

Audited Financial Statements  
And Supplementary Information

**GREAT LAKES RECOVERY CENTERS, INC.**

September 30, 2011

Audited Financial Statements and Supplementary Information

**GREAT LAKES RECOVERY CENTERS, INC.**

September 30, 2011

Audited Financial Statements

Report of Independent Auditors .....	1
Statements of Financial Position.....	2
Statements of Activities .....	3
Statements of Cash Flows.....	5
Notes to Financial Statements .....	6

Supplementary Information

Statement of Functional Expenses.....	13
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**MAKELA, TOUTANT, HILL & NARDI, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

201 West Bluff Street  
Marquette, Michigan 49855

Members  
American Institute of CPA's  
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## **REPORT OF INDEPENDENT AUDITORS**

Board of Directors  
Great Lakes Recovery Centers, Inc.  
Marquette, Michigan

We have audited the accompanying statements of financial position of Great Lakes Recovery Centers, Inc., (a non-profit organization) as of September 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Great Lakes Recovery Centers, Inc.'s management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 Great Lakes Recovery Centers, Inc., 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Makela, Toutant, Hill & Nardi, P.C.*

July 13, 2012

-1-

***Our goal is to help you meet yours!***

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STATEMENTS OF FINANCIAL POSITION

**GREAT LAKES RECOVERY CENTERS, INC.**

	September 30	
	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 119,334	\$ 52,801
Investments	45,750	45,750
Accounts receivable, net of allowance of \$18,117 and \$294,338, respectively	490,873	576,989
Prepays and other assets	13,102	18,462
TOTAL CURRENT ASSETS	<u>669,059</u>	<u>694,002</u>
<b>NON-CURRENT ASSETS</b>		
Land and improvements	15,000	15,000
Machinery and equipment	71,981	54,302
Buildings and improvements	1,473,380	1,455,654
Furniture and fixtures	44,684	44,684
Vehicles	17,817	8,393
	<u>1,622,862</u>	<u>1,578,033</u>
Less accumulated depreciation	(529,975)	(481,041)
TOTAL NON-CURRENT ASSETS	<u>1,092,887</u>	<u>1,096,992</u>
TOTAL ASSETS	<u>\$ 1,761,946</u>	<u>\$ 1,790,994</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 217,824	\$ 159,487
Advance payments on grants	100,000	100,000
Accrued payroll and related liabilities	178,124	127,604
Accrued penalties and interest		1,482
Notes payable--current portion	46,483	39,521
Line-of-credit	40,689	40,728
TOTAL CURRENT LIABILITIES	<u>583,120</u>	<u>468,822</u>
<b>LONG-TERM LIABILITIES</b>		
Notes payable--long-term portion	559,506	575,042
TOTAL LONG-TERM LIABILITIES	<u>559,506</u>	<u>575,042</u>
TOTAL LIABILITIES	<u>1,142,626</u>	<u>1,043,864</u>
<b>NET ASSETS</b>		
Unrestricted	618,520	746,330
Temporarily restricted	800	800
TOTAL NET ASSETS	<u>619,320</u>	<u>747,130</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,761,946</u>	<u>\$ 1,790,994</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

