

Northeast Behavioral Health Corporation and Affiliates

**Consolidated Financial Statements and
Supplemental Information
September 30, 2013 and June 30, 2012**

Northeast Behavioral Health Corporation and Affiliates
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September 30, 2013 and June 30, 2012

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Independent Auditor's Report

To the Board of Trustees of
Lahey Health System, Inc.

We have audited the accompanying consolidated financial statements of Northeast Behavioral Health Corporation & Affiliates (the "Organization"), which comprise the consolidated balance sheet as of September 30, 2013 and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 our 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, we consider internal control relevant to the Organization'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 Organization'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 Northeast Behavioral Health Corporation & Affiliates at September 30, 2013 and the results of their operations, changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating 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 consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual entities.

The consolidated financial statements of Northeast Behavioral Health Corporation & Affiliates as of June 30, 2012 and for the year then ended were audited by other auditors whose report, dated November 7, 2012, expressed an unqualified opinion on those statements.

PricewaterhouseCoopers LLP

January 31, 2014

Northeast Behavioral Health Corporation and Affiliates
Consolidated Balance Sheets
September 30, 2013 and June 30, 2012

(in thousands of dollars)

| | 2013 | 2012 | | 2013 | 2012 |
|---|------------------|------------------|---|------------------|------------------|
| Assets | | | Liabilities and Net Assets | | |
| Current | | | Current | | |
| Cash and cash equivalents | \$ 7,141 | \$ 7,889 | Accounts payable and accrued expenses | \$ 1,495 | \$ 3,278 |
| Accounts receivable, less allowance for uncollectible accounts of \$449 in 2013 and \$516 in 2012 | 5,370 | 5,571 | Accrued payroll and payroll taxes | 4,566 | 6,200 |
| Prepaid expenses and other current assets | 314 | 400 | Due to affiliates | 941 | 324 |
| Due from affiliates | 710 | 1,004 | Current portion of long-term debt | 471 | 683 |
| Total current assets | <u>13,535</u> | <u>14,864</u> | Total current liabilities | <u>7,473</u> | <u>10,485</u> |
| Assets whose use is limited | | | Long-term debt, less current portion | 5,381 | 7,062 |
| Asset held in trust under indenture agreement | 44 | 296 | Due to affiliates | - | 850 |
| Property, plant, and equipment, net | 13,944 | 16,116 | Total long-term liabilities | <u>5,381</u> | <u>7,912</u> |
| Deferred debt issue costs, net | 64 | 69 | Total liabilities | <u>12,854</u> | <u>18,397</u> |
| Other assets | <u>1</u> | <u>253</u> | Commitments and contingencies (Note 15) | | |
| Total assets | <u>\$ 27,588</u> | <u>\$ 31,598</u> | Net assets | | |
| | | | Unrestricted | 11,866 | 10,518 |
| | | | Temporarily restricted | 2,585 | 2,683 |
| | | | Permanently restricted | 283 | - |
| | | | Total net assets | <u>14,734</u> | <u>13,201</u> |
| | | | Total liabilities and net assets | <u>\$ 27,588</u> | <u>\$ 31,598</u> |

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

Northeast Behavioral Health Corporation and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2013 and June 30, 2012

| <i>(in thousands of dollars)</i> | 2013 | 2012 |
|---|-----------------|-----------------|
| Unrestricted net assets | | |
| Revenues | | |
| Net program service fees | \$ 69,821 | \$ 52,747 |
| Provision for bad debts | <u>(1,294)</u> | <u>(1,269)</u> |
| Net program service fees after provision for bad debts | 68,527 | 51,478 |
| Federal and state contracts | 39,311 | 35,160 |
| Grants and other | 2,154 | 1,565 |
| Contributions | 1,155 | 1,094 |
| Other revenues | 164 | 121 |
| Net assets released from restrictions used in operations | <u>159</u> | <u>354</u> |
| Total revenues | <u>111,470</u> | <u>89,772</u> |
| Expenses | | |
| Salaries and wages | 73,624 | 59,137 |
| Employee benefits | 15,128 | 12,097 |
| Professional fees | 1,631 | 1,437 |
| Occupancy | 6,107 | 5,357 |
| Supplies and other | 8,164 | 7,317 |
| Service fees and contracts | 2,299 | 1,063 |
| Insurance | 1,030 | 792 |
| Depreciation and amortization | 1,477 | 1,252 |
| Interest | <u>235</u> | <u>320</u> |
| Total expenses | <u>109,695</u> | <u>88,772</u> |
| Income from operations | <u>1,775</u> | <u>1,000</u> |
| Nonoperating (losses) gains, net | | |
| Interest income | 4 | 2 |
| Loss on disposal of property and equipment | <u>(531)</u> | <u>(34)</u> |
| Total nonoperating (losses) | <u>(527)</u> | <u>(32)</u> |
| Excess of revenues over expenses | <u>1,248</u> | <u>968</u> |
| Net assets released from restrictions used for purchase of property, plant, and equipment | | |
| | <u>100</u> | <u>64</u> |
| Increase in unrestricted net assets | <u>\$ 1,348</u> | <u>\$ 1,032</u> |

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

Northeast Behavioral Health Corporation and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2013 and June 30, 2012

