JUDSON CENTER, INC. AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

Years ended September 30, 2011 and 2010

JUDSON CENTER, INC. AND SUBSIDIARY

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Judson Center, Inc. and Subsidiary

We have audited the accompanying consolidated statements of financial position of Judson Center, Inc. and Subsidiary (Michigan nonprofit organizations) as of September 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Judson Center, Inc. and Subsidiary as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011 on our consideration of Judson Center, Inc. and Subsidiary's 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

UHY LLP

Farmington Hills, Michigan
December 30, 2011

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2011	September 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 3,082,651**	$ 4,433,167
Accounts receivable - net	**1,803,762**	1,858,495
Prepaid expenses and other	**338,432**	291,044
Total current assets	**5,224,845**	6,582,706
FIXED ASSETS		
Land	**237,054**	237,054
Buildings and building improvement	**6,770,465**	6,801,358
Furniture and fixtures	**1,259,469**	1,243,430
Computer equipment and software	**1,066,883**	1,107,867
Transportation equipment	**840,681**	841,510
	10,174,552	10,231,219
Less accumulated depreciation	**5,342,412**	5,014,441
NET FIXED ASSETS	**4,832,140**	5,216,778
OTHER ASSETS		
Marketable securities	**8,536,367**	8,627,786
	$ 18,593,352	$ 20,427,270

	September 30, 2011	September 30, 2010
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 283,498**	$ 434,694
Accrued expenses	**730,767**	997,137
Current maturities of long-term debt	**-**	612
Total current liabilities	**1,014,265**	1,432,443
PENSION LIABILITY	**2,837,615**	2,296,206
ACCRUED POSTRETIREMENT COSTS	**465,656**	461,224
Total liabilities	**4,317,536**	4,189,873
NET ASSETS		
Unrestricted	**14,264,153**	16,006,013
Temporarily restricted	**11,663**	231,384
Total net assets	**14,275,816**	16,237,397
	$ 18,593,352	$ 20,427,270

See notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years ended September 30,	
	2011	**2010**
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Support		
Government agencies fees and grants	**$ 14,163,702**	$ 16,125,734
Public contributions	**679,886**	804,981
Interest and dividends	**303,684**	392,352
Unrealized (loss) gain on marketable securities	**(254,171)**	225,761
Realized gain on sale of marketable securities	**24,212**	142,078
(Loss) on sale of fixed assets	**(3,008)**	(5,729)
Rental income	**109,575**	114,048
Net assets released from restrictions	**244,721**	544,140
Miscellaneous	**209,923**	225,417
Total revenues and support	**15,478,524**	18,568,782
EXPENSES		
Program Services	**14,827,635**	15,764,702
Supporting Services		
Management and general	**1,529,558**	1,536,867
Development	**331,657**	410,350
Total expenses	**16,688,850**	17,711,919
(Decrease) increase in unrestricted net assets before change in unrecognized pension losses	**(1,210,326)**	856,863
Change in pension and postretirement liabilities	**(531,534)**	(159,338)
CHANGE IN UNRESTRICTED NET ASSETS	**(1,741,860)**	697,525
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted public contributions	**25,000**	439,738
Net assets released from restrictions	**(244,721)**	(544,140)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**(219,721)**	(104,402)
CHANGE IN NET ASSETS	**(1,961,581)**	593,123
NET ASSETS, beginning of year	**16,237,397**	15,644,274
NET ASSETS, end of year	**$ 14,275,816**	$ 16,237,397

See notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended September 30, 2011	2010
OPERATING ACTIVITIES		
Change in net assets	**$ (1,961,581)**	$ 593,123
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Reserve for contractual adjustments	**-**	(206,440)
Depreciation	**516,390**	490,011
Loss on sale of assets	**3,008**	5,729
Unrealized loss (gain) on marketable securities	**254,171**	(225,761)
Realized (gain) on marketable securities	**(24,489)**	(142,078)
Changes in:		
Accounts receivable	**54,733**	837,500
Prepaid expenses	**(47,388)**	(157,927)
Accounts payable	**(151,196)**	174,710
Accrued expenses	**(266,370)**	(85,589)
Accrued pension liability	**541,409**	255,379
Accrued postretirement costs	**4,432**	2,328
Net cash (used in) provided by operating activities	**(1,076,881)**	1,540,985
INVESTING ACTIVITIES		
Purchases of marketable securities	**(1,300,112)**	(3,557,808)
Proceeds from sale of marketable securities	**1,161,847**	3,395,069
Purchases of fixed assets	**(166,768)**	(601,226)
Proceeds from sale of fixed assets and donated property	**32,010**	8,100
Net cash (used in) investing activities	**(273,023)**	(755,865)
FINANCING ACTIVITY		
Repayments of long-term debt	**(612)**	(11,164)
CHANGE IN CASH AND CASH EQUIVALENTS	**(1,350,516)**	773,956
CASH AND CASH EQUIVALENTS, at beginning of year	**4,433,167**	3,659,211
CASH AND CASH EQUIVALENTS, at end of year	**$ 3,082,651**	$ 4,433,167

See notes to consolidated financial statements.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Organization

Judson Center, Inc. and Subsidiary are Michigan non-profit organizations (the "Organization"). The purpose of Judson Center, Inc. is to conduct residential care for emotionally impaired and developmentally disabled children, conduct a foster care program, adoption program and an in-house family treatment program for emotionally impaired and autistic children. Judson Center, Inc. also conducts a family training program and organizes various other community programs with regard to children.

On September 22, 2010 Judson Center, Inc. established Judson Center Foundation, a 100% controlled subsidiary. As of September 30, 2011 and 2010, the Foundation did not have any assets, liabilities or net assets and therefore these consolidated financial statements include no activity for the Foundation. Subsequent to year end, Judson Center, Inc. transferred approximately $8.5 million in investments to Judson Center Foundation.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification* (ASC).

Financial statement presentation follows the recommendations of the ASC topic Presentation of Financial Statements for Not-for-Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No permanently restricted assets were held by the Organization and accordingly, these consolidated financial statements do not reflect any activities related to this class of net assets.

Use of Estimates

The preparation of consolidated financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, marketable securities and accounts receivable. The Organization places its cash, cash equivalents and marketable securities with high credit qualified financial institutions. At times the Organization has balances on deposit with certain institutions that may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk for cash. Marketable securities, other than cash deposits, are at risk equal to their market value. With respect to accounts receivable, the Organization attempts to minimize credit risk by reviewing and monitoring credit exposure on a continuing basis. Any unanticipated change in credit worthiness or other matters affecting the collectibility of accounts receivable could have a material effect on the Consolidated Statements of Activities or the Consolidated Statements of Financial Position in the period in which such events occur.

Pledges Receivable

The Organization's pledges receivable are comprised of amounts committed from individuals, including the Organization's Board members, for use in its current capital campaign. The receivables are recorded at the amount pledged by the donor without a discount for the present value of estimated future cash flows. The impact of the lack of discounting is immaterial to the consolidated financial statements as a whole. Pledges receivable are included in accounts receivable on the Consolidated Statements of Financial Position.

Reserve for Contractual Adjustments

The Organization receives funding from various governmental agencies to finance specific activities. The final determination of revenue is subject to approval by granting agencies, usually after a compliance audit. The estimated liability related to this potential contractual adjustment has been recorded in the accompanying Consolidated Statements of Financial Position. As of September 30, 2011 and 2010, the reserve for contractual adjustment was $324,844 and is netted with accounts receivable on the Consolidated Statements of Financial Position.

Marketable Securities

The Organization records its investments in marketable securities in accordance with ASC topic Not-for-Profit Entities Investments. Accordingly, investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Any related gains or losses are reported in the Consolidated Statements of Activities.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Fixed Assets and Depreciation

Fixed assets are stated at cost. Expenditures for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense is computed over the estimated useful lives of the assets (ranging from 3 to 40 years) using the straight-line method. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in Consolidated Statements of Activities. For trade-ins, any gain becomes an adjustment to the new asset basis and any loss is included in the Consolidated Statements of Activities.

