southeast, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southeast Inc.'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 Southeast Inc.'s compliance with those requirements.

In our opinion, Southeast, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133

Internal Control Over Compliance

The management of Southeast, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeast, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on, 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 Southeast Inc.'s internal control over compliance.

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

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

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

This report is intended solely for the information and use of the audit committee, management, Board of Directors, 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.

*SS&G Financial Services, Inc.*

CERTIFIED PUBLIC ACCOUNTANTS  
Columbus, Ohio  
January 9, 2008

**SS&G** Financial Services  
Certified Public Accountants & Advisers

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**SOUTHEAST, INC. (PARENT ONLY)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**I. SUMMARY OF INDEPENDENT AUDITORS' RESULTS:**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:  
 • Material weaknesses identified? \_\_\_ Yes XX No  
 • Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes XX None Reported

Noncompliance material to financial statements noted? \_\_\_ Yes XX No

Federal Awards

Internal control over major programs:  
 • Material weaknesses identified? \_\_\_ Yes XX No  
 • Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_ Yes XX None Reported

Type of auditors' 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 XX No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program (Medicaid; Title XIX)

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

Auditee qualified as low-risk auditee? XX Yes \_\_\_ No

**SOUTHEAST, INC. (PARENT ONLY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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**II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*:**

There were no findings required to be reported in accordance with generally accepted *Government Auditing Standards*.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:**

There were no findings or questioned costs for Federal awards for the year ended June 30, 2007.



**SOUTHEAST, INC. (PARENT ONLY)**  
**AUDITEE'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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No corrective action plan is required as there are no current year audit findings or questioned costs.