JUDSON CENTER, INC. AND SUBSIDIARY

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2012 and 2011

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, 2012 and 2011, 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2012 and 2011, 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.

UHY LLP

Farmington Hills, Michigan
January 23, 2013

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

	September 30, 2012	September 30, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,886,676**	$ 3,082,651
Accounts receivable - net	**1,913,813**	1,803,762
Prepaid expenses and other	**163,385**	338,432
Total current assets	**4,963,874**	5,224,845
FIXED ASSETS		
Land	**237,054**	237,054
Buildings and building improvement	**6,814,427**	6,770,465
Furniture and fixtures	**1,309,317**	1,259,469
Computer equipment and software	**1,076,489**	1,066,883
Transportation equipment	**812,278**	840,681
	10,249,565	10,174,552
Less accumulated depreciation and amortization	**5,718,625**	5,342,412
NET FIXED ASSETS	**4,530,940**	4,832,140
OTHER ASSETS		
Marketable securities	**10,482,501**	8,536,367
Cash surrender value of life insurance	**69,851**	-
Total other assets	**10,552,352**	8,536,367
	$ 20,047,166	$ 18,593,352

	September 30, 2012	September 30, 2011
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	**$ 341,834**	$ 283,498
Accrued expenses	**714,829**	730,767
Deferred revenue	**75,758**	-
Capital lease, current portion	**9,057**	-
Total current liabilities	**1,141,478**	1,014,265
CAPITAL LEASE, net of current portion	**34,594**	-
PENSION LIABILITY	**3,436,333**	2,837,615
ACCRUED POSTRETIREMENT COSTS	**615,838**	465,656
Total liabilities	**5,228,243**	4,317,536
NET ASSETS		
Unrestricted	**14,774,428**	14,264,153
Temporarily restricted	**44,495**	11,663
Total net assets	**14,818,923**	14,275,816
	$ 20,047,166	$ 18,593,352

See notes to consolidated financial statements.

JUDSON CENTER, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES

	Years ended September 30, 2012	2011
CHANGES IN UNRESTRICTED NET ASSETS		
Revenues and Support		
Government agencies fees and grants	**$ 14,739,082**	$ 14,163,702
Public contributions	**1,333,221**	679,886
Interest and dividends	**289,384**	303,684
Unrealized gain (loss) on marketable securities	**1,020,229**	(254,171)
Realized gain on sale of marketable securities	**150,209**	24,212
(Loss) on sale of fixed assets	**(19,973)**	(3,008)
Rental income	**109,781**	109,575
Net assets released from restrictions	**205,733**	244,721
Miscellaneous	**247,119**	209,923
Total revenues and support	**18,074,785**	15,478,524
EXPENSES		
Program Services	**14,668,913**	14,827,635
Supporting Services		
Management and general	**1,687,247**	1,529,558
Development	**362,692**	331,657
Total expenses	**16,718,852**	16,688,850
Change in unrestricted net assets before change in unrecognized pension losses	**1,355,933**	(1,210,326)
Change in pension and postretirement liabilities	**(845,658)**	(531,534)
CHANGE IN UNRESTRICTED NET ASSETS	**510,275**	(1,741,860)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Restricted public contributions	**238,565**	25,000
Net assets released from restrictions	**(205,733)**	(244,721)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	**32,832**	(219,721)
CHANGE IN NET ASSETS	**543,107**	(1,961,581)
NET ASSETS, beginning of year	**14,275,816**	16,237,397
NET ASSETS, end of year	**$ 14,818,923**	$ 14,275,816

See notes to consolidated financial statements.

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

	Years ended September 30, 2012	2011
OPERATING ACTIVITIES		
Change in net assets	**$ 543,107**	$ (1,961,581)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Reserve for contractual adjustments	**(272,886)**	-
Depreciation and amortization	**491,053**	516,390
Non-cash contribution of stock	**(54,189)**	-
Non-cash transfer of asset	**13,286**	-
Loss on sale of assets	**19,973**	3,008
Unrealized (gain) loss on marketable securities	**(1,020,229)**	254,171
Realized (gain) on marketable securities	**(150,208)**	(24,489)
Changes in:		
Accounts receivable	**162,835**	54,733
Prepaid expenses	**175,047**	(47,388)
Cash surrender value of life insurance	**(69,851)**	-
Accounts payable	**58,336**	(151,196)
Accrued expenses	**(15,938)**	(266,370)
Deferred revenue	**75,758**	-
Accrued pension liability	**598,718**	541,409
Accrued postretirement costs	**150,182**	4,432
Net cash provided by (used in) operating activities	**704,994**	(1,076,881)
INVESTING ACTIVITIES		
Purchases of marketable securities	**(801,443)**	(1,300,112)
Proceeds from sale of marketable securities	**79,935**	1,161,847
Purchases of fixed assets	**(176,590)**	(166,768)
Proceeds from sale of fixed assets and donated property	**2,200**	32,010
Net cash (used in) investing activities	**(895,898)**	(273,023)
FINANCING ACTIVITY		
Repayments of capital lease	**(5,071)**	-
Repayments of long-term debt	**-**	(612)
Net cash provided by (used in) financing activities	**(5,071)**	(612)
CHANGE IN CASH AND CASH EQUIVALENTS	**(195,975)**	(1,350,516)
CASH AND CASH EQUIVALENTS, at beginning of year	**3,082,651**	4,433,167
CASH AND CASH EQUIVALENTS, at end of year	**$ 2,886,676**	$ 3,082,651
NON-CASH ACTIVITY		
Contribution of stock	**$ 54,189**	$ -
Transfer of asset	**$ 13,286**	$ -
Capital lease	**$ 48,722**	$ -

