

Consolidated Financial Statements and Report of  
Independent Certified Public Accountants in  
Accordance with OMB Circular A-133

**NHS Pennsylvania**

June 30, 2013 and 2012

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## **Report of Independent Certified Public Accountants**

Officers and Directors  
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### **Report on the financial statements**

We have audited the accompanying consolidated financial statements of NHS Pennsylvania, which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in unrestricted net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's responsibility for the financial statements**

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

### **Auditor's responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NHS Pennsylvania as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Supplementary information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards for the year ended June 30, 2013, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The Intellectual Developmental Disabilities Cost Report Schedule A - Expense Report and Expense Report Reconciliation for the year ended June 30, 2013, as required by the Waiver Direct Service Provider Audit Requirements of the Commonwealth of Pennsylvania, Department of Public Welfare, Office of Developmental Programs, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 22, 2013, on our consideration of NHS Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NHS Pennsylvania's internal control over financial reporting and compliance.

  
Philadelphia, Pennsylvania

October 22, 2013

NHS Pennsylvania

CONSOLIDATED BALANCE SHEETS

June 30,

ASSETS	2013	2012
Current assets		
Cash	\$ 951,251	\$ 4,885,545
Restricted cash	299,927	314,456
Accounts receivable, net	22,524,123	22,420,815
Due from affiliates	4,064,220	-
Prepaid expenses and other current assets	368,239	429,699
Total current assets	28,207,760	28,050,515
Property and equipment, net	12,917,702	13,312,534
Other assets	974,349	863,257
Total assets	\$ 42,099,811	\$ 42,226,306
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities		
Short-term borrowings	\$ 12,826,702	\$ 14,826,702
Current maturities of long-term debt	1,885,217	1,135,400
Due to affiliates	-	77,327
Deferred revenue, current	420,831	531,449
Accrued payroll	5,322,179	5,423,262
Accrued expenses and other current liabilities	4,407,032	5,285,062
Total current liabilities	24,861,961	27,279,202
Deferred revenue and other long-term liabilities	3,580,932	2,920,745
Long-term debt, net of current maturities	1,836,337	2,781,238
Total liabilities	30,279,230	32,981,185
Unrestricted net assets	11,820,581	9,245,121
Total liabilities and unrestricted net assets	\$ 42,099,811	\$ 42,226,306

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

NHS Pennsylvania

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN  
UNRESTRICTED NET ASSETS

Years ended June 30,

	<u>2013</u>	<u>2012</u>
Revenues		
Net consumer service revenue	\$ 156,640,185	\$ 164,604,450
Other revenue	<u>438,110</u>	<u>575,527</u>
Total revenues	157,078,295	165,179,977
Expenses		
Salaries	74,507,511	79,562,509
Employee benefits	18,852,862	19,566,654
Purchased services	16,221,154	15,802,018
Occupancy	9,063,805	9,041,311
Insurance	2,091,360	2,080,622
Supplies and other	28,151,562	30,754,824
Provision for bad debts	4,101,715	5,167,305
Depreciation and amortization	1,426,113	1,418,693
Interest	<u>217,090</u>	<u>232,718</u>
Total expenses	<u>154,633,172</u>	<u>163,626,654</u>
Income from operations before other items	2,445,123	1,553,323
Other items		
Change in fair value of interest rate swap agreements	<u>130,337</u>	<u>-</u>
Excess of revenues over expenses and change in unrestricted net assets	2,575,460	1,553,323
Unrestricted net assets, beginning of year	<u>9,245,121</u>	<u>7,691,798</u>
Unrestricted net assets, end of year	<u>\$ 11,820,581</u>	<u>\$ 9,245,121</u>

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

## NHS Pennsylvania

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2013</u>	<u>2012</u>
Operating activities		
Change in unrestricted net assets	\$ 2,575,460	\$ 1,553,323
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities		
Depreciation and amortization	1,426,113	1,418,693
Provision for bad debts	4,101,715	5,167,305
Change in fair value of interest rate swap agreements	(130,337)	-
Changes in operating assets and liabilities		
Restricted cash	14,529	19,430
Accounts receivable	(4,205,023)	(5,736,457)
Prepaid expenses and other current assets	61,460	132,507
Other assets	16,026	(104,182)
Due to/from affiliates	(4,069,105)	(4,594,076)
Deferred revenue, current	(110,618)	(86,599)
Accrued payroll	(101,083)	290,245
Accrued expenses and other current liabilities	(878,030)	650,666
Deferred revenue and other long-term liabilities	<u>660,187</u>	<u>(330,196)</u>
Net cash used in operating activities	(638,706)	(1,619,341)
Investing activities		
Purchase of property and equipment	<u>(1,100,504)</u>	<u>(2,135,586)</u>
Net cash used in investing activities	(1,100,504)	(2,135,586)
Financing activities		
Net (payments on) proceeds from short-term borrowings	(2,000,000)	8,202,498
Proceeds from issuance of long-term debt	127,500	584,931
Principal payments on long-term debt	<u>(322,584)</u>	<u>(180,858)</u>
Net cash (used in) provided by financing activities	<u>(2,195,084)</u>	<u>8,606,571</u>
Net (decrease) increase in cash	(3,934,294)	4,851,644
Cash, beginning of year	<u>4,885,545</u>	<u>33,901</u>
Cash, end of year	<u>\$ 951,251</u>	<u>\$ 4,885,545</u>
Supplemental cash flow information		
Interest paid	<u>\$ 212,841</u>	<u>\$ 259,332</u>
Increase in mortgage payable for the purchase of property	<u>\$ 127,500</u>	<u>\$ 584,931</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2013 and 2012

