Financial Statements and Report of Independent Certified Public Accountants

Case Management, Inc.

June 30, 2011 and 2010

BROWER & HEBERT
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors

Rubie Briwder

Lee Cochran

Lydia Crivens

Marion Foster

Willie Henry

Susanne Jackson

Albert Jones

Valerie Denise Jones

Thomas Long

Valerie Long

Georgia Malone

Yolanda Matthews

Rev. Stephen Walker

Administrative Officials

R. Bud Reese, Executive Director (retired effective November 11, 2011)

E. Florence Hervery, Executive Director (effective November 14, 2011)

Billy Heard, Director of Finance

BROWER
& HEBERT

5865 Ridgway Center Parkway, Suite 210, Memphis, Tennessee 38120 - (901) 684-7474 - Fax (901) 684-7448 - e-mail: RBrower@TBCCPA.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Case Management, Inc.
Memphis, Tennessee

We have audited the accompanying statements of financial position of Case Management, Inc. as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 financial statements referred to above present fairly, in all material respects, the financial position of Case Management, Inc. as of June 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 5, 2011, on our consideration of Case Management, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal controls 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 performed for the purpose of forming an opinion on the basic financial statements of Case Management, Inc. taken as a whole. The accompanying schedule of expenditures of government awards are 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 Centers*** along with the supplemental statement of financial position and related statements of activities, changes in net assets and cash flows are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brower & Hebert

Memphis, Tennessee
December 18, 2011

FINANCIAL STATEMENTS

Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets:		
Current Assets:		
Cash and cash equivalents	$ 6,114,162	$ 2,527,859
Escrow cash - representative payee	90,984	309,337
Accounts receivable - non grants	1,235,102	52,704
Grants receivables - federal, state, & local	886,082	652,761
Prepaid insurance and miscellaneous	89,948	162,335
Total current assets	8,416,278	3,704,996
Property and equipment-net	1,663,347	968,061
Other Assets:		
Deposits	15,000	15,000
Investments	216,161	215,543
Total other assets	231,161	230,543
Total assets	$10,310,786	$ 4,903,600
Liabilities and Net Assets:		
Current liabilities:		
Notes payable	$ -	$ 241,053
Escrow liability - representative payee	90,984	309,337
Lines of credit	156,206	258,100
Accounts payable	134,480	102,816
Accrued compensation	381,184	416,318
Accrued and other liabilities	72,320	59,723
Current maturities of long-term debt	68,254	53,878
Total current liabilities	903,428	1,441,225
Long-term liabilities:		
Notes payable	668,107	505,288
Total long-term liabilities	668,107	505,288
Total liabilities	1,571,535	1,946,513
Net assets, unrestricted	8,739,251	2,957,087
Total liabilities and net assets	$10,310,786	$ 4,903,600

The accompanying notes are an integral part of these statements.

Statements of Activities and Changes in Net Assets
June 30, 2011 and 2010

	Un-restricted	Temporarily Restricted	2011 Total	2010 Total
Revenues and Other Support:				
Net patient revenues	$ 12,209,330	$ -	$12,209,330	$ 9,137,025
Federal and State grant awards	-	4,442,142	4,442,142	3,690,524
Local grant awards	-	150,494	150,494	174,184
Interest income	5,438	-	5,438	13,440
Management fees	56,791	-	56,791	76,596
Other income	905,724	-	905,724	83,424
Rental income	170,787	-	170,787	204,025
Net assets released from restrictions	4,592,636	(4,592,636)	-	-
Total revenue and support	17,940,706	-	17,940,706	13,379,218
Functional Expenses:				
Case management	9,736,012	-	9,736,012	7,866,779
Supportive housing	557,139	-	557,139	901,253
General and administrative	1,865,391	-	1,865,391	3,042,970
Total functional expenses	12,158,542	-	12,158,542	11,811,002
Changes in Net Assets	5,782,164	-	5,782,164	1,568,216
Net Assets Beginning of Year	2,957,087	-	2,957,087	1,717,369
Net Deficit from merger with Whitehaven-Southwest Mental Health Center, Inc.	-	-	-	(328,498)
Net Assets End of Year	$ 8,739,251	$ -	$ 8,739,251	$ 2,957,087

The accompanying notes are an integral part of these statements.