See notes to consolidated financial statements.

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

Organization

Judson Center, Inc. and Subsidiary are Michigan non-profit organizations. The purpose of Judson Center, Inc. ("Judson") 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 (the "Foundation"), a 100% controlled subsidiary. The purpose of the Foundation is to support Judson.

Principles of Consolidation

The accompanying consolidated financial statements reflect the consolidated assets and liabilities, changes in net assets, and cash flows of Judson Center, Inc. and Judson Center Foundation (collectively, the "Organization"). All significant interrelated transactions between Judson and the Foundation have been eliminated in consolidation.

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.

Accounts Receivable and Reserve for Contractual Adjustments

The Organization receives funding, through contracts, from various governmental agencies for specific activities. The final determination of revenue is subject to approval by granting agencies, usually after a compliance audit. The Organization carries its accounts receivables, related to these contracts, at the invoices amount less a reserve for contractual adjustments. As of September 30, 2012 and 2011, the reserve for contractual adjustments was $51,958 and $324,844, respectively and is netted with accounts receivable on the Consolidated Statements of Financial Position.

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.

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 and amortization expense are 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 or amortization 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)

Deferred Revenue

Revenues received for special events occurring after year end are deferred until the date of the event. Deferred revenues as of September 30, 2012 and 2011 were $75,758 and $-0-, respectively.

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, 2012 and 2011, 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 2009 and later remain subject to examination.

Interest Expense

Interest expense for the years ended September 30, 2012 and 2011 was $1,459 and $109, 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 January 23, 2013, the date the financials were available to be issued.

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 $411 and $1,391 as of September 30, 2012 and 2011, respectively, have been included in accounts receivable on the Consolidated Statements of Financial Position. Pledges receivable consist of the following:

	September 30, 2012	September 30, 2011
Contributions collectible in less than one year	$ 441	$ 1,391

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, 2012	September 30, 2011
Money market funds	$ 78,190	$ 140,914
Bond funds	6,337,381	3,586,053
Equity funds	3,882,243	2,626,693
Common stocks	17,954	2,182,707
Exchange traded funds	166,733	-
	$ 10,482,501	$ 8,536,367

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:

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

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.

Bond funds, common stocks, and exchange traded funds: Valued at the closing price reported in the active market on which the individual securities are traded.

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.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value.

	September 30, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 78,190	$ -	$ -	$ 78,190
Bond funds	-	6,337,381	-	6,337,381
Equity funds	3,882,243	-	-	3,882,243
Common stock	17,954	-	-	17,954
Exchange traded funds	166,733	-	-	166,733
Total	$ 4,145,120	$ 6,337,381	$ -	$ 10,482,501

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

NOTE 6 – CAPITAL LEASE

Capital lease consists of the following:

	September 30,	
	2012	2011
In March 2012, the Organization became the lessee of equipment under a capital lease agreement through February 2017. The capital lease bears interest at 5% and is payable in monthly installments of $919 including interest.	$ 43,651	$ -
Less: current portion	9,057	-
	$ 34,594	$ -

NOTE 6 – CAPITAL LEASE (Continued)

Following is the maturity of the capital lease for each of the next five years:

Year ending September 30,	Amount
2013	$ 9,057
2014	9,520
2015	10,007
2016	10,517
2017	4,550
	$ 43,651

The assets and liabilities under the capital lease are recorded at the lower of present value of the minimum lease payments for the fair value of the assets. The assets are depreciated over the lower of its related lease terms or its estimated productive lives.