**GREAT LAKES RECOVERY CENTERS, INC.**

	Year Ended September 30, 2011		
	Unrestricted	Temporarily Restricted	Total
<b>CHANGES IN NET ASSETS</b>			
Support and Revenue			
Northcare/Pathways to Healthy Living	\$ 1,418,706		\$ 1,418,706
Insurance	432,462		432,462
MDOC-State Corrections	368,617		368,617
Northern Michigan Substance Abuse	351,107		351,107
Michigan Prisoner Re-entry Initiative	296,461		296,461
Federal Bureau of Prisons	211,394		211,394
Self pay	181,928		181,928
Tribes	169,730		169,730
OCC-Local Corrections	169,708		169,708
Child Welfare (DHS)	165,654		165,654
County/Court Funded	157,521		157,521
Western U.P. Substance Abuse	147,676		147,676
United States Probation Office	98,546		98,546
Veterans contracts	74,535		74,535
Donations	10,268		10,268
MARESA	13,237		13,237
United Way	15,691		15,691
Other income	18,270		18,270
	<u>4,301,511</u>	<u>\$ 0</u>	<u>4,301,511</u>
TOTAL SUPPORT AND REVENUE	4,301,511	\$ 0	4,301,511
Contractual revenue adjustments	(217,386)		(217,386)
	<u>4,084,125</u>		<u>4,084,125</u>
NET SUPPORT AND REVENUE	4,084,125		4,084,125
<b>EXPENSES</b>			
Salaries	2,431,540		2,431,540
Insurance	368,454		368,454
Payroll taxes and workers compensation	250,643		250,643
MPRI expenditures	175,535		175,535
Program specific costs	144,897		144,897
Rent	122,919		122,919
Professional fees and subcontractors	139,886		139,886
Staff training and travel	95,301		95,301
Utilities	82,568		82,568
Building/facility	81,022		81,022
Equipment and computer maintenance	44,478		44,478
Depreciation	53,872		53,872
Telephone	50,634		50,634
Supplies	43,618		43,618
Vehicles	17,466		17,466
Marketing and advertising	17,439		17,439
Postage and printing	9,467		9,467
Miscellaneous	31,875		31,875
Interest	40,402		40,402
Finance charges	6,094		6,094
	<u>4,208,110</u>	<u>0</u>	<u>4,208,110</u>
TOTAL EXPENSES	4,208,110	0	4,208,110
CHANGE IN NET ASSETS FROM OPERATIONS	(123,985)		(123,985)
Net loss on sale of fixed assets	(3,863)		(3,863)
Interest income	38		38
	<u>(127,810)</u>	<u>0</u>	<u>(127,810)</u>
TOTAL CHANGE IN NET ASSETS	(127,810)	0	(127,810)
Net assets at beginning of year	746,330	800	747,130
	<u>746,330</u>	<u>800</u>	<u>747,130</u>
NET ASSETS AT END OF YEAR	\$ 618,520	\$ 800	\$ 619,320

See notes to financial statements.

STATEMENT OF ACTIVITIES

**GREAT LAKES RECOVERY CENTERS, INC.**

	Year Ended September 30, 2010		
	Unrestricted	Temporarily Restricted	Total
<b>CHANGES IN NET ASSETS</b>			
Support and Revenue			
Northcare/Pathways to Healthy Living	\$ 1,326,754		\$ 1,326,754
Michigan Prisoner Re-entry Initiative	440,122		440,122
MDOC-State Corrections	399,802		399,802
Northern Michigan Substance Abuse	376,570		376,570
Self pay	247,431		247,431
Insurance	246,442		246,442
Child Welfare (DHS)	218,361		218,361
Federal Bureau of Prisons	209,247		209,247
Tribes	179,937		179,937
Western U.P. Substance Abuse	170,181		170,181
County/Court Funded	167,911		167,911
OCC-Local Corrections	117,572		117,572
United States Probation Office	37,773		37,773
Veterans contracts	36,131		36,131
Other program revenue	32,686		32,686
United Way	21,963		21,963
MARESA	12,704		12,704
Donations	21,788		21,788
Other income	22,346		22,346
	<u>4,285,721</u>	<u>\$ 0</u>	<u>4,285,721</u>
Contractual revenue adjustments	(298,200)		(298,200)
	<u>3,987,521</u>		<u>3,987,521</u>
	<b>NET SUPPORT AND REVENUE</b>		
	<u>3,987,521</u>		<u>3,987,521</u>
<b>EXPENSES</b>			
Salaries	2,391,627		2,391,627
Insurance	346,854		346,854
Payroll taxes and workers compensation	241,306		241,306
MPRI expenditures	300,249		300,249
Program specific costs	154,682		154,682
Rent	113,270		113,270
Professional fees and subcontractors	96,450		96,450
Staff training and travel	91,428		91,428
Utilities	81,064		81,064
Building/facility	67,592		67,592
Equipment and computer maintenance	53,658		53,658
Depreciation	48,121		48,121
Telephone	42,862		42,862
Supplies	38,959		38,959
Vehicles	19,808		19,808
Marketing and advertising	12,986		12,986
Postage and printing	11,767		11,767
Miscellaneous	25,671		25,671
Interest	44,609		44,609
Penalty recovery	(41,849)		
	<u>4,141,114</u>	<u>0</u>	<u>4,141,114</u>
	<b>TOTAL EXPENSES</b>		
	<u>(153,593)</u>		<u>(153,593)</u>
	<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>		
Net loss on sale of fixed assets	(1,543)		(1,543)
Interest income	671		671
	<u>(154,465)</u>	<u>0</u>	<u>(154,465)</u>
	<b>TOTAL CHANGE IN NET ASSETS</b>		
Net assets at beginning of year	<u>900,795</u>	<u>800</u>	<u>901,595</u>
	<u>\$ 746,330</u>	<u>\$ 800</u>	<u>\$ 747,130</u>
	<b>NET ASSETS AT END OF YEAR</b>		

