Consolidated Financial Statements

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

Southeast, Inc. and Affiliates

June 30, 2014 and 2013

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GBQ Partners

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

Independent Auditor's Report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Southeast, Inc. and Affiliates, which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southeast, Inc. and Affiliates as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements of Southeast, Inc. and Affiliates. The supplementary information includes consolidating statements of financial position and activities and changes in net assets as of and for the year ended June 30, 2014. A portion of the supplementary information also includes the accompanying schedule of expenditures of federal awards and is presented for purposes of additional analysis as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Additionally, there is certain supplementary information required by the Franklin County Board of Alcohol, Drug Addiction and Mental Health Services, as well as for the Ohio Development Services Agency, that is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, on our consideration of Southeast, Inc. and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast, Inc. and Affiliates' internal control over financial reporting and compliance.

GBQ Partners LLC

Columbus, Ohio
December 30, 2014

SOUTHEAST, INC. AND AFFILIATES
Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	$ 5,523,706	$ 6,533,953
Investments	10,057,096	8,909,927
Accounts receivable, net of allowance for doubtful accounts	2,923,915	3,309,755
Inventory	279,644	239,947
Other current assets	56,687	62,633
Total current assets	18,841,048	19,056,215
Property and Equipment, net	3,641,156	3,934,031
TOTAL ASSETS	$ 22,482,204	$ 22,990,246
LIABILITIES AND NET ASSETS		
Current Liabilities		
Long-term obligations, current maturities	$ 156,559	$ 162,469
Accounts payable	505,483	196,377
Amounts held in trust	413,531	405,611
Accrued payroll and related liabilities	1,645,111	1,599,574
Deferred revenue	285,200	-
Total current liabilities	3,005,884	2,364,031
Long-Term Obligations, net of current portion	1,239,297	1,332,910
Total liabilities	4,245,181	3,696,941
Net Assets		
Unrestricted:		
Undesignated	16,297,111	17,353,054
Board designated	1,828,461	1,805,071
Total unrestricted net assets	18,125,572	19,158,125
Temporarily restricted	111,451	135,180
Total net assets	18,237,023	19,293,305
TOTAL LIABILITIES AND NET ASSETS	$ 22,482,204	$ 22,990,246

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

SOUTHEAST, INC. AND AFFILIATES
Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2014 and 2013

	2014	2013
Changes in Unrestricted Net Assets		
Operating revenues and support:		
ADAMH purchase-of-service	$ 4,545,332	$ 4,706,947
ADAMH cost reimbursement	2,973,744	2,927,534
Medicaid - Franklin County	5,005,971	4,915,138
Medicaid match - Franklin County	2,880,703	2,809,818
Apothecare pharmacy	7,563,476	6,854,235
First and third party fees	268,581	251,349
Contracts	3,965,492	4,119,572
Medicaid - out of county	553,312	566,846
Medicaid match - out of county	324,682	324,701
Other operating income	474,650	656,738
Gain on sale of property and equipment	106,373	2,000
In-kind donations	439,830	443,069
Forgiveness of advances from ODMH	50,631	50,631
Release of restrictions	68,545	43,716
	29,221,322	28,672,294
Operating expenses:		
Clinical services	17,059,667	15,451,568
Housing	2,057,746	2,094,385
Vocational	528,447	559,916
Apothecare pharmacy	6,877,668	5,977,572
Prevention education	286,632	470,946
Homeless shelter programs	1,835,921	1,868,804
General and administrative	2,491,907	2,363,669
	31,137,988	28,786,860
Decrease in unrestricted net assets from operations	(1,916,666)	(114,566)
Other income (expense):		
Interest and dividend income	265,768	276,318
Unrealized and realized gains on investments	858,467	475,011
Contributions	52,999	48,668
Rental income	58,347	76,316
Rental expenses	(352,198)	(262,812)
	883,383	613,501
(Decrease) Increase in Unrestricted Net Assets	(1,033,283)	498,935
Changes in Temporarily Restricted Net Assets:		
Special events, net	44,816	32,265
Contributions	730	32,750
Release of restrictions	(68,545)	(43,716)
(Decrease) Increase in Temporarily Restricted Net Assets	(22,999)	21,299
(Decrease) Increase in Net Assets	(1,056,282)	520,234
Net Assets, Beginning of Year	19,293,305	18,773,071
Net Assets, End of Year	$ 18,237,023	$ 19,293,305

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

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SOUTHEAST, INC. AND AFFILIATES
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2014

	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs
Salaries and benefits	$ 12,492,092	$ 857,428	$ 360,328	$ 512,018	$ 227,081	$ 967,208
Contract services	693,409	204,500	-	5,144	34,492	-
Computer expenses	231,035	23,327	-	5,176	-	682
Operating supplies and expenses	536,233	724,387	78,091	63,499	10,971	227,577
Office expenses	852,578	59,542	14,525	19,800	-	13,219
Cost of goods sold - pharmacy	-	-	-	6,260,957	-	-
Mileage / transportation	427,063	24,046	15,257	-	14,088	33,056
Building and grounds	1,097,130	87,879	32,893	3,823	-	133,099
Interest	6,175	34,741	-	-	-	1,156
Insurance expense	155,834	8,530	21,954	-	-	43,000
In-kind expenses	103,330	-	-	-	-	336,500
	16,594,879	2,024,380	523,048	6,870,417	286,632	1,755,497
Depreciation and amortization	464,788	33,366	5,399	7,251	-	80,424
Total	$ 17,059,667	$ 2,057,746	$ 528,447	$ 6,877,668	$ 286,632	$ 1,835,921