**NOTE A - ORGANIZATION**

NHS Pennsylvania is a not-for-profit 501(c)(3), tax-exempt organization incorporated in the Commonwealth of Pennsylvania.

NHS Pennsylvania is the sole corporate member of NHS Stevens Center, which is the parent of Stevens Housing Corporation. NHS Pennsylvania and its subsidiaries provide comprehensive community mental health and intellectual developmental disabilities services, consisting of crisis outpatient, partial hospitalization, consulting and education. NHS Pennsylvania also provides residential, education, aftercare, foster care and case management services to residents of central and western Pennsylvania, Louisiana and New York.

NHS Human Services, Inc. (NHS) is the sole corporate member of NHS Pennsylvania. NHS is a not-for-profit, tax-exempt corporation that serves as the parent organization of its for-profit and not-for-profit organizations, which are committed to delivering, and supporting the delivery of, mental health, intellectual developmental disabilities, drug and alcohol, juvenile justice and other health and human services to the residents of Pennsylvania, Louisiana, New York, New Jersey, Maryland, Delaware and Virginia.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

1. Basis of Presentation

The consolidated financial statements of NHS Pennsylvania are prepared and presented in accordance with accounting principles generally accepted in the United States of America for health care organizations. The consolidated financial statements include the accounts of NHS Pennsylvania and its subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Use of Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the determination of the allowance for doubtful accounts for receivables, derivatives, allocation of administrative expenses, assumptions used to determine liabilities for self-insured employee benefit plans and the useful lives of fixed assets. Actual results could differ from those estimates.

3. Cash and Restricted Cash

NHS Pennsylvania participates in a consolidated cash management account with other NHS affiliates. All cash receipts are directed to lock boxes associated with the short-term borrowings (Note G) prior to being transferred to the consolidated account. Restricted cash represents client funds held by NHS Pennsylvania.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

4. Net Consumer Service Revenue and Accounts Receivable

NHS Pennsylvania receives its funding through contracts with states, various cities and counties, federal programs, and agreements with managed care and insurance organizations. These contracts generally fall into two categories: cost reimbursement and fee-for-service.

Net consumer service revenue and accounts receivable are reported at the estimated net realizable amounts from consumers, third-party payors, and others for services rendered, including estimated retroactive settlements under reimbursement agreements with third-party payors. Payment arrangements include prospectively determined fee-for-service rates. The ultimate determination of amounts reimbursable under cost reimbursement contracts is based upon allowable costs to be reported to and audited by grantors and/or their agents. In fiscal year 2013, NHS Pennsylvania recognized approximately \$2,900,000 related to retroactive settlements.

Laws and regulations governing these programs are complex and subject to interpretation. NHS Pennsylvania believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future regulatory review and interpretation.

5. Allowance for Doubtful Accounts

The allowance for doubtful accounts is maintained to absorb losses in NHS Pennsylvania's accounts receivable. NHS Pennsylvania continually monitors accounts receivable for collectability issues. An allowance for doubtful accounts is based upon management's judgment and is established based on a review of the types of individual accounts, prior collection history, the nature of the service provided and other pertinent factors. Accounts deemed uncollectible are charged to the allowance. The allowance for doubtful accounts was approximately \$4,528,000 and \$3,624,000 at June 30, 2013 and 2012, respectively.

6. Earned but Unbilled Accounts Receivable

NHS Pennsylvania is reimbursed by funding agencies for expenses in program-funded operations. Certain expenses are accrued for financial reporting purposes, but are not billed as program expenditures until paid. To properly match revenue and expenses, NHS Pennsylvania records an earned but unbilled accounts receivable for this accrual, and the related liability is included in accrued expenses. At June 30, 2013 and 2012, earned but unbilled accounts receivable of \$158,080 and \$214,472, respectively, are included in other current assets on the consolidated balance sheets and are attributable to accrued vacation expenses.

