

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

**Merakey Pennsylvania**

June 30, 2019 and 2018

## Contents

	Page
Report of Independent Certified Public Accountants	3
Financial Statements	
Consolidated balance sheets	5
Consolidated statements of operations and changes in net assets	6
Consolidated statements of cash flows	7
Notes to the consolidated financial statements	8
Supplemental information	
Report of Independent Certified Public Accountants on Supplementary Information	19
Schedule of Expenditures of Federal Awards	20
Note to Schedule of Expenditures of Federal Awards	22
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>	23
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	25
Schedule of Findings and Questioned Costs	27
Summary Schedule of Prior Audit Findings	29
Report of Independent Certified Public Accountants on Indirect Cost Allocation	30
County Supplemental Information	31

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**T** +1 215 561 4200  
**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Officers and Directors  
Merakey Pennsylvania

**Report on the financial statements**

We have audited the accompanying consolidated financial statements of Merakey Pennsylvania, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in 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 Merakey Pennsylvania as of June 30, 2019 and 2018, and the results of its operations and the changes in 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 reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 25, 2019, on our consideration of Merakey 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 Merakey Pennsylvania's internal control over financial reporting and compliance.



Philadelphia, Pennsylvania  
November 25, 2019

**Merakey Pennsylvania**  
**CONSOLIDATED BALANCE SHEETS**

**June 30,**

ASSETS	<u>2019</u>	<u>2018</u>
Current assets		
Cash	\$ 1,252,336	\$ 820,985
Restricted cash	232,054	252,980
Accounts receivable, net	26,190,479	27,960,828
Due from affiliates	4,693,856	-
Prepaid expenses and other current assets	<u>572,461</u>	<u>1,311,254</u>
Total current assets	32,941,186	30,346,047
Property and equipment, net	10,314,368	10,705,132
Other assets	<u>846,958</u>	<u>841,473</u>
Total assets	<u>\$ 44,102,512</u>	<u>\$ 41,892,652</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Short-term borrowings	\$ -	\$ 2,000,000
Current maturities of long-term debt	4,993	14,668
Deferred revenue, current	443,418	404,339
Accrued payroll	4,855,413	4,770,129
Due to affiliates	-	1,791,737
Accrued expenses and other current liabilities	<u>4,304,450</u>	<u>4,688,282</u>
Total current liabilities	9,608,274	13,669,155
Deferred revenue and other long-term liabilities	3,888,998	3,810,075
Long-term debt, net of current maturities	<u>103,157</u>	<u>108,147</u>
Total liabilities	13,600,429	17,587,377
Net assets - without donor restrictions	<u>30,502,083</u>	<u>24,305,275</u>
Total liabilities and net assets	<u>\$ 44,102,512</u>	<u>\$ 41,892,652</u>

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

Merakey Pennsylvania

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended June 30,

	<u>2019</u>	<u>2018</u>
Revenues		
Net consumer service revenue	\$ 174,662,416	\$ 171,949,356
Other revenue	<u>197,096</u>	<u>290,932</u>
Total revenues	174,859,512	172,240,288
Expenses		
Salaries	82,429,207	81,288,706
Employee benefits	20,980,252	19,125,365
Purchased services	22,947,576	20,760,105
Occupancy	9,968,452	10,120,247
Insurance	2,556,012	2,548,573
Supplies and other	26,395,360	25,658,682
Provision for bad debts	1,977,188	3,499,664
Depreciation	1,387,125	1,346,538
Interest	<u>21,532</u>	<u>23,205</u>
Total expenses	<u>168,662,704</u>	<u>164,371,085</u>
Excess of revenues over expenses and change in net assets	6,196,808	7,869,203
Net assets, beginning of year	<u>24,305,275</u>	<u>16,436,072</u>
Net assets, end of year	<u><u>\$ 30,502,083</u></u>	<u><u>\$ 24,305,275</u></u>

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

**Merakey Pennsylvania**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30,**

	2019	2018
Operating activities		
Change in net assets	\$ 6,196,808	\$ 7,869,203
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,387,125	1,346,538
Provision for bad debts	1,977,188	3,499,664
Loss on disposal of property and equipment	12,053	1,805
Changes in operating assets and liabilities		
Accounts receivable	(206,839)	(10,417,737)
Due from affiliates	(5,987,345)	(1,892,186)
Prepaid expenses and other current assets	738,793	917,339
Other assets	(5,485)	(16,489)
Deferred revenue, current	39,079	(63,847)
Accrued payroll	85,284	657,271
Accrued expenses and other current liabilities	(383,832)	(1,085,743)
Deferred revenue and other long-term liabilities	78,923	(89,751)
	3,931,752	726,067
Net cash provided by operating activities		
Investing activities		
Purchase of property and equipment	(1,506,662)	(2,581,669)
Proceeds from sale of property and equipment	-	24,693
	(1,506,662)	(2,556,976)
Net cash used in investing activities		
Financing activities		
Proceeds from short-term borrowings	-	2,000,000
Payments of short-term borrowings	(2,000,000)	-
Principal payments on long-term debt	(14,665)	(36,104)
	(2,014,665)	1,963,896
Net cash (used in) provided by financing activities		
Net increase in cash and restricted cash	410,425	132,987
Cash and restricted cash, beginning of year	1,073,965	940,978
Cash and restricted cash, end of year	\$ 1,484,390	\$ 1,073,965

