

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

Merakey Pennsylvania

June 30, 2020 and 2019

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 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

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200

F +1 215.561.1066

GrantThornton.com

linked.in/GrantThorntonUS

twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Officers and Directors
Merakey Pennsylvania

We have audited the accompanying consolidated financial statements of Merakey Pennsylvania, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, 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 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, 2020 and 2019, 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 20, 2020, 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 20, 2020

Merakey Pennsylvania
CONSOLIDATED BALANCE SHEETS

June 30,

	2020	2019
ASSETS		
Current assets		
Cash	\$ 360,861	\$ 1,252,336
Restricted cash	177,493	232,054
Accounts receivable, net	15,653,006	26,190,479
Due from affiliates	23,680,950	4,693,856
Prepaid expenses and other current assets	722,716	572,461
Total current assets	40,595,026	32,941,186
Property and equipment, net	9,633,242	10,314,368
Other assets	832,035	846,958
Total assets	\$ 51,060,303	\$ 44,102,512
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of long-term debt	\$ 891	\$ 4,993
Deferred revenue, current	461,125	443,418
Accrued payroll	5,336,246	4,855,413
Accrued expenses and other current liabilities	7,480,921	4,304,450
Total current liabilities	13,279,183	9,608,274
Deferred revenue and other long-term liabilities	3,615,449	3,888,998
Long-term debt, net of current maturities	24,968	103,157
Total liabilities	16,919,600	13,600,429
Net assets - without donor restrictions	34,140,703	30,502,083
Total liabilities and net assets	\$ 51,060,303	\$ 44,102,512

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,

	2020	2019
Revenues		
Net consumer service revenue	\$ 171,696,953	\$ 174,662,416
Other revenue	258,300	197,096
Total revenues	171,955,253	174,859,512
Expenses		
Salaries	83,073,121	82,429,207
Employee benefits	18,943,735	20,980,252
Purchased services	22,008,252	22,947,576
Occupancy	9,291,179	9,968,452
Insurance	2,672,088	2,556,012
Supplies and other	29,589,608	26,395,360
Provision for bad debts	1,410,738	1,977,188
Depreciation	1,309,527	1,387,125
Interest	18,385	21,532
Total expenses	168,316,633	168,662,704
Excess of revenues over expenses	3,638,620	6,196,808
Net assets, beginning of year	30,502,083	24,305,275
Net assets, end of year	\$ 34,140,703	\$ 30,502,083

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

Merakey Pennsylvania

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2020	2019
Operating activities		
Change in net assets	\$ 3,638,620	\$ 6,196,808
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	1,309,527	1,387,125
Provision for bad debts	1,410,738	1,977,188
(Gain) loss on disposal of property and equipment	(55,663)	12,053
Changes in operating assets and liabilities		
Accounts receivable	9,126,735	(206,839)
Prepaid expenses and other current assets	(150,255)	738,793
Other assets	14,923	(5,485)
Deferred revenue, current	17,707	39,079
Accrued payroll	480,833	85,284
Accrued expenses and other current liabilities	3,176,470	(383,832)
Deferred revenue and other long-term liabilities	(273,549)	78,923
	18,696,086	9,919,097
Net cash provided by operating activities before due to affiliates	18,696,086	9,919,097
Due from affiliates	(18,723,333)	(5,987,345)
	(27,247)	3,931,752
Net cash (used in) provided by operating activities	(27,247)	3,931,752
Investing activities		
Purchase of property and equipment	(836,498)	(1,506,662)
Net cash used in investing activities	(836,498)	(1,506,662)
Financing activities		
Proceeds from short-term borrowings	13,816,472	-
Payments of short-term borrowings	(13,816,472)	(2,000,000)
Principal payments on long-term debt	(82,291)	(14,665)
Net cash used in financing activities	(82,291)	(2,014,665)
Net (decrease) increase in cash and restricted cash	(946,036)	410,425
Cash and restricted cash, beginning of year	1,484,390	1,073,965
Cash and restricted cash, end of year	\$ 538,354	\$ 1,484,390

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

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - ORGANIZATION

Merakey 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.