(in thousands of dollars)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|-----------|
| Balances at June 30, 2011 | \$ 9,486 | \$ 2,653 | \$ - | \$ 12,139 |
| Excess of revenues over expenses | 968 | - | - | 968 |
| Restricted contributions | - | 463 | - | 463 |
| Net assets released from restrictions | | | | |
| Used for operations | - | (354) | - | (354) |
| Used for property, plant, and equipment | 64 | (64) | - | - |
| Loss on pledge receivable | - | (15) | - | (15) |
| Change in net assets | 1,032 | 30 | - | 1,062 |
| Balances at June 30, 2012 | 10,518 | 2,683 | - | 13,201 |
| Excess of revenues over expenses | 1,248 | - | - | 1,248 |
| Restricted contributions | - | 146 | 283 | 429 |
| Restricted investment income and gains | - | 15 | - | 15 |
| Net assets released from restrictions | | | | |
| Used for operations | - | (159) | - | (159) |
| Used for property, plant, and equipment | 100 | (100) | - | - |
| Change in net assets | 1,348 | (98) | 283 | 1,533 |
| Balances at September 30, 2013 | \$ 11,866 | \$ 2,585 | \$ 283 | \$ 14,734 |

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

Northeast Behavioral Health Corporation and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2013 and June 30, 2012

| <i>(in thousands of dollars)</i> | 2013 | 2012 |
|--|-----------------|-----------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 1,533 | \$ 1,062 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Loss on disposal of property and equipment | 531 | 34 |
| Depreciation and amortization | 1,477 | 1,252 |
| Provision for uncollectible amounts | 1,294 | 1,269 |
| Restricted contributions | (298) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,093) | (2,601) |
| Prepaid expenses and other current assets | 86 | 216 |
| Due from affiliates | 294 | (467) |
| Deferred debt issue costs, net | 5 | 4 |
| Other assets | 252 | 163 |
| Accounts payable and accrued expenses | (1,783) | (115) |
| Accrued payroll and payroll taxes | (1,578) | (117) |
| Due to affiliates | (233) | (571) |
| Other long-term liabilities | - | (193) |
| Net cash provided by operating activities | <u>487</u> | <u>(64)</u> |
| Cash flows from investing activities | | |
| Additions to property, plant, and equipment | (1,051) | (413) |
| Proceeds from (funding of) funds held under indenture agreement | 252 | (252) |
| Payment for security deposits | - | (3) |
| Net cash provided by (used in) investing activities | <u>(799)</u> | <u>(668)</u> |
| Cash flows from financing activities | | |
| Restricted contributions | 298 | - |
| Principal payments of long-term debt | (532) | (64) |
| Principal payments of capital lease obligations | (202) | (129) |
| Net cash used in financing activities | <u>(436)</u> | <u>(193)</u> |
| Net decrease in cash and cash equivalents | (748) | (925) |
| Cash and cash equivalents | | |
| Beginning of year | <u>7,889</u> | <u>8,814</u> |
| End of year | <u>\$ 7,141</u> | <u>\$ 7,889</u> |
| Supplemental disclosures of cash flow information | | |
| Cash paid for interest | \$ 206 | \$ 335 |
| Noncash capital lease financing | 284 | 239 |
| Sale of HeadStart program assets in exchange for liquidation of 292 Cabot Street, Beverly mortgage | 1,159 | - |

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

Northeast Behavioral Health Corporation and Affiliates

Notes to Financial Statements

September 30, 2013 and June 30, 2012

(in thousands of dollars)

1. Corporate Organization

Northeast Behavioral Health Corporation (“NBH,” formerly known as “Health and Education Services, Inc.”) is a not-for profit corporation that provides outpatient services, cross-cultural programs, community support services, youth residential services, substance abuse services, prevention services, trauma services, early childhood services and medical services in the northeast area of Massachusetts. NBH is an affiliate of Northeast Health System, Inc. NBH is the sole member of Health and Education Housing Services, Inc. (“Housing”). Effective March 28, 2011, NBH became the sole corporate member of CAB Health and Recovery Services, Inc. (“CAB”).

CAB is a not-for-profit corporation organized for the prevention of substance abuse and the rehabilitation of addicted individuals throughout the greater north shore area in Massachusetts.

Housing is a not-for-profit corporation organized to provide housing to low income and disabled individuals.

Northeast Health System, Inc. (“NHS”) is the sole corporate member of NBH. NHS has reserve powers, which include the ability to, among other things, appoint the board of directors and approve budgets. NHS has historically provided financial support to NBH and its affiliates and may continue to do so in the future.

Effective May 1, 2012, Lahey Clinic Foundation and NHS completed an affiliation agreement and established Lahey Health System (“LHS”). LHS is now the sole corporate member of NHS.

The prior year audited financial statements were for the twelve months ended June 30, 2012. In 2013, NBH changed its fiscal year-end to September 30 to be consistent with NHS. Accordingly, these financial statements are for the fifteen months ended September 30, 2013 and the twelve months ended June 30, 2012.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. They include the accounts and transactions of NBH, CAB and Housing. For reporting purposes, Northeast Behavioral Health Corporation & Affiliates are together herein referred to as the “Organization” in the accompanying consolidated financial statements. Significant intercompany transactions and accounts have been eliminated from the consolidated financial statements.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The more significant areas requiring the use of management estimates relate to allowances for contractual adjustments and uncollectible receivables.

Northeast Behavioral Health Corporation and Affiliates

Notes to Financial Statements

September 30, 2013 and June 30, 2012

(in thousands of dollars)

Classification of Net Assets

Unrestricted net assets represent net assets which have no external donor imposed restrictions as to use or purpose as well as assets whose use is limited through board designation or under the terms of revenue bond agreements. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose, or by law. Permanently restricted net assets consist of endowment fund assets and trusts to be held in perpetuity.

Statement of Operations

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of the Organization's related mission and services are reported as revenue and expenses. Peripheral or incidental transactions are reported as non-operating gains and losses.