7. Property and Equipment

Property and equipment are recorded at cost. Depreciation has been provided by the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and building improvements	10 - 30 years
Equipment, furniture and automobiles	3 - 15 years

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Deferred Revenue

Portions of grant awards are utilized to purchase property and equipment. NHS Pennsylvania has deferred the recognition of grant revenue related to these acquisitions until the equipment is depreciated to properly match grant revenue and depreciation expense. This deferral is recorded as deferred revenue. Such property acquired is considered to be owned by NHS Pennsylvania while used in the program for which it was purchased or in other future authorized programs; however, the funding agencies maintain a reversionary interest in the property. Its disposition, as well as the ownership of any proceeds therefrom, is subject to government regulations.

9. Derivative Instruments and Hedging Activity

NHS Pennsylvania entered into interest rate swap agreements to manage its exposure to movements in interest rates on long-term obligations. The use of interest rate swaps reduces the exposure to this risk, with the intent to reduce interest expense to NHS Pennsylvania over time. NHS Pennsylvania does not use derivatives for trading purposes. Derivatives are recorded at fair value. The net cash amounts paid or received on the contracts are accrued and recognized as adjustments to interest expense over the periods of the contracts (Note H.3).

10. Income Taxes

A tax position is recognized or derecognized by NHS Pennsylvania and its subsidiaries based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. NHS Pennsylvania and its subsidiaries do not believe its consolidated financial statements include any material uncertain tax positions. NHS Pennsylvania and its subsidiaries are no longer subject to U.S. Federal and state tax examinations for the year ended June 30, 2009 and prior.

11. Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements. These reclassifications had no impact on the total assets, total liabilities or net assets.

## NOTE C - NET CONSUMER SERVICE REVENUE

Concentrations of revenues are as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Managed care organizations	42%	42%
Medical Assistance	25%	24%
County contracts	19%	23%

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE C - NET CONSUMER SERVICE REVENUE - Continued

Net accounts receivable consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
County	\$ 5,531,308	\$ 5,943,530
Managed care organizations	7,797,514	9,362,743
Medical Assistance	6,624,262	4,437,282
Other third parties	<u>2,571,039</u>	<u>2,677,260</u>
	<u>\$ 22,524,123</u>	<u>\$ 22,420,815</u>

## NOTE D - PENSION PLAN

NHS has a 403(b) plan for substantially all employees of NHS and certain affiliates including NHS Pennsylvania. Vesting in the plan is immediate. Employee contributions to the plan were fully matched, up to 4.5% of the employee's salary. The plan also provided for an additional match of 5% of employee contributions for employees with at least 5 years of service, and 10% of employee contributions for employees with at least 10 years of service. Effective July 1, 2012, the 403(b) plan match was amended to a 50% employer match on employee contributions up to 4% of the employee's salary. The additional match based on years of service was eliminated. During the year ended June 30, 2013, NHS approved an additional discretionary one-time match of 2% of the employee's salary.

Employer contributions, including the additional one-time match, for the years ended June 30, 2013 and 2012 were \$787,798 and \$856,281, respectively.

## NOTE E - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Land and improvements	\$ 764,767	\$ 764,767
Buildings and building improvements	16,905,510	15,990,515
Furniture, equipment and automobiles	<u>6,920,983</u>	<u>6,735,474</u>
Total property and equipment	24,591,260	23,490,756
Less accumulated depreciation	<u>(11,673,558)</u>	<u>(10,178,222)</u>
Property and equipment, net	<u>\$ 12,917,702</u>	<u>\$ 13,312,534</u>

Depreciation expense related to the property and equipment was \$1,495,336 and \$1,487,112 for the years ended June 30, 2013 and 2012, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE F - RELATED PARTY TRANSACTIONS

NHS Pennsylvania is one of a group of affiliated organizations related by way of common ownership and/or membership. NHS is the sole corporate member or parent company of each of the affiliated organizations. NHS Pennsylvania has significant transactions with members of the affiliated group for administrative and support services, and facility and equipment rentals. Repayment and receipt of amounts due to or from affiliated organizations is expected when cash is available. The Board of Directors authorized NHS, at the discretion of management, to charge a management fee to all non-profit subsidiaries of which it is the sole corporate member, in an amount not to exceed net income for the fiscal year. The amount due from/(to) affiliated organizations was \$4,064,220 and \$(77,327) as of June 30, 2013 and 2012, respectively. Depreciation and amortization of assets held by one related party but used by others is charged based on usage of the respective assets. For the years ended June 30, 2013 and 2012, depreciation and amortization of \$72,442 and \$71,932, respectively, in excess of the amount charged to it was charged from NHS Pennsylvania to NHS and other affiliated organizations.

For the years ended June 30, 2013 and 2012, NHS Pennsylvania incurred the following expenses with related parties:

	<u>2013</u>	<u>2012</u>
Administration and support services	\$ 17,043,764	\$ 18,588,408
Management fee	3,100,000	2,200,000
Facility, equipment and auto rentals	<u>716,121</u>	<u>702,274</u>
	<u>\$ 20,859,885</u>	<u>\$ 21,490,682</u>

Interest expense related to the outstanding short-term borrowings is charged to the affiliated organizations in accordance with the NHS cost allocation plan.