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.

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.

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 I) prior to being transferred to the consolidated account. Restricted cash represents client funds held by Merakey Pennsylvania. Client funds were \$177,493 and \$232,054 at June 30, 2020 and 2019, 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.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, 2020 and 2019, Merakey Pennsylvania recognized \$371,482 and \$0, 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 \$2,791,952 and \$3,652,915 at June 30, 2020 and 2019, 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, 2020 and 2019, earned but unbilled accounts receivable of \$240,897 and \$245,017, respectively, are included in prepaid assets and 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

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.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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 Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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, as amended, is effective for reporting periods beginning after December 15, 2019. 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, as amended, is effective for fiscal years beginning after December 15, 2021. Merakey Pennsylvania is currently assessing the impact of this guidance on its consolidated financial statements.

NOTE C - IMPACT OF THE COVID-19 PANDEMIC

In March 2020, the World Health Organization declared COVID-19, the disease caused by the novel coronavirus, a pandemic, which started to and continues to spread throughout the United States of America. The primary focus as the effects of COVID-19 began to impact Merakey's facilities was the health and safety of the consumers in its care and its employees. Merakey implemented various measures to provide the safest possible environment within its facilities during this pandemic and will continue to do so. Additionally, in response to the pandemic, Merakey incurred additional costs for testing, personal protective equipment, third party contract services and other operating costs associated with ensuring consumer and employee safety while operating during a pandemic.

Consumer volumes at certain facilities were reduced as various COVID-19 policies were implemented by Merakey Pennsylvania and federal, state and local governments. Management continues to actively monitor the effect of COVID-19 to operating revenues and expenses. The impact of the COVID-19 pandemic did not have a material effect on Merakey Pennsylvania's financial results during fiscal year 2020.

The Employee Retention Credit under the CARES Act encourages businesses to keep employees on their payroll. The refundable tax credit is 50% of up to \$10,000 in wages paid by an eligible employer whose business has been financially impacted by COVID-19. For the year ended June 30, 2020, Merakey claimed credits of \$212,577, which are included in other income in the consolidated statements of operations and changes in net assets.

Section 2302 of The CARES Act also allows employers to defer the deposit and payment of the employer's share of Social Security taxes during the period from March 27, 2020 through December 31, 2020. Half of the deferred amount is due on December 31, 2021, and the remainder is due on December 31, 2022. At June 30, 2020, Merakey Pennsylvania deferred taxes of \$1,320,917. This amount is included in deferred revenue and other current liabilities in the consolidated balance sheet.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The Governor of the Commonwealth of Pennsylvania signed Act 24 of 2020 – Pennsylvania Emergency Coronavirus Relief Funds, which allocated funds received from the CARES Act. Act 24 included retainer payments for Community Participation Supports providers and funding from the Office of Long Term Living. Merakey Pennsylvania received \$2,835,968 during fiscal year 2020. At June 30, 2020, \$1,972,628 was unspent and included in deferred revenue and other current liabilities in the consolidated balance sheet. These funds must be used for COVID-19 related expenses and must be expended by November 2020.

NOTE D - NET CONSUMER SERVICE REVENUE

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

	2020	2019
Managed care organizations	45%	43%
Medical Assistance	26%	25%
County contracts	17%	18%
Education	9%	10%
Other third parties	3%	4%
	<u>100%</u>	<u>100%</u>

Net accounts receivable consisted of the following at June 30:

	2020	2019
Managed care organizations	36%	41%
Medical Assistance	26%	30%
County	23%	16%
Education	9%	8%
Other third parties	6%	5%
	<u>100%</u>	<u>100%</u>

As a result of the COVID-19 pandemic (Note C), Merakey Pennsylvania entered into Alternate Payment Agreements (APAs) with certain managed care organizations. These APAs temporarily suspended certain claims-based billing arrangements and provided compensation based on prior claims history. The APAs require Merakey Pennsylvania to continue operations and provide continuity of care amongst compliance with other regulations. Certain APAs include a reconciliation process and other reporting requirements. For APAs that include a reconciliation process, any funds received in excess of costs were deferred and included in deferred revenue and other current liabilities in the consolidated balance sheet. This amount was \$486,383 at June 30, 2020. The APAs will continue through December 31, 2020.