Revenue Recognition

Net Program Services Fees - Net program service fees are reported at the estimated net realizable amounts from clients, third-party payors and others for services rendered. Amounts received in advance of the provision of services are reported as deferred revenue. The Organization has entered into payment agreements with Medicare, Medicaid, and various commercial insurance carriers, health maintenance organizations, and preferred provider organizations that provide for payments to the Organization at amounts different from its established rates. Variances between preliminary estimates of net program service revenue and final third-party settlements are included in the consolidated statement of operations in the year in which the settlement or change in estimate occurs.

Contract and Grant Revenue - Contract and grant revenues are reported in accordance with the provisions of the applicable contract or grant agreement. The majority of the contracts and grants received by the Organization are subject to possible audit by the grantor agency or governmental regulatory agency overseeing the contract award. These federal and state contracts are generally renewable on an annual basis, and there is no assurance that such contracts will be renewed in the future. These contracts generally provide for payment to the Organization based on cost reimbursement or fixed fee per unit of provided service arrangements. The Organization is subject to the regulations and rate formulas of the Commonwealth of Massachusetts. Revenues are also derived from client fees, which are paid by the client or third-party insurers.

Contributions and Gifts

Contributions received are recognized as revenues in the period received at their fair values. Gifts of cash or other support are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Contributions in the form of property are recorded at the fair market value on the date the property is received. In-kind contributions are recorded as contribution revenue at the fair value of the goods or services.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market accounts. The organization also invests its cash and cash equivalents in deposit accounts at major financial institutions in excess of insured limits.

Allowance for Doubtful Accounts

The Organization provides an allowance for doubtful accounts equal to estimated bad debt losses. The estimated losses are based on historical collection experience together with a review of the current status of the existing receivables.

Northeast Behavioral Health Corporation and Affiliates

Notes to Financial Statements

September 30, 2013 and June 30, 2012

(in thousands of dollars)

Assets Whose Use is Limited

Assets whose use is limited is comprised of cash and cash equivalents set aside as a requirement of the outstanding debt.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, if purchased, or at fair market value, if donated, and depreciated over the estimated useful lives of the assets utilizing the straight-line method. Leasehold improvements are being amortized over the shorter of the lease term or the estimated useful lives of the assets. Depreciation is determined on the straight-line method over the following useful lives:

| | |
|-------------------------------------|-------|
| Buildings and building improvements | 20-40 |
| Leasehold improvements | 20-40 |
| Furniture and fixtures | 5-10 |
| Motor vehicles | 3 |

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in the consolidated statement of operations.

Maintenance, repairs and minor renewals are charged to expense as incurred. Buildings and equipment under capital leases are amortized on the straight-line method over the shorter of the lease term or the asset's estimated useful life. Such amortization is included in depreciation and amortization expense in the consolidated statement of operations.

Accounting for Impairment of Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less cost to sell. No impairment was recorded for the years ended September 30, 2013 and June 30, 2012.

Deferred Debt Issue Costs

Costs incurred in connection with the Organization's Massachusetts Health and Educational Facilities Authority Capital Asset Revenue Bonds, Pooled Equipment Loan, and Solstice Mortgage are being amortized on the straight-line basis over the term of the loan.

Income Tax Status

Northeast Behavioral Health Corporation, Health and Education Housing Services, Inc. and CAB Health and Recovery Services, Inc. are not-for-profit organizations and recognized as tax-exempt (as public charities) pursuant to Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, are exempt from federal income taxes on related income pursuant to Section 501 (a) of the Code. The Organization annually evaluates its tax status and tax positions taken with respect to its operations and financial position.

Reclassifications

Certain amounts reported in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year consolidated financial statements.

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

Additionally, certain prior year amounts in the *Statements of Cash Flows* have been revised to conform to current year presentation. The amounts revised include reclassifying \$576 related to due to affiliates from financing activities to operating activities. Also, the movement of restricted contributions of \$463 from operating activities to financing activities has been eliminated. Accordingly, operating activities have been reduced by \$113 and financing activities have increased by \$113 within the *Statements of Cash Flows* to correctly present the cash flows associated with restricted contributions and due to affiliates. The Organization has concluded these changes are immaterial to the 2012 financial statements.

Recent Accounting Pronouncements

Provision for Bad Debts

In July 2011, the Financial Accounting Standards Board issued *Health Care Entities: Presentation and Disclosure of Net Revenue, Provision for Bad Debts, and the Allowance for Uncollectible Accounts* (ASU 2011-7). Under the new guidance, bad debts relating to patient service revenue are to be separately disclosed in the statement of operations and reported as a component of net patient service revenue. Bad debts associated with activities other than patient service revenue are to continue to be reported as an operating expense. The Organization elected to adopt ASU 2011-7 for 2013 and changed its reporting of the provision for bad debts. Accordingly, certain amounts in the 2012 financial statements have been reclassified to conform with the 2013 presentation. The previously reported provision for bad debts of \$1,269 has been reclassified as a reduction to net program service fees. The reclassification had no impact on the previously reported excess of revenues over expenses for 2012.

Charity Care

In August 2010, the FASB issued *Health Care Entities: Measuring Charity Care for Disclosure* (ASU 2010-23), which clarified the disclosure of charity care provided by healthcare organizations, providing that such disclosure should be measured using cost and that related reimbursements recorded should also be separately disclosed. The Organization adopted ASU 2010-23 in fiscal year 2013.

Donated Securities

In October 2012, the FASB issued *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* (ASU 2012-05). This standard defines the appropriate financial reporting for the receipt of donated securities in the Statement of Cash Flows. Donated securities with no donor-imposed restrictions are to be included in the operating section of the statement, while donated securities with donor-imposed long-term restrictions should be included in the financing section. ASU 2012-05 is effective for fiscal year 2014. The implementation of ASU 2012-05 is not expected to have any material effect on the Organization's consolidated financial statements.

