

**SOUTHEAST, INC.
AND AFFILIATES
(non profit corporations)**

CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE
YEAR ENDED
JUNE 30, 2008

SOUTHEAST, INC. AND AFFILIATES

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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 Affiliates (the Organizations) (non profit corporations) as of June 30, 2008 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 2007 financial statements and, in our report dated January 9, 2008, 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 Affiliates as of June 30, 2008 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 December 29, 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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services that
bring solutions.*

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Edge Alliance.

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. 20-30) is presented for purposes of additional analysis, in some cases 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
December 29, 2008

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (With summarized comparative financial information for June 30, 2007)

ASSETS	JUNE 30,	
	2008	2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,688,444	\$ 5,078,438
Investments	6,929,323	7,167,135
Accounts receivable	4,166,233	3,858,031
Inventory	174,608	163,104
Other current assets	159,631	53,109
TOTAL CURRENT ASSETS	17,118,239	16,319,817
PROPERTY AND EQUIPMENT, net	4,961,550	3,659,309
ARTWORK	75,847	75,847
TOTAL ASSETS	\$ 22,155,636	\$ 20,054,973

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(With summarized comparative financial information for June 30, 2007)

	JUNE 30,	
	2008	2007
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Notes payable, current portion	\$ 81,831	\$ 39,374
Capital lease obligations, current portion	68,819	43,591
Accounts payable	273,950	160,453
Amounts held in trust	388,769	459,995
Accrued expenses and taxes	2,000,025	1,612,028
Deferred revenue	47,131	59,985
TOTAL CURRENT LIABILITIES	2,860,525	2,375,426
LONG-TERM NOTES PAYABLE, net of current portion	1,715,505	579,445
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	86,162	85,021
TOTAL LIABILITIES	4,662,192	3,039,892
NET ASSETS		
Unrestricted:		
Undesignated	15,108,101	14,664,907
Board designated	2,315,754	2,305,503
Total unrestricted net assets	17,423,855	16,970,410
Temporarily restricted	69,589	44,671
TOTAL NET ASSETS	17,493,444	17,015,081
TOTAL LIABILITIES AND NET ASSETS	\$ 22,155,636	\$ 20,054,973

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

(With summarized comparative financial information for June 30, 2007)

	FOR THE YEARS ENDED			
	JUNE 30,			
	2008	%	2007	%
CHANGES IN UNRESTRICTED NET ASSETS				
OPERATING REVENUES AND SUPPORT:				
ADAMH purchase-of-service	\$ 6,131,259	21.2	\$ 6,160,371	23.1
ADAMH cost reimbursement	2,147,541	7.4	1,839,734	6.9
Medicaid	3,441,077	11.9	2,987,541	11.2
Medicaid match	2,296,980	8.0	2,298,900	8.6
Apothecare pharmacy	8,195,892	28.4	7,303,950	27.4
First and third party fees	311,914	1.1	201,449	0.8
Contracts	4,661,429	16.1	4,278,723	16.1
Medicaid FFP - Out of county	646,397	2.2	571,431	2.1
Medicaid match - Out of county	419,688	1.5	373,083	1.4
Other operating income	165,210	0.6	128,580	0.6
In kind shelter donations	421,800	1.5	365,695	1.4
Reduction of advances from ODMH	41,596	0.1	102,609	0.4
	<u>28,880,783</u>	<u>100.0</u>	<u>26,612,066</u>	<u>100.0</u>
OPERATING EXPENSES:				
Clinical services	12,231,287	42.4	12,255,038	46.1
Housing	2,138,171	7.4	2,112,208	7.9
Vocational	1,168,556	4.0	1,315,422	4.9
Apothecare pharmacy	7,617,692	26.4	6,896,791	25.9
Prevention/education	1,240,007	4.3	687,646	2.6
Homeless shelter programs	2,307,364	8.0	2,239,558	8.4
General and administrative	1,628,400	5.6	1,554,827	5.9
	<u>28,331,477</u>	<u>98.1</u>	<u>27,061,490</u>	<u>101.7</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	<u>\$ 549,306</u>	<u>1.9</u>	<u>\$ (449,424)</u>	<u>(1.7)</u>

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

(With summarized comparative financial information for June 30, 2007)