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

## Merakey Pennsylvania

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

#### NOTE A - ORGANIZATION

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

Merakey USA (Merakey) is the sole corporate member of Merakey Pennsylvania. Merakey and its affiliated organizations are leading developmental, behavioral health and education providers offering a breadth of integrated services to individuals and communities across the country. Merakey has developed a unique continuum of care providing services in the areas of mental health, substance use disorders, long term supports, education, foster care and permanency, autism, intellectual and developmental disabilities and other specialized programs.

On April 1, 2018, NHS Human Services, Inc. (NHS) and several of its affiliated organizations changed their entity names to reflect the new brand name, Merakey. There was no change in governance, management, organizational structure or tax status related to this change.

#### NOTE B - SIGNIFICANT ACCOUNTING POLICIES

##### ***Basis of Presentation***

The consolidated financial statements of Merakey 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 Merakey Pennsylvania and its affiliates. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

##### ***Recently Adopted Accounting Pronouncement***

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Merakey Pennsylvania adopted ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for liquidity and functional expense disclosures which are only presented for 2019.

##### ***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, estimated useful lives of property and equipment, allocation of functional expenses and the assumptions used to determine liabilities for self-insured employee benefit plans. Actual results could differ from those estimates.

**Merakey Pennsylvania**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

***Cash and Restricted Cash***

Merakey Pennsylvania participates in a consolidated cash management account with other Merakey affiliates. All cash receipts are directed to lock boxes associated with the short-term borrowings (Note H) prior to being transferred to the consolidated account. Restricted cash represents client funds held by Merakey Pennsylvania. Client funds were \$232,054 and \$252,980 for the years ended June 30, 2019 and 2018, respectively.

***Net Consumer Service Revenue and Accounts Receivable***

Merakey 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. These accounts receivable are uncollateralized. Payment arrangements are primarily 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. For the years ended June 30, 2019 and 2018, Merakey Pennsylvania recognized \$-0- and \$2,052,667, respectively, related to retroactive favorable settlements in net consumer revenue.

Laws and regulations governing these programs are complex and subject to interpretation. Merakey 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.

***Allowance for Doubtful Accounts***

The allowance for doubtful accounts is maintained to absorb losses in Merakey Pennsylvania's accounts receivable. Merakey 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 \$3,652,915 and \$3,911,395 at June 30, 2019 and 2018, respectively.

***Earned but Unbilled Accounts Receivable***

Merakey 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, Merakey Pennsylvania records an earned but unbilled accounts receivable for this accrual, and the related liability is included in accrued expenses. At June 30, 2019 and 2018, earned but unbilled accounts receivable of \$245,017 and \$243,372, respectively, are included in other current assets on the consolidated balance sheets and are attributable to accrued vacation expenses.

***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	5 - 20 years

## Merakey Pennsylvania

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

#### ***Deferred Revenue***

Portions of grant awards are utilized to purchase property and equipment. Merakey 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 Merakey 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.

#### ***Income Taxes***

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

A tax position is recognized or derecognized by Merakey Pennsylvania and its affiliate based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. Merakey Pennsylvania and its affiliate do not believe their consolidated financial statements include any material uncertain tax positions.

#### ***Pending Accounting Pronouncements***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 is effective for reporting periods beginning after December 15, 2018. Merakey Pennsylvania is currently evaluating the impact that the standard will have on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2020. Merakey Pennsylvania is currently assessing the impact of this guidance on its consolidated financial statements.

#### ***Reclassifications***

Certain amounts in the prior year's consolidated statement of operations and changes in net assets have been reclassified to conform to the presentation in the current year's consolidated financial statements. This reclassification had no impact on the change in net assets.