3. Net Program Service Fees and Receivables

The Organization recognizes program service revenue associated with services to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For the year ended September 30, 2013, program service revenue, net of contractual allowances (before the provision for bad debts) is as follows:

| | September 30, 2013 |
|---------------------------------|-------------------------------|
| Net program service fees | |
| Third party payors | \$ 68,346 |
| Self-pay payors | 1,475 |
| | <u>\$ 69,821</u> |

Northeast Behavioral Health Corporation and Affiliates
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September 30, 2013 and June 30, 2012

(in thousands of dollars)

Accounts receivable are reduced by an allowance for uncollectible accounts. In evaluating the collectability of accounts receivable, the Organization analyzes its past history and identifies trends for each of its major categories of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major categories of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. Throughout the year, the Organization, after all reasonable collection efforts have been exhausted, will write off the difference between the standard rates and the amounts actually collected against the allowance for uncollectible accounts. In addition to the review of the categories of revenue, management monitors the write-offs against established allowances as of a point in time to determine the appropriateness of the underlying assumptions used in estimating the allowance for uncollectible accounts.

Accounts receivable, prior to adjustment for uncollectible accounts, is summarized as follows at September 30, 2013 and June 30, 2012:

| | September 30, 2013 | June 30, 2012 |
|----------------------------|-------------------------------|--------------------------|
| Accounts receivable | | |
| Third party payors | \$ 5,496 | \$ 5,674 |
| Self-pay payors | <u>323</u> | <u>413</u> |
| | <u>\$ 5,819</u> | <u>\$ 6,087</u> |

The allowance for uncollectible accounts is summarized as follows at September 30, 2013 and June 30, 2012:

| | September 30, 2013 | June 30, 2012 |
|---|-------------------------------|--------------------------|
| Allowance for uncollectible accounts | | |
| Third party payors | \$ 365 | \$ 393 |
| Self-pay payors | <u>84</u> | <u>123</u> |
| | <u>\$ 449</u> | <u>\$ 516</u> |

Program service related bad debt is reflected as a reduction in program service fees on the statements of operations.

4. Charity Care

The Organization offers comprehensive human services with a special emphasis on those individuals who have been traditionally underinsured and those experiencing chronic disabilities. The Organization provides care to clients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Organization's charity care policy aggregated approximately \$186 and \$81 for the years ended September 30, 2013 and June 30, 2012, respectively. The equivalent percentage of charity care to all patients served was approximately three-tenths percent (0.3%) in 2013 and two-tenths percent (0.2%) in 2012. Such amounts and percentages are determined using charges foregone based on established rates.

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

5. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk are client accounts receivable and cash and cash equivalents. The Organization invests all available cash in deposit accounts of various banks. The Organization, by policy, limits the amount of credit exposure to any one institution.

The Organization provides services through provider agreements and the purchase of service contracts with several human service agencies of the Commonwealth of Massachusetts, including the Department of Public Health, Department of Transitional Assistance, Department of Mental Health and the Department of Children and Families, as well as programs funded under the Medicaid program. Accordingly, these parties represent the majority of the creditors and accounts receivable balances at September 30, 2013 and June 30, 2012, as follows:

| | September 30, 2013 | June 30, 2012 |
|--------------------------------|-------------------------------|--------------------------|
| Medicaid and related contracts | 54% | 48% |
| Federal and state contracts | 23% | 33% |
| Commercial and private pay | 23% | 19% |
| | <u>100%</u> | <u>100%</u> |

Management monitors and evaluates the allowance for doubtful accounts to ensure that receivables are stated at net realizable value. Management believes that the remaining receivable balances from the various payors do not represent any concentration of credit risk to the Organization.

The Organization has a potential concentration of credit risk in that it maintains deposits with financial institutions in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The maximum deposit insurance amount is \$250 for interest-bearing accounts, which is applied per depositor, per insured depository institution for each account ownership category. Non-interest bearing transaction deposit accounts are provided unlimited insurance coverage through December 31, 2013. As of September 30, 2013, the Organization had \$454 in excess of FDIC limits.

6. Surplus Revenue Retention

The Operational Services Division of the Commonwealth of Massachusetts (the "Commonwealth") has promulgated regulations requiring that all not-for-profit entities engaged in the provision of human and social service programs by contract with state agencies be subject to a revenue retention policy. Under this policy, any surplus generated from contracts with the Commonwealth which exceeds five percent (5%) of the current year's Commonwealth revenues or twenty percent (20%) of total Commonwealth revenues on a cumulative basis becomes a liability to the Commonwealth. Additionally, the Commonwealth requires that providers take steps to segregate state attributed surpluses which fall below five percent (5%) as a segregated account which is included in unrestricted net assets. As of September 30, 2013, there are no amounts subject to recoupment.

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

7. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

| | September 30, 2013 | June 30, 2012 |
|---|-------------------------------|--------------------------|
| Land and land improvements | \$ 5,532 | \$ 5,347 |
| Building and building improvements | 11,530 | 15,284 |
| Leasehold improvements | 6,137 | 2,916 |
| Furniture and fixtures | 6,068 | 7,521 |
| Motor vehicles | 333 | 363 |
| | <u>29,600</u> | <u>31,431</u> |
| Less: Accumulated depreciation and amortization | 15,656 | 15,315 |
| | <u>\$ 13,944</u> | <u>\$ 16,116</u> |

CAB maintains a thirty (30) year ground lease with the Boston Public Health Commission (the "BPHC") for property located in Boston, Massachusetts. CAB agreed to use the premises constructed on the leased land for the development and operation of a substance abuse service program, including in-patient Level III detoxification treatment, necessary administrative support services, and ambulatory, wrap-around services. The lease requires payments of one dollar (\$1.00) per year for the term of the lease. Accordingly, CAB has included the fair market value (\$461) of rent contributed by the BPHC in contributions, as well as occupancy costs, in the accompanying financial statements (see Note 9).