Revenue and Support

Revenue from government contracts under expense reimbursement programs is recognized in the period during which the related expenses are incurred. In cases where expenses are incurred in advance of receiving the funds, revenue and contract receivable are recorded in the period during which the expenses are incurred.

Retroactive determination of allowable costs by resource providers may result in final settlements different from interim payments for reimbursable services submitted by the Organization. Revenue is reported at the estimated net realizable amounts from resource providers for services rendered, including estimated retroactive adjustments under reimbursement agreements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Contributions

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statements of Activities as net assets released from restrictions. However, donor restricted contributions whose restrictions are met in the same reporting period are reported by the Organization as unrestricted support in these consolidated financial statements.

Donated Goods and Services

A substantial number of volunteers have donated significant amounts of their time in the Organization’s program services and its fund raising campaigns. Donated services were not recognized in the consolidated financial statements since they did not meet the criteria for recognition under ASC topic Contributions. Various goods donated to the Organization during the year were considered to be immaterial to the consolidated financial statements as a whole and are not recognized in the consolidated financial statements.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At September 30, 2011 and 2010, there were no uncertain tax positions that required accrual.

The Organization believes that it has been operating within its tax exempt status and has no unrelated business income. Further, it is not currently under examination by the Internal Revenue Service or state authorities, however, fiscal year 2008 and later remain subject to examination.

Interest Expense

Interest expense for the years ended September 30, 2011 and 2010 was $109 and $713, respectively.

Financial Allocation

The costs of providing program and supporting services have been reported on a functional basis in the Consolidated Statements of Activities. Indirect costs have been allocated between the various programs and supporting services based on estimates by management.

Subsequent Events

The Organization has performed a review of events subsequent to the Consolidated Statements of Financial Position through December 30, 2011, the date the financials were available to be issued.

Reclassification

Certain 2010 amounts have been reclassified to agree with 2011 presentations. These classifications have no effect on total net assets as previously reported.

NOTE 2 – CASH AND CASH EQUIVALENTS

For purposes of the Consolidated Statements of Cash Flows, the Organization considers all money market funds to be used for current operations and certificates of deposits purchased with a maturity of three months or less to be cash equivalents.

NOTE 3 – PLEDGES RECEIVABLE

Pledges receivable of $1,391 and $26,573 as of September 30, 2011 and 2010, respectively, have been included in accounts receivable on the Consolidated Statements of Financial Position. Pledges receivable consist of the following:

	September 30,	
	2011	2010
Contributions collectible in less than one year	$ 1,391	$ 24,778
Contributions collectible in one to five years	-	1,795
	$ 1,391	$ 26,573

NOTE 4 – MARKETABLE SECURITIES

Marketable securities are classified as “Other Assets” in the accompanying Consolidated Statements of Financial Position because management does not intend to use these investments to finance current operations. Marketable securities consisted of the following:

	September 30,	
	2011	2010
Money market funds	$ 140,914	$ 346,698
Corporate bonds	3,586,053	3,187,905
Equity funds	2,626,693	2,264,497
Common stocks	2,182,707	2,828,686
	$ 8,536,367	$ 8,627,786

NOTE 5 – FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

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

Money market funds: Valued at cost plus interest earnings through the year end.

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

Corporate bonds and common stocks: Valued at the closing price reported in the active market on which the individual securities are traded.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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 fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2011 and 2010.

	September 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 140,914	$ -	$ -	$ 140,914
Corporate bonds	-	3,586,053	-	3,586,053
Equity fund	2,626,693	-	-	2,626,693
Common stock	2,182,707	-	-	2,182,707
Total	$ 4,950,314	$ 3,586,053	$ -	$ 8,536,367

	September 30, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 346,698	$ -	$ -	$ 346,698
Corporate bonds	-	3,187,905	-	3,187,905
Equity fund	2,264,497	-	-	2,264,497
Common stock	2,828,686	-	-	2,828,686
Total	$ 5,439,881	$ 3,187,905	$ -	$ 8,627,786

NOTE 6 – LONG-TERM DEBT

Long term debt consisted of the following:

	September 30, 2011	September 30, 2010
Note payable with an interest rate of 2.90% and a monthly payment of $623 including interest, through December 2010, collateralized by transportation equipment	$ -	$ 612
Less current maturities	-	612
Total long-term debt	$ -	$ -

Subsequent to year end, the Organization signed a capital lease for computer equipment. The lease has monthly payments of $919 including interest of 2.075%. The lease expires December 2016 and is secured by equipment with a cost of $80,000.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted activities of the Organization consist of contributions received and endowment earnings that are restricted as to use or time as specified by the donor. The restrictions expire when the purpose of the restriction has been accomplished.