NOTE E - 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, 2020 and 2019 were \$479,093 and \$412,250, respectively.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE F - PROPERTY AND EQUIPMENT

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

	2020	2019
Land and improvements	\$ 900,326	\$ 902,075
Buildings and building improvements	18,013,943	17,636,786
Furniture, equipment and automobiles	6,542,603	6,438,662
Construction in progress	24,088	-
Total property and equipment	25,480,960	24,977,523
Less accumulated depreciation	(15,847,718)	(14,663,155)
Property and equipment, net	\$ 9,633,242	\$ 10,314,368

Depreciation expense related to the property and equipment was \$1,309,527 and \$1,387,125 for the years ended June 30, 2020 and 2019, respectively.

NOTE G - 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.

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, as of June 30:

	2020	2019
Financial assets:		
Cash	\$ 360,861	\$ 1,252,336
Accounts receivable, net	15,653,006	26,190,479
Total financial assets available	16,013,867	27,442,815
Liquidity resources:		
Line of credit (see Note I)	15,000,000	15,000,000
Total financial assets and liquidity resources	\$ 31,013,867	\$ 42,442,815

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 identify the sources and uses of Merakey Pennsylvania's cash and highlight positive cash generated by operating activities in 2020 and 2019.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE H - 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 \$23,680,950 and \$4,693,856 at June 30, 2020 and 2019, respectively. 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, 2020 and 2019, Merakey Pennsylvania incurred the following expenses with related parties:

	Location Statement of Operations	2020	2019
General and administrative services	Supplies and other	\$ 16,307,215	\$ 17,227,246
Other support services	Purchased services/Supplies and other	5,608,474	4,854,294
Facilities management	Purchased services	1,328,795	1,344,061
Facility and vehicle leases	Occupancy/Supplies and other	753,786	797,282
Management fees	Supplies and other	4,100,000	-
		<u>\$ 28,098,270</u>	<u>\$ 24,222,884</u>

NOTE I - SHORT-TERM BORROWINGS

Merakey Pennsylvania has a revolving line of credit with maximum borrowings of \$15,000,000. Interest is payable monthly at the one-month LIBOR rate plus 2.75% (effective rate of 4.15% and 5.15% as of June 30, 2020 and 2019, respectively). The loan expires in February 2021. No amounts are outstanding on this line at June 30, 2020 and 2019. This line of credit facility is secured by all assets of Merakey Pennsylvania.

NOTE J - LONG-TERM DEBT

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

	2020	2019
Mortgages	\$ 25,859	\$ 108,150
Less current maturities	(891)	(4,993)
	<u>\$ 24,968</u>	<u>\$ 103,157</u>

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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, are as follows:

Year ending June 30:

2021	\$	891
2022		939
2023		24,029

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, 2020 and 2019.

NOTE K - 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.

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

Year ending June 30:

2021	\$	4,871,201
2022		3,705,111
2023		2,561,846
2024		1,709,908
2025		1,249,375

Rental expense for the years ended June 30, 2020 and 2019 totaled \$6,789,751 and \$6,947,013, respectively, of which \$753,786 and \$797,252, 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, 2020 and 2019, Merakey Pennsylvania recorded an estimated insurance recovery receivable and professional liability of \$150,000 and \$0, respectively. Such amounts are recorded within prepaid expenses and other current assets and accrued expenses and other current liabilities within the consolidated balance sheets.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Guarantee of Debt

Line of Credit

Life Tree Pharmacy Services, Inc. (Life Tree), an affiliated entity, has a \$1,000,000 line of 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. No amounts are outstanding at June 30, 2020 and 2019, on 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 range 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 \$6,337,582 and \$6,789,766 at June 30, 2020 and 2019, 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.