**Merakey Pennsylvania**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**NOTE C - NET CONSUMER SERVICE REVENUE**

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

	2019	2018
Managed care organizations	43%	43%
Medical Assistance	25%	25%
County contracts	18%	18%
Education	10%	10%
Other third parties	4%	4%
	100%	100%

Net accounts receivable consisted of the following at June 30:

	2019	2018
Managed care organizations	41%	33%
Medical Assistance	30%	32%
County	16%	21%
Education	8%	10%
Other third parties	5%	4%
	100%	100%

**NOTE D - PENSION PLAN**

Merakey has a 403(b) plan for substantially all employees of Merakey and certain affiliates including Merakey Pennsylvania. Employee contributions to the plan are matched at 50%, up to 4% of the employee's salary.

Employer contributions for the years ended June 30, 2019 and 2018 were \$412,250 and \$415,404, respectively.

**Merakey Pennsylvania**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

**NOTE E - PROPERTY AND EQUIPMENT**

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

	2019	2018
Land and improvements	\$ 902,075	\$ 902,075
Buildings and building improvements	17,636,786	16,715,857
Furniture, equipment and automobiles	6,438,662	8,579,787
Construction in progress	-	161,903
	24,977,523	26,359,622
Total property and equipment		
Less accumulated depreciation	(14,663,155)	(15,654,490)
Property and equipment, net	\$ 10,314,368	\$ 10,705,132

Depreciation expense related to the property and equipment was \$1,387,125 and \$1,346,538 for the years ended June 30, 2019 and 2018, respectively.

**NOTE F - AVAILABLE RESOURCES AND LIQUIDITY**

Merakey Pennsylvania regularly monitors the liquidity required to meet its operating needs and other contractual commitments. Merakey Pennsylvania has various financial assets and sources of liquidity at its disposal, including cash, accounts receivable and a line of credit.

As of June 30, 2019, the following financial assets and liquidity resources could readily be made available within one year of the consolidated balance sheet date to meet general expenditures:

Financial assets:	
Cash	\$ 1,252,336
Accounts receivable, net	26,190,479
Total financial assets available	27,442,815
Liquidity resources:	
Line of credit (see Note H)	15,000,000
Total financial assets and liquidity resources	\$ 42,442,815

## Merakey Pennsylvania

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

In addition to the financial assets and liquidity resources available to meet general expenditures over the next 12 months, Merakey Pennsylvania operates within a prudent range of fiscal responsibility and anticipates collecting sufficient revenue to cover its operating expenses. Refer to the consolidated statements of cash flows, which identifies the sources and uses of Merakey Pennsylvania's cash and highlights positive cash generated by operating activities.

#### NOTE G - RELATED PARTY TRANSACTIONS

Merakey Pennsylvania is one of a group of affiliated organizations related by way of common ownership and/or membership. Merakey is the sole corporate member or parent company of each of the affiliated organizations. Merakey 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 Merakey, 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 \$4,693,856 at June 30, 2019. The amount due to affiliated organizations was \$1,791,737 at June 30, 2018. Depreciation of assets held by one related party but used by others is charged based on usage of the respective assets.

General and administrative expenses are charged to Merakey Pennsylvania from Merakey based on an administrative services agreement. These expenses include information technology, human resources, legal, finance and accounting and occupancy costs amongst other expenses. Other support services include compliance, training and other expenses.

For the years ended June 30, 2019 and 2018, Merakey Pennsylvania incurred the following expenses with related parties:

	Location Statement of Operations	2019	2018
General and administrative services	Supplies and other	\$ 17,227,246	\$ 16,152,482
Other support services	Purchased services/supplies and other	4,854,295	3,511,996
Facilities management	Purchased services	1,344,061	1,294,712
Facility and vehicle leases	Occupancy/supplies and other	797,282	816,893
Management fee	Supplies and other	-	300,000
		<u>\$ 24,222,884</u>	<u>\$ 22,076,083</u>

#### NOTE H - SHORT-TERM BORROWINGS

Merakey Pennsylvania has a revolving line of credit with maximum borrowings to \$15,000,000. Interest is payable monthly at the one-month LIBOR rate plus 2.75% (effective rate of 5.15% and 5.32% as of June 30, 2019 and 2018, respectively). The loan expires in February 2021. The outstanding balance of this line was \$- and \$2,000,000 at June 30, 2019 and 2018, respectively. This line of credit facility is secured by all assets of Merakey Pennsylvania.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

**NOTE I - LONG-TERM DEBT**

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

	2019	2018
Mortgages	\$ 108,150	\$ 122,815
Less current maturities	(4,993)	(14,668)
	<u>\$ 103,157</u>	<u>\$ 108,147</u>

***Mortgages***

Merakey 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%.

***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:

Year ending June 30:

2019	\$ 4,993
2020	5,349
2021	5,725
2022	29,167
2023	5,516

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, 2019 and 2018.

**NOTE J - COMMITMENTS AND CONTINGENCIES**

***Lease Commitments***

Merakey Pennsylvania has entered into lease agreements for real estate, vehicles and equipment with various vendors. Merakey 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.