	FOR THE YEARS ENDED			
	JUNE 30,			
	2008	%	2007	%
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS FROM OPERATIONS	\$ 549,306	1.9	\$ (449,424)	(1.7)
OTHER CHANGES:				
Other income (expense)				
Interest and dividend income	506,436	1.8	356,922	1.3
Unrealized and realized (losses) gains on investments	(607,454)	(2.2)	665,606	2.5
Contributions	92,887	0.3	82,844	0.3
Special events, net	591	-	22,601	0.1
Other income	93,591	0.3	41,698	0.2
Rental income	86,735	0.3	71,642	0.3
Rental expenses	(288,732)	(1.0)	(284,183)	(1.1)
Net assets released from restriction	20,085	0.1	9,872	-
	<u>(95,861)</u>	<u>(0.4)</u>	<u>967,002</u>	<u>3.6</u>
INCREASE IN UNRESTRICTED NET ASSETS	453,445	1.5	517,578	1.9
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:				
Contributions	-	0.0	20,000	0.1
Special events, net	45,003	0.2	-	-
Net assets released from restriction	(20,085)	(0.1)	(9,872)	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>24,918</u>	<u>0.1</u>	<u>10,128</u>	<u>0.1</u>
INCREASE IN NET ASSETS	478,363	1.6	527,706	2.0
NET ASSETS, beginning of year	<u>17,015,081</u>		<u>16,487,375</u>	
NET ASSETS, end of year	<u>\$ 17,493,444</u>		<u>\$ 17,015,081</u>	

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2008

(With summarized comparative financial information for the year ended June 30, 2007)

	Clinical Services	Housing	Vocational	Pharmacy	Prevention/ Education	FOH Shelter Programs	Total Program	General and Administrative	Rental Operations	2008 Total Expenses	2007 Total Expenses
Salaries and benefits	\$ 8,752,735	\$ 1,584,260	\$ 789,998	\$ 529,468	\$ 978,598	\$ 1,260,488	\$ 13,895,547	\$ 1,147,116	\$ -	\$ 15,042,663	\$ 14,225,697
Contract services	404,119	33,836	79,200	4,988	53,608	11,675	587,426	1,314	-	588,740	800,651
Computer expenses	69,487	205	2,452	13,991	1,565	7,540	95,240	21,305	-	116,545	188,188
Operating supplies and expenses	791,643	363,693	215,815	118,253	103,910	141,281	1,734,595	286,209	-	2,020,804	2,205,252
Office expenses	701,461	21,580	6,750	9,884	12,314	86,533	838,522	18,371	-	856,893	740,990
Cost of goods sold - Pharmacy	-	-	-	6,732,516	-	-	6,732,516	-	-	6,732,516	6,110,101
Mileage/transportation	277,290	17,184	28,422	13,675	43,468	9,650	389,689	1,063	-	390,752	308,198
Building & grounds	792,502	62,497	18,842	13,420	20,487	242,333	1,150,081	11,158	175,210	1,336,449	1,335,028
Interest	4,953	-	-	-	-	5,875	10,828	-	-	10,828	14,197
Insurance expense	118,247	28,099	13,125	9,391	17,357	60,239	246,458	104,764	44,073	395,295	387,222
In-kind expenses	-	-	-	-	-	421,800	421,800	-	-	421,800	365,695
Other expenses	49	5,662	878	166,880	4,850	7,196	185,515	9,726	-	195,241	206,725
Subtotal	11,912,486	2,117,016	1,155,482	7,612,466	1,236,157	2,254,610	26,288,217	1,601,026	219,283	28,108,526	26,887,944
Depreciation	318,801	21,155	13,074	5,226	3,850	52,754	414,860	27,374	69,449	511,683	457,729
Totals	\$ 12,231,287	\$ 2,138,171	\$ 1,168,556	\$ 7,617,692	\$ 1,240,007	\$ 2,307,364	\$ 26,703,077	\$ 1,628,400	\$ 288,732	\$ 28,620,209	\$ 27,345,673

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(With summarized comparative financial information for the year ended June 30, 2007)

	FOR THE YEARS ENDED JUNE 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 478,363	\$ 527,706
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	511,683	457,729
Bad debt expense	188,107	193,776
Unrealized and realized loss (gains) on investments, net	607,454	(665,606)
Forgiveness of advance from State of Ohio	(41,596)	(102,609)
(Increase) decrease in:		
Accounts receivable	106,857	279,815
Inventory	(11,504)	9,212
Other current assets	(105,985)	(371)
Increase (decrease) in:		
Accounts payable	52,155	(75,362)
Accrued expenses and taxes	53,957	31,642
Amounts held in trust	(71,226)	(47,730)
Deferred revenue	(12,854)	(92,077)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,755,411	516,125
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment, net	(449,583)	(240,930)
From the acquisition of Friends of the Homeless	-	71,928
From the acquisition of Community Mental Health Services	55,710	-
From the acquisition of Alternative Lifestyles Inc.	24,309	-
Proceeds from sale of investments	361,399	950,045
Purchase of investments	(731,041)	(1,201,523)
NET CASH USED IN INVESTING ACTIVITIES	\$ (739,206)	\$ (420,480)