The temporarily restricted net assets were comprised of the following:

	September 30, 2011	September 30, 2010
Autism Program	$ -	$ 75,000
Management Program	-	11,149
Mental Health Capacity Building	-	66,688
Hope Begins Here Campaign - time restricted	1,391	26,573
Crisis Center	-	20,000
South East Grosse Pointe	-	24,880
Other time restrictions	5,815	5,815
Other purpose restrictions	4,457	1,279
	$ 11,663	$ 231,384

NOTE 8 – OPERATING LEASES

The Organization leases meeting space and residential homes with monthly payments totaling $26,918 expiring through September 2015. Lease expense for the years ended September 30, 2011 and 2010 was approximately $436,000 and $378,000, respectively.

The following is a schedule by the years of future minimum lease payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year at September 30, 2011:

Years ending September 30,	Amount
2012	$ 356,078
2013	332,219
2014	318,750
2015	172,875
	$ 1,179,922

NOTE 9 – PENSION PLAN

Through December 31, 2005, the Organization participated with the United Community Services of Metropolitan Detroit (UCS) in a noncontributory, multi-employer defined benefit retirement plan which covered all eligible employees.

Effective January 1, 2006, due to a significant underfunding in the UCS plan, the Organization elected to disaffiliate from the UCS plan and began sponsoring its own new single-employer defined benefit retirement plan. The new Plan's benefits are frozen with no further benefits accruing to existing participants.

The net periodic pension cost was as follows:

	Years ended September 30, 2011	2010
Service cost*	$ -	$ -
Interest cost	393,496	410,503
Expected return on plan assets	(325,499)	(324,312)
Amortization of actuarial loss	161,121	148,027
Net periodic pension cost	$ 229,118	$ 234,218

*Plan is frozen

NOTE 9 – PENSION PLAN (Continued)

The following table presents the Plan's funded status:

	September 30, 2011	September 30, 2010
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 7,226,940	$ 7,017,069
Service cost	-	-
Interest cost	393,496	410,503
Actuarial loss (gain)	459,028	401,432
Benefits paid	(483,671)	(602,064)
Projected benefit obligation, end of year	$ 7,595,793	$ 7,226,940

	September 30, 2011	September 30, 2010
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 4,930,734	$ 4,976,242
Actual return on plan assets	44,697	361,508
Contributions	266,418	195,048
Benefits paid	(483,671)	(602,064)
Plan assets at fair value	$ 4,758,178	$ 4,930,734
Funded status, end of year		
Projected benefit obligation in excess of plan assets	$ 2,837,615	$ 2,296,206

The amount of net actuarial loss that arose previously and is expected to be recognized as a component of net periodic benefit cost over the next fiscal year is $161,121. The accumulated unrecognized actuarial loss at September 30, 2011 and 2010 was $3,767,821 and $3,189,113, respectively.

NOTE 9 – PENSION PLAN (Continued)

The funded status of the Plan, which measures the projected benefit obligation in excess of Plan assets, at the end of each of the past fiscal years was as follows:

September 30,	Amount
2010	$ 2,040,827
2011	2,296,206
2012	2,837,615

Expected future annual benefit payments to retirees are as follows:

Year ending September 30,	Amount
2012	$ 285,991
2013	297,146
2014	314,337
2015	329,976
2016	363,767
2017 - 2022	2,264,489

The assumptions used to determine net periodic benefit cost for the Plan were as follows:

	September 30,	
	2011	2010
Discount Rate	5.60%	6.00%
Expected rate of long-term return on plan assets	6.75%	6.75%
Rate of compensation increase	N/A	N/A

The expected long-term rate of return of Plan assets is determined by reflecting expectations regarding future rates of return at prevailing rates, as published.