## Merakey Pennsylvania

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2019 and 2018

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>	
2020	\$ 4,956,572
2021	4,403,626
2022	3,059,770
2023	2,057,739
2024	1,494,956

Rental expense for the years ended June 30, 2019 and 2018 totaled \$6,947,013 and \$6,863,385, respectively, of which \$797,252 and \$816,893, respectively, are with related parties (Note G).

#### ***Professional Liability Insurance***

Merakey Pennsylvania maintains professional liability insurance coverage of \$1,000,000 per occurrence up to an annual aggregate of \$3,000,000.

During each of the years ended June 30, 2019 and 2018, Merakey Pennsylvania recorded an estimated insurance recovery receivable and professional liability of \$-0- and \$700,000, respectively. Such amounts are recorded within prepaid expenses and other current assets and accrued expenses and other current liabilities within the consolidated balance sheets.

#### ***Guarantee of Debt***

##### **Line of Credit**

Life Tree has a \$1,000,000 line of credit with a financial institution, with Merakey Pennsylvania as the guarantor, to finance working capital of Life Tree. The line is secured by all assets of Life Tree. At June 30, 2019 and 2018, \$-0- was outstanding under this line, which expires February 2021.

##### **Taxable Note**

In August 2017, the Obligated Group of Merakey USA and Merakey Pennsylvania entered into a taxable term note for \$8,585,000 with a financial institution. The proceeds of the note were used to refinance certain existing indebtedness and general corporate purposes. Principal and interest payments ranges from \$21,157 to \$131,972 and are due monthly through June 1, 2035. The interest rate is fixed at 4.75%. The note is collateralized by gross revenues of the Obligated Group and certain real property owned by Human Services Housing Company (HSHC, a not-for profit housing company and subsidiary of Merakey USA) and assigned lease agreements for real property leased to affiliates of HSHC. The amount outstanding under this note is \$6,789,766 and \$8,373,430 at June 30, 2019 and 2018, respectively.

#### ***Self-Insured Employee Benefit Plans***

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

Management has established premiums for the self-funded plans based upon the combined claims history of all plan members. Additionally, Merakey 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.

**Merakey Pennsylvania**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

***Litigation***

Merakey 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 Merakey Pennsylvania's consolidated balance sheets.

**NOTE K - FUNCTIONAL EXPENSES**

Merakey is committed to delivering, or supporting the delivery of mental health, intellectual and developmental disability, drug and alcohol and other health and human-related services to the residents of Pennsylvania, New Jersey, New York, Louisiana, Delaware, Maryland, Virginia, Michigan, Tennessee, Texas, California and Ohio.

Merakey Pennsylvania's primary service lines are as follows:

***Behavioral Health (BH)***

Merakey offers a continuum of care in behavioral health (includes mental health and addictive diseases), integrating services in both community and site-based settings. These services provide a wide range of recovery focused treatment, services, and supports for children and adults.

***Intellectual and Developmental Disabilities (IDD)***

Merakey supports individuals with intellectual and developmental disabilities in the enhancement of their abilities and interests. Services are aimed at partnering with individuals as they become self-sufficient and live everyday lives. Merakey focuses on helping individuals find meaningful roles in their community and to feel valued as community members.

***Education and Autism (E & A)***

Merakey Education and Autism Services focuses on a continuum of care throughout the lifespan. The core, fundamental principles of Applied Behavior Analysis are incorporated into a specialized approach across all service offerings.

The consolidated financial statements report certain categories of natural expenses that are attributable to more than one service line or supporting function. These expenses are allocated using a variety of cost allocation techniques based on reasonable methodologies that are consistently applied including but not limited to direct operating expenses, number of employees or square footage.

General and administrative expenses are charged to Merakey Pennsylvania from Merakey based on an administrative services agreement.

**Merakey Pennsylvania**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2019 and 2018**

Expenses by functional classification for the year ended June 30, 2019 are as follows:

	BH	IDD	E & A	General and administrative	Total
Salaries	\$ 50,128,665	\$ 20,448,516	\$ 11,852,026	\$ -	\$ 82,429,207
Employee benefits	13,026,473	5,191,134	2,762,645	-	20,980,252
Purchased services	17,316,226	4,447,109	1,184,241	-	22,947,576
Occupancy	4,946,547	2,584,190	2,437,715	-	9,968,452
Insurance	1,421,051	767,604	367,357	-	2,556,012
Supplies and other	5,408,835	2,931,044	828,235	17,227,246	26,395,360
Provision for bad debts	1,359,202	217,054	400,932	-	1,977,188
Depreciation	862,987	273,307	250,831	-	1,387,125
Interest	14,136	7,396	-	-	21,532
<b>Total expenses</b>	<b>\$ 94,484,122</b>	<b>\$ 36,867,354</b>	<b>\$ 20,083,982</b>	<b>\$ 17,227,246</b>	<b>\$ 168,662,704</b>