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 L - 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.

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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.

Expenses by functional classification for the year ended June 30, 2020 are as follows:

	BH	IDD	E & A	General and administrative	Management fees	Total
Salaries	\$ 51,471,612	\$ 21,695,718	\$ 9,905,791	\$ -	\$ -	\$ 83,073,121
Employee benefits	12,112,582	4,879,158	1,951,995	-	-	18,943,735
Purchased services	16,117,308	4,898,309	992,635	-	-	22,008,252
Occupancy	4,968,851	2,370,376	1,951,952	-	-	9,291,179
Insurance	1,483,535	826,167	362,386	-	-	2,672,088
Supplies and other	4,994,378	2,945,223	642,792	16,907,215	4,100,000	29,589,608
Provision for bad debts	1,000,907	111,136	298,695	-	-	1,410,738
Depreciation	814,948	261,766	232,813	-	-	1,309,527
Interest	13,567	4,818	-	-	-	18,385
Total expenses	\$ 92,977,688	\$ 37,992,671	\$ 16,339,059	\$16,907,215	\$ 4,100,000	\$ 168,316,633

Merakey Pennsylvania

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

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

	<u>BH</u>	<u>IDD</u>	<u>E & A</u>	<u>General and administrative</u>	<u>Total</u>
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
Total expenses	<u>\$ 94,484,122</u>	<u>\$ 36,867,354</u>	<u>\$ 20,083,982</u>	<u>\$ 17,227,246</u>	<u>\$ 168,662,704</u>

NOTE M - SUBSEQUENT EVENTS

Merakey Pennsylvania evaluated its June 30, 2020 consolidated financial statements for subsequent events through November 20, 2020. Merakey Pennsylvania is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements, except as disclosed below.

Merakey Pennsylvania has begun to see increases to its consumer volumes; however, volumes have not returned to pre-pandemic levels. Management believes that the adverse impact that COVID-19 will have on Merakey Pennsylvania's future operations and financial results will depend upon many factors, most of which are beyond management's capability to control or predict.

Subsequent to June 30, 2020 through November 20, 2020, Merakey Pennsylvania received additional grant payments under the CARES Act in the amount of \$140,780. Future grant payments are uncertain at this time. Merakey Pennsylvania also deferred an additional \$1,166,087 of payroll taxes under Section 2302 of the CARES Act.

SUPPLEMENTAL INFORMATION

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200
F +1 215.561.1066
GrantThornton.com
linked.in/GrantThorntonUS
twitter.com/GrantThorntonUS

**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, 2020 and 2019, and our report thereon dated November 20, 2020 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 20, 2020.

Supplementary information

The Schedule of Expenditures of Federal Awards for the year ended June 30, 2020, 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 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 17, 2020