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF CASH FLOWS

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(With summarized comparative financial information for the year ended June 30, 2007)

	FOR THE YEARS ENDED JUNE 30,	
	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	\$ (6,926)	\$ (1,195)
Line of credit payments	(350,000)	-
Principal payments on capital lease obligations	(49,273)	(33,993)
NET CASH USED IN FINANCING ACTIVITIES	<u>(406,199)</u>	<u>(35,188)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	610,006	60,457
CASH AND CASH EQUIVALENTS, beginning of year	<u>5,078,438</u>	<u>5,017,981</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,688,444</u>	<u>\$ 5,078,438</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:		
Interest	<u>\$ 10,828</u>	<u>\$ 14,197</u>

SUPPLEMENTAL DISCLOSURES OF NON CASH INVESTING AND FINANCING TRANSACTIONS

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

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

See accompanying notes to the financial statements.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies

Organization

Southeast, Inc. and Affiliates (the Organizations) 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 handicapped persons. Services and programming are provided primarily in central and eastern Ohio locations.

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

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

Principles of consolidation

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

Effective July 1, 2006 Southeast acquired Friends of the Homeless, Inc. (FOH) by becoming the sole member of FOH. The acquisition of FOH is also 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). 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 the Southeast, FOH, and ALS corporations. FOH operations are included from July 1, 2006 on. Effective July 1, 2006 Southeast took over contractual operating responsibilities for the homeless shelter programs from FOH. ALS operations are included from June 2, 2008 through June 30, 2008. Intercompany transactions and balances have been eliminated in consolidation. CMHS operations assumed by Southeast are also included from June 2, 2008 on.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies

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 and the Belmont, Harrison, and Monroe Mental Health Services (BHM) Alcohol, Drug Addiction and Mental Health Services Boards (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 these Boards. 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.

Revenues allocated to and passed through Franklin County 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 the Organizations' 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 of \$34,272 for the year ended June 30, 2008.

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

The Organizations maintain a custodial bank account on behalf of clients who are unable to manage their own funds. This custodial liability, which totaled \$379,704 at June 30, 2008, accounts for cash held on behalf of, and owned by, others, and is included in "Amounts held in trust." The remaining balance of \$9,065 represents tenant deposits.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies

Income taxes

The Organizations are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

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 (Note B), accounts receivable (Note C) and cash in bank. The Organizations do from time to time have cash balances at financial institutions in excess of FDIC limits. In October 2008, the FDIC limit was increased from \$100,000 to \$250,000 until December 2009, at which time the limit will revert back to \$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.

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-nine 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

The Organizations capitalize 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.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - Summary of significant accounting policies

Comparative amounts

The amounts shown for 2007 in the accompanying financial statements are included to provide a basis for comparison with 2008 and are not intended to present all information necessary for a fair presentation of the 2007 financial statements in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' audited consolidated financial statements for the year ended June 30, 2007, 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.

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.

Pending accounting pronouncements

In September 2006, the Financial Accounting Standards Board issued SFAS No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Organizations are currently evaluating the impact of implementing SFAS 157 on the financial statements, the adoption of which is not expected to have a material impact on its financial statements.

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, 2008:

Money market	\$ 311,089
Equity mutual funds	3,687,051
Fixed income funds	<u>2,931,183</u>
	\$ <u>6,929,323</u>

The Organizations' investments declined in value approximately \$1,287,000 through November 30, 2008.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - Accounts receivable

Accounts receivable consists of the following at June 30, 2008:

Franklin County ADAMH Board	\$ 2,008,785
BHM Counties ADAMH Board	451,621
Apothecare	726,831
Other grants and contracts	425,870
ODMH Out of County	323,781
Client and third party fees	30,269
ODOD	131,513
HUD	3,072
Employees	20,373
Other	44,118
	<u>\$ 4,166,233</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.