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

	Total Program	General and Administrative	Total Operating Expenses	Rental Operations	Total Expenses
Salaries and benefits	$ 15,416,155	$ 1,614,883	$ 17,031,038	$ -	$ 17,031,038
Contract services	937,545	408,999	1,346,544	-	1,346,544
Computer expenses	260,220	23,693	283,913	-	283,913
Operating supplies and expenses	1,640,758	154,449	1,795,207	-	1,795,207
Office expenses	959,664	56,257	1,015,921	-	1,015,921
Cost of goods sold - pharmacy	6,260,957	-	6,260,957	-	6,260,957
Mileage / transportation	513,510	24,839	538,349	-	538,349
Building and grounds	1,354,824	887	1,355,711	268,341	1,624,052
Interest	42,072	-	42,072	-	42,072
Insurance expense	229,318	206,391	435,709	25,408	461,117
In-kind expenses	439,830	-	439,830	-	439,830
	28,054,853	2,490,398	30,545,251	293,749	30,839,000
Depreciation and amortization	591,228	1,509	592,737	58,449	651,186
Total	$ 28,646,081	$ 2,491,907	$ 31,137,988	$ 352,198	$ 31,490,186

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

SOUTHEAST, INC. AND AFFILIATES
Consolidated Statements of Functional Expenses
For the Year Ended June 30, 2013

	Clinical Services	Housing	Vocational	Apothecare Pharmacy	Prevention Education	Homeless Shelter Programs
Salaries and benefits	$ 11,072,000	$ 1,181,405	$ 362,650	$ 490,831	$ 315,318	$ 1,067,177
Contract services	358,491	539,105	26,212	5,797	85,754	7,135
Computer expenses	122,281	19,519	5,992	8,109	5,210	17,632
Operating supplies and expenses	1,077,680	81,732	75,278	60,991	22,757	110,865
Office expenses	683,513	55,786	23,139	31,318	8,119	68,092
Cost of goods sold - pharmacy	-	-	-	5,279,798	-	-
Mileage / transportation	417,383	44,535	13,671	18,503	11,887	24,368
Building and grounds	955,961	102,003	31,311	42,378	7,225	112,140
Interest	35,116	2,207	760	1,557	501	3,385
Insurance expense	154,393	22,359	6,864	9,289	1,968	20,197
In-kind expenses	106,568	-	-	-	-	336,501
	14,983,386	2,048,651	545,877	5,948,571	458,739	1,767,492
Depreciation and amortization	468,182	45,734	14,039	29,001	12,207	101,312
Total	$ 15,451,568	$ 2,094,385	$ 559,916	$ 5,977,572	$ 470,946	$ 1,868,804

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

	Total Program	General and Administrative	Total Operating Expenses	Rental Operations	Total Expenses
Salaries and benefits	$ 14,489,381	$ 1,703,536	$ 16,192,917	$ -	$ 16,192,917
Contract services	1,022,494	176,905	1,199,399	-	1,199,399
Computer expenses	178,743	15,375	194,118	-	194,118
Operating supplies and expenses	1,429,303	108,644	1,537,947	-	1,537,947
Office expenses	869,967	62,000	931,967	-	931,967
Cost of goods sold - pharmacy	5,279,798	-	5,279,798	-	5,279,798
Mileage / transportation	530,347	25,724	556,071	-	556,071
Building and grounds	1,251,018	78,743	1,329,761	193,546	1,523,307
Interest	43,526	2,952	46,478	-	46,478
Insurance expense	215,070	188,281	403,351	21,753	425,104
In-kind expenses	443,069	-	443,069	-	443,069
	25,752,716	2,362,160	28,114,876	215,299	28,330,175
Depreciation and amortization	670,475	1,509	671,984	47,513	719,497
Total	$ 26,423,191	$ 2,363,669	$ 28,786,860	$ 262,812	$ 29,049,672

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

SOUTHEAST, INC. AND AFFILIATES
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
(Decrease) increase in net assets	$(1,056,282)	$ 520,234
Adjustments to reconcile (decrease) increase in net assets to net cash and cash equivalents (used in) provided by operating activities:		
Depreciation and amortization	651,186	719,497
Unrealized and realized gains on investments	(858,467)	(475,011)
Gain on disposal of property and equipment	(106,373)	(2,000)
Forgiveness of advances from ODMH	(50,631)	(50,631)
Decrease (increase) in operating assets:		
Accounts receivable	385,840	295,312
Inventory	(39,697)	(6,831)
Other current assets	5,946	21,279
(Decrease) increase in operating liabilities:		
Accounts payable	309,106	(76,101)
Amounts held in trust	7,920	(74,738)
Accrued payroll and related liabilities	45,537	50,918
Deferred revenue	285,200	-
Total adjustments	635,567	401,694
Net cash and cash equivalents (used in) provided by operating activities	(420,715)	921,928
Cash Flows from Investing Activities:		
Proceeds from sale of investments	26,713	-
Proceeds from sale of property and equipment	124,461	2,000
Purchases of investments	(315,415)	(301,058)
Purchases of property and equipment	(376,399)	(181,428)
Net cash and cash equivalents used in investing activities	(540,640)	(480,486)
Cash Flows from Financing Activities:		
Principal payments on notes payable	(18,701)	(17,126)
Principal payments on capital leases obligations	(30,191)	(27,361)
Net cash and cash equivalents used in financing activities	(48,892)	(44,487)
Net (Decrease) Increase in Cash and Cash Equivalents	(1,010,247)	396,955
Cash and Cash Equivalents - Beginning of Year	6,533,953	6,136,998
Cash and Cash Equivalents - End of Year	$ 5,523,706	$ 6,533,953

Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 42,072	$ 46,478

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

Nature and Scope of Activities

Southeast, Inc. and Affiliates (the Organization) are non-profit Ohio corporations organized to develop and administer a comprehensive mental health and behavioral healthcare recovery service system, to provide services to homeless persons throughout Ohio and to provide housing to lower-income, mentally disabled individuals. Services and programming are provided primarily in Central and Eastern Ohio locations. Affiliates include Alternative Lifestyles, Inc. (ALS), which owns two facilities and provides housing for the low-income community, and Friends of the Homeless, Inc. (FOH), which operates emergency shelter and other residential facilities.

In fiscal year 2014, Southeast, Inc. (Southeast) renewed their accreditations with the Ohio Mental Health and Addiction Services Board; that now expire at various dates during fiscal year 2016. The accreditations are one way Southeast shows its commitment to the quality improvement of its services to the community.

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

Summary of Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Consolidated Financial Statement Presentation

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

- Unrestricted Net Assets – Unrestricted net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are available for use in the Organization’s ongoing operations.

Summary of Significant Accounting Policies (continued)

Consolidated Financial Statement Presentation (continued)

- Temporarily Restricted Net Assets – Temporarily restricted net assets are limited as to use by donor-imposed restrictions that either expire by passage of time, the receipt of funds or can be fulfilled and removed by action of the Organization pursuant to those restrictions.

- Permanently Restricted Net Assets – Permanently restricted net assets are limited as to use by donor-imposed restrictions that generally allow only the use of investment earnings for unrestricted or restricted purposes. The principal is generally not available for use. As of June 30, 2014 and 2013, there were no permanently restricted net assets.

Cash and Cash Equivalents

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

Investments

Investments are classified as available-for-sale and carried at their fair values. Management determines the appropriate classification of investments at the time of purchase as available-for-sale, held-to-maturity or trading. An investment is classified as available-for-sale if management does not intend to hold the investment until maturity and the investment was not purchased for the purpose of selling it in the near term. No classification changes occurred during 2014 or 2013.

Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities and changes in net assets.

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

Summary of Significant Accounting Policies (continued)

Accounts Receivable and Revenues

Exchange Transactions

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

The Organization is in contracts with the Franklin County and the Belmont, Harrison, and Monroe Counties (BHM) Alcohol, Drug Addiction and Mental Health Services Boards (ADAMH), whereby it receives funds based on billable units of mental health, alcohol and substance abuse counseling and other related services and programs provided. The Organization also receives various block grants that are passed through these Boards. The Organization receives Medicaid funds from the Ohio Department of Job and Family Services (ODJFS) and the Ohio Department of Mental Health (ODMH). The Organization also receives grant funding from the Ohio Development Services Agency (ODSA) used in providing services to homeless persons. Billing or requests for reimbursement are submitted generally on a monthly-basis subsequent to the month in which service was provided. Delayed collection of accounts receivable from such agencies are considered past due; however, no interest can be charged to the agencies.

Contributions

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

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

Summary of Significant Accounting Policies (continued)

Accounts Receivable and Revenues (continued)

Allowance for Doubtful Accounts

Management determines an allowance for doubtful accounts based on historical activity with funding sources, consumers and donors, as well as current economic conditions. On a continuing basis, management analyzes delinquent receivables and once these receivables are determined to not be collectible, they are written-off.

GAAP requires healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered, even though they do not assess the patient's ability to pay, to present the provision for bad debts related to those revenues as a deduction from patient service revenue (net of contractual allowances and discounts), as opposed to an operating expense.

Commencing in fiscal year 2014, one of the Organization's payors required the Organization to present accounts receivable for services rendered at standard billed rates, reduced by an allowance for uncollectible amounts for the portion not covered by the payor's standard reimbursement rates. In fiscal year 2013, the Organization netted accounts receivable with management's allowance for amounts determined unlikely to be collected under the payor's standard reimbursement rates.

Charity Care

Management does not provide charity care from the standpoint of not expecting any payment for services provided.

Inventory

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

Property and Equipment

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

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

Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

Buildings and improvements	15 – 39 years
Equipment	3 – 5 years
Furniture	5 – 7 years
Software	3 years
Vehicles	5 years
Leased office equipment	3 – 5 years
Leasehold improvements	3 years

Impairment of Assets

The carrying value of long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate the amount of the assets may not be recoverable. When an indication of impairment is present and the undiscounted cash flows estimated to be generated by the related assets are less than the assets' carrying amount, an impairment loss will be recorded based on the difference between the carrying amount of the assets and their estimated fair value. Management determined that no impairment existed at June 30, 2014 or 2013.

Amounts Held in Trust

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

Donated Services

Donated services are recognized as contributions only if the services create or enhance non-financial assets or require specialized skills, are performed by people with those skills and would otherwise be purchased. For the years ended June 30, 2014 and 2013, there were no donated services identified that met this criteria. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist with the homeless shelter program fundraising events and other initiatives.