Merakey Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

Grantor/pass-through grantor/program title	Federal program name	Pass through grantor's number	Assistance listing number	Expenditures
<u>U.S. Department of Health and Human Services</u>				
Pass-through Dauphin County Department of Human Services	Medical Assistance Program (Medicaid)	Unknown	93.778	\$ 14,593
Pass-through Cumberland County Drug and Alcohol Commission	Block Grants for Prevention and Treatment of Substance Abuse	Unknown Unknown	93.959	2,151
Pass-through Luzerne County Children and Youth Services	Temporary Assistance for Needy Families (TANF)	Unknown	93.558	7,955
Pass-through Orange County, New York - Department of Mental Health	Temporary Assistance for Needy Families (TANF)	2015-0161	93.558	<u>275,632</u>
				283,587
Pass-through Allegheny County Department of Human Services	John H. Chafee Foster Care Program for Successful Transition to Adulthood	Unknown	93.674	7,972
Pass-through Northampton County MH/EI/DP	COVID-19 - Coronavirus Relief Fund	Unknown	21.019	419
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	Unknown	93.958	1,770
Pass-through Cumberland County Mental Health and IDD	Block Grants for Community Mental Health Services	Unknown	93.958	384,975
Pass-through Lehigh County MH	Block Grants for Community Mental Health Services	Unknown	93.958	31,200
Pass-through Northumberland County BH/ID	Block Grants for Community Mental Health Services	Unknown	93.958	<u>59,080</u>
				659,025
Pass-through Cumberland County Mental Health and IDD	Social Services Block Grant	MH15-0012	93.667	152,417
Pass-through Lehigh County MH	Social Services Block Grant	Unknown	93.667	8,842
Pass-through Northumberland County BH/ID	Social Services Block Grant	Unknown	93.667	5,117
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	<u>437,475</u>
				603,852
Pass-through Allegheny County Children and Youth	Foster Care: Title IV- E	Unknown	93.658	63,866
Pass-through Bedford County Children and Youth	Foster Care: Title IV- E	Unknown	93.658	9,323
Pass-through Berks County Children and Youth	Foster Care: Title IV- E	Unknown	93.658	86,800
Pass-through Blair County Children and Youth	Foster Care: Title IV- E	Unknown	93.658	42,870
Pass-through Bradford County Human Services	Foster Care: Title IV- E	Unknown	93.658	486,575
Pass-through Cambria County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	13,934
Pass-through Centre County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	52,453
Pass-through Chester County Children and Youth Services	Foster Care: Title IV- E	16843	93.658	1,156
Pass-through Clarion County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	3,542
Pass-through Columbia County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	116,049
Pass-through Craqwford County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	998

Merakey Pennsylvania

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2020

Grantor/pass-through grantor/program title	Federal program name	Pass through grantor's number	Assistance listing number	Expenditures
Pass-through Cumberland County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	\$ 140,622
Pass-through Dauphin County Social Services for Children and Youth and Juvenile Probation	Foster Care: Title IV- E	Unknown	93.658	242,650
Pass-through Delaware County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	16,301
Pass-through Erie County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	27,358
Pass-through Franklin County Children and Youth Services	Foster Care: Title IV- E	39907	93.658	133,850
Pass-through Greene County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	68,811
Pass-through Indiana County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	11,476
Pass-through Juniata County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	115
Pass-through Lancaster County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	102,115
Pass-through Lebanon County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	8,266
Pass-through Lehigh County Children and Youth Services	Foster Care: Title IV- E	15-CY-281	93.658	293,456
Pass-through Luzerne County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	65,672
Pass-through Lycoming County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	467
Pass-through McKean County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	591
Pass-through Mifflin County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	62,400
Pass-through Monroe County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	99,489
Pass-through Montgomery County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	64,345
Pass-through Northampton County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	44,655
Pass-through Northumberland Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	59,787
Pass-through Potter County Children and Youth Services and Juvenile Probation Offices	Foster Care: Title IV- E	Unknown	93.658	43,491
Pass-through Schuylkill County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	23,744
Pass-through Somerset County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	23,857
Pass-through Tioga County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	68,560
Pass-through Washington County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	14,367
Pass-through Wayne County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	4,713
Pass-through Westmoreland County Children and Youth Services	Foster Care: Title IV- E	Unknown	93.658	18,390
Pass-through York County Office of Children, Youth and Families and Juvenile Probation Offices	Foster Care: Title IV- E	Unknown	93.658	248,340
				2,765,452
Total U.S. Department of Health and Human Services				4,337,050
Total Expenditures of Federal Awards				\$ 4,337,050

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, 2020

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

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200

F +1 215.561.1066

GrantThornton.com

linked.in/GrantThorntonUS

twitter.com/GrantThorntonUS

**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 balance sheet as of June 30, 2020, 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 20, 2020.

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") as a basis for designing 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 Organization'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 financial statements. 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.



Philadelphia, Pennsylvania
November 20, 2020

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200

F +1 215.561.1066

GrantThornton.com

linked.in/GrantThorntonUS

twitter.com/GrantThorntonUS

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, 2020. 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, 2020.