See notes to financial statements.

STATEMENTS OF CASH FLOWS

**GREAT LAKES RECOVERY CENTERS, INC.**

	Year Ended September 30	
	2011	2010
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Cash received from grants, contracts, and fees for services	\$ 4,170,279	\$ 4,047,777
Cash paid to suppliers and employees	(4,001,100)	(4,050,617)
Interest paid	(40,402)	(44,609)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>128,777</u>	<u>(47,449)</u>
<b>CASH FLOWS USED BY INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(55,967)	(139,069)
Proceeds from disposal of fixed assets	1,987	2,023
NET CASH USED BY INVESTING ACTIVITIES	<u>(53,980)</u>	<u>(137,046)</u>
<b>CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES</b>		
Proceeds from borrowing	32,610	117,000
Payment of debt principal	(40,835)	(34,649)
Net advance (payments) on line-of-credit	(39)	40,728
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(8,264)</u>	<u>123,079</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>66,533</u>	<u>(61,416)</u>
Cash and cash equivalents at beginning of year	<u>52,801</u>	<u>114,217</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 119,334</u>	<u>\$ 52,801</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (127,810)	\$ (154,465)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	53,872	48,121
Provision for bad-debt expense	19,100	
Loss on disposal of fixed assets	3,863	1,543
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	67,016	59,585
(Increase) Decrease in prepaid expenses	5,361	5,014
Increase (Decrease) in accounts payable	58,337	56,580
Increase (Decrease) in accrued payroll and related liabilities	50,520	14,691
Increase (Decrease) in other liabilities	(1,482)	(78,518)
NET ADJUSTMENTS	<u>256,587</u>	<u>107,016</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ 128,777</u>	<u>\$ (47,449)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**GREAT LAKES RECOVERY CENTERS, INC.**

September 30, 2011

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business: Great Lakes Recovery Centers, Inc., a non-profit 501(c)(3) Corporation, operates several programs which are designed primarily for the prevention and treatment of substance abuse. These programs offer services and assistance in prevention, diagnostics, treatment and rehabilitation to organizations, adults, adolescents, and children and families throughout Michigan and Northern Wisconsin. Great Lakes Recovery Centers, Inc., (Corporation) operates primarily on contracts with several governmental agencies.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-310, *Not-for-Profit Organizations' Receivables*, and FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*. In accordance with FASB ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets--unrestricted, temporarily restricted, and permanently restricted--based on the existence or nature of any donor-imposed restrictions.

Descriptions of the asset classes are as follows:

Unrestricted Net Assets: Represent funds available for support of current Corporation operations.

Temporarily Restricted Net Assets: Represents funds whose use is limited by donor-imposed stipulations that expire either by passage of time or fulfillment of the stipulations. The funds are reported as temporarily restricted revenues upon receipt and are transferred to unrestricted net assets when the time or purpose restrictions have been met.