NOTE D - Property and equipment

Property and equipment consists of the following at June 30, 2008:

Land	\$ 237,067
Depreciable assets:	
Buildings and improvements	7,292,141
Vehicles	264,702
Software	463,798
Furniture	64,342
Leased equipment	297,691
Leasehold improvements	74,310
Equipment	<u>712,996</u>
	9,407,047
Less: accumulated depreciation	<u>4,445,497</u>
	<u>\$ 4,961,550</u>

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

Minimum future rentals to be received on non-cancelable operating leases having terms in excess of one year as of June 30, 2008 for the remainder of the lease terms are as follows:

<u>Fiscal Year Ending June 30,</u>	
2009	\$ 77,003
2010	25,463
2011	25,760
2012	<u>10,822</u>
	<u>\$ 139,048</u>

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE D - Property and equipment

Capital leases

The Organizations are the lessees of office equipment under capital leases expiring in 2013. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are 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 consolidated statement of financial position:

Equipment cost	\$ 297,691
Less: accumulated depreciation	<u>159,589</u>
	\$ <u>138,102</u>

Minimum future lease payments under these capital leases as of June 30, 2008 for the next five fiscal years are as follows:

<u>Fiscal Year Ending June 30,</u>	
2009	\$ 78,042
2010	46,030
2011	22,419
2012	17,016
2013	<u>11,344</u>
Total minimum lease payments	174,851
Less: amount representing interest (2.6% to 9.2%)	<u>19,870</u>
Present value of net minimum lease payments	154,981
Less: current portion	<u>68,819</u>
Long-term portion	\$ <u>86,162</u>

NOTE E - Notes payable

Notes payable consisted of the following as of June 30, 2008:

Mortgage note payable to the City of Columbus to be forgiven in ten annual installments of \$11,318 through February 2011 as long as conditions of the agreement are met. The note is interest free and is secured by real estate owned by FOH.	\$ 33,954
Mortgage note payable to the City of Columbus in 360 monthly installments of \$54 through March 2015. The note is interest free and is secured by real estate owned by FOH.	4,441
Mortgage note payable to a commercial bank in 360 monthly installments of \$175 through April 2024. The note bears interest at 7.75% and is secured by real estate owned by FOH.	19,101

SOUTHEAST, INC. AND AFFILIATES

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 owned by FOH.	\$ 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 owned by FOH.	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 owned by FOH.	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 owned by FOH.	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 owned by Southeast.	112,650
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 owned by Southeast.	75,493
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 329 equal monthly amounts through September 2032 as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	162,760
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in 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.	690,259
Mortgage note payable to the Ohio Department of Mental Health to be forgiven in equal monthly amounts through July 2018 as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast.	78,946

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - Notes payable

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. \$ 280,375

Mortgage note payable to the United States Department of Housing and Urban Development in 480 monthly installments of \$1,742 through March 2023. The note bears interest at 9.25% and is secured by real estate owned by ALS. 168,357

Total 1,797,336
Less current portion 81,831
Long-term portion \$1,715,505

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

<u>Fiscal years ending June 30,</u>	
2009	\$ 81,831
2010	82,879
2011	84,024
2012	73,964
2013	75,343
Thereafter	<u>1,399,295</u>
	<u>\$1,797,336</u>

NOTE F - Line of credit

During the year ended June 30, 2008, Southeast entered into a \$2,000,000 line of credit that expires December 31, 2008. The line of credit, which bears a variable rate of interest at LIBOR, is secured by all property of Southeast. At June 30, 2008, there was no outstanding balance on this line of credit.

NOTE G - Commitments

The Organization leases office space under operating leases expiring up through 2012. 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, 2008:

Office space	\$ 227,475
Parking space	<u>284,388</u>
	\$ <u>511,863</u>

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 \$49,317 for the year ended June 30, 2008.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE G - Commitments

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, 2008 for each of the next five years are as follows:

<u>Fiscal Years Ending June 30,</u>	
2009	\$ 262,864
2010	244,749
2011	241,749
2012	180,774
2013	49,900

NOTE H - Retirement plan

The Organization has a 401(k) defined contribution retirement plan for substantially all employees. Retirement plan expenses included in the statement of activities were \$176,077 for the year ended June 30, 2008.

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, 2008.

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 I - 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.

SOUTHEAST, INC. AND AFFILIATES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE I - Net assets

Designated net assets

Activity in designated net assets for the year ending June 30, 2008 is summarized as follows:

	Scholarship Fund	Risk Management Fund	Total Designated Net Assets
Balances, June 30, 2007	\$ 272,330	\$2,033,173	\$2,305,503
2008 Scholarship expenditures	(50,332)	-	(50,332)
2008 Board designation	50,000	-	50,000
2008 Investment income	<u>10,583</u>	<u>-</u>	<u>10,583</u>
Balances, June 30, 2008	<u>\$ 282,581</u>	<u>\$2,033,173</u>	<u>\$2,315,754</u>

Temporarily restricted net assets

Activity in temporarily restricted net assets for the year ending June 30, 2008 is summarized as follows:

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

NOTE J - 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 the Organizations if disposed of unfavorably.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS	JUNE 30, 2008				
	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidating Total
CURRENT ASSETS					
Cash and cash equivalents	\$ 5,665,044	\$ 2,390	\$ 21,010	\$ -	\$ 5,688,444
Investments	6,929,323	-	-	-	6,929,323
Accounts receivable	4,330,933	72,583	8,512	(245,795)	4,166,233
Inventory	174,608	-	-	-	174,608
Other current assets	159,094	-	537	-	159,631
TOTAL CURRENT ASSETS	<u>17,259,002</u>	<u>74,973</u>	<u>30,059</u>	<u>(245,795)</u>	<u>17,118,239</u>
PROPERTY AND EQUIPMENT, net	4,027,730	743,666	325,648	(135,494)	4,961,550
ARTWORK	<u>75,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,847</u>
TOTAL ASSETS	<u>\$ 21,362,579</u>	<u>\$ 818,639</u>	<u>\$ 355,707</u>	<u>\$ (381,289)</u>	<u>\$ 22,155,636</u>

See accompanying independent auditors' report.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

	Southeast, Inc.	Friends of the Homeless	Alternative Lifestyles	Consolidating/ Eliminating	Consolidated Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Notes payable, current portion	\$ 58,482	\$ 12,513	\$ 10,836	\$ -	\$ 81,831
Capital lease obligations, current portion	68,819	-	-	-	68,819
Accounts payable	298,690	208,105	12,950	(245,795)	273,950
Amounts held in trust	387,645	-	1,124	-	388,769
Accrued expenses and taxes	2,000,025	-	-	-	2,000,025
Deferred revenue	47,131	-	-	-	47,131
TOTAL CURRENT LIABILITIES	2,860,792	220,618	24,910	(245,795)	2,860,525
LONG-TERM NOTES PAYABLE, net of current portion	1,071,155	215,983	428,367	-	1,715,505
LONG-TERM CAPITAL LEASE OBLIGATIONS, net of current portion	86,162	-	-	-	86,162
TOTAL LIABILITIES	4,018,109	436,601	453,277	(245,795)	4,662,192
NET ASSETS					
Unrestricted:					
Undesignated	14,959,127	(32,566)	(97,570)	279,110	15,108,101
Board designated	2,315,754	-	-	-	2,315,754
Total unrestricted net assets	17,274,881	(32,566)	(97,570)	279,110	17,423,855
Temporarily restricted	69,589	414,604	-	(414,604)	69,589
TOTAL NET ASSETS	17,344,470	382,038	(97,570)	(135,494)	17,493,444
TOTAL LIABILITIES AND NET ASSETS	\$ 21,362,579	\$ 818,639	\$ 355,707	\$ (381,289)	\$ 22,155,636

See accompanying independent auditors' report.

CONSOLIDATING STATEMENT OF ACTIVITIES

	FOR THE YEAR ENDED JUNE 30, 2008				Consolidated Total
	Friends of the Homeless	Alternative Lifestyles	Consolidating/ Eliminating		
OTHER CHANGES:					
Other income (expense)	\$ 506,436	\$ -	\$ -	\$ -	\$ 506,436
Interest and dividend income	(607,454)	-	-	-	(607,454)
Unrealized and realized loss on investments	18,494	-	74,393	-	92,887
Contributions	591	-	-	-	591
Special events, net	93,591	-	-	-	93,591
Other income	86,735	-	-	-	86,735
Rental income	(288,732)	-	-	-	(288,732)
Rental expenses	20,085	-	-	-	20,085
Net assets released from restriction	(170,254)	-	74,393	-	(95,861)
	393,042	(35,164)	92,553	3,014	453,445
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS:					
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:					
Contributions	-	74,393	(74,393)	-	-
Special events, net	45,003	-	-	-	45,003
Net assets released from restriction	(20,085)	-	-	-	(20,085)
	24,918	74,393	(74,393)	-	24,918
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	417,960	39,229	18,160	478,363	478,363
NET ASSETS, beginning of year	16,926,510	342,809	(254,238)	17,015,081	17,015,081
Net assets, Alternative Lifestyles on acquisition date	-	-	100,584	-	-
NET ASSETS, end of year	\$ 17,344,470	\$ 382,038	\$ (135,494)	\$ 17,493,444	\$ 17,493,444