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 17, 2020

Merakey Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2020

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

Federal Awards

Internal control over major program:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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)?

yes no

Identification of major program:

Assistance Listing Number

Name of Federal Program or Cluster

93.958

Block Grants for Community Mental Health Services

93.667

Social Services Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

Merakey Pennsylvania

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended June 30, 2020

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 YEAR AUDIT FINDINGS
Year ended June 30, 2020

None noted.

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200

F +1 215.561.1066

GrantThornton.com

linked.in/GrantThorntonUS

twitter.com/GrantThorntonUS

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

Officers and Directors
Merakey Pennsylvania

We have examined management's assertion that Merakey Pennsylvania complied with the Commonwealth of Pennsylvania, Department of Human Services, *Section 4300.94* of the *Title 4300 regulations* ("specified requirements") during the year ended June 30, 2020. Merakey Pennsylvania's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion about Merakey Pennsylvania's compliance with the specified requirements 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 the evidence we have obtained is sufficient and appropriate to provide 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 regulations*.

In our opinion, management's assertion that Merakey Pennsylvania complied with the Commonwealth of Pennsylvania, Department of Human Services, *Section 4300.94* of the *Title 4300 regulations* during the year ended June 30, 2020, is fairly stated in all material respects.

This report is intended solely 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 17, 2020

COUNTY SUPPLEMENTAL INFORMATION

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

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200

F +1 215.561.1066

GrantThornton.com

linked.in/GrantThorntonUS

twitter.com/GrantThorntonUS

**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, 2020, and our report thereon dated November 20, 2020 expressed an unmodified opinion on those 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 20, 2020.

The accompanying county supplementary 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 17, 2020

Merakey Pennsylvania

SCHEDULE OF COUNTY PROGRAM CENSUS DAYS

FY 2019-2020

County	Funding Source	TFC FY20 Days	FCP FY20 Days	FCP 1/2 FY20 Days	FCP Shelter FY20 Days	Enhanced FCP FY20 Days	CRR-ITP/RTF FY20 Days	Spec Grp Home FY20 Days	Respite FY20 Days	Emergency Respite FY20 Days	FCP-ICPC FY20 Days	Infant FY20 Days	Infant Com bo FY20 Days	TFC Full Fee FY20 Days	Total
Lebanon	C&Y	-	1,658	-	-	-	-	-	1	-	-	-	177	-	1,836
Lebanon	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lehigh	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lehigh	C&Y	245	4,838	-	-	106	-	-	235	69	-	-	-	2,217	7,710
Lehigh	MH	-	-	-	-	-	2,449	5,822	-	-	-	-	-	-	8,271
Luzerne	C&Y	292	1,215	-	-	-	-	-	7	61	-	-	-	-	1,575
Luzerne	C&Y	-	-	-	-	-	-	-	-	9	-	-	-	-	9
Luzerne/Clinton	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
McKean	C&Y	-	16	-	-	-	-	-	-	-	-	-	-	-	16
McKean	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mercer	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mifflin	C&Y	263	1,484	-	-	636	-	-	-	-	-	-	-	-	2,383
Monroe	C&Y	-	1,411	-	-	-	-	-	250	16	-	-	-	-	1,677
Montana State	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Montgomery	C&Y	-	1,711	-	-	-	-	-	61	-	-	-	-	-	1,772
Montour	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NJ Dept of C&F	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Northampton	C&Y	66	801	-	-	-	-	-	9	-	-	-	-	318	1,194
Northampton	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Northumberland	C&Y	-	1,421	-	-	-	-	-	144	-	-	-	-	-	1,565
Northumberland	BHID	-	-	-	-	-	-	-	12	-	-	-	-	-	12
Oklahoma ICPC	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PA Counseling Services	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Perry	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Philhaven	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pike	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Potter	C&Y	-	945	-	-	-	-	-	86	-	-	-	-	-	1,031
Potter	JPO	-	266	-	-	-	-	-	-	-	-	-	-	-	266
Sam Inc - Berks	Other	667	-	-	-	-	-	-	-	-	-	-	-	-	667
Sam Inc - Schuylkill	Other	1,875	-	-	-	-	-	-	-	-	-	-	-	-	1,875
Schuylkill	C&Y	98	1,141	-	-	-	-	-	13	-	-	-	-	-	1,252
Schuylkill	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Self Pay	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Snyder	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Somerset	C&Y	-	577	-	-	278	-	-	10	-	-	-	-	-	865
SPHS	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sullivan	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tioga	C&Y	-	1,657	-	-	-	-	-	161	-	-	-	-	-	1,818
UCBH Family Base	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Union	C&Y	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Venango	C&Y	78	-	-	-	-	-	-	-	-	-	-	-	-	78
Venango	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Washington	C&Y	579	153	-	-	-	-	-	-	-	-	-	-	-	732
Washington	BHDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Washington Communities	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wayne	C&Y	381	-	-	-	-	-	-	-	-	-	-	-	-	381
Wayne	OBDP	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Westmoreland	C&Y	654	547	-	-	-	-	-	-	-	-	-	-	78	1,279
Westmoreland	MH/IDD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wyoming	C&Y	-	129	-	-	-	-	-	-	-	-	-	-	-	129
York	C&Y	138	6,867	-	-	5,862	-	-	21	-	-	-	265	47	13,200
York	JPO	-	-	-	-	-	-	-	-	-	-	-	-	-	-
York/Adams	HCMU	62	-	-	-	-	-	-	-	-	-	-	-	-	62
York/Adams	MH/IDD	21	-	-	-	-	-	-	1	-	-	-	-	-	22
Total		9,727	75,715	-	180	8,291	2,563	5,822	2,236	155	-	-	869	5,285	110,843