Assets acquired under capital lease have the following book value:

	September 30, 2012	September 30, 2011
Phone system	$ 48,722	$ -
Less: accumulated depreciation	5,684	-
	$ 43,038	$ -

Depreciation on assets under capital lease charged to expense was $5,684 and $-0- for the years ended September 30, 2012 and 2011, respectively. Interest expense on the capital lease charged to expense was $1,365 and $-0- for the years ended September 30, 2012 and 2011, respectively.

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.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

The temporarily restricted net assets were comprised of the following:

	September 30, 2012	September 30, 2011
Motivational interviewing techniques	$ 30,000	$ -
Parent education and support	1,125	-
Macomb Early Head Start	2,114	-
Hope Begins Here Campaign - time restricted	441	1,391
Relocation Fund	5,000	-
Other time restrictions	5,815	5,815
Other purpose restrictions	-	4,457
	$ 44,495	$ 11,663

NOTE 8 – OPERATING LEASES

The Organization leases meeting space and residential homes with monthly payments totaling $34,834 expiring through September 2015. Lease expense for the years ended September 30, 2012 and 2011 was approximately $434,000 and $436,000, 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, 2012:

Years ending September 30,	Amount
2013	$ 230,518
2014	192,375
2015	119,438
	$ 542,331

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.

NOTE 9 – PENSION PLAN (Continued)

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, 2012	Years ended September 30, 2011
Service cost*	$ -	$ -
Interest cost	375,591	393,496
Expected return on plan assets	(294,827)	(325,499)
Amortization of actuarial loss	217,487	161,121
Net periodic pension cost	$ 298,251	$ 229,118

*Plan is frozen

The following table presents the Plan's funded status:

	September 30, 2012	September 30, 2011
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 7,595,793	$ 7,226,940
Service cost	-	-
Interest cost	375,591	393,496
Actuarial loss (gain)	1,442,506	459,028
Benefits paid	(614,617)	(483,671)
Projected benefit obligation, end of year	$ 8,799,273	$ 7,595,793

NOTE 9 – PENSION PLAN (Continued)

	September 30, 2012	September 30, 2011
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 4,758,178	$ 4,930,734
Actual return on plan assets	780,739	44,697
Contributions	438,640	266,418
Benefits paid	(614,617)	(483,671)
Plan assets at fair value	$ 5,362,940	$ 4,758,178
Funded status, end of year		
Projected benefit obligation in excess of plan assets	$ 3,436,333	$ 2,837,615

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 $217,487. The accumulated unrecognized actuarial loss at September 30, 2012 and 2011 was $4,506,928 and $3,767,821, respectively.

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
2011	$ 2,296,206
2012	$ 2,837,615
2013	$ 3,436,333

Expected future annual benefit payments to retirees are as follows:

Year ending September 30,	Amount
2013	$ 287,870
2014	$ 304,492
2015	$ 318,409
2016	$ 346,836
2017	$ 379,959
2018- 2023	$ 2,315,284

NOTE 9 – PENSION PLAN (Continued)

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

	September 30,	
	2012	2011
Discount Rate	5.20%	5.60%
Expected rate of long-term return on plan assets	6.50%	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,	
	2012	2011
Discount Rate	4.00%	5.20%
Rate of compensation increase	N/A	N/A

Plan Assets

The allocations of Plan assets were as follows:

	September 30,	
	2012	2011
Equity securities	58.0%	55.1%
Debt securities	38.1%	43.0%
Other	3.9%	1.9%
	100.0%	100.0%

Contributions

The Organization expects to contribute $450,000 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 4.0% and 5.2% for 2012 and 2011, respectively.

The following relates to postretirement benefits provided by the Organization:

	September 30,	
	2012	2011
Accumulated postretirement benefit obligation	$ 615,838	$ 465,656
Net periodic postretirement cost	$ 56,031	$ 62,507
Benefits paid	$ 12,400	$ 10,800

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

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

	Years ended September 30,	
	2012	2011
Service cost	$ 24,202	$ 26,752
Interest cost	23,948	25,691
Amortization of prior service costs	15,778	15,778
Amortization of actuarial loss	(7,897)	(5,714)
Net periodic pension cost	$ 56,031	$ 62,507

The following benefit payments are expected to be paid:

Year ending September 30,	Amount
2013	$ 17,460
2014	19,560
2015	20,160
2016	21,840
2017	23,040
2018 - 2022	144,060

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 $176,000 and $163,000 to the plan during the years ended September 30, 2012 and 2011, 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, 2012 and 2011, $1,509,970 and $1,509,470, respectively, had been contributed to the Foundation. The market value of the endowment fund was $2,042,885 and $1,868,000 at September 30, 2012 and 2011, respectively.

NOTE 13 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest for the years ended September 30, 2012 and 2011 was approximately $1,500 and $100, respectively.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the years ended September 30, 2012 and 2011, the Organization paid $52,298 and $8,980, 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.