## NOTE G - SHORT-TERM BORROWINGS

NHS Pennsylvania has a revolving credit loan with maximum borrowings to \$15,000,000. Interest is payable monthly at the one-month LIBOR rate plus 3.25% (effective rate of 3.50% at June 30, 2013 and 2012). The loan expires in February 2015. The outstanding balance of this loan was \$12,826,702 and \$14,826,702 at June 30, 2013 and 2012, respectively. This line of credit facility is secured by all assets of NHS Pennsylvania.

## NOTE H - LONG-TERM DEBT

Long-term debt consisted of the following at June 30:

	<u>2013</u>	<u>2012</u>
Mortgages and notes payable	\$ 3,721,554	\$ 3,916,638
Less current maturities	<u>(1,885,217)</u>	<u>(1,135,400)</u>
	<u>\$ 1,836,337</u>	<u>\$ 2,781,238</u>

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE H - LONG-TERM DEBT - Continued

1. Mortgages and Note Payable

NHS Pennsylvania obtained financing through various mortgage agreements to purchase residential properties. Each note is secured by the underlying property. Principal and interest payments are made in monthly installments throughout the terms of the mortgages (5 - 20 years). Interest rates on the mortgages are based on both fixed and variable rates ranging from 0.00% to 9.94%.

At June 30, 2013 and 2012, NHS and the Stevens Center have a secured note payable outstanding in the amount of \$310,000 and \$370,000, respectively. The note bears interest at the Wall Street Prime Rate plus 0.50% (effective rate of 3.75% at June 30, 2013 and 2012). Principal payments in the amount of \$5,000 are due monthly. This note expires in July 2018.

2. Future Maturities, Covenants and Fair Value of Long-Term Debt

Future maturities of principal payments on long-term debt, for the next five years, are as follows:

Year ending June 30:

2014	\$ 1,885,217
2015	391,701
2016	625,721
2017	455,114
2018	177,088

The debt agreements require NHS Pennsylvania to comply with certain terms, covenants, provisions and conditions, including, but not limited to, limitations on additional indebtedness and satisfaction of certain measures of financial performance. NHS Pennsylvania was in compliance with all financial covenants as of June 30, 2013 and 2012.

The estimated fair value of long-term debt, based on quoted market prices for the same or similar issues, approximates its carrying value at June 30, 2013 and 2012.

3. Derivative Instruments - Interest Rate Swaps

In conjunction with the 2012 Cheltenham Township Industrial Developmental Authority (CTIDA) Bonds (Note J.3), on May 21, 2013, NHS Pennsylvania entered into an interest rate swap agreement with a financial institution. The swap agreement fixes the payments on a notional amount consistent with 2012 CTIDA Bonds outstanding. NHS Pennsylvania has agreed to pay a fixed rate of 1.27%. The current swap agreement expires on May 13, 2022.

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE H - LONG-TERM DEBT - Continued

In conjunction with the 2012 West Norriton Township Industrial Development Authority (WNTIDA) and Limerick Township Industrial Development Authority (LTIDA) Bonds (Note J.3), on May 21, 2013, NHS Pennsylvania entered into an interest rate swap agreement with a financial institution. The swap agreement fixes the payments on a notional amount consistent with 2012 WNTIDA and LTIDA Bonds outstanding. NHS Pennsylvania has agreed to pay a fixed rate of 0.46%. The current swap agreement expires on June 1, 2018.

The following tables provide details of cash flow hedging instruments:

<u>Swap</u>	<u>Balance sheet location</u>	<u>Fair value</u>	<u>Notional amount outstanding</u>	<u>Rate paid</u>	<u>Rate received</u>	<u>Counterparty</u>
2012 CTIDA	Other assets	\$ 112,663	\$ 6,353,780	1.2700%	68% LIBOR	M&T Bank
2012 WNTIDA & LTIDA	Other assets	17,674	14,895,000	0.4600%	68% LIBOR	M&T Bank
		<u>\$ 130,337</u>	<u>\$ 21,248,780</u>			

The reported termination assets, \$112,663 related to the CTIDA Bonds and \$17,674 related to the WNTIDA and LTIDA Bonds, totaling \$130,337 as of June 30, 2013, represent the estimated amounts NHS Pennsylvania would receive to terminate these contracts were they to be terminated at fiscal year end and prior to their scheduled end dates.