Permanently Restricted Net Assets: Represent funds subject to donor-imposed stipulations requiring that the principal be permanently invested.

Cash and Cash Equivalents: Cash and cash equivalents include checking and savings accounts.

Investments: The Corporation holds stock in a closely-held company that is not readily marketable. Net unrealized gains and losses on investments are reflected in the statement of activities.



**GREAT LAKES RECOVERY CENTERS, INC.**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

Land, Buildings, and Equipment: Property and equipment purchases in excess of \$1,500 are capitalized and reported at cost, if purchased, or fair value if contributed. Depreciation is computed using the straight-line method, which depreciates assets evenly over their estimated useful lives which range from three to 39 years. Property and equipment includes assets purchased with governmental grants which could, subject to the specific contract terms, revert to the grantor.

Contributions: All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received, that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received, with donor-imposed restrictions that are met in the same year in which the contributions are received, are classified as unrestricted contributions.

Income Taxes: The Corporation qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code; therefore the Corporation, has no provision for federal income taxes.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain amounts as of and for the year ended September 30, 2010, have been reclassified to conform to the current year's presentation.

Subsequent Events: Subsequent events were evaluated through July 13, 2012, which is the date the financial statements were available to be issued.

Accounts Receivable: Accounts receivable consist mainly of contract, insurance and self-pay for services provided. All such amounts are unsecured and non-interest bearing. The Corporation has established an allowance for uncollectible accounts receivable through a provision for bad debt expense. The allowance was based on management's assessment of the individual account balances outstanding at year-end. Past due receivables will be written-off when internal collection efforts have been unsuccessful in collecting the amount due.

NOTES TO FINANCIAL STATEMENTS--Continued

**GREAT LAKES RECOVERY CENTERS, INC.**

**NOTE B--PUBLIC SUPPORT AND REVENUE**

Donated Services and Material: Agencies, business firms, and others contribute materials and services toward the fulfillment of projects initiated by the Corporation. Contributions of material and services that are objectively measurable and represent program or support expenditures, which would otherwise be incurred by the Corporation, are reflected in both public support and program expense in the accompanying financial statements.

A number of volunteers have donated substantial amounts of their time to program services; however, no volunteer services have been recorded in the financial statements because there is no objective basis available to measure the value of such services.

Governmental Grants - Adult Residential Services: One criminal justice governmental funding source for residents in the adult residential program requires these individuals to pay a portion of their income, if any, for their support while in the program. Amounts due from residents are deducted by the funding source from what would otherwise be due to the Corporation. The amounts due from residents are treated as program service fees in the financial statements.

**NOTE C--ACCOUNTS RECEIVABLE**

A summary of accounts receivable is as follows:

	September 30	
	2011	2010
Contracts	\$ 450,641	\$ 795,092
Insurance	46,070	53,902
Self-Pay	8,694	18,315
Other	3,585	4,018
	<u>508,990</u>	<u>871,327</u>
Allowance for uncollectible accounts	<u>18,117</u>	<u>294,338</u>
ACCOUNTS RECEIVABLE, NET OF ALLOWANCE	<u>\$ 490,873</u>	<u>\$ 576,989</u>

**NOTE D--ACCRUED PAYROLL AND RELATED LIABILITIES**

A summary of accrued payroll and related liabilities is as follows:

	September 30	
	2011	2010
Accrued wages	\$ 122,867	\$ 93,296
Other accrued payroll liabilities	<u>55,257</u>	<u>34,308</u>
ACCRUED PAYROLL AND RELATED LIABILITIES	<u>\$ 178,124</u>	<u>\$ 127,604</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**GREAT LAKES RECOVERY CENTERS, INC.**

**NOTE E--INVESTMENTS**

Market values and unrealized appreciation (depreciation) on investments are as follows:

	September 30, 2011		
	Cost	Fair Value	Unrealized Appreciation
Common stock	\$ 30,000	\$ 45,750	\$ 15,750
TOTAL INVESTMENTS	<u>\$ 30,000</u>	<u>\$ 45,750</u>	<u>\$ 15,750</u>