Statements of Functional Expenses
June 30, 2011 and 2010

	Case Manage-ment	Supportive Housing	Admin-istration	2011 Total	2010 Total
Total payroll and related cost	$6,733,683	$ 252,260	$ 1,286,050	$ 8,271,993	$ 8,250,101
Professional	966,048	34,118	38,960	1,039,126	857,608
Supplies and food	167,355	46,418	34,525	248,298	254,134
Depreciation	-	52,014	102,696	154,710	139,924
Occupancy	320,632	50,787	39,419	410,838	484,087
Insurance	203,059	4,833	169,575	377,467	311,629
Maintenance	112,122	63,177	40,050	215,349	199,837
Postage and shipping	3,906	209	6,070	10,185	13,073
Telephone	172,452	13,114	19,762	205,328	178,134
Travel	438,612	9,201	14,270	462,083	387,795
Training and meetings	-	-	8,395	8,395	15,861
Vehicle operations	22,473	16,634	11,942	51,049	54,388
Printing and publications	13,351	-	14,189	27,540	53,206
Specific assistance to individuals	518,595	1,505	-	520,100	436,254
Interest	25,850	4,198	40,079	70,127	86,401
Miscellaneous	37,874	8,671	39,409	85,954	88,571
Total	$9,736,012	$ 557,139	$ 1,865,391	$12,158,542	$11,811,002

The accompanying notes are an integral part of these statements.

Statements of Cash Flows
June 30, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Change in net assets	$ 5,782,164	$ 1,568,216
Depreciation	154,710	139,924
(Increase) decrease in operating assets:		
Escrow cash - representative payee	218,353	(63,422)
Accounts receivable - non grants	(1,182,398)	(16,750)
Grants receivables - federal, state, & local	(233,321)	(437,189)
Prepaid insurance and miscellaneous	72,387	(160,440)
Due from related party	-	400,823
Increase (decrease) in operating liabilities:		
Escrow liability - representative payee	(218,353)	63,422
Accounts payable	31,668	(34,746)
Accrued compensation	(35,134)	162,645
Accrued and other liabilities	12,597	53,740
Net cash provided (used) by operating activities	4,602,673	1,676,223
Cash Flows From Investing Activities:		
Contribution/Purchase of property and equipment	(850,000)	(734,052)
Increase in investments and deposits	(618)	(5,982)
Decrease in due from related party	-	196,000
Net Deficit from merger with Whitehaven-Southwest Mental Health Center, Inc.	-	(328,498)
Net cash provided (used) by investing activities	(850,618)	(872,532)
Cash Flows From Financing Activities:		
Increase (decrease) in lines of credit to bank	(101,894)	(99,011)
Increase (decrease) in long-term notes payable to bank	162,819	505,288
Increase (decrease) in short-term note payable to bank	(226,677)	294,931
Net cash provided (used) by financing activities	(165,752)	701,208
Net Increase (Decrease) In Cash and Cash Equivalents	3,586,303	1,504,899
Cash And Cash Equivalents, Beginning of Yea	2,527,859	1,022,960
Cash And Cash Equivalents, End of Yea	$ 6,114,162	$ 2,527,859
Cash paid during the year for:		
Interest	$ 70,127	$ 86,401

The accompanying notes are an integral part of these statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Organization

Case Management, Inc., (the "Organization"), is a non-profit corporation formed under the laws of the State of Tennessee to provide case management services to mental health consumers in the Memphis, Tennessee area who are registered with either one of two behavioral health organizations (BHO). These BHO's have been charged by the Tennessee TennCare Partners Program with the administration of mental health services in the state of Tennessee. The Organization also provides mental health and counseling services, on an outpatient basis, to residents of Memphis & Shelby County, Tennessee.