## NOTE I - FAIR VALUE MEASUREMENTS

Fair Value Measurements

NHS Pennsylvania has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 hierarchy under U.S. GAAP are described below:

- Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Financial assets and liabilities whose values are based on one or more of the following:
1. Quoted prices for similar assets or liabilities in active markets;
  2. Quoted prices for identical or similar assets or liabilities in non-active markets;
  3. Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
  4. Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE I - FAIR VALUE MEASUREMENTS - Continued

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The NHS Pennsylvania assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table presents information about the NHS Pennsylvania assets measured at fair value on a recurring basis as of June 30, 2013 and indicates the fair value hierarchy using the market approach valuation technique to determine such fair value.

Description	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2013				
Assets				
Interest rate swaps	\$ -	\$ 130,337	\$ -	\$ 130,337
Total assets	\$ -	\$ 130,337	\$ -	\$ 130,337

In reference to the financial instruments held by NHS Pennsylvania, the following provides a brief description of the types of financial instruments, the methodology for estimating fair value, and the level within the hierarchy of the estimate.

Interest Rate Swaps

The interest rate swap agreements are measured by alternative pricing sources with reasonable levels of price transparency in markets that may not be continuously active. Based on the complex nature of interest rate swap agreements, the markets these instruments trade in are not as efficient and are less liquid than that of the more mature Level 1 markets. These markets do, however, have comparable, observable inputs in which an alternative pricing source values these assets in order to arrive at a fair market value. These characteristics classify interest rate swap agreements as a Level 2 input.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE J - COMMITMENTS AND CONTINGENCIES

1. Lease Commitments

NHS Pennsylvania has entered into lease agreements for real estate, vehicles and equipment with various vendors. NHS Pennsylvania also enters into formal leases with affiliates. Various leases, both with vendors and affiliates, are renewed on a year-to-year basis, and are thus excluded from the future minimum rental payments in the following table.

The following is a schedule of future minimum lease payments for operating leases with noncancellable lease terms in excess of one year:

Year ending June 30:

2014	\$ 3,567,833
2015	2,860,735
2016	2,407,420
2017	1,698,888
2018	1,364,208
Thereafter	<u>2,493,559</u>
	<u>\$ 14,392,643</u>

Rental expense for the years ended June 30, 2013 and 2012 totaled \$7,101,469 and \$7,111,005, respectively.

2. Professional Liability Insurance

NHS Pennsylvania maintains professional liability insurance coverage of \$5,000,000 per occurrence up to an annual aggregate of \$5,000,000. The cost of professional liability insurance amounted to \$1,219,000 and \$1,167,000 in 2013 and 2012, respectively.

There are known incidents occurring through June 30, 2013 that may result in the assertion of claims against NHS Pennsylvania, and other claims may be asserted arising from services provided to consumers in the past. In management's opinion, NHS Pennsylvania has adequate insurance coverage with respect to each of these incidents and does not believe that ultimate resolution of such claims would materially impact the accompanying consolidated balance sheet.

3. Guarantee of DebtCheltenham Township Industrial Developmental Authority Revenue Bonds, Series 2012

On May 16, 2012, the Obligated Group of entities within NHS and NHS Pennsylvania issued \$6,500,000 of revenue bonds through the Cheltenham Township Industrial Developmental Authority (CTIDA). The 2012 CTIDA Bonds were issued by the CTIDA to refund \$9,345,000 of outstanding bond issues of NHS Youth Services, Inc., a related party.

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

The obligations under the bond agreement are joint and several obligations of the Obligated Group of entities within NHS and NHS Pennsylvania. At June 30, 2013 and 2012, \$6,353,780 and \$6,500,000, respectively, was outstanding under the bond obligations, which are guaranteed through 2033.

West Norriton Township Industrial Development Authority Revenue Bonds, Series 2012

On December 3, 2012, the Obligated Group of entities within NHS and NHS Pennsylvania issued \$8,165,000 of revenue bonds through the West Norriton Township Industrial Development Authority (WNTIDA). The 2012 WNTIDA Bonds were issued by WNTIDA to refund \$9,982,500 of outstanding bond issues of NHS.

The obligations under the bond agreement are joint and several obligations of the Obligated Group of entities within NHS and NHS Pennsylvania. The 2012 WNTIDA Bonds are secured by all assets of NHS Pennsylvania and gross revenues of the Obligated Group of entities within NHS. At June 30, 2013, \$7,447,500 was outstanding under the bond obligations, which are guaranteed through 2018.

Limerick Township Industrial Development Authority Revenue Bonds, Series 2012

On December 3, 2012, the Obligated Group of entities within NHS and NHS Pennsylvania issued \$8,165,000 of revenue bonds through the Limerick Township Industrial Development Authority Revenue Bonds (LTIDA). The 2012 LTIDA Bonds were issued by LTIDA to refund \$9,982,500 of outstanding bond issues of NHS.

The obligations under the bond agreement are joint and several obligations of the Obligated Group of entities within NHS and NHS Pennsylvania. The 2012 LTIDA Bonds are secured by all assets of NHS Pennsylvania and gross revenues of the Obligated Group of entities within NHS. At June 30, 2013, \$7,447,500 was outstanding under the bond obligations, which are guaranteed through 2018.