Donated Materials

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

Summary of Significant Accounting Policies (continued)

Functional Expenses Allocation

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

Income Taxes

Each of the corporations is a separate tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management represents that the Organization had no unrelated business income during the years ended June 30, 2014 and 2013. Accordingly, no provisions for federal, state or local taxes are included in the consolidated financial statements.

The Organization performs an annual assessment for any uncertainty in income tax positions, which includes an analysis of whether there are any tax positions the Organization takes with regard to unrelated business income, related deductions applied, or other activities that may jeopardize their tax exempt status and thus would meet the definition of an uncertain tax position. As of June 30, 2014, tax filing periods for the years ended 2010 and prior are closed. No tax liability accrual was recorded relating to material uncertain positions taken as management believes there are none.

Fair Value Measurements

GAAP established a fair value hierarchy that prioritizes the inputs to measure the fair value of the assets or liabilities being measured. Fair value is defined as the exchange value that would be received on the measurement date to sell an asset or to value the amount paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are unadjusted quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Level 1 inputs provide the most reliable measure of fair value as of the measurement date.
- Level 2 inputs are based on significant observable inputs, including unadjusted quoted market prices for similar assets and liabilities in active markets, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 are significant unobservable inputs for the asset or liability.

The level of the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncement

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, was released in May 2014 and is effective prospectively for fiscal years beginning after December 15, 2017. Early adoption is permitted when meeting certain criteria. The standard addresses revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Management is in the process of assessing the implementation of this standard.

Reclassifications

Certain amounts for 2013 have been reclassified to conform to the current year presentation.

Cash and Cash Equivalents

Cash and cash equivalents are held in 21 accounts with 3 different financial institutions. Balances in these accounts may periodically exceed federally insured limits.

Investments

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

Money Market Funds:	Valued at the net asset value of shares held by the Organization at year-end.
Mutual Funds:	Valued at the net asset value of shares held by the Organization at year-end.
Fixed Income Funds:	Includes asset backed securities and corporate bonds valued on the basis of evaluated prices provided by independent pricing services when such prices are believed to reflect the fair market value of such securities. Such prices may be determined by taking into account benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2014:

	Level 1	Level 2	Level 3	Total
Money Market Funds	**$ 398,854**	**$ -**	**$ -**	**$ 398,854**
Mutual Funds:				
Growth funds	**1,035,234**	**-**	**-**	**1,035,234**
Blend funds	**757,262**	**-**	**-**	**757,262**
Value funds	**744,474**	**-**	**-**	**744,474**
Bond funds	**1,874,260**	**-**	**-**	**1,874,260**
Allocation funds	**2,330,704**	**-**	**-**	**2,330,704**
Stock funds	**379,969**	**-**	**-**	**379,969**
Emerging markets funds	**32,323**	**-**	**-**	**32,323**
Fixed Income Funds:				
Asset backed securities	**-**	**2,409,385**	**-**	**2,409,385**
Total assets at fair value	**$ 7,553,080**	**$ 2,409,385**	**$ -**	**$ 9,962,465**

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Money Market Funds	$ 597,206	$ -	$ -	$ 597,206
Mutual Funds:				
Growth funds	808,520	-	-	808,520
Blend funds	616,353	-	-	616,353
Value funds	608,001	-	-	608,001
Bond funds	1,743,232	-	-	1,743,232
Allocation funds	1,984,650	-	-	1,984,650
Stock funds	307,835	-	-	307,835
Emerging markets funds	27,412	-	-	27,412
Fixed Income Funds:				
Asset backed securities	-	2,022,270	-	2,022,270
Corporate bond	-	101,988	-	101,988
Total assets at fair value	$ 6,693,209	$ 2,124,258	$ -	$ 8,817,467

Accumulated unrealized gains on investments were approximately $1,354,000 and $563,000 as of June 30, 2014 and 2013, respectively.

Investments (continued)

Money market funds are not federally insured. Certificates of deposit are federally-insured up to $250,000 per certificate of deposit. Amounts in certificates of deposits did not exceed federally insured limits as of June 30, 2014.

Accounts Receivable

Accounts receivable consisted of the following at June 30:

	2014	2013
Franklin County ADAMH Board	**$ 615,921**	$ 1,208,643
BHM Counties ADAMH Board	**195,766**	179,857
Pharmacy – multiple sources	**518,408**	367,183
Other grants and contracts	**359,306**	245,079
ODMH out of county	**1,181,901**	915,196
ODSA	**138,991**	194,058
U.S. Department of Housing and Urban Development	**72,756**	66,291
Employees	**19,603**	18,130
Other	**34,696**	115,318
	3,137,348	3,309,755
Less: allowance for uncollectible accounts	**(213,433)**	-
Total	**$ 2,923,915**	$ 3,309,755

Property and Equipment

Property and equipment consists of the following at June 30:

	2014	2013
Land	**$ 192,178**	$ 192,178
Buildings and improvements	**7,912,227**	7,741,350
Equipment	**1,137,826**	1,098,160
Furniture	**176,167**	176,167
Software	**986,718**	976,680
Vehicles	**457,566**	453,459
Leased office equipment	**323,190**	323,190
Leasehold improvements	**174,753**	174,753
Artwork	**75,847**	75,847
	11,436,472	11,211,784
Less: accumulated depreciation and amortization	**(7,795,316)**	(7,277,753)
Total	**$ 3,641,156**	$ 3,934,031

Notes Payable – Line of Credit

The Organization has a revolving line of credit agreement with a bank that provides for borrowings of up to $2,000,000. The borrowing limit was raised to $3,000,000 when the agreement was renewed on April 17, 2014. Interest is charged on any outstanding balance at the one-month LIBOR (0.16% and 0.19% as of June 30, 2014 and 2013, respectively) plus 2.25%. The line of credit is secured by all assets of the Organization. The line of credit agreement matures on April 8, 2015. There was no amount outstanding as of June 30, 2014 and 2013.

