

Consolidated Financial Statements and Report of
Independent Certified Public Accountants in
Accordance with the Uniform Guidance

NHS Pennsylvania

June 30, 2017 and 2016

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated financial statements	
Consolidated balance sheets	5
Consolidated statements of operations and changes in unrestricted net assets	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8
Supplemental information	
Report of Independent Certified Public Accountants on Supplementary Information	23
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	26
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	27
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	29
Schedule of Findings and Questioned Costs	31
Management's Corrective Action Plan	34
Summary Schedule of Prior Audit Findings	35
Report of Independent Certified Public Accountants on Indirect Cost Allocation	36
County Supplemental Information	



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Report of Independent Certified Public Accountants

Officers and Directors
NHS Pennsylvania

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, 2017 and 2016, 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, 2017 and 2016, 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.

Other matter*Emphasis of matter*

As discussed in Note B.12 to the consolidated financial statements, NHS Pennsylvania adopted new accounting guidance in 2017 related to the classification of restricted cash in the statement of cash flows. Our opinion is not modified with respect to this matter.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 21, 2017, 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.

Handwritten signature of Grant Thornton LLP in black ink.

Philadelphia, Pennsylvania

November 21, 2017

NHS Pennsylvania

CONSOLIDATED BALANCE SHEETS

June 30,

ASSETS	<u>2017</u>	<u>2016</u>
Current assets		
Cash	\$ 640,347	\$ 631,139
Restricted cash	300,631	278,185
Accounts receivable, net	21,042,755	22,490,008
Due from affiliates	-	421,050
Prepaid expenses and other current assets	<u>2,228,593</u>	<u>928,525</u>
Total current assets	24,212,326	24,748,907
Property and equipment, net	9,924,764	8,700,521
Other assets	<u>833,119</u>	<u>721,122</u>
Total assets	<u>\$ 34,970,209</u>	<u>\$ 34,170,550</u>
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities		
Short-term borrowings	\$ -	\$ 6,500,000
Current maturities of long-term debt	63,602	63,355
Deferred revenue, current	468,186	468,022
Accrued payroll	4,112,858	4,275,475
Due to affiliates	4,112,188	-
Accrued expenses and other current liabilities	<u>5,774,025</u>	<u>4,459,787</u>
Total current liabilities	14,530,859	15,766,639
Deferred revenue and other long-term liabilities	3,907,961	4,304,961
Long-term debt, net of current maturities	<u>95,317</u>	<u>158,919</u>
Total liabilities	18,534,137	20,230,519
Unrestricted net assets	<u>16,436,072</u>	<u>13,940,031</u>
Total liabilities and unrestricted net assets	<u>\$ 34,970,209</u>	<u>\$ 34,170,550</u>

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>2017</u>	<u>2016</u>
Revenues		
Net consumer service revenue	\$ 156,148,974	\$ 157,670,842
Other revenue	<u>236,565</u>	<u>276,470</u>
Total revenues	156,385,539	157,947,312
Expenses		
Salaries	78,105,648	73,611,214
Employee benefits	19,090,064	19,380,516
Purchased services	17,019,458	15,615,451
Occupancy	9,219,965	9,128,180
Insurance	2,462,838	2,312,570
Supplies and other	24,483,212	33,453,064
Provision for bad debts	2,531,354	2,834,960
Depreciation	1,145,063	1,164,119
Interest	<u>26,942</u>	<u>35,840</u>
Total expenses	<u>154,084,544</u>	<u>157,535,914</u>
Income from operations before other item	2,300,995	411,398
Other item		
Change in fair value of interest rate swap agreements	<u>195,046</u>	<u>(192,561)</u>
Excess of revenues over expenses and change in unrestricted net assets	2,496,041	218,837
Unrestricted net assets, beginning of year	<u>13,940,031</u>	<u>13,721,194</u>
Unrestricted net assets, end of year	<u>\$ 16,436,072</u>	<u>\$ 13,940,031</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>2017</u>	<u>2016</u> <i>as adjusted</i>
Operating activities		
Change in unrestricted net assets	\$ 2,496,041	\$ 218,837
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities		
Depreciation	1,145,063	1,164,119
Provision for bad debts	2,531,354	2,834,960
Change in fair value of interest rate swap agreements	(195,046)	192,561
Loss (gain) on disposal of property and equipment	67,715	(43,911)
Changes in operating assets and liabilities		
Accounts receivable	(1,084,101)	(6,264,927)
Due from affiliates	4,658,276	7,290,838
Prepaid expenses and other current assets	(1,300,068)	(497,035)
Other assets	83,049	(213,897)
Deferred revenue, current	164	(7,834)
Accrued payroll	(162,617)	(1,555,585)
Accrued expenses and other current liabilities	1,314,238	538,572
Deferred revenue and other long-term liabilities	<u>(397,000)</u>	<u>(182,275)</u>
Net cash provided by operating activities	9,157,068	3,474,423
Investing activities		
Purchase of property and equipment	(3,031,493)	(555,543)
Proceeds from sale of property and equipment	<u>469,434</u>	<u>48,653</u>
Net cash used in investing activities	(2,562,059)	(506,890)
Financing activities		
Net payments of short-term borrowings	(6,500,000)	(2,335,702)
Principal payments on long-term debt	<u>(63,355)</u>	<u>(385,965)</u>
Net cash used in financing activities	<u>(6,563,355)</u>	<u>(2,721,667)</u>
Net increase in cash and restricted cash	31,654	245,866
Cash and restricted cash, beginning of year	<u>909,324</u>	<u>663,458</u>
Cash and restricted cash, end of year	<u>\$ 940,978</u>	<u>\$ 909,324</u>
Supplemental cash flow information		
Interest paid	<u>\$ 29,650</u>	<u>\$ 53,380</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2017 and 2016