Expenses by functional classification for the year ended June 30, 2018 are as follows:

	IDD	BH	E & A	General and administrative	Total
<b>Total expenses</b>	<b>\$ 94,095,341</b>	<b>\$ 35,572,609</b>	<b>\$ 18,083,995</b>	<b>\$ 16,619,140</b>	<b>\$ 164,371,085</b>

**NOTE L - SUBSEQUENT EVENTS**

Merakey Pennsylvania evaluated its June 30, 2019 consolidated financial statements for subsequent events through November 25, 2019. Merakey Pennsylvania is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**T** +1 215 561 4200

**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
SUPPLEMENTARY INFORMATION**

Officers and Directors  
Merakey 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 Merakey Pennsylvania as of and for the years ended June 30, 2019 and 2018, and our report thereon dated November 25, 2019 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 25, 2019.

**Supplementary information**

The Schedule of Expenditures of Federal Awards for the year ended June 30, 2019, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration 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. 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 general 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 16, 2019

Merakey Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2019

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 Lackawanna-Susquehanna Behavioral and Developmental Services	Medical Assistance Program (Medicaid)	N/A	93.778	\$ 407
Pass-through Cumberland County Drug and Alcohol Commission	Block Grants for Prevention and Treatment of Substance Abuse	N/A	93.959	8,858
Pass-through Orange County, New York - Department of Mental Health	Temporary Assistance for Needy Families (TANF)	2015-0161	93.558	299,123
Pass-through Beaver County Behavioral Health	Substance Abuse and Mental Health Services Projects of Regional and National Significance	041416-11	93.243	178,361
Pass-through Beaver County Behavioral Health	Substance Abuse and Mental Health Services	042816-14	93.104	286
Pass-through Allegheny County Department of Human Services	Block Grants for Community Mental Health Services	179632	93.958	182,000
Pass-through Carbon-Monroe-Pike County Mental Health and Developmental Services	Block Grants for Community Mental Health Services	N/A	93.958	861
Pass-through Cumberland County Mental Health and IDD	Block Grants for Community Mental Health Services	N/A	93.958	245,394
Pass-through Schuylkill County Service Access & Management, Inc	Block Grants for Community Mental Health Services	N/A	93.958	<u>705,963</u>
				1,134,218
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	20,000
		2015-1355, 2015-0599, 2015-0600, 2015-0601, 2015-0602	93.667	<u>655,614</u>
Pass-through Orange County, New York - Department of Mental Health	Social Services Block Grant			827,931

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

Merakey Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2019

Grantor/pass-through grantor	Federal program name	Pass through grantor's number	Federal CFDA number	Expenditures
Pass-through Allegheny County Children and Youth	Foster Care: Title IV- E	N/A	93.658	26,645
Pass-through Bedford County Children and Youth	Foster Care: Title IV- E	N/A	93.658	15,496
Pass-through Berks County Children and Youth	Foster Care: Title IV- E	N/A	93.658	95,445
Pass-through Blair County Children and Youth	Foster Care: Title IV- E	N/A	93.658	57,679
Pass-through Bradford County Human Services	Foster Care: Title IV- E	N/A	93.658	535,526
Pass-through Cambria County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	31,660
Pass-through Chester County Children and Youth Services	Foster Care: Title IV- E	16843	93.658	14,454
Pass-through Clarion County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	3,030
Pass-through Clearfield County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	2,152
Pass-through Columbia County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	15,939
Pass-through Cumberland County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	115,360
Pass-through Dauphin County Social Services for Children and Youth and Juvenile Probation	Foster Care: Title IV- E	N/A	93.658	141,377
Pass-through Delaware County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	17,355
Pass-through Erie County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	15,000
Pass-through Franklin County Children and Youth Services	Foster Care: Title IV- E	39907	93.658	317,960
Pass-through Indiana County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	15,249
Pass-through Jefferson County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	23,694
Pass-through Lancaster County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	191,898
Pass-through Lebanon County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	22,205
Pass-through Lehigh County Children and Youth Services	Foster Care: Title IV- E	15-CY-281	93.658	189,294
Pass-through Luzerne County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	32,063
Pass-through Lycoming County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	77
Pass-through Monroe County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	155,987
Pass-through Montgomery County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	47,014
Pass-through Northampton County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	418,826
Pass-through Northumberland Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	37,648
Pass-through Other County Children and Youth Programs	Foster Care: Title IV- E	N/A	93.658	195,330
Pass-through Perry County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	1,456
Pass-through Schuylkill County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	16,490
Pass-through Somerset County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	407
Pass-through Tioga County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	32,628
Pass-through Washington County Children and Youth Services	Foster Care: Title IV- E	N/A	93.658	10,140
Pass-through York County Office of Children, Youth and Families and Juvenile Probation Offices	Foster Care: Title IV- E	N/A	93.658	298,167
				<u>3,093,650</u>
Total U.S. Department of Health and Human Services				<u>5,542,834</u>
<u>U.S. Department of Justice</u>				
Pass-through Beaver County Behavioral Health	Edward Byrne Memorial Justice Assistance Grant	041416-12	16.736	89,433
Total U.S. Department of Justice				<u>89,433</u>
Total Expenditures of Federal Awards				<u>\$ 5,632,267</u>