Term Loan and Line of Credit

On June 27, 2013, Life Tree Pharmacy Services, Inc. (Life Tree), a related party, entered into a \$1,400,000 term loan with a financial institution, with NHS Pennsylvania as the guarantor, to finance the purchase of assets of Life Tree. The loan is secured by all assets of Life Tree. At June 30, 2013, \$1,400,000 was outstanding under this term loan, which is guaranteed through July 2018.

On June 27, 2013, Life Tree entered into a \$1,000,000 line of credit with a financial institution, with NHS Pennsylvania as the guarantor, to finance working capital of Life Tree. The line is secured by all assets of Life Tree. At June 30, 2013, \$-0- was outstanding under this line, which expires June 2014.

4. Self-Insured Employee Benefit Plans

NHS provides vision, dental, prescription, unemployment and workers' compensation coverage on a self-insured basis to substantially all employees of NHS.

(Continued)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2013 and 2012

## NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

Management has established premiums for the self-funded plans based upon the combined claims history of all plan members. Additionally, NHS maintains a reinsurance policy for workers' compensation claims that exceed specified deductibles on an individual and aggregate basis.

Due to the complexities and uncertainties involved in the actuarial evaluations, actual results could vary significantly from the estimated projections.

5. Litigation

NHS Pennsylvania is from time to time subject to routine litigation incidental to its business. Management and its counsel believe that insurance policies are sufficient to cover potential settlements and that any pending litigation will not have a materially adverse effect on NHS Pennsylvania's consolidated balance sheets.

## NOTE K - FUNCTIONAL EXPENSES

NHS Pennsylvania is committed to delivering, or supporting the delivery of, behavioral health and intellectual developmental disabilities to residents within its geographic location. Expenses related to providing these services are as follows for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Program expenses		
Behavioral health	\$102,449,937	\$101,707,950
Intellectual developmental disabilities	31,681,748	40,724,405
General and administrative expenses		
Indirect costs	17,401,487	18,994,299
Management fee	<u>3,100,000</u>	<u>2,200,000</u>
Total expenses	<u>\$154,633,172</u>	<u>\$163,626,654</u>

## NOTE L - SUBSEQUENT EVENTS

NHS Pennsylvania evaluated its June 30, 2013 consolidated financial statements for subsequent events through October 22, 2013. NHS Pennsylvania is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2013

Grantor/pass-through grantor/program title	Federal program name	Federal CFDA number	Grant period	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Pass-through Pennsylvania Department of Public Welfare	Medical Assistance Program (Medicaid)	93.778	07/01/12 - 06/30/13	\$ 18,357,816
Pass-through Various County Mental Health and IDD Programs	Medical Assistance Program (Medicaid)	93.778	07/01/12 - 06/30/13	134,295
				<u>18,492,111</u>
Pass-through Cumberland-Perry Drug and Alcohol Commission	Block Grants for Prevention and Treatment of Substance Abuse	93.959	07/01/12 - 06/30/13	9,362
Pass-through various County Children and Youth and Mental Health and IDD Programs	Temporary Assistance for Needy Families (TANF)	93.558	07/01/12 - 06/30/13	96,220
Pass-through various County Children and Youth Programs	Foster Care: Title IV - E	93.658	07/01/12 - 06/30/13	1,543,744
Pass-through Beaver County Behavioral Health	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	07/01/12 - 06/30/13	354,840
Pass-through various Cumberland County Mental Health and IDD Programs	Block Grants for Community Mental Health Services	93.958	07/01/12 - 06/30/13	372,345
Pass-through various County Mental Health and IDD and Children and Youth Programs	Social Services Block Grant	93.667	07/01/12 - 06/30/13	<u>916,627</u>
Total U.S. Department of Health and Human Services				21,785,249
U.S. Department of Housing and Urban Development	Supportive Housing Program	14.235	07/01/12 - 06/30/13	56,418
<u>U.S. Department of Justice</u>				
Pass-through Beaver County Behavioral Health	Recovery Act - Edward Byrne Memorial Justice Assistance Grant	16.803	07/01/12 - 06/30/13	345,174
Pass-through Beaver County Behavioral Health	Second Chance Act Prisoner Re-entry Initiative	16.812	07/01/12 - 06/30/13	<u>516,302</u>
Total U.S. Department of Justice				<u>861,476</u>
Total Expenditures of Federal Awards				<u>\$ 22,703,143</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards should be read in conjunction with this schedule.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2013

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the grant expenditures of NHS Pennsylvania and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other guidelines of pass-through agencies. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic consolidated financial statements.