CAB maintains a thirty (30) year ground lease with the Commonwealth of Massachusetts, Division of Capital Planning and Operations (the "Commonwealth"), for property located in Danvers, Massachusetts. CAB agreed to use the premises constructed on the leased land to provide alcohol and drug detoxification programs for the Department of Public Health and for ancillary general office uses. The lease requires no payments to the Commonwealth. Accordingly, CAB has recorded the fair market value (\$545) of rent contributed by the Commonwealth as contributions and as occupancy expense in the accompanying financial statements. In the event that the private pay percentage of gross revenues is greater than forty percent (40%) of the total revenue for any calendar year, CAB will be required to pay the base rent of \$14 per month in addition to a defined percentage rent (see Note 9).

Leased equipment under capital leases had a net book value of \$403, including accumulated depreciation of \$1,315, at September 30, 2013.

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

8. Long-Term Debt

Long-term debt of the Organization is summarized as follows:

| | September 30, 2013 | June 30, 2012 |
|--|-------------------------------|--------------------------|
| People's United Bank, 292 Cabot Street, Beverly | \$ - | \$ 1,471 |
| People's United Bank, Bowery Lane, Rowley | 1,069 | 1,096 |
| FHLB, Nike Project | 400 | 400 |
| Massachusetts Housing Partnership Fund Board and Community Economic Development Assistance Corporation, non-amortizing mortgages, Nike Project | 321 | 292 |
| Massachusetts Health and Educational Facilities Authority Series M-2, Pool 2 Capital Asset Revenue Bonds, Boston, Danvers and Lynn properties | 3,644 | 4,149 |
| Capital lease obligation | <u>418</u> | <u>336</u> |
| Total long-term debt | 5,852 | 7,744 |
| Less: Current portion | <u>471</u> | <u>683</u> |
| Total long-term debt, net of current portion | <u>\$ 5,381</u> | <u>\$ 7,061</u> |

NBH entered into a loan agreement, collateralized by a mortgage on the property, in the amount of \$1,600 from People's United Bank in April 2008. In 2008, an initial amount of \$320 was drawn on this mortgage, which along with a \$530 grant from the Administration for Children and Families, was used to purchase property at 292 Cabot Street in Beverly. Additional amounts were drawn during fiscal year 2009 to fund renovations to this property, which now housed NBH's HeadStart program. The mortgage bore interest at the rate of seven percent (7%) for the first five (5) years. The interest rate was to be adjusted every five years based on the Federal Home Loan Bank (FHLB) Five-Year Classic Advance Rate plus 225 basis points. Payments of interest only were made until May 2009, at which time payments of principal and interest of \$12 started on a twenty year amortization schedule. The borrowing was collateralized by the property at 292 Cabot Street. The property was sold and the mortgage was liquidated in June, 2013.

NBH entered into a loan with People's United Bank in the amount of \$1,130 in October 2010. The funds were used to reimburse NHS for the payoff of previously issued Massachusetts Health and Educational Facilities bonds. The loan bears interest at a rate of six percent (6%) for the first five years. The interest will be adjusted every five years based on the FHBL five year term, twenty year amortizing advance rate, plus 250 basis points, but in no event shall be less than six percent (6%). Monthly payments of \$7 shall be made on a twenty-five year amortization schedule with all unpaid principal due and payable on October 6, 2035. The borrowing is collateralized by property on Bowery Lane in Rowley, Massachusetts.

During 2004, NBH received a \$300 grant from the FHLB to fund the Nike project. Under the terms of the grant, no payments are due so long as the property continues to be used for its intended purpose and NBH does not default under any of the terms of the grant agreement for a period of fifteen years. In December 2007, the grant was increased by an additional \$100, subject to the same terms.

Northeast Behavioral Health Corporation and Affiliates

Notes to Financial Statements

September 30, 2013 and June 30, 2012

(in thousands of dollars)

In August 2007, NBH entered into a \$2,800 non-amortizing interest-free loan agreement from the Massachusetts Housing Partnership Fund Board and the Community Economic Development Assistance Corporation. The terms of the agreement dictate that no interest will be charged and that the term of the loan may be extended indefinitely, provided that NBH does not default. Default occurs if NBH fails to continue to use the land under the Nike project for its intended use. Should this occur, NBH would be liable for the full amount of the loan. NBH has imputed interest on these mortgages using a rate of seven and three-quarters percent (7.75%) and reports interest expense and contribution revenue in connection with the loan. Contribution revenue is recorded based on the difference between the fair value of the loans using the imputed interest rate of seven and three-quarters percent (7.75%) and the stated rate of zero. As a result, NBH recorded an increase to temporarily restricted net assets of \$2,431 and an increase to long-term debt of \$203 during the year ended June 30, 2008. During 2009 NBH received an additional \$95 advance on the above referenced loan agreement. Each year, NBH recognizes interest expense based on the recorded loan balance and the imputed interest rate. The amount of recognized interest expense during each period will be an offsetting increase to the loan payable, a decrease of temporarily restricted net assets, and an increase to net assets released for restrictions, used for operations. During the year ended September 30, 2013, NBH recognized interest expense and net assets released from restrictions, used for operations of \$29.

NBH's loan agreements provide for restrictions on, among other things, additional indebtedness, transfers between affiliates, and dispositions of property. The Nike project construction financing places limits on the net cash flow that NBH can recognize from that project.