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 subsidiary provide comprehensive community mental health and intellectual and 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 and developmental disabilities, drug and alcohol, juvenile justice, education and other health and human services to the residents of Pennsylvania, Louisiana, New York, New Jersey, Maryland, Delaware, Virginia and Michigan.

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 (U.S. GAAP) for health care organizations. The consolidated financial statements include the accounts of NHS Pennsylvania and its subsidiary. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

2. Use of Estimates

In preparing the consolidated financial statements in conformity with U.S. GAAP, 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 property and equipment. 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, 2017 and 2016

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. NHS Pennsylvania recognized \$-0- and \$2,427,580 of retroactive settlements during the fiscal years ended June 30, 2017 and 2016, respectively.

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 \$2,512,900 and \$3,130,740 at June 30, 2017 and 2016, 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 until program expenditures are 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, 2017 and 2016, earned but unbilled accounts receivable of \$290,132 and \$233,642, 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 - 20 years

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

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 revenue is recognized in net consumer service revenue. 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).

NHS Pennsylvania has established policies and procedures to limit the potential for counterparty credit risk, including establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. NHS Pennsylvania's exposure to credit risk associated with its derivative financial instruments is measured on an individual counterparty basis, as well as by groups of counterparties that share similar attributes.

10. Income Taxes

A tax position is recognized or derecognized by NHS Pennsylvania and its subsidiary 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 subsidiary do not believe their consolidated financial statements include any material uncertain tax positions.

11. Reclassification

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 total assets, total liabilities or net assets.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE B - SIGNIFICANT ACCOUNTING POLICIES - Continued

12. Recently Adopted Accounting Pronouncement

Restricted Cash

During the year ended June 30, 2017, NHS Pennsylvania adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows*. This accounting pronouncement requires that a statement of cash flows include restricted cash in cash and cash equivalents for the statement of cash flows. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	Year ended June 30,	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 640,347	\$ 631,139
Restricted cash	<u>300,631</u>	<u>278,185</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 940,978</u>	<u>\$ 909,324</u>

NOTE C - NET CONSUMER SERVICE REVENUE

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

	<u>2017</u>	<u>2016</u>
Managed care organizations	42%	40%
Medical Assistance	23%	26%
County contracts	20%	20%
Education	11%	10%

Net accounts receivable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
County	\$ 5,735,441	\$ 5,435,816
Managed care organizations	6,882,926	7,344,357
Medical Assistance	5,199,847	7,385,067
Other third parties	<u>3,224,541</u>	<u>2,324,768</u>
	<u>\$ 21,042,755</u>	<u>\$ 22,490,008</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE D - PENSION PLAN

NHS has a 403(b) plan for substantially all employees of NHS and certain affiliates including NHS Pennsylvania. Employee contributions to the plan are matched at 50%, up to 4% of the employee's salary. During the years ended June 30, 2017 and 2016, 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, 2017 and 2016 were \$711,879 and \$689,731, respectively.

NOTE E - PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land and improvements	\$ 831,305	\$ 654,628
Buildings and building improvements	14,901,531	13,267,880
Furniture, equipment and automobiles	8,856,457	8,579,947
Construction in progress	<u>233,319</u>	<u>25,000</u>
Total property and equipment	24,822,612	22,527,455
Less accumulated depreciation	<u>(14,897,848)</u>	<u>(13,826,934)</u>
Property and equipment, net	<u>\$ 9,924,764</u>	<u>\$ 8,700,521</u>

Depreciation expense related to the property and equipment was \$1,145,063 and \$1,164,119 for the years ended June 30, 2017 and 2016, respectively.