**NOTE B - PENNSYLVANIA CONFIRMATION**

The audit confirmation received from the Commonwealth of Pennsylvania, Department of Public Welfare contained Medical Assistance payment history for the period July 1, 2012 through June 30, 2013. These payments represented all payments made through the Provider Reimbursement and Operations Management Information Systems (PROMISE). This payment history contained payments for expenditures for the period ended June 30, 2013, as well as prior fiscal years. The Schedule of Expenditures of Federal Awards contains only the expenditures of the funds received related to the year ended June 30, 2013.

**Report of Independent Certified Public Accountants  
on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by  
Government Auditing Standards**

Officers and Directors  
NHS Pennsylvania

We have audited, 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, the consolidated financial statements of NHS Pennsylvania, which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of operations and changes in unrestricted net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 22, 2013.

**Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered NHS Pennsylvania's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of NHS Pennsylvania's internal control.

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 NHS Pennsylvania's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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**Compliance and other matters**

As part of obtaining reasonable assurance about whether NHS Pennsylvania's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

**Intended purpose**

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

*Grant Thornton LLP*

Philadelphia, Pennsylvania

October 22, 2013

**Report of Independent Certified Public Accountants on  
Compliance for Each Major Federal Program and on  
Internal Control Over Compliance Required by  
OMB Circular A-133**

Officers and Directors  
NHS Pennsylvania

**Report on compliance for each major federal program**

We have audited the compliance of NHS Pennsylvania with the types of compliance requirements described in the *U.S. Office of Management and Budget's OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. NHS Pennsylvania's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's responsibility**

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

**Auditor's responsibility**

Our responsibility is to express an opinion on compliance for NHS Pennsylvania's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The above-mentioned 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 NHS Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal programs. However, our audit does not provide a legal determination of NHS Pennsylvania's compliance.

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**Opinion on each major federal program**

In our opinion, NHS Pennsylvania complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

**Report on internal control over compliance**

Management of NHS Pennsylvania is responsible for designing, implementing, and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NHS Pennsylvania's internal control over compliance with the types of compliance requirements that could have a direct and material effect on the major federal programs to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NHS Pennsylvania's internal control over compliance.

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

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

**Intended purpose**

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

*Grant Thornton LLP*

Philadelphia, Pennsylvania

December 26, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2013

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes   X   no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.778	Medical Assistance (Medicaid)
93.667	Social Service Block Grant
16.803	Edward Byrne Memorial Justice Assistance Grant

Dollar threshold used to distinguish between type A and type B programs: \$681,094

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

Year ended June 30, 2013

**Section II - Financial Statement Findings**

No matters required to be reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters required to be reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year ended June 30, 2013

None noted.



## **Report of Independent Certified Public Accountants on Indirect Cost Allocation**

Officers and Directors  
NHS Pennsylvania

We have examined management's assertion about NHS Pennsylvania's compliance with the Commonwealth of Pennsylvania, Department of Public Welfare, Section 4300.94 of the Title 4300 regulations during the year ended June 30, 2013. Management is responsible for NHS Pennsylvania's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about NHS Pennsylvania's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about NHS Pennsylvania's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on NHS Pennsylvania's compliance with the Commonwealth of Pennsylvania, Department of Public Welfare, Section 4300.94 of the Title 4300 regulations.

In our opinion, management's assertion that NHS Pennsylvania is in compliance with the Commonwealth of Pennsylvania, Department of Public Welfare, Section 4300.94 of the Title 4300 regulations during the year ended June 30, 2013 is fairly stated, in all material respects.

This report is intended for the information and use of the Audit Committee, Board of Directors and management of NHS Pennsylvania; the Commonwealth of Pennsylvania, Department of Public Welfare; and any of their authorized representatives and is not intended to be and should not be used by anyone other than these specified parties.

*Grant Thornton LLP*

Philadelphia, Pennsylvania

December 26, 2013

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**INTELLECTUAL DEVELOPMENTAL DISABILITIES COST REPORT  
SCHEDULE A - EXPENSE REPORT**

Year ended June 30, 2013

	Excluded Non- Allowable Waiver Expenses	Eligible Expenses for Waiver Participants
Expenses by category		
Program direct care staff salary/wages (Schedule D)	\$ -	\$ 9,644,250
Program direct care staff ERE (Schedule D)	-	3,041,807
Other program staff salary/wages (Schedule D-1)	-	3,738,271
Other program staff ERE (Schedule D-1)	-	1,151,112
Contracted staff (Schedule D-2)	-	1,064,761
Administrative staff salary/wages (Schedule D-3)	-	229,315
Administrative staff ERE (Schedule D-3)	-	67,070
Program supplies (Schedule F)	-	37,392
Other vehicle expense (Schedule E-1)	-	-
Other program expense (Schedule F)	16,877	3,486,895
Transportation - participant motor vehicle (Schedule E-1)	-	-
Transportation - participant (Schedule I)	-	1,005,372
Other occupancy expense (Schedule F-1)	-	350,051
Depreciation - buildings (Schedule E)	-	13,381
Depreciation - fixed assets/equipment (Schedule E-2)	-	16,011
	<hr/>	<hr/>
Total expenses, excluding residential occupancy	16,877	23,845,688
Contributions/revenue (expense offset) (Schedule B)	-	5,685
	<hr/>	<hr/>
Expenses, net of contributions/revenue	16,877	23,840,003
Residential occupancy		
Residential occupancy (Schedule J)	-	3,599,561
	<hr/>	<hr/>
Total expenses	<u>\$ 16,877</u>	<u>\$ 27,445,249</u>

Parenthetical references above refer to other schedules within the Intellectual Developmental Disabilities Cost Report, which are not included as part of the supplemental information.