See accompanying independent auditors' report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<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: Direct: Medical Assistance Program (Medicaid; Title XIX)	93.778	\$ 2,257
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Services Board: Medical Assistance Program (Medicaid; Title XIX)	93.778	3,313,707
Passed through the Ohio Department of Mental Health and MRB of Belmont, Harrison and Monroe Counties: Medical Assistance Program (Medicaid; Title XIX)	93.778	110,466
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	127,370
Passed through various - Out of County Medicaid: Medical Assistance Program (Medicaid; Title XIX)	93.778	<u>535,931</u>
Subtotal Medical Assistance Program		<u>4,089,731</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	291,277
Children's Insurance Program (Medicaid)	93.767	68,617
Passed through the Ohio Department of Health: Ryan White Federal HIV Care	93.917	102,745
Passed through the Ohio Department of Mental Health and the Lorain County Board of Mental Health: Wellness Management and Recovery	93.958	346,100
Passed through the Franklin County Job and Family Services: TANF (Prevention, Retention, Contingency Services)	93.558	414,269
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	32,808

See accompanying independent auditors' report.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
Substance Abuse and Mental Health Services Administration (SAMHSA)		
Rebuilding Lives PACT Team Initiative	93.230	\$ 12,043
Health is Primary	93.243	583,609
Act Outreach	93.243	<u>399,976</u>
Total U.S. Department of Health and Human Services		<u>6,341,175</u>
U.S. Department of Justice:		
Passed through the Franklin County Commissioners:		
Violence Against Women Formula Grant (Stalking Victims Grant)	16.588	<u>29,298</u>
Total U.S. Department of Justice		<u>29,298</u>
U.S. Department of Housing and Urban Development:		
Passed through City of Columbus Department of Development:		
Home Investment Partnership Program	14.239	225,640
Direct: Supportive Housing Program	14.235	260,680
Passed through the Ohio Department of Development		
Homeless Assistance Grant Program:		
Emergency Shelter Grants Program	14.231	<u>291,187</u>
Total U.S. Department of Housing and Urban Development		<u>777,507</u>
Total Expenditures of Federal Awards		<u>\$ 7,147,980</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 \$1,180,025 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. Southeast's controlled affiliate, Alternative Lifestyles, Inc., is subject to a separate audit performed in accordance with OMB Circular A-133 which is submitted to the U.S. Department of Housing and Urban Development.

Reporting Period: From: July 1, 2007 To: June 30, 2008

AGENCY REVENUE (All Services) Budget Actual
 Executive Director: BILL LEE
 Agency Phone #: 614-225-0980
 Agency Name: SOUTHEAST, INC
 Agency UPI#: 06723
 Address: 16 W. LONG ST., COL., OH 43215

1. Revenue Source	H0001 AD Assessment	H0006 AD Case Mgt.	H0007 AD Crisis Intervention	H0005 AD Grp Counseling	H0004 AD Ind Counseling	T1006 AD Family Counts	H0016 AD Medical Somatic	A0620 AD Education	H0047 AD TANF	90862 MH Pharm. Mgt.	H0031 MH Mental Health Assessment	90801 MH Psychiatric Disg. Interview
ADAMH Non-Medicaid Claims	61,072	61,112	129	171,723	16,318		1,287			1,004,867	209,487	32,295
ADAMH Block Grants (Identify by program):								33,792				
(1) AD PREVENTION C&A												
(2) MH PREVENTION - ADULT												
(3) MH SMD (CMYTY LVG SP)				2,340						56,340	3,000	500
(4) MH SMD (Briggsdale)									166,294			
(5) MH Tx SMD (Act)				1,950						83,560	90	5,544
(6) MH FLEX FUND (T3 SMD)												
(7) AD Adult (T6-TANF)		3,520										
(8) MH RFR Criminal Justice	950											
(9) Consumer Outcomes Group												
(10) Homeless Outreach												
Other ADAMH Funds (Identify):												
Incentive Funds												
ADAMH/ODMH Central Pharmacy										41,232	454	380
Other (1) Other ADAMH (reconciliation C107)												
Other (2) Belmont MHRB												
Total Franklin County ADAMH --	62,022	64,632	129	176,013	16,318		1,287	33,792	166,294	1,185,999	213,031	38,719
Allocation Contract Amount												
Medicaid - MH										1,365,297	186,469	39,756
Medicaid - AD	22,967	83,971	64	76,034	24,330		1,675			1,365,297	186,469	39,756
Total Franklin County Medicaid	22,967	83,971	64	76,034	24,330		1,675					
Other Provider Funding										45,311	11,550	19,580
General Assistance										38,560		1,790
1st/3rd Party Fees	2,250	10,590		15,980	9,675							
Other External Revenue (list):												
(1) FCCS Revenue												
(2) United Way Revenue												
(3) Contracts & Grants												
(4) Pharmacy Sales												
Other Provider Funding										182,148	23,173	7,522
Out of County Medicaid	173	10,590		258	9,675					265,019	34,723	28,892
Total Other Provider Funding	2,423	10,590		16,238	9,675							
GRAND TOTAL REVENUES	87,412	159,193	193	268,285	50,323		2,962	33,792	166,294	2,817,315	434,223	107,367
TOTAL EXPENSES from UCR-047(s)	89,912	159,708	265	268,341	50,305		3,050	43,538	190,952	2,838,598	427,877	103,661
Operating Profit/Loss	-2,500	-515	-72	-56	18		-88	-9,746	-24,658	-21,283	6,346	3,706

See accompanying independent auditors' report.