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 affiliated organizations was \$-0- and \$421,050 as of June 30, 2017 and 2016, respectively. The amount due to affiliated organizations was \$4,112,188 and \$-0- as of June 30, 2017 and 2016, respectively. Depreciation 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, 2017 and 2016, depreciation and amortization of \$7,453 and \$7,720, respectively, in excess of the amount charged to it was charged from NHS Pennsylvania to NHS and other affiliated organizations.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE F - RELATED PARTY TRANSACTIONS - Continued

For the years ended June 30, 2017 and 2016, NHS Pennsylvania incurred the following expenses with related parties:

	<u>2017</u>	<u>2016</u>
Administration and support services	\$ 18,988,673	\$ 27,019,685
Facilities management	1,264,913	1,245,142
Facility and auto leases and repairs and maintenance	<u>720,897</u>	<u>860,801</u>
	<u>\$ 20,974,483</u>	<u>\$ 29,125,628</u>

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 4.47% and 3.75% as of June 30, 2017 and 2016, respectively). The loan expires in February 2018. The outstanding balance of this loan was \$- and \$6,500,000 at June 30, 2017 and 2016, 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>2017</u>	<u>2016</u>
Mortgages and note payable	\$ 158,919	\$ 222,274
Less current maturities	<u>(63,602)</u>	<u>(63,355)</u>
	<u>\$ 95,317</u>	<u>\$ 158,919</u>

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 5.25% to 7.13%. On July 24, 2013, Human Services Housing Company, LLC, a related party, entered into a tax-exempt note and a taxable note through the Limerick Township Industrial Development Authority (LTIDA). The notes were used to finance the balance of certain mortgages payable, including \$2,796,304 of NHS Pennsylvania's mortgages payable. At June 30, 2017 and 2016, NHS Pennsylvania has mortgages payable outstanding in the amount of \$88,919 and \$92,274, respectively.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE H - LONG-TERM DEBT - Continued

At June 30, 2017 and 2016, NHS and NHS Stevens Center have a secured note payable outstanding in the amount of \$70,000 and \$130,000, respectively. The note bears interest at the Wall Street Prime Rate plus 0.50% (effective rate of 4.75% and 4.00% as of June 30, 2017 and 2016, respectively). Principal payments in the amount of \$5,000 are due monthly. This note expires in July 2018.

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

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

<u>Year ending June 30:</u>	
2018	\$ 63,602
2019	13,867
2020	4,152
2021	4,458
2022	4,786

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, 2017 and 2016.

3. Derivative Instruments - Interest Rate Swaps

In conjunction with the 2012 Cheltenham Township Industrial Development Authority (CTIDA) Bonds, 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.

In conjunction with the 2012 West Norriton Township Industrial Development Authority (WNTIDA) and 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 liabilities	\$ (11,561)	\$ 5,550,850	1.2700%	68% LIBOR	M&T Bank
2012 WNTIDA & LTIDA	Other liabilities	<u>3,426</u>	<u>1,645,000</u>	0.4600%	68% LIBOR	M&T Bank
		<u>\$ (8,135)</u>	<u>\$ 7,195,850</u>			

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE H - LONG-TERM DEBT - Continued

The reported termination assets and liabilities, netting to \$(8,135) as of June 30, 2017 in the table below, represent the estimated amounts NHS Pennsylvania would receive or pay to terminate these contracts were they to be terminated at fiscal year end and prior to their scheduled end dates.

	2012 <u>CTIDA Swap</u>	2012 WNTIDA & <u>LTIDA Swap</u>	<u>Total</u>
Termination liabilities June 30, 2015	\$ (8,232)	\$ (2,388)	\$ (10,620)
Change in fair value	<u>(189,043)</u>	<u>(3,518)</u>	<u>(192,561)</u>
Termination liabilities June 30, 2016	(197,275)	(5,906)	(203,181)
Change in fair value	<u>185,714</u>	<u>9,332</u>	<u>195,046</u>
Termination (liabilities) assets June 30, 2017	<u>\$ (11,561)</u>	<u>\$ 3,426</u>	<u>\$ (8,135)</u>

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 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.
- 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.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE I - FAIR VALUE MEASUREMENTS - Continued

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 tables present information about the NHS Pennsylvania liability measured at fair value on a recurring basis as of June 30, 2017 and 2016 and indicate the fair value hierarchy using the market approach valuation technique to determine such fair value.

Description	2017			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities				
Interest rate swap	\$ -	\$ 8,135	\$ -	\$ 8,135
Total liabilities	\$ -	\$ 8,135	\$ -	\$ 8,135
Description	2016			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities				
Interest rate swap	\$ -	\$ 203,181	\$ -	\$ 203,181
Total liabilities	\$ -	\$ 203,181	\$ -	\$ 203,181

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE I - FAIR VALUE MEASUREMENTS - Continued

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.

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:

<u>Year ending June 30:</u>	
2018	\$ 4,005,269
2019	2,829,521
2020	2,155,246
2021	1,919,153
2022	1,129,004
Thereafter	<u>515,198</u>
	<u>\$ 12,553,391</u>

Rental expense for the years ended June 30, 2017 and 2016 totaled \$6,603,128 and \$6,865,670, respectively.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

2. Professional Liability Insurance

NHS Pennsylvania maintains professional liability insurance coverage of \$1,000,000 per occurrence up to an annual aggregate of \$3,000,000. The cost of professional liability insurance amounted to \$1,454,141 and \$1,334,998 in 2017 and 2016, respectively.