	September 30, 2010		
	Cost	Fair Value	Unrealized Appreciation
Common stock	\$ 30,000	\$ 45,750	\$ 15,750
TOTAL INVESTMENTS	<u>\$ 30,000</u>	<u>\$ 45,750</u>	<u>\$ 15,750</u>

The following table presents information about the Corporation's investments measured at fair value on a recurring basis and the valuation techniques used by the Corporation to determine those fair values. The FASB ASC 820 Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs consist of unobservable inputs and have the lowest priority. The Corporation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>September 30, 2011:</u>				
Common stock	\$ 45,750		\$ 45,750	
TOTAL INVESTMENT SECURITIES	<u>\$ 45,750</u>	<u>\$ 0</u>	<u>\$ 45,750</u>	<u>\$ 0</u>
<u>September 30, 2010:</u>				
Common stock	\$ 45,750		\$ 45,750	
TOTAL INVESTMENT SECURITIES	<u>\$ 45,750</u>	<u>\$ 0</u>	<u>\$ 45,750</u>	<u>\$ 0</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**GREAT LAKES RECOVERY CENTERS, INC.**

**NOTE E--INVESTMENTS--Continued**

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

Level 2 - Common stock is valued using multiple inputs including the most recent transaction and an independent valuation.

**NOTE F--ADVANCE PAYMENTS ON GRANTS**

Northcare, formerly Eastern Upper Peninsula Substance Abuse Services (EUPSAS), advanced monies to increase the Corporation's cash flow in the amount of \$100,000 for the year ended September 30, 2003. These funds have not been drawn back by EUPSAS, but instead were re-authorized for the years ended September 30, 2011 and 2010.

**NOTE G--TEMPORARILY RESTRICTED ASSETS**

In fiscal year 2009, the Corporation received advanced donations of \$800 to the capital campaign the organization is planning in order to raise funding for a new facility.

The Corporation did not receive any temporarily restricted assets for the years ended September 30, 2011 or 2010.

**NOTE H--LONG-TERM DEBT**

	September 30	
	2011	2010
	<u>          </u>	<u>          </u>
Mortgage--New Hope--Women's House--payable in semi-annual installments of \$15,347, including interest at 5.29%, due September 15, 2021.	\$ 236,938	\$ 254,261
Mortgage--241 Wright St., Marquette--payable in monthly installments of \$2,769, including interest at 7.50%, due October 5, 2021.	231,687	246,913
Mortgage--301 E. Spruce St., Sault St. Marie--payable in monthly installments of \$1,092, including interest at 7.50%, due October 26, 2014.	108,361	113,389
Vehicle Loan--payable in monthly installments of \$373, including interest at 6.75%, due February 18, 2014.	9,935	
Capital Lease, Copier--payable in monthly installments of \$439, including interest at 12.50%, due July 15, 2016.	<u>19,068</u>	
TOTAL LONG-TERM DEBT	<u>\$ 605,989</u>	<u>\$ 614,563</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**GREAT LAKES RECOVERY CENTERS, INC.**

**NOTE H--LONG-TERM DEBT--Continued**

Long-term debt matures as follows:

Year Ending September 30	Principle	Interest	Total
2012	\$ 46,483	\$ 40,287	\$ 86,770
2013	48,896	37,874	86,770
2014	48,788	35,373	84,161
2015	49,404	32,893	82,297
2016	50,737	30,242	80,979
Thereafter	361,681	112,574	474,255
	<u>\$ 605,989</u>	<u>\$ 289,243</u>	<u>\$ 895,232</u>

Interest expense, which is also the amount of interest paid for the years ended September 30, 2011 and 2010, amounted to \$40,402 and \$44,609, respectively.

**NOTE I--POST RETIREMENT BENEFIT PLAN**

Employees that meet the following requirements are eligible: (1) employed by the Corporation as of fiscal year end (2) worked at least 1,000 hours during the previous 12 months, and (3) have been continuously employed by the Corporation for the past 24 months.