Long-Term Obligations

Notes payable consisted of the following as of June 30:

	2014	2013
Mortgage note payable to the City of Columbus in 360 monthly installments of $54 through March 2015. The note is interest free and is secured by real estate owned by FOH.	**$ 541**	$ 1,191
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.	**14,401**	15,342
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	**10,000**	10,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	**15,000**	15,000
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH.	**10,000**	10,000

Long-Term Obligations (continued)

	2014	2013
Mortgage note to the City of Columbus payable when underlying real estate is sold or transferred or when FOH stops operating as a homeless facility. The note is interest free and is secured by real estate owned by FOH with a net book value of approximately $312,000 at June 30, 2014.	**136,000**	136,000
Mortgage note payable to the ODMH to be forgiven in 480 equal monthly amounts through May 2026, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately $107,000 at June 30, 2014.	**74,923**	81,210
Mortgage note payable to the ODMH to be forgiven in 480 equal monthly amounts through April 2020, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately $145,000 at June 30, 2014.	**37,343**	43,701
Mortgage note payable to the ODMH to be forgiven in 329 equal monthly amounts through September 2032, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately $185,000 at June 30, 2014.	**122,350**	129,085

Long-Term Obligations (continued)

	2014	2013
Mortgage note payable to the ODMH to be forgiven in 480 equal monthly amounts through August 2030, as long as the facilities are used to provide mental health care services, pursuant to the contract. The note is interest free and is secured by real estate owned by Southeast with a net book value of approximately $703,000 at June 30, 2014.	**502,758**	534,009
Mortgage note payable to the ODMH to be forgiven in 480 equal monthly amounts through July 2018, as long as the facilities are used to provide mental health care services, pursuant to the contract. During 2010, Southeast sold the land secured by the note, but has not yet repaid the remaining amount not forgiven as of the date of the sale. The note was interest free and was secured by real estate owned by Southeast.	**63,244**	63,244
Mortgage note payable to the United States Department of Housing and Urban Development in 480 monthly installments of $2,579 through March 2028. The note bears interest at 9.25% and is secured by real estate owned by ALS with a net book value of approximately $150,000 at June 30, 2014.	**240,352**	248,647
Mortgage note payable to the United States Department of Housing and Urban Development in 480 monthly installments of $1,742 through April 2023. The note bears interest at 9.25% and is secured by real estate owned by ALS with a net book value of approximately $125,000 at June 30, 2014.	**125,827**	134,642
Total	**1,352,739**	1,422,071
Less: current portion	**(133,810)**	(132,278)
Long-term portion	**$ 1,218,929**	$ 1,289,793

Long-Term Obligations (continued)

In August 2014, the Organization entered into a mortgage note with a bank for the real property acquired from the Center of Vocational Alternatives for Mental Health, Inc. (COVA) during July 2014. The mortgage note was for $644,000 and bears interest at 4.99% per annum. Principal and interest are payable in monthly installments of $4,277, with one final payment of outstanding principal and accrued interest due in August 2024. In connection with the mortgage, the ODMH and the Organization entered into a subordination agreement, whereby the above mortgage notes are subordinate to the mortgage to the bank.

The aggregate maturities of long-term debt through maturity as of June 30, 2014, were as follows:

2015	$ 133,810
2016	71,845
2017	73,833
2018	76,010
2019	78,397
Thereafter	918,844
Total notes payable future payments	$ 1,352,739

The Organization leases office equipment under capital leases expiring at various times through 2017. The assets and liabilities under these capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated useful lives. Amortization of assets held under capital leases is included in depreciation and amortization expense.

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

	2014	2013
Office equipment	**$ 323,190**	$ 323,190
Less: accumulated amortization	**(284,613)**	(255,823)
Office equipment, net	**$ 38,577**	$ 67,367

Long-Term Obligations (continued)

Future minimum lease payments required under the lease agreements at June 30, 2014, were as follows:

2015	$ 22,749
2016	17,300
2017	3,068
Total minimum lease payments	43,117
Less: current portion of obligations under capital lease	(22,749)
Long-term capital lease obligations	$ 20,368

Operating Lease Obligations

The Organization leases office space under operating leases expiring through 2016. Office lease expense was approximately $99,000 for the years ended June 30, 2014 and 2013.

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 into perpetuity. Land lease expense associated with these leases was approximately $44,000 and $58,000 for the years ended June 30, 2014 and 2013, respectively.

The Organization leases office equipment, including phone and video equipment as well as copiers, under operating leases expiring at various times through 2017. Office equipment lease expense was approximately $48,000 and $53,000 for the years ended June 30, 2014 and 2013, respectively.