During each of the years ended June 30, 2017 and 2016, NHS Pennsylvania recorded an estimated insurance recovery receivable and professional liability of \$1,637,500 and \$485,000, respectively. Such amounts are recorded within prepaid expenses and other current assets and accrued expenses and other current liabilities within the consolidated balance sheets.

3. Guarantee of Debt

Cheltenham Township Industrial Development 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 CTIDA. The 2012 CTIDA Bonds were issued by the CTIDA to refund outstanding bond issues of NHS Youth Services, Inc., a related party.

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, 2017, \$5,555,567 was outstanding under the bond obligations, which are guaranteed through February 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 WNTIDA. The 2012 WNTIDA Bonds were issued by WNTIDA to refund 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, 2017, \$822,500 was outstanding under the bond obligations, which are guaranteed through June 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 LTIDA. The 2012 LTIDA Bonds were issued by LTIDA to refund outstanding bond issues of NHS.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

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. 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, 2017, \$822,500 was outstanding under the bond obligations, which are guaranteed through June 2018.

West Norriton Township Industrial Development Authority Revenue Bonds, Series 2013

On November 5, 2013, the Obligated Group of entities within NHS and The Association for Independent Growth, Inc. (TAIG), a related party outside the Obligated Group, issued \$9,925,000 of revenue bonds through the WNTIDA, with NHS Pennsylvania as a guarantor. The 2013 WNTIDA Bonds were issued to refinance outstanding debt of NHS and other related parties. At June 30, 2017, \$6,548,409 was outstanding under the bond obligations, which are guaranteed through April 2029.

Limerick Township Industrial Development Authority Revenue Bonds, Series 2013

On November 5, 2013, the Obligated Group of entities within NHS and TAIG, a related party outside the Obligated Group, issued \$1,881,012 (Series A) and \$1,732,239 (Series B) of revenue bonds through the LTIDA, with NHS Pennsylvania as a guarantor. The 2013 LTIDA Bonds were issued to refinance outstanding debt of NHS and other related parties. At June 30, 2017, \$1,176,956 Series A and \$1,388,355 Series B was outstanding under the bond obligations, which are guaranteed through April 2022 and January 2027, respectively.

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, 2017 and 2016, \$301,770 and \$596,167, respectively, were 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, 2017 and 2016, \$0- was outstanding under this line, which expires January 2018.

4. Self-Insured Employee Benefit Plans

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

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.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE J - COMMITMENTS AND CONTINGENCIES - Continued

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, intellectual and developmental disabilities and education to residents within its geographic location. Expenses related to providing these services are as follows for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Program expenses		
Behavioral health	\$ 88,366,764	\$ 89,395,151
Intellectual and developmental disabilities	34,397,900	33,971,011
Education	15,218,449	13,773,113
General and administrative expenses		
Indirect costs	<u>16,101,431</u>	<u>20,396,639</u>
Total expenses	<u>\$ 154,084,544</u>	<u>\$ 157,535,914</u>

NOTE L - SUBSEQUENT EVENTS

NHS Pennsylvania evaluated its June 30, 2017 consolidated financial statements for subsequent events through November 21, 2017. NHS Pennsylvania is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, except as follows:

Repayment of Debt

In August 2017, NHS repaid the CTIDA Revenue Bonds, Series 2012. At June 30, 2017, \$5,555,567 in principal was outstanding on these bonds. NHS Pennsylvania was a co-borrower and guarantor of this debt.

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2017 and 2016

NOTE L - SUBSEQUENT EVENTS - Continued

In conjunction with the 2012 CTIDA Bonds, on May 21, 2013, NHS Pennsylvania entered into an interest rate swap agreement with a financial institution. The swap agreement has been terminated as a result of the repayment of the related bonds.

In conjunction with this repayment, NHS entered into taxable term loan with a financial institution in the amount of \$8,585,000. Payments of principal and interest are due monthly through July 2035. Interest is fixed at a rate of 4.75% annually. NHS Pennsylvania is a co-borrower and guarantor of this debt.

In September 2017, NHS repaid the WNTIDA Revenue Bonds, Series 2013; the LTIDA Revenue Bonds, Series 2013 (A and B); and a 2013 taxable note with a financial institution. At June 30, 2017, approximately \$11,722,000 in principal was outstanding on this debt. NHS Pennsylvania was a co-borrower and guarantor of this debt.

SUPPLEMENTAL INFORMATION

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

Officers and Directors
NHS Pennsylvania

Report on the financial statements

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 as of and for the years ended June 30, 2017 and 2016, and our report thereon dated November 21, 2017 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 November 21, 2017.

Supplementary information

The Schedule of Expenditures of Federal Awards for the year ended June 30, 2017, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.