AGENCY REVENUE (All Services) FCADAMH-FIS-052AS

Agency Name: SOUTHEAST, INC Reporting Period: July 1, 2007
 Agency UPI#: 06723 From: June 30, 2008
 Address: 16 W. LONG ST. COL, OH 43215 To:

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)	M4120 MH Consultation	M1620 MH Employment	M1621 MH Employment CLS	M4140/41 MH Education	M2240 MH Community Residence	M2200 MH Residential Care	M2201 MH Residential Care
ADAMH Non-Medicaid Claims	207,671	204,117	1,019		1,573,242	73,601		588,644				966,806	504,238
ADAMH Block Grants (Identify by program):													
(1) AD PREVENTION C&A										49,896			
(2) MH PREVENTION - ADULT									171,302				
(3) MH SMD (CMTY LVG SP)								6,420					
(4) MH SMD (Bnggsdale)	1,080				176,048	1,977							
(5) MH Tx SMD (Act)													
(6) MH FLEX FUND (T3 SMD)													
(7) AD Adult (T6-TANF)	17,750	44,423			115,590	22,750		20,000					
(8) MH RFR Criminal Justice													
(9) Consumer Outcomes Group													
(10) Homeless Outreach													
Other ADAMH Funds (Identify):													
Incentive Funds													
ADAMH/ODMH Central Pharmacy													
Other (1) Other ADAMH (reconciliation CV07)	3,813		6,157	10,906	43,096						29,192		
Other (2) Belmont MHRB	230,314	248,540	7,176	10,906	1,927,258	98,328		615,064	171,302	49,896	29,192	966,806	504,238
Total Franklin County ADAMH -- Allocation Contract Amount	424,773	186,215	1,770	1,770	3,024,471	222,806		222,806					
Medicaid - MH	424,773	186,215	1,770	1,770	3,024,471	222,806		222,806					
Medicaid - AD													
Total Franklin County Medicaid	424,773	186,215	1,770	1,770	3,024,471	222,806		222,806					
Other Provider Funding													
General Assistance	28,615	14,890	1,175		8,550							53,791	7,838
1st/3rd Party Fees	30,780			6,000									
Other External Revenue (list):													
(1) FCCS Revenue													
(2) United Way Revenue													
(3) Contracts & Grants													
(4) Pharmacy Sales													
Other Provider Funding	147,393	605	140	68,331	633,897	2,444						53,791	7,838
<i>Out of County Medicaid</i>	206,788	15,495	1,315	74,331	643,447	2,444							
Total Other Provider Funding	206,788	15,495	1,315	74,331	643,447	2,444		2,444					
GRAND TOTAL REVENUES	861,875	450,250	10,261	85,237	5,594,176	323,578		615,064	171,302	49,896	29,192	1,020,597	512,076
TOTAL EXPENSES from UCR-047(s)	864,545	450,965	9,523	76,805	5,595,453	323,161		628,105	219,742	73,155	29,255	865,510	533,854
Operating Profit/Loss	-2,670	-715	738	8,432	-1,277	417		-3,712	-48,440	-23,259	-63	155,287	-21,778

See accompanying independent auditors' report.

AGENCY REVENUE (All Services)