In December 2002, CAB issued \$2,200 Series M-2 Capital Asset Revenue Bonds through the Massachusetts Health and Educational Facilities Authority ("Authority") and through the trustee, Flagship Bank Trust and Investment Services. The proceeds of this issuance were used to pay off CAB's line of credit, as well as establish debt service and debt service reserve funds. The original loan agreement allowed CAB to borrow up to \$2,200 for a term not to exceed twenty years. As collateral for the borrowing, CAB has mortgaged substantially all of its Danvers and Boston Property with the Authority. As part of the refinancing of the loan, CAB was required to maintain a debt service reserve fund equal to ten percent (10%) of the bond amount. The Series M-2 loan is guaranteed by Northeast Hospital Corporation (a subsidiary of NHS, "NHC") and NHS.

In December 2007, CAB amended the Series M-2 Capital Asset Revenue Bonds loan and trust agreement through the Massachusetts Health and Educational Facilities Authority ("Authority") and Flagship Bank Trust and Investment Services, as trustee. The amendment allowed CAB to borrow additional Capital Asset Revenue Bond proceeds of \$3,220, which were used to payoff CAB's Authority Series D obligation and to finance construction and renovations to existing CAB facilities in Lynn. CAB's proceeds from the Authority Revenue Bonds represent its obligation under the Authority's issuance of \$60,000 Series M-2, Pool 2 Capital Asset Revenue Bonds. Additionally, the bonds are guaranteed by NHC and NHS. The bonds bear interest at a variable rate and mature on July 1, 2022. Additionally, an irrevocable letter of credit with Bank of America has been established to secure certain payments of principal and interest under the Authority loan and trust agreement. As of September 30, 2013, \$3,644 was outstanding on the bonds, and the interest rate was one hundred twenty-four thousandths percent (0.124%).

In January 1997, Housing was awarded a Section 811 capital advance of \$894 from the U.S. Department of Housing and Urban Development ("HUD"). This advance does not bear interest and need not be repaid as long as Housing continues to make its housing available to persons of low income until at least the year 2037. If HUD determines Housing has failed to meet this requirement, the debt feature of the capital advance agreement becomes optional, and HUD may immediately bill the project owner for the entire capital advance outstanding plus interest (based upon governmental borrowing rates) from the date of the first advance.

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

Scheduled principal payments on long-term debt are as follows:

| | | |
|---------------------------|----|--------------|
| 2014 | \$ | 466 |
| 2015 | | 469 |
| 2016 | | 449 |
| 2017 | | 415 |
| 2018 | | 425 |
| Thereafter | | <u>3,628</u> |
| | | 5,852 |
| Less current portion | | <u>471</u> |
| Long-term portion of debt | \$ | <u>5,381</u> |

Capital Leases

The following is a schedule of minimum lease payments under capital lease obligations and the net present value of the future minimum lease payments as of September 30:

| | | |
|--|----|------------|
| 2014 | \$ | 176 |
| 2015 | | 138 |
| 2016 | | 91 |
| 2017 | | 26 |
| 2018 | | <u>3</u> |
| Total minimum lease payments | | 434 |
| Less amount representing interest | | <u>16</u> |
| Net present value of future minimum lease payments | | 418 |
| Less current portion | | <u>165</u> |
| | \$ | <u>253</u> |

9. Operating Leases

The Organization leases space and equipment under various operating leases expiring at various dates through 2021, with monthly payments ranging from \$0 to \$30. Certain operating leases contain rent escalation clauses, whereby the rent payments increase over the term of the lease. Total rental expense in 2013 was \$4,841 of which \$1,006 was provided as an in-kind contribution (see Note 10).

The following is a schedule, by year, of future minimum lease payments under non-cancellable operating leases that have initial or remaining lease terms in excess of one year as of September 30, 2013:

| | | |
|------------|----|--------------|
| 2014 | \$ | 2,343 |
| 2015 | | 1,817 |
| 2016 | | 1,487 |
| 2017 | | 1,192 |
| 2018 | | 711 |
| Thereafter | | <u>1,490</u> |
| | \$ | <u>9,040</u> |

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

10. In-Kind Contributions

The Organization recognizes contribution revenue for certain goods and services received at the fair value of those goods and services. In addition to its lease agreements with the Boston Public Health Commission and the Commonwealth of Massachusetts Division of Capital Planning and Operations (see Note 7), the Organization received the use of additional property for several of its programs during the year ended September 30, 2013. The fair value of all such in-kind contributions was \$1,166 for the year ended September 30, 2013 and is included in contributions on the statement of operations.

11. Restricted Net Assets

Temporarily restricted net assets at September 30, 2013 and June 30, 2012 were available for the following purposes:

| | September 30, 2013 | June 30, 2012 |
|--------------------------------------|-------------------------------|--------------------------|
| Time restricted for interest expense | \$ 2,409 | \$ 2,438 |
| Programs | <u>176</u> | <u>245</u> |
| | <u>\$ 2,585</u> | <u>\$ 2,683</u> |

Permanently restricted net assets at September 30, 2013 and June 30, 2012 were as follows:

| | September 30, 2013 | June 30, 2012 |
|------------------------|-------------------------------|--------------------------|
| Specific purpose funds | \$ 283 | \$ - |

12. Retirement Plan

Effective January 1, 2003, the Organization executed an adoption agreement to participate in the Northeast Health System 401(k) plan. The Plan is for all eligible employees, defined as those over the age of eighteen (18) who have completed at least one year (1) of service and who have accumulated at least one thousand (1,000) hours worked. Contributions to the Plan are based on a percentage of compensation as determined by the Organization's board of directors. During fiscal year 2008, the board of directors authorized a matching contribution of three percent (3%) to the Plan. Effective January 1, 2008, the 401(k) plan was converted to a 403(b) plan ("the Plan") for all eligible employees defined above. The Plan allows for hardship withdrawals and rollover contributions. Contributions to the Plan can be made as a percent of salary or a flat dollar amount per pay period up to the maximum amount allowed in any year. Contributions totaled \$564 for the year ended September 30, 2013 and contribution expense totaled \$564 for the year ended September 30, 2013.