The Corporation will make contributions to the Plan and the employees will be at least 100 percent vested. Investment choices are entirely up to the employee. The discretionary contributions are based on the Board of Directors annual approval. The Board of Directors elected not to contribute for the years ended September 30, 2011 and 2010.

NOTES TO FINANCIAL STATEMENTS--Continued

**GREAT LAKES RECOVERY CENTERS, INC.**

**NOTE J--LEASES**

During fiscal year 2011, the Corporation leased several office spaces throughout the Upper Peninsula, Michigan, for its various programs. The expiration dates of leases range from October 31, 2011 through May 31, 2016. Some leases allow for cancellation with a 30-day written notice.

Future minimum payments under these operating leases are summarized below:

<u>Years Ending September 30</u>	
2012	\$ 96,145
2013	47,133
2014	39,418
2015	34,668
2016	<u>23,112</u>
	<u>\$ 240,476</u>

**NOTE K--FUNCTIONAL EXPENSES**

The functional presentation of Corporation expenses is as follows:

	<u>September 30</u>	
	<u>2011</u>	<u>2010</u>
Program services	\$ 3,559,105	\$ 3,709,179
Management and general	<u>649,005</u>	<u>431,935</u>
TOTAL EXPENSES	<u>\$ 4,208,110</u>	<u>\$ 4,141,114</u>

**SUPPLEMENTARY INFORMATION**

STATEMENT OF FUNCTIONAL EXPENSES

**GREAT LAKES RECOVERY CENTERS, INC.**

Year Ended September 30, 2011

	Program Services										
	ARS	Escanaba	Hurley	Iron Mountain	Ironwood	Ishpeming	Manistiquie	Marquette	Menominee	Munising	Newberry
<b>EXPENSES</b>											
<b>EMPLOYEE COMPENSATION</b>											
Salaries	\$ 381,301	\$ 28,131	\$ 19,503	\$ 90,628	\$ 26,582	\$ 183,927	\$ 77,295	\$ 218,883	\$ 10,979	\$ 16,192	\$ 10,756
Insurance	49,588	6,046		29,877	(414)	20,208	19,817	31,428	6,032	24	74
Payroll taxes and workers compensation	40,750	2,504	1,996	8,471	2,907	18,384	7,561	23,802	929	2,025	1,746
<b>TOTAL EMPLOYEE COMPENSATION</b>	<b>471,639</b>	<b>36,681</b>	<b>21,499</b>	<b>128,976</b>	<b>29,075</b>	<b>222,519</b>	<b>104,673</b>	<b>274,113</b>	<b>17,940</b>	<b>18,241</b>	<b>12,576</b>
<b>OTHER EXPENSES</b>											
MPRI expenditures											
Program specific costs	54,292	81		235	193	1,956	641	23,652	61		15
Rent	4,138	4,138		9,160	1,800	17,680	11,973	28,500	2,400	6,000	5,275
Professional fees and subcontractors	4,532	649	5,897	142	420	24,907	2,270	6,037	8,008		
Staff and travel	4,871	2,783	902	1,222	1,438	4,519	5,995	5,831	126	234	3,218
Utilities	27,360							4,352	345		
Building/facility	12,294	67		1,255	1,247	2,510	1,247	3,636	49	1,246	1,336
Equipment and computer maintenance	9,290	1,959	760	2,412	987	4,850	1,019	10,917	1,886	2,122	4,296
Depreciation	9,320			434			34	253			34
Telephone	11,092	929		2,000	19	1,762	2,021	4,411	2,482	1,465	1,210
Supplies	12,779	952		440	555	960	481	3,186	807	270	388
Vehicles	6,670				70		18	49			
Marketing and advertising				50							
Postage and printing	780	50		311	118	1,992	131	1,194	47	44	78
Miscellaneous	633	126		630	153	101	81	507	75	78	399
Interest	14,127										
Finance charges											
<b>TOTAL OTHER EXPENSES</b>	<b>188,040</b>	<b>11,734</b>	<b>7,559</b>	<b>18,291</b>	<b>7,010</b>	<b>61,237</b>	<b>25,911</b>	<b>92,725</b>	<b>16,286</b>	<b>11,459</b>	<b>16,249</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 639,679</b>	<b>\$ 48,415</b>	<b>\$ 29,058</b>	<b>\$ 147,267</b>	<b>\$ 36,085</b>	<b>\$ 283,756</b>	<b>\$ 130,584</b>	<b>\$ 366,838</b>	<b>\$ 34,226</b>	<b>\$ 29,700</b>	<b>\$ 28,825</b>