Approximate minimum future lease obligations under non-cancelable operating leases for office space, land and equipment with terms in excess of one year as of June 30, 2014, were as follows:

2015	$ 77,000
2016	71,000
2017	53,000
2018	50,000
2019	50,000
Thereafter	139,000
Total	$ 440,000

Rental Income

One of the buildings that the Organization owns is a 66,000 square foot building located at 131 North High Street in Columbus. Southeast occupies approximately 80% of this building, and the remainder is leased to unrelated parties or is available for lease.

Operating Lease Obligations (continued)

Approximate minimum future rentals to be received on non-cancelable operating leases are as follows:

2015	$ 46,000
2016	8,000
Total	$ 54,000

Net Assets

Board Designated Net Assets

The Board of Directors 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. and Affiliates. The Risk Management Fund represents resources that are reserved to manage the risk associated with providing services funded by multiple revenue streams, which may prove to be inadequate to cover the cost associated with uncompensated care. In addition, funds are set aside to allow for successful transitions to newly mandated funding mechanisms. Board designated net assets are held primarily in investments and cash and cash equivalents.

Activity in Board designated net assets is summarized as follows:

	Scholarship Fund	Risk Management Fund	Total Designated Net Assets
Balances - June 30, 2012	**$ 246,988**	**$ 1,533,173**	**$ 1,780,161**
Scholarship expenditures	(25,185)	-	(25,185)
Board designation	50,000	-	50,000
Investment income	95	-	95
Balances - June 30, 2013	**271,898**	**1,533,173**	**1,805,071**
Scholarship expenditures	(26,714)	-	(26,714)
Board designation	50,000	-	50,000
Investment income	104	-	104
Balances - June 30, 2014	**$ 295,288**	**$ 1,533,173**	**$ 1,828,461**

Temporarily Restricted Net Assets

Temporarily restricted net assets are held primarily in cash and cash equivalents to be used to support the Fresh A.I.R. Gallery.

Retirement Plan

The Organization has a 401(k) defined contribution retirement plan for substantially all employees. The Organization contributes a safe harbor matching contribution equal to 100% up to the first 3%, and 50% of the next 2% of compensation contributed by the employee. The Organization may also make additional discretionary contributions. Retirement plan expenses included in the consolidated statements of activities were approximately $207,000 and $203,000 for the years ended June 30, 2014 and 2013, respectively.

Southeast has a 457(b) top hat plan to provide deferred compensation payments for a select group within management. Southeast did not make any contributions to this Plan for the years ended June 30, 2014 and 2013.

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, all FOH employees became Southeast employees, effectively freezing the Plan. Management is assessing the possibility of terminating the Plan.

Governmental Funding

Medicaid Reimbursement

The Organization is required to file an annual cost report with ADAMH that documents actual costs of services rendered on a per-unit cost basis.

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

The Organization is also subject to annual Medicaid compliance audits by ODJFS and ODMH. These audits consist of reviewing claim files for documentation sufficiency. Any findings may result in amounts due to the program. No such compliance audits were conducted during 2014. As of June 30, 2014 and 2013, management estimated that no amounts were due to the Medicaid program relating to any open compliance audit periods.

Governmental Funding (continued)

Laws and Regulations

Laws and regulations governing the Medicaid, Medicare and other governmental funding programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing which have not been accrued for. During 2014, the Organization discovered past billings for services without required individual service plans (ISPs). Upon discovery, the Organization commenced discussions with the State regarding self-disclosure of the issue and potential penalties and fines to be paid by the Organization. Based on meetings with the State and advice by legal counsel, the Organization has accrued approximately $273,000 in current liabilities, which is the amount management believes represents the balance owed to the State for failure to maintain adequate client records. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the programs.

Concentration Risk

The Organization has contracts with the various county ADAMH boards referred to above through which it receives direct support based on units of mental health as well as other services and programs provided. The Organization also receives Medicaid funding through the ODMH for services and programs provided. Revenues funded through Franklin County ADAMH represent approximately 21% and 22% of the Organization's total operating revenues and support for 2014 and 2013, respectively. Revenues funded by the ODMH represent approximately 24% and 25% of the Organization's total operating revenues and support for 2014 and 2013, respectively. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the Organization's programs and activities.

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

Health Services Professional Insurance

The Organization provides healthcare delivery services that are subject to potential professional liability claims. The Organization has insurance coverage applicable to such claims, should they arise. Insurance covers up to $5,000,000 per incident with a maximum aggregate coverage of $5,000,000 within the premium contract years for both 2014 and 2013.

Subsequent Events – Date of Management Evaluation

On July 1, 2014, the Organization acquired the COVA, an Ohio nonprofit corporation that operates programs to assist individuals to overcome mental, emotional and other challenges and lead productive lives. The Organization purchased all assets and cash of COVA in exchange for the assumption of COVA's liabilities incurred in the ordinary course of business through August 1, 2014 and COVA's mortgage on real property. The Organization paid COVA's mortgage with its bank and subsequently took out a new mortgage with a bank, as previously disclosed in the long-term obligations footnote. As a result of the transaction, COVA is now a wholly-owned subsidiary of the Organization.

As of the Independent Auditor's Report date, management has not yet determined the fair value of assets acquired. Liabilities assumed by the Organization had a book value of $1,271,848, which approximates fair value.