2. Accounting and Reporting

The Organization uses the accrual basis of accounting that follows the reporting practices as set forth by the accounting principles generally accepted in the United States of America and government auditing standards.

3. Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117 the Organization is required to report net assets on the basis of unrestricted, temporarily restricted or permanently restricted. As permitted by the Statement, the Organization does not use fund accounting.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the 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 statement of activities as net assets released from restrictions.

4. Donated Services

Volunteers periodically provide uncompensated non-specialized services as administrative and special events assistance. During the year ended June 30, 2011 and 2010, there were no specialized services which require recognition in the financial statements.

5. Use of Estimates

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America and government auditing standards requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those reported.

6. Income Taxes

   The Organization is a non-profit corporation exempted from federal income taxation under section 501(c)(3) of the Internal Revenue Code.

7. Cash and Cash Equivalents

   The Organization considers all highly liquid investment instruments with maturities of three months or less when purchased to be cash equivalents. These instruments are recorded at cost, which equals fair value at June 30, 2011 and 2010.

8. Investments

   The Organization reports its investments in equity and debt securities in accordance with Statement of Financial Accounting Standards (SFAS) No. 124. Under SFAS No. 124 the Organization is required to report its investments at fair value on the statement of financial position with gains or losses on investments reported on the statement of activities as increases or decreases in unrestricted net assets.

9. Allowance for Bad Debts

   The Organization does not believe an allowance for doubtful accounts is necessary since the receivables are from contracts, which have been collected as of the date of this report.

10. Property and Equipment

    Property and equipment are carried at cost. The Organization's policy is to capitalize items purchased with a cost in excess of $500 and which have a useful life of five years or more. Depreciation is provided using the straight-line method over expected lives of the related assets, which range from five to thirty-nine years.

11. Net Assets

    The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, issued by the Financial Accounting Standards Board. Since none of the assets are subject to donor-imposed restrictions, all net assets are reflected as unrestricted.

12. Grant Revenues

    The Organization receives grant funds that are reimbursements of cost incurred; therefore revenues are recognized when those cost are incurred.

13. Net Patient Revenue

Net patient revenues represent fees earned by the Organization from patient services, net of estimated uncollectable amounts from self-pay patients and estimated contractual allowances from third-party payers.

14. Advertising Costs

The Organization's policy in regards to advertising costs is to expense all charges as incurred. Amounts expended for the year ended June 30, 2011 and 2010 were $0 and $0, respectfully.

NOTE B - CONSUMER FUNDS:

The Organization collects funds for the benefit of consumers and makes disbursements for the benefit of the respective consumer. At June 30, 2011 and 2010, the Organization held $90,984 and $309,337, respectfully, in cash for the benefit of its consumers that is reflected as escrow cash-representative payee and the total liability of $90,984 and $309,337, respectfully, is reflected as escrow liability-representative payee in the accompanying statements of financial position.

NOTE C - PROPERTY AND EQUIPMENT:

The categories of property and equipment, at cost, are as follows:

	Cost	Accumulated Depreciation	Net
June 30, 2011			
Buildings and improvements	$ 3,126,902	$ 1,687,920	$ 1,438,982
Computer systems	837,491	774,234	63,257
Furniture and fixtures	248,362	175,586	72,776
Leasehold improvements	487,925	487,925	-
Machinery and equipment	496,529	467,925	28,604
Vehicles	121,645	121,645	-
Total depreciable assets	5,318,854	3,715,235	1,603,619
Land	59,728	-	59,728
Net property and equipment	$ 5,378,582	$ 3,715,235	$ 1,663,347

	Cost	Accumulated Depreciation	Net
June 30, 2010			
Buildings and improvements	$ 2,280,902	$ 1,582,558	$ 698,344
Computer systems	837,491	762,610	74,881
Furniture and fixtures	248,362	143,747	104,615
Leasehold improvements	487,925	487,807	118
Machinery and equipment	496,529	463,470	33,059
Vehicles	121,645	120,329	1,316
Total depreciable assets	4,472,854	3,560,521	912,333
Land	55,728	-	55,728
Net property and equipment	$ 4,528,582	$ 3,560,521	$ 968,061

NOTE D - COMPENSATED ABSENCES:

Employees of the Organization are entitled to paid vacations, paid sick days, and personal days off, depending on length of service and other factors. It is the policy of the Organization that employees are awarded annual leave (vacation) based on years of service as follows:

1-3 years	1 week
4-9 years	2 weeks
10+years	3 weeks

Unused leave time maybe carried over from year to year with management approval. The annual leave payable as of June 30, 2011 and 2010 is $69,737 and $75,239, respectfully.