**INTELLECTUAL DEVELOPMENTAL DISABILITIES COST REPORT  
SCHEDULE A - EXPENSE REPORT RECONCILIATION**

Year ended June 30, 2013

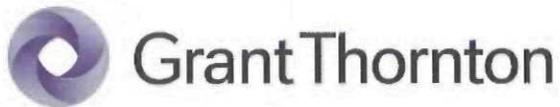
	Schedule A Column F Reconciliation		
	Audit	Cost Report	Difference [A]
	Eligible Expenses for Waiver Participants	Eligible Expenses for Waiver Participants	Eligible Expenses for Waiver Participants
Expenses by category			
Program direct care staff salary/wages (Schedule D)	\$ 9,644,250	\$ 9,644,250	\$ -
Program direct care staff ERE (Schedule D)	3,041,807	3,041,807	-
Other program staff salary/wages (Schedule D-1)	3,738,271	3,738,271	-
Other program staff ERE (Schedule D-1)	1,151,112	1,151,112	-
Contracted staff (Schedule D-2)	1,064,761	1,064,761	-
Administrative staff salary/wages (Schedule D-3)	229,315	229,315	-
Administrative staff ERE (Schedule D-3)	67,070	67,070	-
Program supplies (Schedule F)	37,392	37,392	-
Other vehicle expense (Schedule E-1)	-	-	-
Other program expense (Schedule F)	3,486,895	3,486,895	-
Transportation - participant motor vehicle (Schedule E-1)	-	-	-
Transportation - participant (Schedule I)	1,005,372	1,005,372	-
Other occupancy expense (Schedule F-1)	350,051	350,051	-
Depreciation - buildings (Schedule E)	13,381	13,381	-
Depreciation - fixed assets/equipment (Schedule E-2)	16,011	16,011	-
Total expenses, excluding residential occupancy	23,845,688	23,845,688	-
Contributions/revenue (expense offset) (Schedule B)	5,685	5,685	-
Expenses, net of contributions/revenue	23,840,003	23,840,003	-
Residential occupancy			
Residential occupancy (Schedule J)	3,599,561	3,599,561	-
Total expenses	<u>\$27,445,249</u>	<u>\$27,445,249</u>	<u>\$ -</u>

	Schedule B Column B Reconciliation		
	Audit	Cost Report	Difference
Total revenue - waiver LOB	<u>\$28,918,163</u>	<u>\$28,918,163</u>	<u>\$ -</u>

Parenthetical references above refer to other schedules within the Intellectual Developmental Disabilities Cost Report, which are not included as part of the supplemental information.

COUNTY SUPPLEMENTAL INFORMATION

LOUISIANA OFFICE OF BEHAVIOR HEALTH  
MH PROGRAM SCHEDULES



**Report of Independent Certified Public Accountants on  
Supplemental Information**

Officers and Directors  
NHS Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of NHS Pennsylvania as of and for the years ended June 30, 2013 and 2012, and our report thereon dated October 22, 2013 expressed an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on these consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to October 22, 2013.

The county supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Grant Thornton LLP*

Philadelphia, Pennsylvania

December 26, 2013

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**NHS Pennsylvania**  
**Louisiana Office of Behavioral Health**  
**Schedule of Individual Program Revenues and Expenses**  
**For the year ended June 30, 2013**

	<b>Region 5 ICM</b>
REVENUE	
OBH LOUISIANA	\$ 163,235
OTHER	-
	-
TOTAL REVENUE	163,235
DIRECT PERSONNEL SERVICES	
PERSONAL SERVICES	91,076
RELATED BENEFITS	26,246
PROFESSIONAL SERVICES	95
	95
TOTAL DIRECT PERSONNEL SERVICES	117,417
OPERATING EXPENSES	
OPERATING SERVICES	13,289
SUPPLIES	455
TRAVEL	15,004
CAPITAL ASSETS	-
	-
TOTAL OPERATING EXPENSES	28,748
OTHER EXPENSES	
ADMINISTRATIVE	22,376
	22,376
TOTAL OTHER EXPENSES	22,376
	22,376
TOTAL EXPENSES	168,541
	168,541
DUE TO COUNTY / (UNREIMBURSED COST)	\$ (5,306)
	(5,306)