Philadelphia, Pennsylvania

December 20, 2017

NHS Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2017

Grantor/pass-through grantor	Federal program name	Pass-through grantor's number	Federal CFDA number	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Pass-through Dauphin County Department of Human Services	Medical Assistance Program (Medicaid)	N/A	93 778	\$ 26,525
Pass-through Cumberland County Drug and Alcohol Commission	Block Grants for Prevention and Treatment of Substance Abuse	N/A	93 959	6,199
Pass-through Orange County, New York - Department of Mental Health	Temporary Assistance for Needy Families (TANF)	2015-0161	93 558	255,901
Pass-through Beaver County Behavioral Health	Substance Abuse and Mental Health Services Projects of Regional and National Significance	041416-11	93 243	30,196
Pass-through Beaver County Behavioral Health	Substance Abuse and Mental Health Services	042816-14	93 104	3,002
Pass-through Cumberland County Mental Health and IDD	Block Grants for Community Mental Health Services	N/A	93 958	311,100
Pass-through Carbon-Monroe-Pike County Mental Health and Developmental Services	Block Grants for Community Mental Health Services	N/A	93 958	5,054
Pass-through Beaver County Behavioral Health	Block Grants for Community Mental Health Services	N/A	93 958	194,379
Pass-through Allegheny County Department of Human Services	Block Grants for Community Mental Health Services	179632	93 958	182,000
				692,533
Pass-through Cumberland County Mental Health and IDD	Social Services Block Grant	MH15-0012	93 667	152,417
Pass-through Lackawanna-Susquehanna Behavioral and Developmental Services	Social Services Block Grant	N/A	93 667	170,042
Pass-through Orange County, New York - Department of Mental Health	Social Services Block Grant	2015-1355, 2015-0599, 2015-0600, 2015-0601, 2015-0602	93 667	699,638
				1,022,097
Pass-through Adams County Children and Youth	Foster Care Title IV- E	N/A	93 658	14,034
Pass-through Allegheny County Children and Youth	Foster Care Title IV- E	N/A	93 658	297
Pass-through Bedford County Children and Youth	Foster Care Title IV- E	N/A	93 658	67,626
Pass-through Berks County Children and Youth	Foster Care Title IV- E	N/A	93 658	125,171
Pass-through Blair County Children and Youth	Foster Care Title IV- E	N/A	93 658	106,845
Pass-through Bradford County Human Services	Foster Care Title IV- E	N/A	93 658	191,141
Pass-through Cambria County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	12,489
Pass-through Cameron County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	6,452
Pass-through Centre County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	12,884
Pass-through Chester County Children and Youth Services	Foster Care Title IV- E	16843	93 658	26,822
Pass-through Clarion County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	2,563
Pass-through Clearfield County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	1,085
Pass-through Columbia County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	12,220
Pass-through Cumberland County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	410,475
Pass-through Dauphin County Social Services for Children and Youth and Juvenile Probation	Foster Care Title IV- E	N/A	93 658	214,948

(Continued)

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

NHS Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2017

Grantor/pass-through grantor	Federal program name	Pass-through grantor's number	Federal CFDA number	Expenditures
Pass-through Erie County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	\$ 570
Pass-through Fayette County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	3,254
Pass-through Franklin County Children and Youth Services	Foster Care Title IV- E	39907	93 658	271,364
Pass-through Fulton County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	12,470
Pass-through Indiana County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	4,747
Pass-through Jefferson County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	26,882
Pass-through Juniata County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	7,610
Pass-through Lancaster County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	187,371
Pass-through Lebanon County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	42,821
Pass-through Lehigh County Children and Youth Services	Foster Care Title IV- E	15-CY-281	93 658	194,691
Pass-through Luzerne County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	16,701
Pass-through Lycoming County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	11,709
Pass-through Mercer County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	862
Pass-through Monroe County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	16,801
Pass-through Montgomery County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	23,374
Pass-through Northampton County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	432,764
Pass-through Northumberland Children and Youth Services	Foster Care Title IV- E	N/A	93 658	11,550
Pass-through Other County Children and Youth Programs	Foster Care Title IV- E	N/A	93 658	94,769
Pass-through Perry County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	11,536
Pass-through Schuylkill County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	7,296
Pass-through Somerset County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	5,400
Pass-through Tioga County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	6,472
Pass-through Washington County Children and Youth Services	Foster Care Title IV- E	N/A	93 658	29,737
Pass-through York County Office of Children, Youth and Families and Juvenile Probation Offices	Foster Care Title IV- E	N/A	93 658	193,965
				<u>2,819,768</u>
Total U.S. Department of Health and Human Services				4,856,221
<u>U.S. Department of Housing and Urban Development</u>				
Direct Funding	Supportive Housing Program	N/A	14 235	<u>18,726</u>
Total U.S. Department of Housing and Urban Development				18,726
<u>U.S. Department of Justice</u>				
Pass-through Beaver County Behavioral Health	Second Chance Act Prisoner Re-entry Initiative	060916-46, 022516-06	16 812	108,050
Pass-through Beaver County Behavioral Health	Edward Byrne Memorial Justice Assistance Grant	041416-12	16 738	<u>8,065</u>
Total U.S. Department of Justice				<u>116,115</u>
Total Expenditures of Federal Awards				<u>\$ 4,991,062</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, 2017

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 the Uniform Guidance, *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

NHS Pennsylvania did not use the 10 percent de minimus cost rate.