NOTE E – DEBT:

Line of Credit:

The Organization maintains a $250,000 line of credit that is secured by inventory, chattel paper, accounts, equipment, and general intangibles with a local bank, which accrues interest on borrowings at 4.50% as of June 30, 2011 and is due monthly. This line of credit expires April 15, 2013. The balance as of June 30, 2011 and 2010 was $156,206 and $145,954, respectfully.

Long-Term Notes Payable consists of the following:

	2011	2010
Notes payable to bank, payable in 59 monthly installments of $8,896, including interest at 5.12% through August 15, 2015, and one final payment on September 15, 2015, of an amount sufficient to include interest at 5.12% plus any remaining principal. The note is secured by real property at 1057 and 1087 Alice Avenue, 1076 and 1080 Peabody Avenue, 5199 Oriole Cove, and 3401 Leschallas Drive.	736,361	-
Notes payable to bank, payable in monthly installments of $1,088, including interest at 6.50% through December 1, 2012. Beginning on January 1, 2013, the interest rate will be adjusted to the prime rate plus a margin determined by the lender and the monthly payment will be adjusted to an amount of principal and interest sufficient to repay the note in full by December 1, 2013. The note is secured by real property at various locations.	-	115,084
Notes payable to bank, payable in monthly installments of $2,114, including interest at 6.375% through April 1, 2013. Beginning on May 1, 2013, the interest rate will be adjusted to the prime rate plus a margin determined by the lender and the monthly payment will be adjusted to an amount of principal and interest sufficient to repay the note in full by April 1, 2017. The note is secured by a lien on the Les Challas.	-	126,856
Notes payable to bank, payable in 59 monthly installments of $1,955, including interest at 8.25% through February 5, 2012. The remaining principal and interest will be due March 5, 2012. The note is secured by real property at various locations.	-	175,668

Notes payable to bank, payable in 59 monthly installments of $1,381, including interest at 9.19% through September 5, 2012. The remaining principal and interest will be due October 5, 2012. The note is secured by real property at various locations.	-	141,558
Total debt obligations	736,361	559,166
Less current portion	(68,254)	(53,878)
Long-term portion	$ 668,107	$ 505,288

Maturities of long-term obligations are as follows:

Year Ending June 30,	
2012	$ 68,254
2013	71,832
2014	75,598
2015	79,560
2016 and thereafter	441,117
	$ 736,361

NOTE F - LEASING ARRANGEMENTS:

Lease #1:
The Organization executed a 132 month lease agreement beginning July 1, 2005 for office space at 4041 Knight Arnold Road. As per the lease agreement, a security deposit in the amount of $2,000 is deposited with the landlord. The terms of the lease agreement include base rent payments of $10,000 to be made on a monthly basis during the first 28 months of the lease. Base rent payments for months 29 through 74 will be $10,900 per month. Base rents payments for months 75 through 134 will be $12,500.

Lease #2:
The Organization executed a 60 month lease agreement beginning September 17, 2008 for office space at 451 Linden Avenue, a/k/a 427 Linden Avenue, and 450 Pontotoc Avenue. The terms of the lease agreement include base rent payments of $15,000 to be made on a monthly basis. In January 2010 the Organization moved from this location. They were allowed out of the lease without penalty.

Lease #3:
The Organization executed a 12 month lease agreement beginning November 17, 2009 for office space at 28 North Claybrook. Provided the Organization is not in default under this Lease, they shall have an option to extend the Term of this Lease upon the same terms and conditions, for one additional year. As per the lease agreement, a security deposit in the amount of $5,000 is deposited with the landlord. The terms of the lease agreement include base rent payments of $3,500 to be made on a monthly basis.