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

SUPPLEMENTARY INFORMATION

SOUTHEAST, INC. AND AFFILIATES
Consolidating Statement of Financial Position
June 30, 2014

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidated Total
ASSETS					
Current Assets					
Cash and cash equivalents	$ 5,407,221	$ 2,038	$ 114,447	$ -	**$ 5,523,706**
Investments	10,057,096	-	-	-	**10,057,096**
Accounts receivable, net of allowance for uncollectible accounts	2,923,915	-	-	-	**2,923,915**
Related party receivables	-	293,318	-	(293,318)	**-**
Inventory	279,644	-	-	-	**279,644**
Other current assets	56,687	-	-	-	**56,687**
Total current assets	18,724,563	295,356	114,447	(293,318)	**18,841,048**
Property and Equipment, net	3,157,001	108,403	375,752	-	**3,641,156**
TOTAL ASSETS	$ 21,881,564	$ 403,759	$ 490,199	$(293,318)	**$ 22,482,204**
LIABILITIES AND NET ASSETS					
Current Liabilities					
Long-term obligations, current maturities	$ 136,624	$ 1,183	$ 18,752	$ -	**$ 156,559**
Accounts payable	505,395	-	88	-	**505,483**
Related party payables	53,264	-	240,054	(293,318)	**-**
Amounts held in trust	410,703	-	2,828	-	**413,531**
Accrued payroll and related liabilities	1,645,111	-	-	-	**1,645,111**
Deferred revenue	285,200	-	-	-	**285,200**
Total current liabilities	3,036,297	1,183	261,722	(293,318)	**3,005,884**
Long-Term Obligations, net of current portion	703,998	187,873	347,426	-	**1,239,297**
Total liabilities	3,740,295	189,056	609,148	(293,318)	**4,245,181**
Net Assets (Deficit in Net Assets)					
Unrestricted:					
Undesignated	16,201,357	214,703	(118,949)	-	**16,297,111**
Board designated	1,828,461	-	-	-	**1,828,461**
Total unrestricted net assets	18,029,818	214,703	(118,949)	-	**18,125,572**
Temporarily restricted	111,451	-	-	-	**111,451**
Total net assets (deficit in net assets)	18,141,269	214,703	(118,949)	-	**18,237,023**
TOTAL LIABILITIES AND NET ASSETS	$ 21,881,564	$ 403,759	$ 490,199	$(293,318)	**$ 22,482,204**

See Independent Auditor's Report.

SOUTHEAST, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2014

	Southeast, Inc.	Friends of the Homeless, Inc.	Alternative Lifestyles, Inc.	Consolidating/ Eliminating	Consolidated Total
Changes in Unrestricted Net Assets					
Operating revenues and support:					
ADAMH purchase-of-service	$ 4,545,332	$ -	$ -	$ -	**$ 4,545,332**
ADAMH cost reimbursement	2,973,744	-	-	-	**2,973,744**
Medicaid - Franklin County	5,005,971	-	-	-	**5,005,971**
Medicaid match - Franklin County	2,880,703	-	-	-	**2,880,703**
Apothecare pharmacy	7,563,476	-	-	-	**7,563,476**
First and third party fees	268,581	-	-	-	**268,581**
Contracts	3,965,492	-	-	-	**3,965,492**
Medicaid - out of county	553,312	-	-	-	**553,312**
Medicaid match - out of county	324,682	-	-	-	**324,682**
Other operating income	336,574	-	138,076	-	**474,650**
Gain on sale of property and equipment	106,373	-	-	-	**106,373**
In-kind donations	103,330	336,500	-	-	**439,830**
Forgiveness of advances from ODMH	50,631	-	-	-	**50,631**
Release of restrictions	68,545	-	-	-	**68,545**
	28,746,746	336,500	138,076	-	**29,221,322**
Operating expenses:					
Clinical services	17,059,667	-	-	-	**17,059,667**
Housing	1,897,805	-	159,941	-	**2,057,746**
Vocational	528,447	-	-	-	**528,447**
Apothecare pharmacy	6,877,668	-	-	-	**6,877,668**
Prevention education	286,632	-	-	-	**286,632**
Homeless shelter programs	1,453,013	382,908	-	-	**1,835,921**
General and administrative	2,491,907	-	-	-	**2,491,907**
	30,595,139	382,908	159,941	-	**31,137,988**
Decrease in unrestricted net assets from operations	(1,848,393)	(46,408)	(21,865)	-	**(1,916,666)**
Other income (expense):					
Interest and dividend income	265,757	-	11	-	**265,768**
Unrealized and realized losses on investments	858,467	-	-	-	**858,467**
Contributions	9,186	43,813	-	-	**52,999**
Rental income	58,347	-	-	-	**58,347**
Rental expenses	(352,198)	-	-	-	**(352,198)**
	839,559	43,813	11	-	**883,383**
Decrease in Unrestricted Net Assets	(1,008,834)	(2,595)	(21,854)	-	**(1,033,283)**
Changes in Temporarily Restricted Net Assets					
Special events, net	44,816	-	-	-	**44,816**
Contributions	730	-	-	-	**730**
Release of restrictions	(68,545)	-	-	-	**(68,545)**
Decrease in Temporarily Restricted Net Assets	(22,999)	-	-	-	**(22,999)**
Decrease in Net Assets	(1,031,833)	(2,595)	(21,854)	-	**(1,056,282)**
Net Assets, Beginning of Year	19,173,102	217,298	(97,095)	-	**19,293,305**
Net Assets, End of Year	$ 18,141,269	$ 214,703	$(118,949)	$ -	**$ 18,237,023**

See Independent Auditor's Report.