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

From: July 1, 2007
 To: June 30, 2008

1. Revenue Source	M2202 MH Residential Care	M2203 MH Residential Care	M3140 MH Other Serv NON HC	MH CCOE	M3141 MH OTHER Engagement	M3142 MH OTHER Briggsdale	M3143 MH OTHER	MH OTHER CP	M3145 MH Other Serv FLEX FUNDS	NON ODMH/ODADAS Services	3. TOTAL
ADAMH Non-Medicaid Claims	242,771				3,116		70,001				5,993,516
ADAMH Block Grants (Identify by program):											
(1) AD PREVENTION C&A											33,792
(2) MH PREVENTION - ADULT											49,896
(3) MH SMD (CMTY LVG SP)						137,196					171,302
(4) MH SMD (Briggsdale)											137,196
(5) MH TX SMD (Act)									72,206		247,705
(6) MH FLEX FUND (T3 SMD)											72,206
(7) AD Adult (T6-TANF)											166,294
(8) MH RFR Criminal Justice											316,127
(9) Consumer Outcomes Group											166,294
(10) Homeless Outreach											316,127
Other ADAMH Funds (Identify):											
Incentive Funds											555,232
ADAMH/ODMH - Central Pharmacy											555,232
Other (1) Other ADAMH (reconciliation C107)		26,406						458,315			458,315
Other (2) Belmont MHRB											458,315
Total Franklin County ADAMH --	242,771	26,406	555,232		3,116	137,196	70,001	458,315	72,206		8,416,075
Allocation Contract Amount											
Medicaid - MH											5,451,557
Medicaid - AD											209,041
Total Franklin County Medicaid											5,660,598
Other Provider Funding											
General Assistance											129,671
1st/3rd Party Fees	19,333	3,685								59,430	259,702
Other External Revenue (list):											
(1) FCCS Revenue											4,178,134
(2) United Way Revenue				346,100							8,195,892
(3) Contracts & Grants											846,316
(4) Pharmacy Sales											846,316
Other Provider Funding											1,066,084
Out of County Medicaid											
Total Other Provider Funding	19,333	3,685		346,100	3,116	137,196	70,001	458,315	72,206	13,313,348	29,099,572
GRAND TOTAL REVENUES	262,104	30,091	555,232	346,100	3,116	137,196	70,001	458,315	72,206	12,172,732	28,097,136
TOTAL EXPENSES from UCR-047(s)	329,227	27,511	605,981	374,247	9,397	110,037	76,155	458,315	78,742	1,140,616	1,006,436
Operating Profit/Loss	-67,123	2,580	-50,749	-28,147	-6,281	27,159	-6,154		-6,536		

See accompanying independent auditors' report.

ADAMH KEY PERFORMANCE INDICATORS

FOR THE YEAR ENDED JUNE 30, 2008

(With comparative totals for the year ended June 30, 2007)

			<u>2008</u>	<u>2007</u>
1. <u>Current Ratio:</u>				
<u>Current Assets</u>	<u>17,118,239</u>	=	5.98	6.87
Current Liabilities	2,860,525			
2. <u>Debt to Equity Ratio:</u>				
<u>Total Liabilities</u>	<u>4,662,192</u>	=	0.27	0.18
Total Equity	17,493,444			
3. <u>Administrative Costs to Expense:</u>				
<u>Total Administrative Costs</u>	<u>1,628,400</u>	=	0.06	0.06
Total Expenses	28,620,209			
4. <u>Total Revenue to Total Expenses:</u>				
<u>Total Revenue</u>	<u>29,098,572</u>	=	1.02	1.02
Total Expenses	28,620,209			
5. <u>Fund Balance Reserve Ratio:</u>				
<u>Total Fund Balance</u>	<u>17,493,444</u>	=	7.33	7.47
Total Expenses / 12	2,385,017			
6. <u>Percent of ADAMH Funding:</u>				
<u>Total Revenue from Franklin County ADAMH (including Medicaid)</u>	<u>14,016,857</u>	=	0.48	0.48
Total Revenue	29,098,572			

See accompanying independent auditors' report.

SCHEDULE OF OHIO DEPARTMENT OF DEVELOPMENT GRANTS

JUNE 30, 2008

<u>Division Name, Grant Name</u>	<u>Grant Number</u>	<u>Beginning Balance</u>	<u>2008 Cash Receipts</u>	<u>2008 Expenditures</u>	<u>Ending Receivable Balance</u>
Office of Housing & Community Partnerships					
New Horizons Grant	N-D-07-861-1	\$ -	\$ -	\$ 4,100	\$ 4,100
Homeless Assistance Grant	N-H-06-861-1	<u>(8,339)</u>	<u>151,335</u>	<u>287,087</u>	<u>127,413</u>
Grand Total		\$ (8,339)	\$ 151,335	\$ 291,187	\$ 131,513

See accompanying independent auditors' report.

SOUTHEAST, INC. (PARENT ONLY)

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2008

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. and Affiliates

We have audited the financial statements of Southeast, Inc. and Affiliates as of and for the year ended June 30, 2008, and have issued our report thereon dated December 29, 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 Affiliates' 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. and Affiliates' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Inc. and Affiliates' internal control over financial reporting.

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

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

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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 Affiliates' 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
December 29, 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, 2008. 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, 2008.

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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
December 29, 2008

SOUTHEAST, INC. (PARENT ONLY)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

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)
93.558	Temporary Assistance for Needy Families (TANF)

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, 2008

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, 2008.

SOUTHEAST, INC. (PARENT ONLY)
AUDITEE'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2008

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