Lease #4:
The Organization executed a 60 month lease agreement beginning December 17, 2009 for office space at 12 North Bellevue Boulevard. The terms of the lease agreement include base rent payments of $3,500 to be made on a monthly basis during the first 12 months of the lease. Base rent for months 13 through 24 will be $4,000 per month. Base rents for months 24 through 36 will be $4,200. Base rents for months 37 through 42 will be $4,212. Base rents for months 43 through 60 will be $4,426. The Organization was not required to put up a security deposit.

Minimum lease obligations are as follows:

Year Ending June 30,		
2012	$	210,000
2013		200,475
2014		203,112
2015		176,556
2016 and thereafter		175,000
	$	965,143

Various office equipment is also leased by the Organization. Minimum lease payments are as follows:

Year Ending June 30,		
2012 and thereafter	$	0
	$	0

Rent expense under the operating leases was $246,068 and $315,808 for the years ended June 30, 2011 and 2010, respectfully.

NOTE G - CONCENTRATION OF CREDIT RISK:

The Organization maintains its cash in local commercial banks. The Federal Deposit Insurance Corporation (FDIC) guarantees bank deposits, in aggregate, up to $250,000 per bank. The Organization had uninsured funds on deposit of $5,257,198 and $2,206,924 as of June 30, 2011 and 2010, respectfully.

NOTE H – FAIR VALUE OF FINANCIAL INSTRUMENTS:

The Organization carries all financial instruments at fair value as of June 30, 2011 and 2010, which is equal to published market value.

NOTE I – PENSION PLAN:

The Organization established a 403(b) pension plan effective October 1, 1995. Employees having reached the age of 21 and having completed one year of service are eligible to participate. Participants are allowed to make contributions and receive matching contributions at the Organizations discretion. Contributions of $11,602 and $14,108 were made by the Organization in 2011 and 2010, respectfully.

NOTE J – INVESTMENTS HELD BY THE COMMUNITY FOUNDATION OF GREATER MEMPHIS, INC:

During fiscal year ended June 30, 1998, the Organization contributed $1,400,000 to the Case Management Mental Health Fund ("Fund") administered by the Community Foundation of Greater Memphis, Inc., ("Community Foundation"). The Organization is allowed to borrow from these funds at an interest rate of 7%. At any time funds not yet loaned, at the sole discretion of the Community Foundation, may be returned to the Organization.

According to the terms of the agreement establishing the Fund, the Organization has transferred and assigned to the Community Foundation all of its rights, title and interest in and to these contributed funds. Further, the Organization was required to acknowledge that the assets transferred to the Community Foundation shall be subject to all the terms and conditions of the Charter and Bylaws of the Community Foundation as existed at the time of the contribution and as they may from time to time be amended. Donors may not impose any material restriction or condition that prevents the Community Foundation from freely and effectively employing the contributed assets, or the income derived there from, in the furtherance of its charitable purposes.

However, any two of certain specified officers of the Organization are authorized to serve as "advisors" to the Fund for the purpose of making recommendations and giving advice to the Community Foundation regarding the administration and distribution of the principal and net income of the Fund.

In accordance with Statement of Financial Accounting Standard (:SFAS") No. 136, issued by the Financial Accounting Standards Board, since the Organization was allowed to make recommendations regarding the distributions of principal and income of the Fund, the contribution must be reflected as an investment of the Organization, beginning with June 30, 2001 financial statements. Accordingly, the contribution was restated as an investment as of June 30, 2001, as adjusted, and is carried by the Organization, net of amounts withdrawn by the Organization, at $216,161 and $215,543 as of June 30, 2011 and 2010, respectfully.

NOTE K – CONTINGENCIES:

On January 1, 1994, the State of Tennessee adopted "TennCare," a program intended to provide health care services for Medicaid recipients as well as additional low-income citizens. TennCare's current structure requires that all fees for health services ultimately pass through managed care organizations (MCO's), which in turn contract with providers for those services.