NOTE B - PENNSYLVANIA CONFIRMATION

The audit confirmation received from the Commonwealth of Pennsylvania, Department of Human Services contained Medical Assistance payment history for the period July 1, 2016 through June 30, 2017. 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, 2017, 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, 2017.

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

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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 (the Entity), which comprise the consolidated balance sheet as of June 30, 2017, 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 November 21, 2017.

Internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Entity'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 the Entity'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 the Entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Entity'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 the Entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in cursive script that reads "Grant Thornton LLP".

Philadelphia, Pennsylvania

November 21, 2017

**Report of Independent Certified Public Accountants on
Compliance for Each Major Federal Program and on
Internal Control Over Compliance Required by the
Uniform Guidance**

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Officers and Directors
NHS Pennsylvania

Report on compliance for each major federal program

We have audited the compliance of NHS Pennsylvania (the Entity) with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2017. The Entity's major federal program is 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 federal statutes, regulations, and the terms and conditions of federal awards applicable to the Entity's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for the Entity's major federal program 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance 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 the Entity'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 the major federal program. However, our audit does not provide a legal determination of the Entity's compliance.

Opinion on each major federal program

In our opinion, the Entity 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 program for the year ended June 30, 2017.

Report on internal control over compliance

Management of the Entity is responsible for establishing 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 the Entity's internal control over compliance with the types of compliance requirements that could have a direct and material effect on the major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Entity'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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item #2017-001, that we consider to be a significant deficiency in the Entity's internal control over compliance.

The Entity's response to the findings on internal control over compliance identified in our audit, which is described in the accompanying Management's Corrective Action Plan, was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the Entity's response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Philadelphia, Pennsylvania

December 20, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2017

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 program:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes _____ no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2017

Section II - Financial Statement Findings

No matters required to be reported.

Section III - Federal Award Findings and Questioned Costs

Finding #2017-001 - Significant Deficiency

Internal Control over Compliance - Allowable Costs and Cash Management

CFDA #93.658 - Foster Care Title IV-E

U.S. Department of Health and Human Services

Pass-through Entity: Various County Agencies

Award Period: 7/1/16 - 6/30/17

Criteria

Per 2 CFR§ 200.303, a non-Federal entity must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

During the 2017 audit, we noted that NHS Pennsylvania did not have documentation of review approvals or cash management segregation controls within the billing cycle for Foster Care Title IV-E services for certain items tested as part of the procedures performed.

Cause

The identified segregation of duties issue is the result of an employee creating the report used for final invoicing and performing the reconciliation of said report to supporting detail with additional review levels being undocumented.

The identified review and approval issue is the result of the undocumented nature of the review of reconciliations performed by personnel. The current process does not require a supervisor to formally sign or otherwise evidence their approval of the reconciliations.

Effect

The control matter identified resulted in a lack of documented sign-offs on control reviews.

Questioned Costs

We did not identify any known or questioned costs associated with this finding. For the sample of selections tested, there were no unallowable activities identified.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2017

Finding #2017-001 - Significant Deficiency - Continued

Recommendation

We recommend NHS Pennsylvania design and implement appropriate segregation of duties related to the Foster Care Title IV-E billing process. Additionally, NHS Pennsylvania should formalize its policies and procedures related to the review of reconciliations and invoices to ensure there is memorialized evidence that substantiates the level of review currently being performed.

Views of Responsible Officials

Management's views and corrective action plan are included on the subsequent page.



NHS Human Services, Inc.
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NHS Pennsylvania

Finding #2017-001

Corrective Action Plan:

NHS Pennsylvania will review and evaluate the adequacy of internal controls for the Foster Care program billing process. Additional segregation of duties will be enforced and internal controls surrounding documentation of existing approvals and reviews will be implemented during Fiscal Year 2018.

Name of Contact Person Responsible for Corrective Action:

Patricia Fawver, Director of Finance

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2017

No matters required to be reported.

**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 Human Services, Section 4300.94 of the Title 4300 regulations during the year ended June 30, 2017. 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 Human Services, 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 Human Services, Section 4300.94 of the Title 4300 regulations during the year ended June 30, 2017 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 Human Services; and any of their authorized representatives and is not intended to be and should not be used by anyone other than these specified parties.



Philadelphia, Pennsylvania

December 20, 2017

COUNTY SUPPLEMENTAL INFORMATION

COMMUNITY RESIDENTIAL REHABILITATION PROGRAM
THERAPEUTIC FAMILY CARE
FOSTER CARE PLUS



**Report of Independent Certified Public Accountants on
Supplementary 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 year ended June 30, 2017, and our report thereon dated November 21, 2017 expressed an unmodified opinion on those consolidated financial statements. Our audit was 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 November 21, 2017.