The assumptions used to determine the above benefit obligations and fair value of Plan assets include:

	September 30,	
	2011	2010
Discount Rate	5.20%	5.60%
Rate of compensation increase	N/A	N/A

NOTE 9 – PENSION PLAN (Continued)

Plan Assets

The allocations of Plan assets were as follows:

	September 30, 2011	September 30, 2010
Equity securities	55.1%	59.9%
Debt securities	43.0%	38.0%
Other	1.9%	2.1%
	100.0%	100.0%

Contributions

The Organization expects to contribute $300,000 in fiscal year 2012 to the Plan.

NOTE 10 – POSTRETIREMENT PLANS

The Organization has a Retiree Health Stipend Plan covering all employees having attained age 21 and 1,000 work hours. The benefits are payable upon the attainment of age 65. The Plan is not funded, accordingly, there are no employer or participant contributions made to the Plan. Benefits under the Plan are paid as incurred.

The benefit obligation and net benefit costs were determined using an assumed weighted average discount rate of 5.2% and 5.6% for 2011 and 2010, respectively.

The following relates to postretirement benefits provided by the Organization:

	September 30, 2011	September 30, 2010
Accumulated postretirement benefit obligation	$ 465,656	$ 461,224
Net periodic postretirement cost	$ 62,507	$ 67,599
Benefits paid	$ 10,800	$ 8,400

Healthcare costs trends have no effect on the Organization's liability and thus sensitivity analysis of those trends is not applicable.

NOTE 10 – POSTRETIREMENT PLANS (Continued)

The net periodic cost related to this plan was as follows:

	Years ended September 30, 2011	2010
Service cost	$ 26,752	$ 27,294
Interest cost	25,691	27,365
Amortization of prior service costs	15,778	15,778
Amortization of actuarial loss	(5,714)	(2,838)
Net periodic pension cost	$ 62,507	$ 67,599

The following benefit payments are expected to be paid:

Year ending September 30,	Amount
2012	$ 14,280
2013	16,920
2014	18,840
2015	19,440
2016	21,120
2017 - 2021	130,740

NOTE 11 – DEFINED CONTRIBUTION PLAN

The Organization established the Judson Center Employees' 401(k) Retirement Plan, a defined contribution plan. Employees are eligible to participate with respect to salary reduction contributions subsequent to the completion of three months of service and attainment of the age of 18.

With respect to the receipt of matching contributions and discretionary profit sharing contributions, participants must complete one year of service. The Organization matches 150% of salary reduction amounts up to the first 2% of compensation, plus 100% of salary reduction amounts up to the next 1% of compensation. The Organization's contributions vest over five years of service. The Organization contributed approximately $163,000 and $191,000 to the plan during the years ended September 30, 2011 and 2010, respectively.

NOTE 12 – COMMUNITY FOUNDATION ENDOWMENT

In July 1994, the Organization entered into an agreement with the Community Foundation for Southeast Michigan ("Foundation"), whereby endowment funds are contributed by donors directly to the Foundation who owns, holds, invests and administers the funds. In accordance with ASC topic Not-for-Profits Investments, the endowment investments are not reflected in the Organization's financial statements. As of September 30, 2011 and 2010, $1,509,470 and $1,508,470, respectively, had been contributed to the Foundation. The market value of the endowment fund was $1,868,000 and $1,917,683 at September 30, 2011 and 2010, respectively.

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest for the years ended September 30, 2011 and 2010 approximated $100 and $700, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the years ended September 30, 2011 and 2010, the Organization paid $8,980 and $22,806, respectively for services from companies that are owned by or employ Board members. The Organization's conflict of interest policies were complied with in all related party transactions.

NOTE 15 – LITIGATION

Various claims and lawsuits incidental to the ordinary course of business are pending against the Organization. In the opinion of management, after consultation with legal counsel, resolution of these matters is not expected to have a material effect on the Organization's financial statements.