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

**Merakey Pennsylvania**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended June 30, 2019**

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the grant expenditures of Merakey 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.

Merakey Pennsylvania did not use the 10 percent de minimis cost rate.

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**T** +1 215 561 4200

**F** +1 215 561 1066

## **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  
Merakey 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 Merakey Pennsylvania (the Entity), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of operations and changes in 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 25, 2019.

### **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.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
November 25, 2019

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**T** +1 215 561 4200

**F** +1 215 561 1066

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Officers and Directors  
Merakey Pennsylvania

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

We have audited the compliance of Merakey 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 each of its major federal programs for the year ended June 30, 2019. The Entity'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Entity's federal programs.

### **Auditor's responsibility**

Our responsibility is to express an opinion on compliance for each of the Entity'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 the audit requirements of *Title 2 U.S. Code of Federal Regulations 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 each 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 each of its major federal programs for the year ended June 30, 2019.

**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 each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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. Given these limitations, during our audit we did not identify any deficiencies in the Entity'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Philadelphia, Pennsylvania  
December 16, 2019

**Merakey Pennsylvania**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2019**

**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)? \_\_\_\_\_ yes      X   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)? \_\_\_\_\_ yes      X   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? \_\_\_\_\_ yes      X   no

**Merakey Pennsylvania**

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

**Year ended June 30, 2019**

**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.



**Merakey Pennsylvania**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year ended June 30, 2019**

**Finding #2018-001 - Allowable Costs and Cash Management**

Summary

During the 2018 audit, for revenue transactions occurring between July 1, 2017 and December 31, 2017, we noted that Merakey Pennsylvania did not have documentation of review approvals for Foster Care Title IV-E services.

Corrective Action Plan

Merakey Pennsylvania augmented its existing policies and procedures regarding the review of revenue report reconciliations and invoices for its Foster Care programs to enforce additional segregation of duties and enhance documentation of approvals and reviews.

This finding was initially identified during fiscal 2018 while our external auditors were performing their procedures for the prior year. Merakey Pennsylvania immediately developed a plan and placed the updated procedures into operation on January 1, 2018. The enhanced internal controls were in place for the final six months of fiscal year 2018 and throughout fiscal year 2019.

Name of Contact Person Responsible for Corrective Action

Patricia Fawver, Corporate Vice President of Finance

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**T** +1 215 561 4200

**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
INDIRECT COST ALLOCATION**

Officers and Directors  
Merakey Pennsylvania

We have examined management's assertion about Merakey 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, 2019. Management is responsible for Merakey Pennsylvania's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about Merakey Pennsylvania's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Merakey 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 Merakey 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 Merakey 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, 2019, 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 Merakey 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 16, 2019

**COUNTY SUPPLEMENTAL INFORMATION**

**COMMUNITY RESIDENTIAL REHABILITATION PROGRAM  
THERAPEUTIC FAMILY CARE  
FOSTER CARE PLUS**

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**D** +1 215 561 4200  
**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
SUPPLEMENTARY INFORMATION**

Officers and Directors  
Merakey Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated financial statements of Merakey Pennsylvania as of and for the year ended June 30, 2019, and our report thereon dated November 25, 2019 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 25, 2019.

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.