**LOUISIANA CLINICAL SERVICES
SCHEDULE**

GRANT THORNTON LLP

Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103

T +1 215.561.4200
F +1 215.561.1066
GrantThornton.com
[linked.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)
[twitter.com/GrantThorntonUS](https://www.twitter.com/GrantThorntonUS)

**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, 2020, and our report thereon dated November 20, 2020 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 20, 2020.

Supplementary information

The accompanying Schedule of Units of Service and Schedule of Compensation, Benefits and Other Payments to Agency Head of 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 17, 2020

Merakey Pennsylvania

Louisiana Clinical Services

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer

For fiscal year ended June 30, 2020

Agency Head Name: Joseph S. Martz

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 22,545
Benefits-insurance	1,091
Benefits-retirement	12,035
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>\$ 35,671</u>

Note:

The amounts reported above for compensation, benefits and other payments to the chief executive officer of Merakey PA represent the pro rata portion charged to the fiscal year 2020 contract with the State of Louisiana.

Merakey Pennsylvania

LOUISIANA CLINICAL SERVICES

SCHEDULE OF UNITS OF SERVICE

For fiscal year ended June 30, 2020

<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	7/1/2019 - 6/30/2020	2	1	258	261
MHSD - FACT	7/1/2019 - 6/30/2020	6	1	197	204
TOTAL		<u>8</u>	<u>2</u>	<u>455</u>	<u>465</u>

<u>Program</u>		<u>21+DOM</u>	<u>11-20 DOM</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	7/1/2019 - 6/30/2020	-	-	-	-	-	27	27
Region 4 - ACT	7/1/2019 - 6/30/2020	-	-	-	3	1	162	166
Region 5 - ACT	7/1/2019 - 6/30/2020	-	-	-	-	-	92	92
Region 6 - ACT	7/1/2019 - 6/30/2020	-	-	-	3	3	206	212
Region 7 - ACT	7/1/2019 - 6/30/2020	-	-	-	1	7	308	316
TOTAL		<u>-</u>	<u>-</u>	<u>-</u>	<u>7</u>	<u>11</u>	<u>795</u>	<u>813</u>

⁽¹⁾Days of the Month