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees of
Judson Center, Inc. and Subsidiary

Our report on our audits of the basic consolidated financial statements of Judson Center, Inc. and Subsidiary for the years ended September 30, 2011 and 2010 appears on page one. These audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information, noted in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

UHY LLP

Farmington Hills, Michigan
December 30, 2011

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF PROGRAM EXPENSES

	Residential Care	Families First	Family Preservation	Foster Care
SALARIES AND RELATED EXPENSES				
Salaries	$ 485,579	$ 507,645	$ 2,489,160	$ 740,055
Payroll taxes	50,442	47,128	233,696	69,580
Benefits	57,033	112,489	442,169	155,468
Pension	16,105	27,756	145,459	54,064
Total Salaries and Related Expenses	609,159	695,018	3,310,484	1,019,167
OTHER FUNCTIONAL EXPENSES				
Professional fees and services	19,915	10	39,377	7,193
Supplies, food and equipment	23,564	10,446	98,760	30,575
Utilities	41,945	16,071	92,786	14,408
Home expenses	35,983	26,468	218,544	91,065
Vehicle expenses	7,600	64,882	201,103	49,817
Conferences, meetings and lunches	233	499	3,499	1,321
Subscriptions, training and recruitment	11,201	3,444	32,270	15,958
Medical expenses	2,178	-	42,608	5
Program specific expenses	1,443	40,672	62,293	855,152
Bad debt recovery	-	-	-	-
Start-up costs and miscellaneous	9,114	-	41	50
Total Other Functional Expenses	153,176	162,492	791,281	1,065,544
DEPRECIATION	98,785	11,470	67,146	25,967
Total Program Expenses	$ 861,120	$ 868,980	$ 4,168,911	$ 2,110,678

				Years ended September 30,	
Autism	Group Homes	DD Supported Employment	Adoptions	2011	2010
$ 380,704	$ 1,947,272	$ 1,366,536	$ 448,322	$ 8,365,273	$ 8,691,423
39,982	237,942	157,407	41,125	877,302	907,820
26,405	236,187	248,544	75,430	1,353,725	1,389,955
6,058	67,420	55,152	26,090	398,104	438,479
453,149	2,488,821	1,827,639	590,967	10,994,404	11,427,677
17,312	1,684	65	7,611	93,167	53,305
30,380	95,602	23,794	72,605	385,726	448,978
29,598	94,941	51,125	16,994	357,868	364,222
48,457	150,904	94,045	53,250	718,716	725,612
6,676	98,510	119,169	34,295	582,052	600,862
350	1,155	1,323	2,562	10,942	19,541
7,238	12,482	13,890	4,342	100,825	213,367
-	93	-	-	44,884	89,272
2,909	110,974	1,867	33,362	1,108,672	1,534,580
-	-	-	-	-	(131,308)
721	-	-	26	9,952	2,249
143,641	566,345	305,278	225,047	3,412,804	3,920,680
51,091	88,252	68,680	9,036	420,427	416,345
$ 647,881	$ 3,143,418	$ 2,201,597	$ 825,050	$ 14,827,635	$ 15,764,702

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MANAGEMENT AND GENERAL EXPENSES

	Years ended September 30,	
	2011	**2010**
SALARIES AND RELATED EXPENSES		
Salaries	**$ 810,325**	$ 897,757
Benefits	**159,629**	142,064
Payroll taxes	**74,946**	76,802
Pension	**81,360**	75,022
Total Salaries and Related Expenses	**1,126,260**	1,191,645
OTHER FUNCTIONAL EXPENSES		
Professional fees and services	**122,568**	119,682
Home expenses	**47,658**	28,393
Supplies, food and equipment	**43,571**	37,195
Conferences, meetings and lunches	**11,798**	20,371
Utilities	**39,958**	28,091
Subscriptions, training and recruitment	**30,006**	26,012
Vehicle expenses	**11,649**	11,182
Start-up costs and miscellaneous	**127**	630
Total Other Functional Expenses	**307,335**	271,556
DEPRECIATION	**95,963**	73,666
Total Expenses	**$ 1,529,558**	$ 1,536,867