On July 1, 1996, the State of Tennessee implemented the "TennCare Partners Program," intended to provide mental health and substance abuse treatment services for former Medicaid enrollees, as well as those eligible for TennCare who meet certain criteria. Enrollees are assigned by the State to a behavioral health organization (BHO), which is responsible for managing their patients' mental health and substance abuse services. The State of Tennessee Department of Mental Health and Mental Retardation executed contracts with three BHO's, Magellan Behavioral Health Systems of Tennessee, Blue Care and Americhoice to provide services to their enrollees.

Effective March, 2000, the BHO provider reimbursement method was changed from a monthly case rate payment structure to a case-tiered payment methodology, (based on number of services provided per participant). The participant must be eligible and enrolled and must have a current assessment. The monthly reimbursement is an interim payment, subject to reconciliation adjustments, if any, based on encounter data.

While the Organization's management and board of directors believe that the TennCare Partners program or any replacement funding mechanism may allow the Organization to continue its programs, its ability to do so and to what extent is dependent on the successful implementation and continuation of the State's TennCare Partners Program and the performance of the Organization's current intermediaries.

SUPPLEMENTAL INFORMATION

Supplemental Schedule of Expenditures of Federal, State,and Local Awards
June 30, 2011

Grantor	CFDA Number	Grant Number	Receivable Balance June 30, 2010	Receipts	Expenditures	Receivable Balance June 30, 2011
Federal Major Programs (both Direct and In-Direct)						
US Department of Health and Human Services						
Baby Love II - Substance Abuse and Mental Health Services A	93.243	5H79T1020750-03	$ -	$ 500,000	$ 500,000	$ -
Tennessee Department of Human Services						
Smiles - Families First Family Services	93.558	GR-08-22038	348,421	1,360,258	1,091,458	79,621
Tennessee Department of Mental Health and Developmental Disabilities						
Baby Love I - Pregnant Intensive Care & Focus Prevention	93.959	Z-09-216611	40,382	467,376	426,994	-
City of Memphis - Division of Housing & Community						
Shelter Plus Care Funded Program	14.238	25959	92,061	318,015	329,776	103,822
Total Federal Major Programs (both Direct and In-Direct)			480,864	2,645,649	2,348,228	183,443
Federal Non-Major Programs (both Direct and In-Direct)						
US Department of HUD - Supportive Housing	93.959	TN0021B4J010801	13,152	113,719	115,392	14,825
Tennessee Department of Mental Health and Developmental Disabilities						
Baby Love I - Continuum of Care	93.959	Z-09-213829-0	20,225	57,756	64,981	27,450
Projects to Aid the Transition from Homelessness (PATH)	93.150	GR-10-28223-0	13,909	156,410	153,109	10,608
Tennessee Department of Finance & Administration						
Judgment Assistance Grant American Recovery and Reinvestm	16.803	16.803	1,870	19,658	18,604	816
City of Memphis - Division of Housing & Community						
Housing Opportunities for Persons with Aids (HOWPA)	14.241	26162	86,795	281,236	224,250	29,809
Total Federal Non-Major Programs (both Direct and In-Direct)			135,951	628,779	576,336	83,508
Total Federal Programs			616,815	3,274,428	2,924,564	266,951

CONTINUED

The accompanying notes are an integral part of these statements.

Supplemental Schedule of Expenditures of Federal, State,and Local Awards
June 30, 2011