STATEMENT OF FUNCTIONAL EXPENSES--Continued

**GREAT LAKES RECOVERY CENTERS, INC.**

Year Ended September 30, 2011

	Program Services							Supporting Services		Total
	New Hope Men's	New Hope Women's	Prevention	Prison	Sault St. Marie OP	St. Ignace	Youth	MPRI	Management and General	
<b>EXPENSES</b>										
<b>EMPLOYEE COMPENSATION</b>										
Salaries	\$ 168,340	\$ 208,371	\$ 27,365	\$ 77,669	\$ 63,600	\$ 8,294	\$ 376,841	\$ 80,036	\$ 356,847	\$ 2,431,540
Insurance	17,674	29,426	15,378	12,663	9,180	122	48,956	11,749	60,626	368,454
Payroll taxes and workers compensation	18,888	22,750	2,211	7,736	6,339	1,313	39,217	7,813	33,301	250,643
<b>TOTAL EMPLOYEE COMPENSATION</b>	<b>204,902</b>	<b>260,547</b>	<b>44,954</b>	<b>98,068</b>	<b>79,119</b>	<b>9,729</b>	<b>465,014</b>	<b>99,598</b>	<b>450,774</b>	<b>\$ 3,050,637</b>
<b>OTHER EXPENSES</b>										
MPRI expenditures								175,535		175,535
Program specific costs									75	75
Rent	13,436	16,021	1,715		1,315	4,000	31,009			144,897
Professional fees and subcontractors										122,919
Staff and travel	78	944	9,125	6,240	57	4,492	11,342	56	31,993	139,886
Utilities	2,154	3,314	9,131	7,258	1,969	4,492	8,456	6,889	20,499	95,301
Building/facility	14,723	19,419			1,023		15,013		333	82,568
Equipment and computer maintenance	6,032	6,137		1,247	4,657	1,254	10,233		26,575	81,022
Depreciation	6,792	5,960	549		3,709	2,122	2,268		(17,430)	44,478
Telephone	8,993	17,335			711		6,188		10,570	53,872
Supplies	3,467	2,992		282	2,348	1,360	4,392	492	7,910	50,634
Vehicles	3,797	4,506	358	518	1,019	218	5,516	243	6,625	43,618
Marketing and advertising		18	71	106	88		6,929		3,447	17,466
Postage and printing	1,117								16,272	17,439
Miscellaneous	127	106	39	287	256	76	573	168	3,090	9,467
Interest	216	186	35	85	112	364	1,801	6,200	20,093	31,875
Finance charges		6,705			6,909		5,233		7,428	40,402
	18	4,507							1,569	6,094
<b>TOTAL OTHER EXPENSES</b>	<b>60,950</b>	<b>88,150</b>	<b>21,023</b>	<b>16,023</b>	<b>24,173</b>	<b>13,886</b>	<b>108,953</b>	<b>189,583</b>	<b>198,231</b>	<b>1,157,473</b>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 265,852</b>	<b>\$ 348,697</b>	<b>\$ 65,977</b>	<b>\$ 114,091</b>	<b>\$ 103,292</b>	<b>\$ 23,615</b>	<b>\$ 573,967</b>	<b>\$ 289,181</b>	<b>\$ 649,005</b>	<b>\$ 4,208,110</b>