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF DEVELOPMENT EXPENSES

	Years ended September 30, 2011	2010
SALARIES AND RELATED EXPENSES		
Salaries	**$ 191,457**	$ 225,007
Benefits	**29,027**	26,182
Payroll taxes	**16,856**	19,672
Pension	**13,461**	13,185
Total Salaries and Related Expenses	**250,801**	284,046
OTHER FUNCTIONAL EXPENSES		
Program specific expenses	**8,281**	20,517
Supplies, food and equipment	**38,657**	20,894
Professional fees and services	**29,693**	67,853
Subscriptions, training and recruitment	**2,148**	2,121
Conferences, meetings and lunches	**347**	1,636
Utilities	**540**	683
Vehicle expenses	**690**	1,061
Bad debt expense	**500**	11,500
Home expenses	**-**	39
Total Other Functional Expenses	**80,856**	126,304
Total Expenses	**$ 331,657**	$ 410,350

JUDSON CENTER, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Michigan Family Independence Agency- Temporary Assistance for Needy Families (TANF)	93.558	$ 4,269,664
Passed through Michigan Department of Human Services - Michigan Adoption Resource Exchange (MARE)	93.658	645,629
Passed through Michigan Department of Education- National School Breakfast Program	10.553	5,345
Passed through Michigan Department of Education- National School Lunch Program	10.555	5,310
Total Federal Expenditures		$ 4,925,948

1. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is a summary of Judson Center, Inc. and Subsidiary's expenditures of federal awards prepared on the accrual basis.

2. AGENCY OR PASS-THROUGH NUMBERS

These numbers have been provided to assist administering agencies in the identification of the various awards. Program names have been substituted when such identifying numbers do not exist.

UHY LLP
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Judson Center, Inc. and Subsidiary

We have audited the consolidated financial statements of Judson Center, Inc. and Subsidiary as of and for the year ended September 30, 2011, and have issued our report thereon dated December 30, 2011. 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.

Internal Control Over Financial Reporting

Management of Judson Center, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered Judson Center, Inc. and Subsidiary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Judson Center, Inc. and Subsidiary's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Judson Center, Inc. and Subsidiary in a separate letter dated December 30, 2011.

This report is intended solely for the information and use of management, Audit Committee, Board of Trustees, others within the entity, 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.

UHY LLP

Farmington Hills, Michigan
December 30, 2011

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Judson Center, Inc. and Subsidiary

Compliance

We have audited Judson Center, Inc. and Subsidiary's 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 Judson Center, Inc. and Subsidiary's major federal programs for the year ended September 30, 2011. Judson Center, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's 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 Judson Center, Inc. and Subsidiary's management. Our responsibility is to express an opinion on Judson Center, Inc. and Subsidiary'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 audits 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 Judson Center, Inc. and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audit does not provide a legal determination of Judson Center, Inc. and Subsidiary's compliance with those requirements.

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

Internal Control Over Compliance

Management of Judson Center, Inc. and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Judson Center, Inc. and Subsidiary's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Judson Center, Inc. and Subsidiary's internal control 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.

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

This report is intended solely for the information and use of management, Audit Committee, Board of Trustees, others within the entity, 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.

UHY LLP

Farmington Hills, Michigan
December 30, 2011

JUDSON CENTER, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2011 and 2010

SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Are any material weaknesses identified? ____Yes __X__No
- Are any significant deficiencies identified not considered to be material weaknesses? ____ Yes __X__None noted
- Is any noncompliance material to the financial statements noted? ____ Yes __X__No

Federal Awards

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

Internal control over major program compliance:

- Are any material weaknesses identified? ____ Yes __X__No
- Are any significant deficiencies identified not considered to be material weaknesses? ____Yes __X__No
- Any audit findings disclosed that are required to be Reported in accordance with section 501(a) of OMB Circular A-133 ____Yes _X__No

Identification of major programs:

CFDA# 93.558 – Temporary Assistance for Needy Families,
CFDA# 93.658 – Michigan Adoption Resource Exchange

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

Is the auditee qualified as a low-risk auditee? __X_ Yes ____No

FINANCIAL STATEMENT FINDINGS

None

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

JUDSON CENTER, INC. AND SUBSIDIARY
SCHEDULE OF PRIOR AUDITS FINDINGS
Year ended September 30, 2011 and 2010

There were no prior audit findings.