Grantor	CFDA Number	Grant Number	Receivable Balance June 30, 2010	Receipts	Expenditures	Receivable Balance June 30, 2011
State Major Programs						
Tennessee Department of Mental Health and Developmental Disabilities						
Behavioral Health Safety Net of TN	N/A	GR-10-28417-01	-	727,542	1,288,921	561,379
Total State Major Programs			-	727,542	1,288,921	561,379
State Non-Major Programs						
Tennessee Department of Mental Health and Developmental Disabilities						
Children & Youth Homeless Outreach	N/A	GR-10-29595-0	10,635	41,324	34,597	3,908
Independent Living & Targeted Transitional	N/A	GR-09-25208-0	1,504	81,575	81,076	1,005
Permanent Housing	N/A	GR-10-29596-0	9,194	56,500	54,063	6,757
Victims of Crime Advocacy (VOCA)	N/A	Z-07-033190-0	1,234	42,711	58,921	17,444
Total State Non-Major Programs			22,567	222,110	228,657	29,114
Total State Programs			22,567	949,652	1,517,578	590,493
Local Non-Major Programs						
Shelby County Drug Court Services	N/A	N/A	-	28,430	48,083	19,653
City of Memphis - Division of Housing & Community						
Emergency Shelter Grants Program (ESG)	N/A	75749	4,742	33,190	29,999	1,551
Tenant Based Rental Assistance (TBRA) Programs	N/A	N/A	8,637	73,615	72,412	7,434
Total Local Non-Major Programs			13,379	135,235	150,494	28,638
Total All Programs			$ 652,761	$ 4,359,315	$ 4,592,636	$ 886,082

The accompanying notes are an integral part of these statements.

BROWER
& HEBERT

5865 Ridgway Center Parkway, Suite 210, Memphis, Tennessee 38120 - (901) 684-7474 - Fax (901) 684-7448 - e-mail: RBrower@TBCCPA.net

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*

To the Board of Directors
Case Management, Inc.
Memphis, Tennessee

We have audited the financial statements of Case Management, Inc. as of and for the year ended June 30, 2011 and 2010 and have issued our report thereon dated December 18, 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

In planning and performing our audit, we considered Case Management, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Case Management, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Case Management, Inc.'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 Case Management, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brower & Hebert

Memphis, Tennessee
December 18, 2011

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

To the Board of Directors
Case Management, Inc.
Memphis, Tennessee

Compliance

We have audited the compliance of Case Management, Inc. with the types of compliance requirements described in the ***U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*** that are applicable to each of its major federal programs for the year ended June 30, 2011 and 2010. Case Management, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost. Compliance with the requirements of laws, regulations, contracts, grants agreements, and other matters applicable to its major federal program is the responsibility of management. Our responsibility is to express and opinion on Case Management, Inc.'s compliance based on our audits.

We conducted our audits 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 Case Management, Inc.'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 audits do not provide a legal determination on Case Management, Inc.'s compliance with those requirements.

In our opinion, Case Management, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2011 and 2010.

Internal Control Over Compliance

The management of Case Management, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, grant agreements, and other matters applicable to federal programs. In planning and performing our audits, we considered Case Management, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Case Management, Inc.'s internal control over compliance.

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

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

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

This report is intended solely for the information and use of the management, others within Case Management, Inc., and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Brower & Hebert

Memphis, Tennessee
December 18, 2011

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiencies identified that are not consider to be material weaknesses?	No
Noncompliance material to financial Statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness identified?	No
• Significant deficiencies identified that are not consider to be material weaknesses?	No
Type of auditor's report issued on compliance with major program:	Unqualified
• Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	No

Identification of major programs.

CFDA Number	Name of Federal Major Program
93.243	Baby Love II – Substance Abuse and Mental Health Services Administration (SAMHSA)
93.558	Smiles – Families First Family Services Counseling Services
93.959	Baby Love I – Pregnant Intensive Care and Focus Prevention
14.238	Shelter Plus - City of Memphis

CFDA Number	Name of State Major Program
N/A	Behavioral Health Safety Net of Tennessee

Dollar threshold used to distinguished between type A and type B programs:	$300,000
Auditee qualified as low risk auditee?	Yes

Section II – Financial Statement Findings

None Reported

Section III – Federal Award Findings and Questioned Cost

None Reported

Required disclosures related to the auditor:

Name of Lead Auditor:	Ronny J. Brower, CPA
Firm:	Brower & Hebert
Firm Address:	5865 Ridgeway Center Parkway Suite 210 Memphis, TN 38120
Firm Telephone Number:	901-684-7474
Firm Federal I.D. Number:	81-0636801