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 20, 2017

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SCHEDULE OF COUNTY PROGRAM CENSUS DAYS

For the year ended June 30, 2017

County	Funding Source	TFC	FCP	FCP 1/2	Enhanced FCP	CRR-RTF	Spec Group Home	Respite	Emergency Respite	FCP-ICPC	Infant	Infant Combo	TFC Full Fee	Total
		FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	
Adams	C&Y	-	617	-	-	-	-	-	-	-	-	-	-	617
Allegheny	C&Y	161	-	-	-	-	-	31	-	-	-	-	303	495
Armstrong	C&Y	96	-	-	-	-	-	-	-	-	-	-	-	96
Armstrong/Indiana	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Beaver	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Bedford	C&Y	365	705	-	-	-	-	88	-	-	-	-	-	1,158
Bedford/Somerset	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Berks	C&Y	1,755	7,910	-	-	-	-	2	-	-	365	-	-	10,032
Blair	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Blair	C&Y	523	4,780	-	-	-	-	-	195	-	-	-	-	5,498
Blair	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Blair Health Choices	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Bradford	C&Y	-	2,205	-	-	-	-	141	-	-	-	166	-	2,512
Bradford	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Bradford	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Butler	C&Y	-	58	-	-	-	-	-	-	-	-	-	-	58
Cambria	C&Y	-	284	-	-	-	-	-	-	-	-	-	-	284
Cameron	C&Y	301	128	-	-	-	-	-	-	-	-	-	-	429
Carbon	C&Y	164	-	-	-	-	-	-	-	-	-	-	-	164
Carbon/Monroe/Pike	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Cen-Clear Child Services	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Centre	C&Y	-	351	-	-	-	-	8	-	-	-	-	-	359
Centre	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Chester	C&Y	-	724	-	-	-	-	3	-	-	-	-	-	727
Clarion	C&Y	169	-	-	-	-	-	-	-	-	-	-	-	169
Clarion	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Clearfield	C&Y	18	251	-	-	-	-	-	-	-	-	-	-	269
Clearfield/Jefferson	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinton	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
CMSU	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Columbia	C&Y	561	1,385	-	-	-	-	-	-	-	-	-	-	1,946
Community Guidance Center	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Crawford	C&Y	-	74	-	-	-	-	-	-	-	-	-	-	74
Crawford	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumberland	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumberland	C&Y	387	14,109	-	85	147	-	-	-	-	-	49	-	14,777
Dauphin	C&Y	40	10,490	-	-	-	-	-	-	-	-	-	-	10,530
Delaware	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Delaware	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Elk	C&Y	-	512	-	-	-	-	-	-	-	-	-	-	512
Elk	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Erie	C&Y	48	191	-	-	-	-	15	-	-	-	-	-	254
Erie	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Family Counseling Center	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Fayette	C&Y	-	508	-	-	-	-	-	-	-	-	-	-	508
Franklin	C&Y	420	6,417	-	-	-	-	-	-	-	-	-	-	6,837
Franklin	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Franklin	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Fulton	C&Y	-	365	-	-	-	-	-	-	-	-	-	-	365
Fulton	JPO	260	-	-	-	-	-	-	-	-	-	-	-	260
Greene	C&Y	434	1,443	-	-	-	-	6	-	-	-	247	-	2,130
Greene	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Huntingdon	C&Y	336	4,624	-	-	-	-	8	-	589	-	-	-	5,557
Huntingdon/Mifflin/Juniata	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Indiana	C&Y	651	-	-	-	-	-	45	-	-	-	-	-	696
Indiana	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Jefferson	C&Y	384	451	-	-	-	-	40	-	-	-	-	-	875
Jefferson	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Juniata	C&Y	-	168	-	-	-	-	-	-	-	-	-	-	168
Lackawanna	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Lackawanna	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Lancaster	C&Y	1,228	6,207	-	365	46	-	-	-	-	-	-	178	8,024