Philadelphia, Pennsylvania  
December 16, 2019

Merakey Pennsylvania

SCHEDULE OF COUNTY PROGRAM CENSUS DAYS

FY 2018-2019

County	Funding Source	TFC FY19 Days	FCP FY19 Days	FCP 1/2 FY19 Days	FCP Shelter FY19 Days	Enhanced FCP FY19 Days	CRR-ITP/RTF FY19 Days	Spec Grp Home FY19 Days	Respite FY19 Days	Emergency Respite FY19 Days	FCP-ICPC FY19 Days	Infant FY19 Days	Infant Combo FY19 Days	TFC Full Fee FY19 Days	Total
Adams	C&Y/JPO	-	2,139	-	-	-	-	-	-	-	-	-	-	-	2,139
Allegheny	C&Y	-	-	-	88	-	-	-	-	-	-	-	-	2,194	2,282
Armstrong	C&Y	-	-	-	-	-	-	-	2	-	-	-	-	-	2
Armstrong/Indiana	MH/IDD	-	-	-	-	-	-	-	16	-	-	-	-	-	16
Bedford	C&Y	245	120	-	-	-	-	-	-	-	-	-	-	-	365
Berks	C&Y	1,003	4,738	-	-	-	-	-	-	-	-	96	-	-	5,837
Blair	C&Y	247	2,496	-	-	-	-	-	-	-	-	-	-	-	2,737
Bradford	C&Y	301	7,421	-	-	-	-	-	932	-	-	-	-	-	8,654
Bradford	MHMR	386	-	-	-	-	-	-	25	-	-	-	-	-	411
Cambria	C&Y	-	858	-	-	-	-	-	5	-	-	-	-	-	863
Centre	C&Y	-	727	-	-	-	-	-	-	-	-	-	-	-	727
Chester	C&Y	-	622	-	-	-	-	-	-	-	-	-	-	-	622
Clanon	C&Y	198	-	-	-	-	-	-	-	-	-	-	-	32	230
Clanon	MH/IDD	623	-	-	-	-	-	-	-	-	-	-	-	-	623
Clearfield	C&Y	-	83	-	-	-	-	-	-	-	-	-	-	-	83
Columbia	C&Y	445	617	-	-	-	-	-	30	-	-	-	-	-	1,092
Columbia	JPO	-	129	-	-	-	-	-	-	-	-	-	-	-	129
Cumberland	JPO	-	-	-	-	-	17	-	-	-	-	-	-	-	17
Cumberland	C&Y	365	6,887	-	-	170	27	-	-	-	-	-	-	-	7,449
Dauphin	C&Y	-	8,203	-	-	297	-	-	-	-	-	-	-	-	8,500
Delaware	C&Y	-	804	-	-	-	-	-	-	-	-	-	-	-	804
Ene	C&Y	558	423	-	-	-	-	-	-	-	-	-	-	-	981
Fayette	C&Y	240	422	-	-	-	-	-	-	-	-	-	-	-	662
Forrest/Warren	C&Y	117	-	-	-	-	-	-	-	-	-	-	-	-	117
Franklin	C&Y	700	8,615	-	-	301	-	-	-	-	-	-	-	-	9,616
Franklin	JPO	-	26	-	-	-	-	-	-	-	-	-	-	-	26
Fulton	C&Y	-	113	-	-	-	-	-	-	-	-	-	-	-	113
Greene	C&Y	1,281	2,305	-	-	-	-	-	10	-	-	-	-	-	3,596
Huntingdon	C&Y	245	5,391	-	-	-	-	-	10	-	-	-	-	-	6,146
Indiana	C&Y	610	309	-	-	-	-	-	14	-	-	-	-	-	933
Jefferson	C&Y	-	342	-	-	-	-	-	-	-	-	-	-	-	342
Juniata Valley Tr-County	MHMR	-	-	-	-	-	-	-	6	-	-	-	-	-	6
Lackawanna	C&Y	-	166	-	-	-	-	-	-	-	-	-	-	-	166
Lancaster	C&Y	405	5,818	-	-	552	-	-	-	-	-	-	-	-	6,775
Lebanon	C&Y	-	1,642	-	-	-	-	-	-	5	-	-	-	21	1,668
Lehigh	C&Y	-	2,353	-	-	185	-	-	42	77	-	-	-	2,493	5,150
Lehigh	MH	-	-	-	-	-	23	586	-	-	-	-	-	-	609
Luzerne	C&Y	621	162	-	-	-	-	-	4	82	-	-	-	-	869
Lycoming	C&Y	-	143	-	-	-	-	-	43	-	-	-	-	-	186
McKean	C&Y	111	1,062	-	-	-	-	-	39	-	-	-	-	-	1,212
Mifflin	C&Y	393	1,104	-	-	-	-	-	7	-	-	-	-	-	1,504
Monroe	C&Y	357	3,131	-	-	-	-	-	145	-	-	-	-	-	3,633
Montgomery	C&Y	76	1,631	-	-	-	-	-	-	-	-	-	-	-	1,707
NJ Dept of C&F	C&Y	-	328	-	-	-	-	-	-	-	-	-	-	-	328
Northampton	C&Y	44	954	-	-	-	-	730	50	-	-	-	-	766	2,544
Northumberland	C&Y	344	1,663	-	-	-	-	-	89	-	-	-	-	-	2,096
Northumberland	BHID	-	-	-	-	-	-	-	4	-	-	-	-	-	4
PA Counseling Services	Other	-	-	-	-	-	-	-	12	-	-	-	-	-	12
Perry	C&Y	-	55	-	-	-	-	-	-	-	-	-	-	-	55
Pike	C&Y	82	-	-	-	-	-	-	-	5	-	-	-	-	87
Sam Inc - Berks	Other	640	-	-	-	-	-	-	-	-	-	-	-	-	640
Sam Inc - Schuylkill	Other	2,063	-	-	-	-	-	-	3	-	-	-	-	-	2,066
Schuylkill	C&Y	641	550	-	-	-	-	-	-	-	-	-	-	-	1,191
Snyder	C&Y	-	472	-	-	-	-	-	3	-	-	-	-	-	475
Somerset	C&Y	-	365	-	-	-	-	-	10	-	-	-	-	-	375
Tioga	C&Y	78	980	-	-	-	-	-	-	-	-	-	-	-	1,058
Venango	C&Y	240	-	-	-	-	-	-	-	-	-	-	-	-	240
Washington	C&Y	713	131	-	-	-	-	-	-	-	-	-	-	-	844
Wayne	C&Y	493	240	-	-	-	-	-	-	-	-	-	-	-	733
Wayne	OBDP	48	-	-	-	-	-	-	-	-	-	-	-	-	48
Westmoreland	C&Y	201	506	-	-	-	-	-	3	-	-	-	-	49	759
Wyoming	C&Y	-	365	-	-	-	-	-	-	-	-	-	-	-	365
York	C&Y	111	7,759	-	-	4,635	-	-	9	-	-	-	228	-	12,740
York/Adams	HCMU	104	-	-	-	-	-	-	-	-	-	-	-	-	104
York/Adams	MH/IDD	-	-	-	-	-	-	-	21	-	-	-	-	-	21
<b>TOTAL</b>		<b>15,329</b>	<b>85,864</b>	<b>-</b>	<b>88</b>	<b>6,140</b>	<b>67</b>	<b>1,316</b>	<b>1,534</b>	<b>169</b>	<b>-</b>	<b>96</b>	<b>226</b>	<b>5,555</b>	<b>116,384</b>