Northeast Behavioral Health Corporation and Affiliates
Notes to Financial Statements
September 30, 2013 and June 30, 2012

(in thousands of dollars)

13. Functional Expenses

The costs of providing the various services of the Organization are summarized on a functional basis in the following statement. Certain costs have been allocated among the programs benefited.

(in thousands of dollars)

| | Total Program | Administrative and General | 2013 Total |
|-------------------------------|--------------------------|---------------------------------------|-----------------------|
| Salaries and wages | \$ 69,576 | \$ 4,048 | \$ 73,624 |
| Employee benefits | 14,759 | 369 | 15,128 |
| Professional fees | 1,323 | 308 | 1,631 |
| Occupancy | 5,122 | 985 | 6,107 |
| Supplies and other | 7,007 | 1,157 | 8,164 |
| Service fees and contracts | 12 | 2,287 | 2,299 |
| Insurance | 82 | 948 | 1,030 |
| Depreciation and amortization | 1,160 | 317 | 1,477 |
| Interest | 185 | 50 | 235 |
| | <u>\$ 99,226</u> | <u>\$ 10,469</u> | <u>\$ 109,695</u> |

(in thousands of dollars)

| | Total Program | Administrative and General | 2012 Total |
|-------------------------------|--------------------------|---------------------------------------|-----------------------|
| Salaries and wages | \$ 54,933 | \$ 4,204 | \$ 59,137 |
| Employee benefits | 11,773 | 324 | 12,097 |
| Professional fees | 1,259 | 178 | 1,437 |
| Occupancy | 4,696 | 661 | 5,357 |
| Supplies and other | 4,700 | 2,617 | 7,317 |
| Service fees and contracts | 977 | 86 | 1,063 |
| Insurance | 126 | 666 | 792 |
| Depreciation and amortization | 1,099 | 153 | 1,252 |
| Interest | 277 | 43 | 320 |
| | <u>\$ 79,840</u> | <u>\$ 8,932</u> | <u>\$ 88,772</u> |

14. Related Party Transactions

From time to time, NHS provides NBH with working capital advances that are classified as amounts due to affiliates in the consolidated financial statements. At September 30, 2013, accumulated working capital advances totaled \$89, all of which is included in current amounts due to affiliates. At June 30, 2012, accumulated working capital advances totaled \$1,100, of which \$250 was included in current amounts due to affiliates.

CAB engages Beverly Hospital, an organization whose sole corporate member is also NHS, to provide lab and consultation services for several of its programs. The total amount of lab and consultation services provided approximated \$30 in 2013 and \$46 in 2012. There were no balances outstanding due to Beverly Hospital for lab services at September 30, 2013.

Northeast Behavioral Health Corporation and Affiliates

Notes to Financial Statements

September 30, 2013 and June 30, 2012

(in thousands of dollars)

NBH paid management fees totaling \$211 and \$96 to NHS during the years ended September 30, 2013 and June 30, 2012, respectively. No balances remained due to NHS for management fees at September 30, 2013.

NHS provides property, workers' compensation, and professional liability insurance coverage for its affiliates. NBH's expense for this coverage was approximately \$993 for the year ended September 30, 2013, and approximately \$792 for the year ended June 30, 2012. Amounts owed to NHS that were included in NBH's due to affiliates were approximately \$852 for the year ended September 30, 2013, and approximately \$6 for the year ended June 30, 2012.

NBH made rent payments totaling approximately \$137 to NHS during the year ended September 30, 2013, and \$107 during the year ended June 30, 2012.

NBH provides certain services to NHS and its affiliates. Revenues for these services totaled \$21,761 during the year ended September 30, 2013, and \$16,911 for the year ended June 30, 2012. Of those amounts, \$710 and \$1,004 were included in current amounts due from affiliates at September 30, 2013 and June 30, 2012, respectively.

15. Commitments and Contingencies

The human service industry is subject to numerous laws and regulations of federal, state and local governments. Government activity is ongoing with respect to investigations and allegations governing possible violations by providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that the Organization is in substantial compliance with these laws and regulations.

The Organization is a party in various legal proceedings and potential claims arising in the ordinary course of business. Management does not believe that these proceedings will have a material adverse effect on the Organization's financial statements.

16. Subsequent Events

The Organization has assessed the impact of subsequent events through January 31, 2014, the date the audited financial statements were issued, and has concluded that there were no such events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.

Consolidating Supplemental Information

Northeast Behavioral Health Corporation and Affiliates
Consolidated Balance Sheet
September 30, 2013

| <i>(in thousands of dollars)</i> | Northeast Behavioral Health Corporation | CAB Health and Recovery Services, Inc. | Health and Education Housing Services, Inc. | Eliminations and Reclassifications | Consolidated Total |
|---|--|---|--|---|-------------------------------|
| Assets | | | | | |
| Current | | | | | |
| Cash and cash equivalents | \$ 970 | \$ 6,073 | \$ 98 | \$ - | \$ 7,141 |
| Accounts receivable, net | 3,727 | 1,638 | 5 | - | 5,370 |
| Prepaid expenses and other current assets | 309 | 1 | 4 | - | 314 |
| Due from affiliates | 1,091 | 10 | - | (391) | 710 |
| Total current assets | <u>6,097</u> | <u>7,722</u> | <u>107</u> | <u>(391)</u> | <u>13,535</u> |
| Assets whose use is limited | | | | | |
| Asset held in trust under indenture agreement | - | 44 | - | - | 44 |
| Property, plant, and equipment, net | 8,939 | 4,395 | 610 | - | 13,944 |
| Deferred debt issue costs, net | 26 | 38 | - | - | 64 |
| Other assets | - | - | 1 | - | 1 |
| Total assets | <u>\$ 15,062</u> | <u>\$ 12,199</u> | <u>\$ 718</u> | <u>\$ (391)</u> | <u>\$ 27,588</u> |