Continued on next page

NHS Pennsylvania

SCHEDULE OF COUNTY PROGRAM CENSUS DAYS - CONTINUED

For the year ended June 30, 2017

County	Funding Source	TFC	FCP	FCP 1/2	Enhanced FCP	CRR-RTF	Spec Group Home	Emergency		FCP-ICPC	Infant	Infant	TFC	Total
		FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	FY17 Days	Respite FY17 Days	Respite FY17 Days	FY17 Days	FY17 Days	Combo FY17 Days	Full Fee FY17 Days	
Laurel Life	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Lawrence	C&Y	202	-	-	-	-	-	-	-	-	-	-	-	202
Lebanon	C&Y	723	1,319	-	-	-	-	-	-	-	-	-	-	2,042
Lebanon	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Lehigh	MH/IDD	-	-	-	-	-	258	-	-	-	-	-	-	258
Lehigh	C&Y	436	693	-	-	266	-	80	16	-	28	-	5,878	7,397
Lehigh	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Luzerne	C&Y	29	440	-	-	-	-	-	-	-	-	-	-	469
Lycoming	C&Y	348	157	-	-	-	-	31	-	-	-	-	8	544
Lycoming/Clinton	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
McKean	C&Y	-	21	-	-	-	-	-	-	-	-	-	-	21
McKean	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Mercer	C&Y	169	11	-	-	-	-	-	-	-	-	-	-	180
Mifflin	C&Y	213	1,309	-	-	-	-	24	-	-	-	-	-	1,546
Monroe	C&Y	1,570	4,051	-	-	143	-	40	-	-	-	-	14	5,818
Montana State	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Montgomery	C&Y	394	352	-	-	-	-	-	-	-	-	-	-	746
Montour	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Northampton	C&Y	356	2,624	-	-	200	826	14	-	-	-	-	456	4,476
Northampton	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Northumberland	C&Y	713	196	-	-	-	-	52	26	-	-	-	-	987
Northumberland	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
PA Counseling Services	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Perry	C&Y	33	526	-	-	-	-	-	-	-	-	-	-	559
Philhaven	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Pike	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Sam Inc - Berks	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Sam Inc - Schuylkill	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Schuylkill	C&Y	174	774	-	-	-	-	-	-	-	-	-	-	948
Schuylkill	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Self Pay	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Snyder	C&Y	193	157	-	-	-	-	-	-	-	-	-	-	350
Somerset	C&Y	22	265	-	-	-	-	36	-	-	-	-	-	323
SPHS	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Sullivan	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Tioga	C&Y	-	529	-	-	-	-	12	-	-	-	-	-	541
UCBH Family Base	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Union	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Venango	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
Venango	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-
Washington	C&Y	1,053	121	-	-	-	-	92	-	-	-	-	-	1,266
Washington	BHDS	-	-	-	-	-	-	-	-	-	-	-	-	-
Washington Communities	Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Wayne	C&Y	268	-	-	-	-	-	-	-	-	-	-	-	268
Wayne	OBDF	-	-	-	-	-	-	-	-	-	-	-	-	-
Westmoreland	C&Y	81	206	-	-	-	-	-	-	-	-	-	-	287
Westmoreland	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Wyoming	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-
York	C&Y	456	9,317	-	-	-	-	-	-	-	-	31	-	9,804
York	JPO	75	157	-	-	-	-	-	-	-	-	-	-	232
York/Adams	HCMU	-	-	-	-	-	-	-	-	-	-	-	-	-
York/Adams	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		15,809	88,182	-	450	802	1,084	768	237	589	393	493	6,837	115,644

LOUISIANA CLINICAL SERVICES
MH PROGRAM SCHEDULES



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

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Report on the financial statements

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, 2017 and 2016, and our report thereon dated November 21, 2017 expressed an unmodified opinion on those consolidated 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 November 21, 2017.

Supplementary information

The Schedule of Units of Service and Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer 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.

Grant Thornton LLP

Philadelphia, Pennsylvania

December 20, 2017

NHS Pennsylvania

Louisiana Clinical Services

SCHEDULE OF UNITS OF SERVICE

For the year ended June 30, 2017

<u>Program</u>	<u>21+DOM⁽¹⁾</u>	<u>11-20 DOM⁽¹⁾</u>	<u>1-10 DOM⁽¹⁾</u>	<u>Total</u>
MHSD - ACT 7/1/2016 - 6/30/2017	1	1	169	171
MHSD - FACT 7/1/2016 - 6/30/2017	1	8	166	175
Total	2	9	335	346

<u>Program</u>	<u>21+DOM⁽¹⁾</u>	<u>11-20 DOM⁽¹⁾</u>	<u>1-7 Days</u>	<u>8-14 Days</u>	<u>15-21 Days</u>	<u>22+ Days</u>	<u>Total</u>
CAHSD - FACT 7/1/2016 - 6/30/2017	2	2	-	-	-	47	51
Region 4 - ACT 7/1/2016 - 6/30/2017	-	-	3	5	6	148	162
Region 5 - ACT 7/1/2016 - 6/30/2017	-	-	-	2	-	90	92
Region 6 - ACT 7/1/2016 - 6/30/2017	-	-	-	4	3	127	134
Region 7 - ACT 7/1/2016 - 6/30/2017	-	-	3	5	11	310	329
Total	2	2	6	16	20	722	768

(1) Day of Month

NHS Pennsylvania

Louisiana Clinical Services

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Year ended June 30, 2017

Agency Head Name: Joseph Martz (7/1/16 - 6/30/17)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 10,795
Benefits - insurance	251
Benefits - retirement	9,685
Benefits - other (describe)	-
Benefits - other (describe)	-
Benefits - other (describe)	-
Car allowance	-
Vehicle provided by government (enter amount reported on W-2)	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouchered expenses (example: travel advances, etc.)	-
Special meals	-
Other	-
Total	<u>\$ 20,731</u>

Note:

The amounts reported above for compensation, benefits and other payments to the chief executive officer of NHS Pennsylvania represent the pro rata portion charged to the fiscal year 2017 contract with the State of Louisiana.