**LOUISIANA CLINICAL SERVICES  
SCHEDULES**

---

**GRANT THORNTON LLP**

2001 Market Street, Suite 700  
Philadelphia, PA 19103

**D** +1 215 561 4200

**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON  
SUPPLEMENTARY INFORMATION**

Officers and Directors  
Merakey Pennsylvania

**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 Merakey Pennsylvania as of and for the year ended June 30, 2019, and our report thereon dated November 25, 2019 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 25, 2019.

**Supplementary information**

The accompanying 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 audit 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, 2019

Merakey Pennsylvania

Louisiana Clinical Services

**Schedule of Units of Service**

For year ended June 30, 2019

<u>Program</u>		<u>21+DOM<sup>(1)</sup></u>	<u>11-20 DOM<sup>(1)</sup></u>	<u>1-10 DOM<sup>(1)</sup></u>	<u>Total</u>
MHSD - ACT	7/1/2018 - 6/30/2019	2	2	221	225
MHSD - FACT	7/1/2018 - 6/30/2019	3	3	187	193
<b>TOTAL</b>		<b>5</b>	<b>5</b>	<b>408</b>	<b>418</b>

<u>Program</u>		<u>21+DOM<sup>(1)</sup></u>	<u>11-20 DOM<sup>(1)</sup></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	7/1/2018 - 6/30/2019	-	-	-	-	-	33	33
Region 4 - ACT	7/1/2018 - 6/30/2019	-	-	-	3	-	164	167
Region 5 - ACT	7/1/2018 - 6/30/2019	-	-	-	-	-	92	92
Region 6 - ACT	7/1/2018 - 6/30/2019	-	-	-	4	2	193	199
Region 7 - ACT	7/1/2018 - 6/30/2019	-	-	2	11	5	297	315
<b>TOTAL</b>		<b>-</b>	<b>-</b>	<b>2</b>	<b>18</b>	<b>7</b>	<b>779</b>	<b>806</b>

(1) Days of the Month

Merakey Pennsylvania

Louisiana Clinical Services

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

For the year ended June 30, 2019

Agency Head Name: Joseph Martz (7/1/17 - 6/30/19)

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 18,599
Benefits - insurance	902
Benefits - retirement	9,460
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>\$ 28,961</u>

Note:

The amounts reported above for compensation, benefits and other payments to the chief executive officer of Merakey Pennsylvania represent the pro rata portion charged to the fiscal year 2019 contract with the State of Louisiana.