Northeast Behavioral Health Corporation and Affiliates
Consolidated Balance Sheet
September 30, 2013

| <i>(in thousands of dollars)</i> | Northeast Behavioral Health Corporation | CAB Health and Recovery Services, Inc. | Health and Education Housing Services, Inc. | Eliminations and Reclassifications | Consolidated Total |
|---------------------------------------|--|---|--|---|-------------------------------|
| Liabilities and Net Assets | | | | | |
| Current | | | | | |
| Accounts payable and accrued expenses | \$ 1,222 | \$ 258 | \$ 15 | \$ - | \$ 1,495 |
| Accrued payroll and payroll taxes | 4,000 | 562 | 4 | - | 4,566 |
| Due to affiliates | 946 | 386 | - | (391) | 941 |
| Current portion of long-term debt | 146 | 325 | - | - | 471 |
| Total current liabilities | <u>6,314</u> | <u>1,531</u> | <u>19</u> | <u>(391)</u> | <u>7,473</u> |
| Long-term debt, less current portion | <u>1,935</u> | <u>3,446</u> | <u>-</u> | <u>-</u> | <u>5,381</u> |
| Total long-term liabilities | <u>1,935</u> | <u>3,446</u> | <u>-</u> | <u>-</u> | <u>5,381</u> |
| Total liabilities | <u>8,249</u> | <u>4,977</u> | <u>19</u> | <u>(391)</u> | <u>12,854</u> |
| Net assets | | | | | |
| Unrestricted | 3,955 | 7,212 | 699 | - | 11,866 |
| Temporarily restricted | 2,575 | 10 | - | - | 2,585 |
| Permanently restricted | 283 | - | - | - | 283 |
| Total net assets | <u>6,813</u> | <u>7,222</u> | <u>699</u> | <u>-</u> | <u>14,734</u> |
| Total liabilities and net assets | <u>\$ 15,062</u> | <u>\$ 12,199</u> | <u>\$ 718</u> | <u>\$ (391)</u> | <u>\$ 27,588</u> |

Northeast Behavioral Health Corporation and Affiliates
Consolidated Statement of Operations
Year Ended September 30, 2013

| <i>(in thousands of dollars)</i> | Northeast Behavioral Health Corporation | CAB Health and Recovery Services, Inc. | Health and Education Housing Services, Inc. | Eliminations and Reclassifications | Consolidated Total |
|--|---|--|---|--|-----------------------|
| Unrestricted net assets | | | | | |
| Revenues | | | | | |
| Net program service fees | \$ 50,973 | \$ 18,848 | \$ - | \$ - | \$ 69,821 |
| Provision for bad debts | <u>(1,052)</u> | <u>(242)</u> | <u>-</u> | <u>-</u> | <u>(1,294)</u> |
| Net program service fees after provision for bad debts | 49,921 | 18,606 | - | - | 68,527 |
| Federal and state contracts | 32,886 | 6,425 | - | - | 39,311 |
| Grants and other | 1,818 | 235 | 101 | - | 2,154 |
| Contributions | 147 | 1,008 | - | - | 1,155 |
| Other revenue | 164 | - | - | - | 164 |
| Net assets released from restrictions used in operations | <u>144</u> | <u>15</u> | <u>-</u> | <u>-</u> | <u>159</u> |
| Total revenues | <u>85,080</u> | <u>26,289</u> | <u>101</u> | <u>-</u> | <u>111,470</u> |
| Expenses | | | | | |
| Salaries and wages | 61,127 | 12,497 | - | - | 73,624 |
| Employee benefits | 12,101 | 3,027 | - | - | 15,128 |
| Professional fees | 903 | 728 | - | - | 1,631 |
| Occupancy | 5,008 | 1,099 | - | - | 6,107 |
| Supplies and other | 2,260 | 5,815 | 89 | - | 8,164 |
| Service fees and contracts | 2,299 | - | - | - | 2,299 |
| Insurance | 1,000 | 30 | - | - | 1,030 |
| Depreciation and amortization | 921 | 533 | 23 | - | 1,477 |
| Interest | <u>223</u> | <u>12</u> | <u>-</u> | <u>-</u> | <u>235</u> |
| Total expenses | <u>85,842</u> | <u>23,741</u> | <u>112</u> | <u>-</u> | <u>109,695</u> |
| Income (loss) from operations | <u>(762)</u> | <u>2,548</u> | <u>(11)</u> | <u>-</u> | <u>1,775</u> |
| Nonoperating (losses) gains, net | | | | | |
| Interest income | 3 | 1 | - | - | 4 |
| Loss on disposal of property and equipment | <u>(511)</u> | <u>(20)</u> | <u>-</u> | <u>-</u> | <u>(531)</u> |
| Total nonoperating (losses) | <u>(508)</u> | <u>(19)</u> | <u>-</u> | <u>-</u> | <u>(527)</u> |
| Excess of revenues over expenses | (1,270) | 2,529 | (11) | - | 1,248 |
| Net asset released from restrictions used for purchase of property, plant, and equipment, net | | | | | |
| | <u>100</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100</u> |
| (Decrease) increase in unrestricted net assets | <u>\$ (1,170)</u> | <u>\$ 2,529</u> | <u>\$ (11)</u> | <u>\$ -</u> | <u>\$ 1,348</u> |