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Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U.S. Department of Health and Human Services:		
Health Resources and Services Administration (HRSA):		
Direct: Health Center Cluster	93.224	$ 845,888
Passed through the Ohio Department of Jobs and Family Services:		
HITECH Public Health	ARRA - 93.729	63,750
Passed through the Ohio Department of Health:		
Ryan White Federal HIV Care	93.917	159,025
Passed through the City of Columbus:		
Ryan White HIV Care - Part A	93.914	181,161
Substance Abuse and Mental Health Services Administration:		
Direct: Health Center Cluster		
Health is Primary (HIP)	93.243	106,732
Substance Abuse and Mental Health Services Administration:		
Passed through the Ohio Department of Mental Health:		
Wellness Management and Recovery	93.958	229,050
Total U.S. Department of Health and Human Services		1,585,606
U.S. Department of Job and Family Services:		
Passed through the Ohio Department of Mental Health and the Franklin County ADAMH Board:		
Project for Assistance in Transition from Homelessness (PATH)	93.150	326,541
Total U.S. Department of Job and Family Services		326,541
U.S. Department of Justice:		
Passed through the Franklin County Commissioners:		
Violence Against Women Formula Grant (Stalking Victims Grant)	16.588	34,227
Total U.S. Department of Justice		34,227

See Independent Auditor's Report.

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Total Expenditures
U.S. Department of Housing and Urban Development:		
Passed through the Community Shelter Board:		
Home Investment Partnership Program	14.239	161,000
Direct: Supportive Housing Program	14.235	265,646
Direct: Rebuilding Lives Through Good Samaritan Housing	14.235	165,494
Passed through the Ohio Department of Development		
Homeless Assistance Grant Program:		
Emergency Shelter Grants Program	14.231	213,446
Total U.S. Department of Housing and Urban Development		805,586
Total Expenditures of Federal Awards		$ 2,751,960

Basis of Presentation:

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

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

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				2014	2013
Current Ratio:					
Current assets / Current liabilities	18,841,048 / 3,005,884	=		**6.27**	8.06
Debt to Equity Ratio:					
Total liabilities / Total equity	4,245,181 / 18,237,023	=		**0.23**	0.19
Administrative Costs to Expense:					
Total administrative costs / Total expenses	2,491,907 / 31,490,186	=		**0.08**	0.08
Total Revenue to Total Expenses:					
Total revenue / Total expenses	30,433,904 / 31,490,186	=		**0.97**	1.02
Fund Balance Reserve Ratio:					
Total fund balance / Total expenses / 12	18,237,023 / 2,624,182	=		**6.95**	7.97
Percent of ADAMH Funding:					
Total revenue from Franklin County ADAMH / Total revenue	6,309,848 / 30,433,904	=		**0.21**	0.22

See Independent Auditor's Report.

SOUTHEAST, INC. AND AFFILIATES
Schedule of Ohio Development Services Agency
For the Year Ended June 30, 2014

Division Name, Grant Name	Grant Number	Beginning Balance	2014 Cash Receipts	2014 Expenditures	Ending Receivable Balance
Office of Housing and Community Partnerships					
ESG Shelter (Men's & Women's)	N-L-12-7OZ-1	$ 144,212	$ 259,866	$ 213,446	$ 97,792
Supportive Housing Category	S-L-12-7OZ-1	49,845	59,074	50,428	41,199
GRAND TOTAL		$ 194,057	$ 318,940	$ 263,874	$ 138,991

Presentation:

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

See Independent Auditor's Report.

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GBQ Partners

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Southeast, Inc. and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 30, 2014.

The consolidated financial statements of Southeast, Inc. and Affiliates include Alternative Lifestyles, Inc., the financial statements of which were audited by us in separately issued financial statements and thus were excluded from our auditing procedures considered within this report. We did conduct an audit in accordance with the standards applicable to financial audits contained by *Government Auditing Standards*, issued by the Comptroller General of the United States, for Alternative Lifestyles, Inc. for the year ended June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Southeast, Inc. and Affiliates' internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal controls. Accordingly, we do not express an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal controls.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GBQ Partners LLC

Columbus, Ohio
December 30, 2014

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GBQ Partners

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

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

We have audited Southeast, Inc. and Affiliates' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southeast, Inc. and Affiliates' major federal programs for the year ended June 30, 2014. Southeast, Inc. and Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Southeast, Inc. and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Southeast, Inc. and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Southeast, Inc. and Affiliates is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southeast, Inc. and Affiliates' internal controls over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal controls over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast, Inc. and Affiliates' internal controls over compliance.

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

Our consideration of internal controls over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal controls over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

GBQ Partners LLC

Columbus, Ohio
December 30, 2014

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	______Yes	__X__No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______Yes	__X__None Reported
Noncompliance material to financial statements noted?	______Yes	__X__No

Federal Awards:

Internal control over major programs:

• Material weakness(es) identified?	______Yes	__X__No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	______Yes	__X__None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______Yes	__X__No

Identification of major programs:

CFDA Number	Name of Federal Program
93.914	U.S. Department of Health; Ryan White Part A HIV Care
93.224	U.S. Department of Health and Human Services; Health Resources and Service Administration (HRSA); Health Center Cluster

Dollar threshold used to distinguish between Type A and Type B programs	$300,000	
Auditee qualified as low-risk auditee?	___X___Yes	_____No

Section II – Financial Statements Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – Summary of Status of Prior Year Findings

None noted.